

IN THE CIRCUIT COURT OF THE SECOND  
JUDICIAL CIRCUIT IN AND FOR LEON  
COUNTY, FLORIDA

CASE NO.: 94-4009

STATE OF FLORIDA, ex. rel., the  
DEPARTMENT OF INSURANCE OF  
THE STATE OF FLORIDA,

Relator,

vs.

DEALERS INSURANCE COMPANY,  
a Florida corporation authorized  
to transact an insurance business  
in Florida,

Respondent.

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ORDER APPOINTING THE DEPARTMENT OF INSURANCE AS RECEIVER FOR  
PURPOSES OF CONSERVATION OF ASSETS, INJUNCTION, AND NOTICE OF  
AUTOMATIC STAY

This cause came on to be considered on Relator's Emergency Petition For Order Appointing The Department Of Insurance As Receiver For Purposes Of Conservation Of Assets, Injunction, And Notice Of Automatic Stay. The Court having considered the matters set forth in the petition, having heard the presentations of counsel and being otherwise fully advised in the premises, finds:

This Court finds that the Department has made a *prima facie* showing that Respondent is in such condition or is using or has been subject to such methods or practices in the conduct of its business, as to render its further transaction of insurance business presently and prospectively hazardous to its policyholders, creditors, stockholders or the public.

In view of these findings, and the Court having been fully advised in the premises, it is

**ORDERED AND ADJUDGED that:**

The Department of Insurance of the State of Florida is hereby appointed

Receiver of Dealers Insurance Company for Purposes of Conservation. The Receiver is authorized and directed to:

1. Take immediate possession of all of Respondent's property, assets, and estate; and all other property of Respondent of every kind whatsoever and wheresoever located belonging to or in the possession of Respondent or its officers, directors, employees or agents, including all offices maintained by Respondent, rights of action, books, papers, data processing records, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, and all real property of the Respondent wherever situate, and to administer such assets as is required in order to comply with the directions contained in this Order, and to hold all other assets pending further order of this Court.
2. Proceed to collect any and all assets found in the possession of third persons.
3. Proceed with any legal actions necessary to prevent the dissipation and removal of assets of Respondent.
4. Solicit the aid of law enforcement as necessary to conserve the assets of Respondent, and engage security personnel as necessary to protect the assets of Respondent.
5. Appoint one or more special agents and employ legal counsel, actuaries, accountants, clerks, consultants and assistants as it deems necessary and to fix and to pay the reasonable compensation and reasonable expenses thereof and all reasonable expenses of taking possession of the insurer, subject to approval by this Court at the time the Receiver accounts to the Court for such expenditures and compensation.
6. Reimburse employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.
7. Commence and maintain all legal actions necessary for the conduct of this proceeding.
8. Not defend legal actions wherein Respondent or the Receiver is a party defendant, commenced either prior to or subsequent to this order, without authorization of this Court.
9. Deposit funds and maintain bank accounts in accordance with § 631.221, Florida Statutes.
10. Continue its investigation of Respondent and its affiliates pursuant to §§

631.316 and 631.391, Florida Statutes (1993).

11. Apply to this Court for further instructions in the discharge of its duties.
12. Any officer, director, manager, trustee, attorney, agent, actuary, broker, employee or adjuster of Respondent and any other person who possesses or possessed any executive authority over or who exercises, or exercised, any control over any segment of Respondent's affairs shall fully cooperate with the Receiver pursuant to § 631.391, Florida Statutes.
13. All persons who have in their possession, custody or control, assets of the Respondent of any kind whatsoever and wherever situate, including but not limited to, monies, books or records, personal or real property, are directed forthwith to deliver upon demand such assets or books and records to the Receiver.
14. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located within or without this state, is vested by operation of law in the Receiver, pursuant to § 631.141(2), Florida Statutes.
15. Upon request by the Receiver, any company providing telephonic services to the Respondent shall provide a reference of calls from the number presently assigned to the Respondent to any such number designated by the Receiver or perform any other changes necessary to the conduct of the receivership.
16. Any entity furnishing water, electric, telephone, sewage, garbage or trash removal services to Respondent shall maintain such service and transfer any such accounts to the Receiver as of the date of the order of rehabilitation unless instructed to the contrary by the Receiver.
17. The United States Postal Service is directed to provide any information requested by the Receiver regarding the Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.
18. All policies of insurance or similar contracts of coverage issued by the Respondent shall remain in full force and effect until further order of this Court, except where cancelled in the normal course of business or upon the normal expiration date thereof. Any policy cancellations initiated by insureds shall be prospective only. No agent, broker or other person shall take any action to encourage or cause policyholders to initiate policy cancellations without the written consent of the Receiver.
19. Any bank, savings and loan association, other financial institution, or any other entity or person, which has on deposit or in its possession, custody or control any funds, accounts and any other assets of the Respondent shall immediately transfer

title, custody and control of all such funds, accounts or assets to the Receiver, and is hereby instructed that the Receiver has absolute control over such accounts and other assets, and that the Receiver may change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of the receivership.

20. No bank, savings and loan association, other financial institution, or any other person or entity shall exercise any form of set-off, alleged set-off, lien, or any form of self-help whatsoever or refuse to transfer any funds or assets to the Receiver's control without the permission of the Court.

21. Any officer, director, manager, trustee, agent, accountant, adjuster, employee, or independent contractor of Respondent and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent shall fully cooperate with the Department as required by § 631.391, Florida Statutes (1993), and as set out in the preceding paragraph. Upon receipt of a certified copy of this ORDER, AmSouth Bank of Florida at 65 North Orange Avenue Orlando, Florida, Southtrust Bank at 6477 103rd Street, Jacksonville, Florida and SunBank at 1300 GulfLife Drive, Jacksonville, Florida and any other financial institution, shall immediately disclose to the Department all documents (existing in any form, including, but not limited to, magnetic or electronic media) in its possession and/or control relating, in any way whatsoever, to any and all funds and/or assets and/or any and all liabilities of Respondent since the date of its incorporation on October 10, 1984. This should include but is not limited to the immediate disclosure of any contracts, agreements, hypothecations or anything else (which shall encompass any and all documents whatsoever of any nature or kind that relate or pertain or are in any way related, whether directly or indirectly, including but in no way limited to any and all correspondence, corporate resolutions, memoranda, electronic mail, electronic or magnetic media or any other item whatsoever related thereto) to which Respondent has ever been a named party, with whom Respondent has been connected or by which Respondent has been or may be affected in any manner and the immediate disclosure of any and all loans, financial accommodations, indebtedness, liabilities and obligations (primary, secondary, direct, contingent, sole, joint, or several) made or granted to M. L. Vaughan, and/or Niccolette G. Vaughan, a.k.a. Emily Niccolette Vaughan, or those of any other person or entity in their corporate, individual or in any other capacity whatsoever, that at present encumber, have ever encumbered or may encumber any assets of Dealers Insurance Company, including but not limited to, the loans and obligations referenced by any hypothecation agreement executed in the name of or affecting Dealers Insurance Company and any satisfaction or release of such encumbrance. Such disclosure shall include, but not be limited to, any and all documents whatsoever of any nature or kind that relate or pertain or are in any way related, whether directly or indirectly, including but in no way limited to any and all correspondence, corporate resolutions, memoranda, electronic mail, electronic or

magnetic media or any other item whatsoever related thereto. In addition, such banks shall disclose any and all information relating to any funds held in trust to collateralize any reinsurance recoverable that presently exists or has ever existed from Delphi International Insurance Company or any other reinsurer. For purposes of this paragraph, assets shall be defined, but not be limited to, all assets as defined by § 625.012, Florida Statutes (1993), which now exist or have ever existed. For purposes of this paragraph, liabilities shall be defined, but not be limited to, all loans, financial accommodations, indebtedness, liabilities and obligations (primary, secondary, direct, contingent, sole, joint, or several) whether due or to become due and whether now, heretofore or hereafter contracted or existing.

### INJUNCTION

22. Pursuant to §§ 631.041(3) and (4), Florida Statutes (1993), all persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to Respondent, its officers, directors, trustees, agents, employees, subsidiaries, affiliates and affiliated persons, including, but not limited to, the Reinecke Agency d/b/a Dealers Association Plan, Dealers Underwriting Services, Inc., M & N Management, Inc., Vaughan Enterprises, and Delphi International Insurance Company, and all other persons or entities within the jurisdiction of this Court, are enjoined and restrained: from the further transaction of the insurance business of Respondent without the written permission of the Receiver; from doing, through acts of commission or omission, or permitting to be done any action which might waste or otherwise dispose of the books, records and assets of, or directly or indirectly relating to, the Respondent; from denying the Receiver access to the books, records, and assets of, or directly or indirectly relating to, the Respondent; from in any manner interfering with the Receiver or the conduct of these proceedings; including, but not limited to, failure to cooperate in any investigation that may be conducted by the Receiver pursuant to § 631.391, Florida Statutes; from the removal, concealment or other disposition of the property, books, records, and accounts of, or directly or indirectly relating to, the Respondent; from the commencement or prosecution of any actions, service of process, or subpoena against the Respondent, the Receiver, or the agents or employees of the Receiver in their representative capacities, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and from the making of any levy or execution against Respondent or its property or assets.

### NOTICE OF AUTOMATIC STAY

23. Notice is hereby given that the automatic stay and injunctions contained in the order to show cause remain in full force and effect. Pursuant to § 631.041(1), Florida Statutes, the filing of the Department's petition for consent order herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of this order, and which prohibits:

(A). The commencement or continuation of judicial, administrative or other

action or proceeding against the insurer or against its assets or any part thereof;

(B). The enforcement of judgment against the insurer or an affiliate obtained either before or after the commencement of the delinquency proceeding;

(C). Any act to obtain possession of property of the insurer;

(D). Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in § 631.011(15), Florida Statutes;

(E). Any action to collect, assess, or recover a claim against the insurer, except claims as provided for under Chapter 631;

(F). the set-off or offset of any debt owing to the insurer except offsets as provided in § 631.281, Florida Statutes.

24. This Court retains jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

25. Reasonable compensation for the officers and employees of Respondent, together with reasonable fees for attorneys, accountants, actuaries and/or other appropriate professionals, for Respondent are specifically authorized to be paid by the Respondent and/or the Department as Conservator out of Respondent's funds during the period of this order. The Receiver shall review suitable documentation to assure the Court as to the propriety of the services rendered and as to the amount to be paid. Any disputes as to the sums to be paid shall be presented to this Court for resolution.

26. The attached agreement is incorporated into and made a part of this order.

DATED this 12<sup>th</sup> day of September, 1994.



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F. E. STEINMEYER, III  
CIRCUIT JUDGE

STATE OF FLORIDA, COUNTY OF LEON

I HEREBY CERTIFY that the above and foregoing is a true and correct copy of an instrument recorded in the official records of Leon County, Florida.

WITNESS my hand and seal of office this 12 day of Sept, 1994.

DAVE LANG  
Clerk of Circuit Court

by William A. Adillon

Agreement

This is an agreement between M.L. Vaughn, and all businesses related to or sharing space with Dealers Insurance Company at 2740 West Washington Street, and the Department of Insurance as receiver of Dealers Insurance Company for purposes of conservation.

Businesses operating from the premises:

Dealers Insurance Co  
Dealers Underwriting Services  
Dealers Association Plan  
M & N Auto Mart  
Intel Corp

For purposes of this agreement, "receiver" means an employee of the Department of Insurance as receiver. The receiver's representative who should be contacted first is the lawyer or accountant on site.

During the conservation, the parties agree:

1. The businesses will all be allowed to operate between the hours of 8 a.m. to 5 p.m.. If anyone needs occasional access to the building during other hours, they will be allowed access if notice is given to the receiver 24 hours in advance. Sometimes, the receiver's employees may work after these hours. In this event, keys will be furnished to the accountant or lawyer for the receiver, and the accountant or lawyer for the receiver will lock the offices of M.L. Vaughn, Nikki Vaughn, Kelly Elixon, Glenna Bryan, and Clarence Julian.
2. No documents will leave the building without the receiver's approval. Original or file copies of Dealers Insurance Company documents may not leave the premises. Original documents of other companies may be removed with the receiver's knowledge so long as a copy is retained on the premises.
3. The receiver will make its best effort not to unduly disrupt the unrelated businesses on the premises.
4. The receiver's employees will be entitled to access and copies of any documents on the premises, and Mr. Vaughn or his representatives are entitled to access and copies of any documents on the premises except that neither party is entitled to work product of attorneys or professionals preparing for

litigation between the parties except as otherwise available under the Florida Rules of Civil Procedure. In case of any dispute regarding what qualifies as work product, the dispute will be submitted as quickly as possible to Judge Steinmeyer.

5. The receiver will make a back-up copy of all computer or electronic records on the premises except those records which can be identified as <sup>to the receiver</sup> not being related to Dealers Insurance Company business. Upon request, a copy of the back-up will be provided to Mr. Vaughn.

If additional issues arise, the parties may amend this agreement as needed.

Agreed and Accepted:



M.L. Vaughn representing himself individually, and all businesses on premises except that he does not represent Intel



Belinda H. Miller  
For the Receiver