

Insurance of the State of Illinois alleges that sufficient cause exists under Section 188 of the Code, 215 ILCS 5/188, for the entry of an order of rehabilitation and/or liquidation against the Defendants, Midland and Student Plans, including, without limitation, the following facts and circumstances:

- (i) That the Defendants, Midland and Student Plans, are in such condition that their further transaction of business would be hazardous to their policyholders, or to their creditors, or to the public; and
- (ii) That the Defendants, Midland and Student Plans, have violated and are violating the laws of this State or have exceeded or are exceeding their corporate powers;

2. That, in light of the foregoing facts and circumstances, sufficient cause exists for the entry of an order of conservation, rehabilitation and/or liquidation against the Defendants, Midland and Student Plans, and that it is in the best interests of Midland's and Student Plans' policyholders and creditors, and of the general public, that an *ex parte* Order of Conservation be entered against the Defendants, Midland and Student Plans, in accordance with the provisions of Article XIII of the Code, 215 ILCS 5/187, *et seq.*

IT IS ORDERED:

A. Sufficient cause exists for the entry of an order of conservation, rehabilitation and/or liquidation of the Defendants, Midland and Student Plans, and, therefore, an order of conservation is hereby entered as to and against Midland and Student Plans; and,

B. Michael T. McRaith, Director of Insurance of the State of Illinois, and his successors in office, is appointed as Conservator of the Defendants, Midland and Student Plans, and the Director, as Conservator, shall immediately take possession and control of the property, books, records, accounts, business and affairs, and all other assets of the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth, and of the premises currently occupied, or hereafter occupied, by Midland and Student Plans for the transaction of their business, pursuant to the provisions of Article XIII of the Code, 215 ILCS 5/187, *et seq.*, and to conserve the same for the benefit of the policyholders and creditors of Midland and Student Plans, and of the public; and, further, the Director shall take such actions as the nature of the cause and the interests of Midland and Student Plans, their policyholders and creditors, or the public, may require, subject to the further orders of the Court; and,

C. The Defendants, Midland and Student Plans, and their present and former officers, directors, trustees, agents, servants, representatives, employees and any direct and indirect parents, subsidiaries and affiliated companies and divisions, including American Youth, and all other persons and entities, shall give immediate possession and control to the Director of all property, business, books, records, accounts, and all other assets of the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth, and of any and all premises occupied by Midland and Student Plans for the transaction of their business; and,

D. All agents, accountants, auditors, actuaries and attorneys of the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth, shall deliver to the Director, upon request, copies of all documents in their possession or under their control concerning or relating to the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth, and shall provide the Director with such information as he may require concerning any and all business and/or professional relationships between them and the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of Midland or Student Plans, and their affiliated companies and divisions, including American Youth, or their officers, directors, agents, servants, representatives and/or employees, or which Midland and Student Plans, and their affiliated companies and divisions, including American Youth, are, or may be, entitled to as the result of their relationship with such agents, accountants, auditors, actuaries and/or attorneys; and,

E. The Defendants, Midland and Student Plans, and their officers, directors, agents, servants, representatives and employees, and their affiliated companies and divisions, including American Youth, and all other persons and entities having knowledge of the order prayed for herein, are restrained and enjoined from transacting any business of Midland and/or Student Plans, and their affiliated companies and divisions, including American Youth, or dealing with, or disposing of, any of Midland's or Student Plans', and their affiliated companies' and divisions', including American Youth's, property or assets, whether real, personal or mixed, without the express written consent of the Director or until further order of the Court; or doing or permitting to be done any action which might waste or conceal the property or assets of Midland and Student Plans, or their affiliated companies and divisions, including American Youth; and,

F. Any and all banks, brokerage houses, financial institutions, investment advisors and any and all other companies, persons or entities having knowledge of the order prayed for herein, having in their possession accounts and any other assets which are, or may be, the property of Midland and Student Plans, and their affiliated companies and divisions, including American Youth, are restrained and enjoined from disbursing or disposing of said accounts and assets, without the express written consent of the Director; and, further, the aforesaid companies, persons and entities are restrained and enjoined from disposing of, or destroying, any records pertaining to any business transaction between Midland and/or Student Plans, and their affiliated companies and divisions, including American Youth, and such banks, brokerage houses, financial institutions, investment advisors, companies, persons or entities having done business, or doing business, with Midland and/or Student Plans, or their affiliated companies and divisions, including American Youth; and that each such company, person or entity shall immediately turn over and deliver possession and control of any and all such accounts, assets and/or records to the Director; and,

G. All agents and brokers of Midland and Student Plans, and their affiliated companies and divisions, including American Youth, and their respective agents, servants, representatives and employees, and all other persons and entities having knowledge of the order prayed for herein, are restrained and enjoined from returning any premium, earned or unearned, or any other money in their possession, or under their control, collected in connection with policies, contracts, bonds, certificates of insurance, previously issued, or to be issued, by Midland and/or Student Plans, or their affiliated companies and divisions, including American Youth, to policyholders or others; and said agents and brokers, and their respective agents, servants, representatives and employees, and all other persons and entities, shall immediately turn over all such funds in their possession or under their control, or to which they may hereafter acquire possession or control, to the Director in gross and not net of any commissions which may be due thereon, subject to the provisions of 215 ILCS 5/206; and,

H. The officers, directors, agents, servants, representatives and employees of the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth, and all other persons, companies and entities having knowledge of the order prayed for herein, are restrained and enjoined from: (i) bringing, asserting or further prosecuting any claim, action or proceeding, at law or in equity or otherwise, whether in this State or elsewhere, against Midland and/or Student Plans, or their affiliated companies and divisions, including American Youth, or their property or assets, or against the Director as their Conservator, except insofar as those claims, actions or proceedings arise in or are brought in the

conservation proceedings prayed for herein; (ii) obtaining, asserting or enforcing preferences, judgments, attachments, or other like liens or encumbrances, including common law retaining liens, or the making of any levy against Midland and/or Student Plans, and their affiliated companies and divisions, including American Youth, or their property or assets while in the possession and control of the Director; (iii) interfering, in any way, with the Director's conduct of the conservation of Midland and Student Plans; and (iv) interfering, in any way, with the Director in his possession and control of the property, business, books, records, accounts, premises and all other assets of Midland and Student Plans, and their affiliated companies and divisions, including American Youth, until further order of the Court; and,

I. A moratorium is hereby issued and established enjoining and prohibiting the Defendants, Midland and Student Plans, and their directors, officers, agents, servants, representatives, employees, parent and affiliated companies and divisions, including American Youth, and all other persons and entities, from paying any claims, loss adjustment expenses or other contractual obligations incurred by the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth, the result of Midland and Student Plans, and their affiliated companies and divisions, including American Youth, having issued contracts, policies, bonds or certificates of insurance, except as expressly authorized by the Director, until further order of the Court; and

J. A moratorium is hereby issued and established enjoining and prohibiting the Defendants, Midland and Student Plans, and their directors, officers, agents, servants, representatives, employees, parent and affiliated companies and divisions, including American Youth, and all other persons and entities, from paying any contractual obligations of Midland and Student Plans, and their affiliated companies and divisions, including American Youth, owing to their creditors and/or vendors, or their respective assignees, or any other persons, except insofar that such payments are necessary in the administration of the conservation of Midland and Student Plans, as contemplated by 215 ILCS 5/202, and as authorized by the Director, until further order of the Court; and,

K. Any and all persons, companies and entities are hereby restrained and enjoined from construing the order prayed for herein as an anticipatory breach of any contract heretofore entered into with the Defendants, Midland and Student Plans, and their affiliated companies and divisions, including American Youth; and,

L. The Director, as Conservator, shall ascertain the condition of the Defendants, Midland and Student Plans, while he is in possession and control of the property, books, records, accounts, assets, premises, business and affairs of Midland and Student Plans, and their affiliated companies and divisions, including American Youth, and to make periodic reports to the Court as to the nature and condition of the Defendants, Midland and Student Plans, while in conservation; and further, the Director shall file with this Court, for its consideration, reports relating to the administration of the conservation of Midland and Student Plans, in accordance with Section 202 of the Code, 215 ILCS 5/202; and,

M. The Director, as Conservator, is authorized to pay from the assets of the Defendants, Midland and Student Plans, those expenses incurred during the course of the conservation of Midland and Student Plans, including but not limited to, attorneys' fees, accounting fees and consulting fees as administrative expenses, pursuant to and in a manner consistent with the provisions of Section 202 of the Code, *supra.*; and,

N. All costs of these proceedings shall be taxed and assessed against the Defendants, Midland and Student Plans; and,

O. The caption in this cause and all pleadings filed in this matter shall hereafter read:

**“IN THE MATTER OF THE CONSERVATION
OF MIDLAND INSURANCE GROUP, INC.
AND STUDENT PLANS, INC.”**

P. The Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as the nature of the cause, and the interests of the Defendants, Midland and Student Plans, their policyholders, creditors and stockholders, or of the public, may require; and/or as the Court may deem proper in the premises.

ENTERED:

JUDGE DAVID R. DONNERSBERGER

JUL - 1 2005

Judge Presiding
Circuit Court # 1541

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