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6  
7 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
8 **FOR THE COUNTY OF LOS ANGELES**  
9

10 DAVE JONES, Insurance Commissioner of  
the State of California,

11 Applicant,

12 vs.

13 MISSION INSURANCE COMPANY, a  
14 California corporation,

15 Respondent.

16 \_\_\_\_\_  
Consolidated with Case Numbers

17 C 576 324; C 576 416;  
18 C 576 323; C 576 325; C 629709  
19 \_\_\_\_\_

) Case No. C 572 724

) Honorable John Shepard Wiley Jr.

) **THE INSURANCE COMMISSIONER'S**  
) **STATUS CONFERENCE REPORT**  
) **AND UPDATED CLOSING PLAN**

) Date: May 6, 2011

) Time: 8:30 a.m.

) Department 50

) Action Filed: October 31, 1985

1 Dave Jones, Insurance Commissioner of the State of California, in his capacity as  
2 Trustee of the Mission Insurance Company Trust, the Mission National Insurance  
3 Company Trust and the Enterprise Insurance Company Trust ("Insurance  
4 Commissioner"), hereby submits this Status Report and advises the Court as follows:  
5

6 **I. Developments in the Case**

7 The Insurance Commissioner was notified of the following development by  
8 Covanta Holding Corporation. This quotation is from a securities filing made by Covanta:  
9

10 "Our net operating loss carryforwards ("NOLs"), which offset our consolidated  
11 taxable income, will expire in various amounts, if not used, between 2011 and 2028. The  
12 Internal Revenue Service ("IRS") has not audited any of our tax returns for any of the  
13 years during the carryforward period including those returns for the years in which the  
14 losses giving rise to the NOLs were reported. On November 10, 2010, we received a  
15 letter from the IRS indicating that the IRS has selected for examination our tax returns for  
16 the tax years 2004 to 2008. We cannot assure you that we would prevail if the IRS were  
17 to challenge the availability of the NOLs. If the IRS were successful in challenging our  
18 NOLs, it is possible that some portion of the NOLs would not be available to offset our  
19 future consolidated taxable income".

20 The issue of taxation is addressed in the Amendment to Agreement Regarding Closing  
21 which the Insurance Commissioner as Trustee entered into with Covanta, with this Court's  
22 approval, as of December 1, 2005. This agreement provides in pertinent part at Page 6, paragraph  
23 8 that:

24 "Parent shall indemnify and hold harmless the Trusts and the Trustee from any  
25 claims, demands, losses, liabilities, attorneys' fees, costs, incidental damages, actual  
26 damages or consequential damages imposed on the Trustee or the Trusts for Income  
27 Taxes the Trusts may be required to pay that are attributable to net income reportable in  
28 the Consolidated Return for taxable years beginning with the taxable year ending on  
December 31, 2004".

Covanta therefore is responsible to indemnify the Trusts for any tax matters relating to  
tax years 2004-2008, the years in issue in the IRS review.

The Mission estates are currently grantor trusts of subsidiaries of Covanta Holding  
Corporation ("Covanta"). As a result, the income or loss allocable to the Mission estates is  
included in the consolidated federal income tax return filed by Covanta. Under the Tax Sharing

1 Agreement between the Mission estates and Covanta, Covanta is liable to pay for all federal  
2 income taxes allocable to the estates for taxable years beginning in 2004.

3           Nevertheless, under 31 U.S.C. 3713(a)(1)(A), a claim of the United States Government  
4 shall be paid first when a taxpayer indebted to the government is insolvent and either (i) the  
5 debtor makes a voluntary assignment of property to some other party without retaining enough  
6 property to pay all debts or (ii) an act of bankruptcy is committed. Under 31 U.S.C. 3713(b), a  
7 representative of an insolvent taxpayer paying any part of a debt of a person or estate before  
8 paying a claim of the government is liable to the extent of the payment for unpaid claims of the  
9 Government. The Insurance Commissioner lacks notice of any claims, tax or otherwise, which  
10 could give rise to federal claims. The Insurance Commissioner believes that Covanta will be  
11 required to meet, and will meet, any unexpected contingencies associated with Covanta's  
12 primary obligation for taxes due. However, as a matter of conservatism, the Insurance  
13 Commissioner has maintained assets in reserve. Consequently, the Mission Insurance Company  
14 Trust and Mission National Insurance Company Trust are currently retaining assets on account  
15 of the possibility that additional federal income taxes will be owed by the estates. In general, the  
16 statute of limitations on assessment closes three years after the tax return was filed (whether or  
17 not such return was filed on the date prescribed by law). Internal Revenue Code Section 6501.  
18 Corporate returns generally can be filed no later than September 15<sup>th</sup> for the previous taxable  
19 year for a corporate taxpayer maintaining its tax records on the basis of a calendar year (which is  
20 the case for the parties involved). In general, tax returns must be filed, despite the liquidation  
21 process, for all years ending with the taxable year in which the final distribution is made.  
22 Internal Revenue Code Section 6012.

23           IRS' selection of the 2004 through 2008 returns for review may affect the timing of  
24 closing. The Trustee will await information from Covanta as to the status of the review prior to  
25 making a further recommendation about distributions.  
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3 **II. The Remaining Wind-up Tasks: Collection of the Sums due to the Trusts and**  
4 **Distribution of the Sums Collected to the Claimants**

5 The case is in final wind-up pursuant to a closing order. This report will update status on  
6 what will be required, when it will be required, and how it will be accomplished to complete the  
7 winding-up.

8 **A. The Collection of Sums due to the Trusts**

9 In this case, substantial litigation to collect assets for the trusts has been completed. The  
10 Trusts now are owed sums by a number of insolvent entities, which are themselves subject to  
11 various proceedings throughout the world.

12 **1. Holland-America Insurance Company Trust Claim**

13 This Missouri company is one of the affiliates of the Mission Insurance companies, and is in  
14 Receivership proceedings in Missouri. Mission Insurance Company Trust has a substantial  
15 approved claim in the Missouri receivership proceeding. A substantial interim payment was  
16 received thus far in 2010, but further payments are anticipated, assuming everything occurs as  
17 projected.

18 **Reinsurance Debtors Owe Sums to Mission Insurance Company Trust**

19 The Mission Insurance Company Trust is owed money by insurers in rehabilitation or  
20 liquidation. This report will provide an update on the status of these collections.

21 **Report on the Situation with Centaur Insurance Company**

22 Mission Insurance Company Trust holds an approved claim against Centaur Insurance  
23 Company, an Illinois insurance company in rehabilitation. The amount of the proof of claim  
24 approved is \$ 48,000,000 on behalf of the Mission Trusts:  
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1 The following historical data about Centaur Insurance Company is taken from the Illinois  
2 Office of the Special Deputy Receiver's website, [www.osdchi.com](http://www.osdchi.com):

3 "Historical Data:

4 Centaur Insurance Company, an Illinois domestic property and casualty insurance  
5 company, consented to an Agreed Order of Rehabilitation issued by the Circuit Court of Cook  
6 County, Illinois on September 4, 1987. The Rehabilitator's Second Revised Plan of  
7 Rehabilitation was entered and approved by the Supervisory Court on December 8, 2000.  
8 Centaur wrote general liability, as well as general property and casualty lines of business on a  
9 primary or excess basis. In addition, Centaur wrote assumed reinsurance. Centaur was licensed in  
10 D.C. and all states except AZ, CT, HI, KS, NH, SD, VT and WY, in which it wrote on a surplus  
11 line or non-admitted basis.

12 The Rehabilitator has paid \$116,294,637 in direct claims and related loss adjustment expenses  
13 since the inception of the receivership proceedings.

14 On August 16, 1999, the Supervisory Court approved a plan for the Rehabilitator to pursue  
15 policy buy-backs with insureds. The plan has been completed; agreement was reached with 20  
16 insureds for total settlements of \$12,076,099. This resulted in a reduction in case reserves to  
17 Centaur of \$20,102,432.

18 The Rehabilitator has engaged in negotiations with Centaur's reinsurers and reinsureds,  
19 both domestic and international, resulting in numerous commutations which were approved by  
20 the Supervisory Court. On November 13, 2006, the Supervisory Court entered an order  
21 approving a one hundred percent (100%) first dividend on all claims allowed and approved by  
22 the Supervisory Court for distribution at statutory priority level 215 ILCS 5/205(1)(e). The  
23 Supervisory Court further authorized the Rehabilitator to make distributions of estate assets  
24 necessary to effectuate the first dividend on allowed and court approved claims. The Supervisory  
25 Court's approved dividend and distribution of estate assets applies to claims which have, to date,  
26 been allowed and approved in the rehabilitation proceedings as well as to claims which may in  
27 the future be allowed and approved at statutory levels 215 ILCS 5/205(1)(d) and 215 ILCS  
28

1 5/205(1)(e)".

2 This report indicates that Centaur Insurance Company has paid 100 percent of its  
3 policyholder-level claims thus far. The Third Quarter 2010 Rehabilitator's Statement of Changes  
4 in Cash and Invested Assets for the period of July 1, 2010 through September 30, 2010 reflect the  
5 following assets in the hands of the Centaur rehabilitation:

6 "Total unencumbered cash and assets: At book value: \$ 80,275,271 at market value:  
7 \$ 80,883,497". Centaur's financial statement for year-end 2009 reflects the following text in

8 Note F LITIGATION/SETTLEMENTS:

9 "*2. Federal Priority Issues*

10 The United States government has previously asserted that insurance companies may be  
11 directly liable to the U.S. government where it has incurred a loss. The U.S. government has  
12 asserted that its right to distribution of the estate's assets in these situations is superior to that  
13 of other creditors, although that position was rejected, in part, by the United States Supreme  
14 Court in the case Department of Treasury v. Fabe, decided in June 1993. The United States  
15 Government or any of its agencies may be eligible for a claim distribution on an allowed  
16 claim under the statutory asset distribution schedule, 215 ILCS 5/205(1).

17 The amount of the liability, if any, cannot be determined at this time.

18 The Receiver is reviewing federal priority claims and has undertaken discussions with the  
19 U.S. Department of Justice, or will at the appropriate time".  
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21  
22 The Trustee is unaware of any progress on this federal issue at Centaur since this report, and is  
23 advised by Centaur that this issue remains outstanding.  
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1 Another reinsurer, Universal Ruckversicherungs, is a foreign insolvency in its final  
2 stages, is expected to make a dividend in the future, but its timing is uncertain. Future  
3 reinsurance collections could exceed ten million dollars, including a possible further collection  
4 from Holland-America Insurance Company Trust.

5 **B. The Timing Issues Posed by the Tax Concerns**

6 The Insurance Commissioner projected that the most substantial portion of these assets  
7 will be released by the estates and distributed to creditors no later than year-end 2011, and that  
8 most of the remaining amounts will be distributed in 2012 through 2014. As of year-end 2014,  
9 the statute of limitations on assessment for federal income taxes will remain open for 2011 and  
10 later taxable years. Some assets will still need to be available in the event there is additional tax  
11 liability until the statute of limitations for 2014 has expired, but the Insurance Commissioner  
12 believes he can develop a solution whereby the assets in question can be held, so as not to  
13 prevent the estates from being closed as of year-end 2014, and hopefully even earlier.

14 Therefore, it is anticipated that the Mission and Mission National estates can be closed by  
15 year-end 2014, although as described above, it may be necessary to retain a minimal amount of  
16 assets in the unlikely event that there is additional federal income tax liability until all of the  
17 taxable years are closed for purposes of assessment by the Internal Revenue Service.

18 One unknown contingency is whether the IRS review of Covanta's tax returns for the  
19 years 2004 through 2008 may render advisable a further delay in the disbursement of reserves.  
20 The Trustee will report on this contingency as the timing of matters related to the review become  
21 more certain. This review could delay the next projected distribution.  
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1 **III. Insurance Commissioner's Time Line for Wind-up**

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3 3. April 22, 2009 [re-set from March 31, 2009 to permit expanded notice of a motion]

4 Motion to approve an Enterprise distribution—Enterprise Insurance Company Trust has paid all  
5 of the principal amount of its policyholder claims.

6 4. June 30, 2009: Actual distribution to the Enterprise creditors set forth in the April  
7 motion.

8  
9 4. October 31, 2009—Approval will be sought to distribute all sums collected in 2009  
10 above tax and closing reserves: completed.

11 5. October 31, 2010: Approval will be sought to distribute all sums collected in 2009  
12 above tax and closing reserves: completed.

13  
14 6. October 31, 2011: Approval of the Court to distribute the vast majority of the  
15 remaining assets of the trusts shall be sought, as the tax contingencies will in the main have  
16 expired. The tax review by the Internal Revenue Service may affect the timing of the projected  
17 distribution late this year. The Commissioner will report to the Court later this year on the timing  
18 of the IRS matters.

19  
20 7. Final reserve distribution: Assuming that no tax or other unforeseen issues arise, a  
21 small sum will be required to be reserved for potential tax issues as to which the statute of  
22 limitations has not yet expired. This is projected to be a small fraction of the funds now being  
23 held, and current projections are that this small fraction will be distributed either to claimants or  
24 to a trust for the benefit of claimants by 2014.  
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**IV. Financial Status of the Trusts**

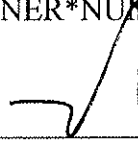
Attached as Exhibit "A" is a statement of assets and liabilities for the Trusts. The Trustee continues to hold a substantial sum of money in reserve for unknown and unexpected contingencies.

**Conclusion:**

The wind-up of this case is continuing on track, with the new factor of an IRS review of the Covanta tax situation. The Court is requested to set a November 2011 status conference.

Respectfully submitted,

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**Mission Ins Co**

## STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2010

|  | (Opening Balance)      |                      | Change                 |
|--|------------------------|----------------------|------------------------|
|  | Jan 1<br>1998          | Dec 31<br>2010       |                        |
| <b>ASSETS</b>  |                        |                      |                        |
| Cash and cash equivalents:   |                        |                      |                        |
| Unrestricted   | 217,610                | -                    | (217,610)              |
| Restricted   | 16,455,223             | 580,856              | (15,874,367)           |
| Participation in pooled investments, at market                                 | 480,851,923            | 101,347,478          | (379,504,445)          |
| Accrued investment income  | -                      | 544,869              | 544,869                |
| Statutory deposits held by other states  | 16,677,901             | -                    | (16,677,901)           |
| Recoverable from reinsurers  | 63,758,552             | 21,586,435           | (42,172,117)           |
| Receivable from affiliates, net of allowances                                  | 91,265,656             | 24,027,176           | (67,238,480)           |
| Deposits and other assets  | 256,437                | -                    | (256,437)              |
| <b>Total Assets</b>  | <b>669,483,302</b>     | <b>148,086,813</b>   | <b>(521,396,489)</b>   |
| <b>LIABILITIES</b>   |                        |                      |                        |
| Unclaimed Funds and Other Secured Claims                                       | -                      | 1,788,875            | 1,788,875              |
| Reserve for Federal Income Tax Liability                                       | -                      | 77,581,972           | 77,581,972             |
| Claims against policies, including guaranty associations, before distributions | 784,277,837            | 846,832,561          | 62,554,724             |
| Policyholder distributions   | -                      | (846,832,560)        | (846,832,560)          |
| California and Federal claims having preference                                | -                      | -                    | -                      |
| All other claims   | 1,024,261,559          | 198,438,478          | (825,823,081)          |
| <b>Total Liabilities</b>   | <b>1,808,539,396</b>   | <b>277,809,326</b>   | <b>(1,530,730,070)</b> |
| <b>NET ASSETS (DEFICIENCY)</b>   | <b>(1,139,056,094)</b> | <b>(129,722,512)</b> | <b>1,009,333,582</b>   |

**Mission Ins Co****STATEMENT OF CHANGES TO NET ASSETS**

As of December 31, 2010

|                                       | 1998 to 2008                | 2009                       | Dec 30 ytd<br>2010       | Jan 1998<br>to Dec 2010     |
|---------------------------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|
| <b>Income</b>                         |                             |                            |                          |                             |
| Reinsurance Recoveries                | 17,019,505                  | -                          | -                        | <b>17,019,505</b>           |
| Litigation Recoveries                 | 2,633,791                   | -                          | -                        | <b>2,633,791</b>            |
| Premiums and Other Collections        | 1,693,824                   | 233,245                    | 5,809,645                | <b>7,736,713</b>            |
| Salvage/Subrogation Recoveries        | 773,701                     | -                          | -                        | <b>773,701</b>              |
| Net Investment Income                 | 232,034,833                 | 5,965,978                  | 4,254,319                | <b>242,255,131</b>          |
|                                       | <u>254,155,654</u>          | <u>6,199,223</u>           | <u>10,063,964</u>        | <u><b>270,418,841</b></u>   |
| <b>Operating Expenses</b>             |                             |                            |                          |                             |
| Legal and Professional                | 8,671,297                   | 98,673                     | 83,734                   | <b>8,853,704</b>            |
| General and Administrative            | 13,418,990                  | 216,843                    | 222,022                  | <b>13,857,855</b>           |
| Allocated Expenses                    | 6,875,120                   | 424,279                    | 394,329                  | <b>7,693,728</b>            |
| Loss (Gain) on Disposition of Assets  | (2,975,024)                 | -                          | -                        | <b>(2,975,024)</b>          |
|                                       | <u>25,990,383</u>           | <u>739,795</u>             | <u>700,085</u>           | <u><b>27,430,263</b></u>    |
| <b>Losses and Other Expenses</b>      |                             |                            |                          |                             |
| Incurred Losses and Claims Expense    | 52,514,422                  | 25,067,674                 | (1,202,786)              | <b>76,379,310</b>           |
| Court-ordered Debt Forgiveness        | (915,746,819)               | -                          | -                        | <b>(915,746,819)</b>        |
| Provision for Federal Income Taxes    | 78,933,754                  | -                          | -                        | <b>78,933,754</b>           |
|                                       | <u>(784,298,643)</u>        | <u>25,067,674</u>          | <u>(1,202,786)</u>       | <u><b>(760,433,755)</b></u> |
| <b>NET INCOME (LOSS)</b>              | <u><b>1,012,463,914</b></u> | <u><b>(19,608,246)</b></u> | <u><b>10,566,665</b></u> | <u><b>1,003,422,333</b></u> |
| Adjustments to assets and liabilities | 5,557,627                   | (2,119)                    | 355,740                  | <b>5,911,248</b>            |
| <b>Changes to Net Assets</b>          | <u><b>1,018,021,541</b></u> | <u><b>(19,610,365)</b></u> | <u><b>10,922,405</b></u> | <u><b>1,009,333,581</b></u> |

**Mission National Ins Co****STATEMENT OF ASSETS AND LIABILITIES**

As of December 31, 2010

|  | (Opening Balance)    |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | Jan 1                | Dec 31               |                      |
|  | 1998                 | 2010                 | Change               |
| <b>ASSETS</b>  |                      |                      |                      |
| Cash and cash equivalents:   |                      |                      |                      |
| Unrestricted   | 102,520              | -                    | (102,520)            |
| Participation in pooled investments, at market                                 | 232,119,932          | 22,345,278           | (209,774,654)        |
| Accrued investment income  | -                    | 112,753              | 112,753              |
| Statutory deposits held by other states  | 1,947,958            | -                    | (1,947,958)          |
| Recoverable from reinsurers  | 13,739,903           | 5,119,864            | (8,620,039)          |
| Receivable from affiliates, net of allowances                                  | (23,054,953)         | -                    | 23,054,953           |
| Other receivable   | -                    | 90,643               | 90,643               |
| <b>Total Assets</b>  | <b>224,855,360</b>   | <b>27,668,538</b>    | <b>(197,186,822)</b> |
| <b>LIABILITIES</b>   |                      |                      |                      |
| Unclaimed Funds and Other Secured Claims                                       | -                    | 1,886,786            | 1,886,786            |
| Reserve for Federal Income Tax Liability                                       | -                    | 15,866,997           | 15,866,997           |
| Claims against policies, including guaranty associations, before distributions | 354,972,480          | 596,098,477          | 241,125,997          |
| Policyholder distributions   | -                    | (499,851,864)        | (499,851,864)        |
| All other claims   | 14,177,008           | 16,838,096           | 2,661,088            |
| <b>Total Liabilities</b>   | <b>369,149,488</b>   | <b>130,838,491</b>   | <b>(238,310,997)</b> |
| <b>NET ASSETS (DEFICIENCY)</b>   | <b>(144,294,128)</b> | <b>(103,169,953)</b> | <b>41,124,175</b>    |

**Mission National Ins Co**

## STATEMENT OF CHANGES TO NET ASSETS

As of December 31, 2010

|                                       | 1998 to 2008       | 2009             | Dec 30 ytd<br>2010 | Jan 1998<br>to Dec 2010 |
|---------------------------------------|--------------------|------------------|--------------------|-------------------------|
| <b>Income</b>                         |                    |                  |                    |                         |
| Reinsurance Recoveries                | (2,348,254)        | -                | -                  | (2,348,254)             |
| Litigation Recoveries                 | 943,000            | -                | -                  | 943,000                 |
| Premium and Other Collections         | 148,324            | 57,184           | 1                  | 205,509                 |
| Salvage/Subrogation Recoveries        | 236,868            | -                | -                  | 236,868                 |
| Net Investment Income                 | 109,756,297        | 1,251,135        | 679,202            | 111,686,634             |
|                                       | <u>108,736,235</u> | <u>1,308,320</u> | <u>679,203</u>     | <u>110,723,758</u>      |
| <b>Operating Expenses</b>             |                    |                  |                    |                         |
| Legal and Professional                | 1,333,168          | 36,617           | 18,333             | 1,388,119               |
| General and Administrative            | 118,411            | 3,759            | 825                | 122,996                 |
| Allocated Expenses                    | 5,717,097          | 121,856          | 84,496             | 5,923,448               |
| Loss (Gain) on Disposition of Assets  | (7,868,879)        | -                | -                  | (7,868,879)             |
|                                       | <u>(700,203)</u>   | <u>162,232</u>   | <u>103,654</u>     | <u>(434,316)</u>        |
| <b>Losses and Other Expenses</b>      |                    |                  |                    |                         |
| Incurred Losses and Claims Expense    | 131,125,699        | (678,723)        | -                  | 130,446,976             |
| Court-ordered Debt Forgiveness        | (75,397,352)       | -                | -                  | (75,397,352)            |
| Provision for Federal Income Taxes    | 17,442,781         | -                | -                  | 17,442,781              |
|                                       | <u>73,171,128</u>  | <u>(678,723)</u> | <u>-</u>           | <u>72,492,405</u>       |
| <b>NET INCOME (LOSS)</b>              | <u>36,265,310</u>  | <u>1,824,810</u> | <u>575,549</u>     | <u>38,665,669</u>       |
| Adjustments to assets and liabilities | 2,213,373          | -                | 245,133            | 2,458,506               |
| <b>Changes to Net Assets</b>          | <u>38,478,683</u>  | <u>1,824,810</u> | <u>820,682</u>     | <u>41,124,175</u>       |

**Enterprise Ins Co****STATEMENT OF ASSETS AND LIABILITIES**

As of December 31, 2010

|  | (Opening Balance)   |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | Jan 1               | Dec 31              |                     |
|  | 1998                | 2010                | Change              |
| <b>ASSETS</b>  |                     |                     |                     |
| Cash and cash equivalents:   |                     |                     |                     |
| Unrestricted   | 29,771,800          | -                   | (29,771,800)        |
| Participation in pooled investments, at market                                 | -                   | 6,983,468           | 6,983,468           |
| Accrued investment income  | -                   | 32,096              | 32,096              |
| Recoverable from reinsurers  | 299,581             | -                   | (299,581)           |
| Receivable from affiliates, net of allowances                                  | 40,108,050          | -                   | (40,108,050)        |
| Other receivable   | 848,164             | -                   | (848,164)           |
| <b>Total Assets</b>  | <b>71,027,595</b>   | <b>7,015,564</b>    | <b>(64,012,031)</b> |
| <b>LIABILITIES</b>   |                     |                     |                     |
| Unclaimed Funds and Other Secured Claims                                       | -                   | 661,189             | 661,189             |
| Reserve for Federal Income Tax Liability                                       | 341,083             | 579,329             | 238,246             |
| Claims against policies, including guaranty associations, before distributions | 75,391,507          | 120,573,416         | 45,181,909          |
| Policyholder distributions   | -                   | (120,573,414)       | (120,573,414)       |
| All other claims   | 18,008,695          | 30,780,906          | 12,772,211          |
| <b>Total Liabilities</b>   | <b>93,741,285</b>   | <b>32,021,426</b>   | <b>(61,719,859)</b> |
| <b>NET ASSETS (DEFICIENCY)</b>   | <b>(22,713,690)</b> | <b>(25,005,862)</b> | <b>(2,292,172)</b>  |

**Enterprise Ins Co****STATEMENT OF CHANGES TO NET ASSETS**

As of December 31, 2010

|                                       | 1998 to 2008       | 2009            | Dec 30 ytd<br>2010 | Jan 1998<br>to Dec 2010 |
|---------------------------------------|--------------------|-----------------|--------------------|-------------------------|
| <b>Income</b>                         |                    |                 |                    |                         |
| Litigation Recoveries                 | 205,000            | -               | -                  | 205,000                 |
| Premium and Other Collections         | 2,105,526          | 175             | 0                  | 2,105,701               |
| Salvage/Subrogation Recoveries        | 7,402              | -               | -                  | 7,402                   |
| Net Investment Income                 | 8,068,862          | 242,275         | 22,307             | 8,333,443               |
|                                       | <u>10,386,790</u>  | <u>242,450</u>  | <u>22,307</u>      | <u>10,651,547</u>       |
| <b>Operating Expenses</b>             |                    |                 |                    |                         |
| Legal and Professional                | 460,260            | 43,343          | 3,836              | 507,439                 |
| General and Administrative            | 6,561              | 5,395           | 4,430              | 16,386                  |
| Allocated Expenses                    | 1,528,714          | 136,025         | 20,884             | 1,685,623               |
| Loss (Gain) on Disposition of Assets  | (594,494)          | -               | -                  | (594,494)               |
|                                       | <u>1,401,041</u>   | <u>184,763</u>  | <u>29,149</u>      | <u>1,614,954</u>        |
| <b>Losses and Other Expenses</b>      |                    |                 |                    |                         |
| Incurred Losses and Claims Expense    | 16,001,031         | 76,591          | (5,427,784)        | 10,649,839              |
| Provision for Federal Income Taxes    | 672,454            | -               | -                  | 672,454                 |
|                                       | <u>16,673,485</u>  | <u>76,591</u>   | <u>(5,427,784)</u> | <u>11,322,293</u>       |
| <b>NET INCOME (LOSS)</b>              | <u>(7,687,736)</u> | <u>(18,905)</u> | <u>5,420,941</u>   | <u>(2,285,700)</u>      |
| Adjustments to assets and liabilities | (6,472)            | -               | -                  | (6,472)                 |
| <b>Changes to Net Assets</b>          | <u>(7,694,208)</u> | <u>(18,905)</u> | <u>5,420,941</u>   | <u>(2,292,171)</u>      |

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**(Code Civ. Proc., §§ 1013, 2015.5)**

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STATE OF TEXAS, COUNTY OF DALLAS.

I am employed in the County of Dallas, State of Texas. I am over the age of 18 and not a party to the within action; my business address is 625 West Centerville Road, Suite 110, Garland, Texas 75041.

On this date, I served the foregoing document described as **The Insurance Commissioner's Status Conference Report and Updated Closing Plan** by placing a copy thereof enclosed in sealed envelopes addressed as follows:

Sent via REGULAR MAIL to:  
The Attached List

I am readily familiar with my employer's practices of collection and processing correspondence for mailing with the U.S. Postal Service and the above-referenced correspondence will be deposited with the U.S. Postal Service on the same date as stated below, following the ordinary course of business.

(State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

(Federal) I declare that I am employed by the office of a member of the bar of this court at whose direction the service was made.

Executed on April 7, 2011 at Garland, Texas.

  
Belinda Jones



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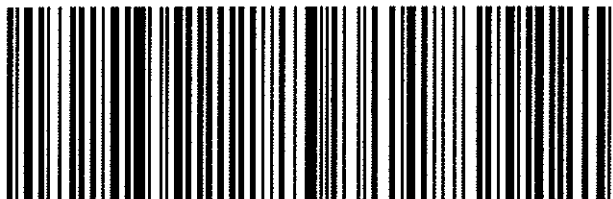
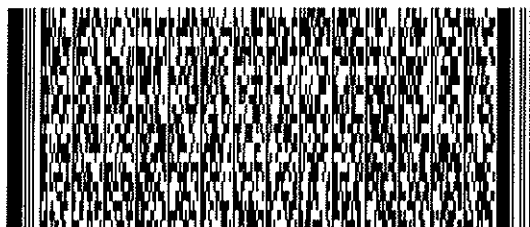
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