

**IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI**

CHLORA LINDLEY-MYERS, )  
Director, Missouri Department of )  
Commerce and Insurance, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
PREFERRED STANDARD MUTUAL )  
INSURANCE COMPANY, )  
 )  
Defendant. )

Case No. 23AC-CC07082

**DECLARATORY JUDGMENT, ORDER APPOINTING RECEIVER, AND  
ORDER OF LIQUIDATION**

Based on substantial and competent evidence in the record, the Court finds as follows:

1. Plaintiff Chlora Lindley-Myers is the duly appointed Director of the Missouri Department of Commerce and Insurance (the “Director” of the “Department”) in accordance with article IV, section 36(b) of the Missouri Constitution, and section 374.020.1 RSMo.<sup>1</sup>
2. Defendant Preferred Standard Mutual Insurance Company (“Preferred Standard”) is an extended Missouri mutual company organized and operating under sections 380.201 to 380.591.
3. Preferred Standard has waived service of process in this action, waived notice of and a right to a hearing in this action, and has consented to the relief requested in

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<sup>1</sup> All statutory references, unless otherwise noted, are to the 2016 Revised Statutes of Missouri.

the verified petition filed by the Director, including appointment of the Director as receiver for Preferred Standard and liquidation and dissolution of Preferred Standard.

4. Preferred Standard is in violation of section 380.231.2 because it does not “maintain a membership of at least one hundred members.” The members are the policyholders of the company. Preferred Standard has less than half the number of required members. Preferred Standard has attempted to increase its membership but has been unable to do so.
5. Preferred Standard is thus in such condition that it could not meet the requirements for incorporation and authorization to conduct business under Chapter 380.
6. In addition, Preferred Standard’s financial condition is such that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, creditors or the public. For several years, Preferred Standard has consistently generated less revenue each year, and the revenue that Preferred Standard has been able to generate has been insufficient to cover the company’s operating expenses. Over the past 10 years, Preferred Standard has lost approximately \$10,000 per year. Preferred Standard will likely breach the minimum guaranty fund required by section 380.271 in five years or less.
7. It is in the best interests of the members and creditors of Preferred Standard and the public that Preferred Standard be placed into liquidation and dissolved.
8. This Court has statutory authority pursuant to sections 374.048 and 380.571.

**IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT**

9. Plaintiff Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance, and any successor in office, is appointed Receiver for Preferred Standard ("Receiver") in order to liquidate and dissolve the company.
10. The Receiver is directed to liquidate Preferred Standard, to take such other action as the nature of this cause and the interests of the policyholders, creditors, or the public may require, subject to further orders of this Court, and to make the continued expenditure of such wages, rents, and other expenses as are necessary for the administration of the liquidation of Preferred Standard's estate.
11. The Director may appoint a special deputy or deputies to act for her in this receivership. The special deputy shall have all duties and powers of the Director granted by this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation. The special deputy shall administer and liquidate Preferred Standard subject to the general supervision of the Director and the specific supervision of the Court.
12. The Director as liquidator, any special deputy, all employees, agents and attorneys of the liquidator and the special deputy, and all employees of the state of Missouri when acting with respect to the liquidation and dissolution of Preferred Standard shall be considered to be officers of the Court when acting in such capacities and as such shall be subject to the orders and directions of the Court with respect to their actions or omissions in connection with the liquidation. The Director, liquidator, special deputy, commissioners and referees appointed by the Court, the agents,

attorneys and employees of the Director and liquidator, and employees of the state of Missouri when acting with respect to the liquidation and dissolution shall enjoy absolute judicial immunity and be immune from any claim against them personally for any act or omission committed in the performance of their functions and duties in connection with the liquidation;

**Possession of and Title to Property**

13. The Receiver shall forthwith take immediate possession, charge, and control of, and title to, Preferred Standard and all of its assets of Preferred Standard, including accounts in a depository institution, rents, profits, books, records, other accounts, and all other assets and property of any kind or nature, wherever located and in whatever form, and the Receiver shall administer the assets subject to the supervision of the Court until the Receiver is discharged by the Court.
14. The Receiver shall be vested with the title to all of the property, contracts and rights of action, and all of the books and records of Preferred Standard, wherever located, as of the entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation. This includes the right, title, and interest in all funds recoverable under treaties, contracts, and agreements of reinsurance entered into by Preferred Standard as a ceding insurer or assuming reinsurer. The Receiver shall take immediate possession of and secure all of the records and property of Preferred Standard wherever it is located, and take all measures necessary to preserve the integrity of Preferred Standard's records.
15. All banks, savings and loan associations, or other persons or entities which have on

deposit, in their possession, custody, and control, funds of Preferred Standard are hereby instructed that the Receiver has absolute control over such accounts and other assets. The Receiver may change the name of such accounts and other assets, withdraw them from any such bank, savings and loan association, other person or entity, or take any lesser action necessary for the proper conduct of this liquidation. No bank, savings and loan association, other person or entity shall exercise any form of set-off, alleged set-off, lien, any form of self-help whatsoever or refuse to transfer any funds or assets to the Receiver's control without permission of this Court.

16. The filing or recording of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation with the Clerk of the Court and the Recorder of Deeds of the county in which Preferred Standard's principal office or place of business is located or, in the case of real estate, with the recorder of deeds of the county where the property is located, shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with that Recorder of Deeds would have imparted.

**Powers of the Receiver**

17. The Receiver shall have all the powers of the directors, officers, and managers of Preferred Standard, whose authority is terminated. Without limiting the foregoing, the Receiver shall have the power:
  - a. To employ employees and agents, legal counsel, actuaries, accountants, appraisers, consultants, and such other personnel as she may deem necessary to assist in the liquidation;

- b. To fix the reasonable compensation of employees and agents, legal counsel, actuaries, accountants, appraisers, and consultants with the approval of the Court;
- c. To pay reasonable compensation to persons appointed and to defray from the funds or assets of the insurer all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of Preferred Standard. In the event that the property of Preferred Standard does not contain sufficient cash or liquid assets to defray the costs incurred, the Receiver may advance the costs so incurred out of funds appropriated for that purpose. Any amounts so advanced for expenses of administration shall be repaid to the Receiver out of the first available moneys of Preferred Standard and such funds repaid shall be transferred by the Receiver to the state treasurer for deposit to the general revenue fund;
- d. To hold hearings, to subpoena witnesses to compel their attendance, to administer oaths, to examine any persons under oath, and to compel any person to subscribe to his testimony after it has been correctly reduced to writing; and in connection therewith to require the production of any books, papers, records or other documents which she deems relevant to the inquiry;
- e. To audit the books and records, of all agents of the insurer insofar as those records relate to the business activities of Preferred Standard;
- f. To collect all debts and moneys due and claims belonging to Preferred Standard, wherever located, and for this purpose:

- i. To institute timely action in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts;
- ii. To do such other acts as are necessary or expedient to collect, conserve, or protect its assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as she deems best; and
- iii. To pursue any creditor's remedies available to enforce her claims;
- g. To conduct public and private sales of the property of Preferred Standard;
- h. To use assets of the estate of Preferred Standard to transfer policy obligations to a solvent assuming insurer;
- i. To acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with, any property of the insurer at its market value or upon such terms and conditions as are fair and reasonable. She shall also have power to execute, acknowledge, and deliver any and all deeds;
- j. To borrow money on the security of Preferred Standard's assets or without security and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation. Any such funds borrowed may be repaid as an administrative expense and have priority over any other claims in class 1 under the priority of distribution;
- k. To enter into such contracts as are necessary to carry out the order to liquidate, and to affirm or disavow any contracts to which Preferred Standard is a party;

- l. To continue to prosecute and to institute in the name of Preferred Standard or in her own name any and all suits and other legal proceedings, in this state or elsewhere, and, with the approval of the Court, to abandon the prosecution of claims she deems unprofitable to pursue further. If the insurer is dissolved, she shall have the power to apply to any court in this state or elsewhere for leave to substitute herself for Preferred Standard as plaintiff;
- m. To prosecute any action which may exist on behalf of the creditors, members, policyholders, or shareholders of the insurer against any officer of the insurer, or any other person;
- n. To institute proceedings in the same case for receivership for any organization or corporation having the exclusive or dominant right to manage or control Preferred Standard, when it appears that a receiver is necessary for the preservation of the assets of the insurer or that a receiver is necessary to determine the assets of Preferred Standard held by the organization or corporation. The duration of the receivership and the duties of the receiver shall be in the discretion of the Court;
- o. To remove any or all records and property of Preferred Standard to the offices of the Receiver or to such other place as may be convenient for the purposes of efficient and orderly execution of the liquidation;
- p. To deposit in one or more banks in this state such sums as are required for meeting current administration expenses and dividend distributions and to invest all sums not currently needed, unless the Court orders otherwise;

- q. To file any necessary documents for record in the office of any Recorder of Deeds or other office in this state or elsewhere where property of the insurer is located;
- r. To assert all defenses available to Preferred Standard as against third persons, including statutes of limitation, statutes of frauds, and the defense of usury. A waiver of any defense by Preferred Standard after a petition in liquidation has been filed shall not bind the Receiver. Whenever a guaranty association or foreign guaranty association has an obligation to defend any suit, the Receiver shall give precedence to such obligation and may defend only in the absence of a defense by such guaranty associations;
- s. To exercise and enforce all the rights, remedies, and powers of any creditor, shareholder, policyholder, or member;
- t. To intervene in any proceeding wherever instituted that might lead to the appointment of a receiver or trustee, and to act as the receiver or trustee whenever the appointment is offered;
- u. To enter into agreements with any receiver or director of any other state relating to the rehabilitation, liquidation, conservation, or dissolution of an insurer doing business in both states; and
- v. To exercise all powers now held or hereafter conferred upon receivers by the laws of this state not inconsistent with this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation.

18. The Receiver is authorized to take any actions necessary to prevent, without

limitation, potential preferences from occurring, including specific injunctions against appropriate parties, and where appropriate to enjoin the dissipation of Preferred Standard's assets already paid out as potential preferences or fraudulent conveyances.

19. The enumeration of the powers and authority of the Receiver in this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation shall not be construed as a limitation upon her, nor shall it exclude in any manner her right to do such other acts not herein specifically enumerated, or otherwise provided for, as may be necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation and dissolution.

20. Notwithstanding the powers of the Receiver as stated above, the Receiver shall have no obligation to defend claims or to continue to defend claims subsequent to the discharge of the Receiver.

#### **Rights and Liabilities Become Fixed**

21. The rights and liabilities of Preferred Standard and of its creditors, policyholders, and any other persons interested in its estate shall become fixed, and the termination of any period fixed by any statute of limitations provided by law shall be suspended, as of the date of entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation, except as provided in paragraph 33.

#### **Liquidation Notice and Proof of Claim**

22. The Receiver shall give, or cause to be given, notice of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation as soon as possible:

- a. By first class mail to any guaranty association or foreign guaranty association which is or may become obligated as a result of the liquidation;
- b. By first class mail to all known insurance agents of Preferred Standard;
- c. By first class mail to all persons known or reasonably expected to have claims against Preferred Standard including all policyholders, at their last known address as indicated by the records of the insurer; and
- d. By publication in a newspaper of general circulation in the county in which Preferred Standard has its principal place of business and in such other locations as the Receiver deems appropriate.

23. Because this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation does not make any finding of insolvency, the Receiver is excused from providing to the Guaranty Associations the information in sections 375.777.1(1), (2), and (3).

24. The Receiver may reasonably determine from Preferred Standard's records the identity of all prospective claimants.

25. The proof of claim shall be in the form of the Proof of Claim template attached to this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation as Exhibit A. The Receiver need not consider or allow any claim that does not contain all of the information in this exhibit. At any time the Receiver may request the claimant to present information or evidence supplementary to that required under this paragraph and may take testimony under oath, require production of affidavits or depositions, or otherwise obtain additional information or evidence. Claims made

under employment contracts by directors, principal officers, or persons in fact performing similar functions or having similar powers are limited to payment for services rendered prior to the issuance of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation.

26. All proofs of claim shall be filed with the Receiver no later than March 1, 2024, which shall be the "Claims Bar Date."

**Agent Disclosure of Policy Records**

27. Every person who receives notice that Preferred Standard is the subject of a this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation, within 30 days of such notice, shall provide to the Receiver the information in the agent's records related to any policy issued by Preferred Standard through the agent and, if the agent is a general agent, the information in the general agent's records related to any policy issued by Preferred Standard through any agent under contract to him, including the name and address of such subagent. Such information shall include information relating to premiums collected and held by the agent and all commissions relating to such policies, whether earned or unearned. A policy shall be deemed issued through an agent if the agent has a property interest in the expiration of the policy, or if the agent has had in his possession a copy of the declarations of the policy at any time during the life of the policy, except where the ownership of the expiration of the policy has been transferred to another person.

**List of Assets; Reports and Statements**

28. As soon as practicable after the entry of this Declaratory Judgment, Order

Appointing Receiver, and Order of Liquidation, but not later than 120 days thereafter, the Receiver shall prepare a list of Preferred Standard's assets. The list shall be amended or supplemented from time to time as the Receiver may determine. A copy shall be filed with the Court. All amendments and supplements shall be similarly filed.

29. The Receiver may reduce the assets of Preferred Standard to a degree of liquidity that is consistent with the effective execution of the liquidation.

30. The Receiver shall file periodic financial reports with the Court. Financial reports shall include, at a minimum, the assets and liabilities of Preferred Standard and all funds received or disbursed by the Director during the current period. Financial reports shall be filed within one year of the entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation, and at least annually thereafter.

31. The Receiver shall prepare and file in the records of the Department a statement which shall reflect the claims reserves, including losses incurred but not reported, and unearned premium reserves which have been established by the Receiver and which shall also set forth the amounts of such reserves that are allocable to particular reinsurers of Preferred Standard. A similar statement shall be filed by the Receiver not less frequently than annually and shall be considered for all intents and purposes as the annual statement which was required to be filed by Preferred Standard with the Director prior to the liquidation proceedings.

32. To the extent that any reinsurer of an insurer in liquidation would have been required

under any agreement pertaining to reinsurance to post letters of credit or other security prior to an order of liquidation to cover such reserves reflected upon a statement filed with a regulatory authority, such reinsurer shall be required to post letters of credit or other security to cover such reserves after an insurer has been placed in liquidation. If a reinsurer shall fail to post letters of credit or other security required by a reinsurance agreement or the provisions of this section, the Director may issue an order barring such reinsurer from thereafter reinsuring any insurer which is incorporated under the laws of the state of Missouri.

### **Contracts**

33. All insurance policies of Preferred Standard in effect as of the entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation shall continue in force only for the lesser of:
- a. A period of 30 days from the date of entry of the liquidation orders;
  - b. The expiration of the policy coverage;
  - c. The date when the insured has replaced the insurance coverage with equivalent insurance with another insurer or otherwise terminated the policy;
  - d. The Director has effected a transfer of the policy obligation to an assuming insurer; or
  - e. Upon such other date as may be established by the Court.
34. Entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation shall not constitute an anticipatory breach of any contracts of Preferred Standard.

35. The Receiver may disaffirm or repudiate any contract or lease:

- a. To which Preferred Standard is a party;
- b. The performance of which the Receiver, in her sole discretion, determines to be burdensome; and
- c. The disaffirmance or repudiation of which the Receiver determines, in her sole discretion, will promote the orderly administration of the affairs of Preferred Standard.

36. The Receiver shall determine whether or not to exercise the right of repudiation described above within a reasonable period following the entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation. In the sole discretion of the Receiver, the contract shall be repudiated as of either:

- a. The date of the entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation; or
- b. Some other date subsequent to the entry of this this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation selected by the Director for the disaffirmance or repudiation of such contract or agreement.

37. The liability of the Receiver for the disaffirmance or repudiation of any contract as set forth above shall be calculated as of the date of repudiation, and shall be limited to actual direct compensatory damages. Any such damages shall be submitted as a claim to the Receiver. For purposes of this paragraph, the term "actual direct compensatory damages" does not include:

- a. Punitive or exemplary damages;

- b. Damages for lost profits or opportunity; or
- c. Damages for pain and suffering.

38. An agreement which tends to diminish or defeat the interest of the Receiver in any asset acquired by her under this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation, whether acquired before or subsequent to the entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation, shall not be valid against the Receiver unless such agreement:

- a. Is in writing;
- b. Was executed by Preferred Standard and any person claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by Preferred Standard;
- c. Was approved by the board of directors of Preferred Standard, which approval shall be reflected in the minutes of said board; and
- d. Has been, continuously, from the time of its execution, an official record of Preferred Standard maintained and readily available to the Director or examiners of the Department.

#### **Actions by and Against the Receiver**

39. Whenever, in the Receiver's judgment, protection of the estate of Preferred Standard necessitates intervention in an action against Preferred Standard that is pending outside this state, she may intervene in the action. The Receiver may defend any action in which she intervenes pursuant to this section at the expense of the estate of Preferred Standard.

40. The Receiver may, upon or after this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation, within 10 years or such other longer time as applicable law may permit, institute an action or proceeding on behalf of the estate of Preferred Standard upon any cause of action against which a period of limitation fixed by applicable law has not expired at the time of the filing of the petition upon which such order is entered. Where, by any agreement, a period of limitation is fixed for instituting a suit or proceeding upon any claim, or for filing any claims, proof of claim, proof of loss, demand, notice, or the like, or where in any proceeding, judicial or otherwise, a period of limitation is fixed, either in the proceeding or by applicable law, for taking any action, filing any claim or pleading, or doing any act, and where in any such case the period had not expired at the date of the filing of the petition, the expiration of such periods shall be stayed and the Receiver may, for the benefit of the estate, take any such action or do any such act, required of or permitted to Preferred Standard, within a period of ten years subsequent to the entry of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation, or within such further period as is shown to the satisfaction of the Court not to be unfairly prejudicial to the other party.

#### **Execution Against Preferred Standard**

41. During the pendency of this proceeding, no action or proceeding in the nature of an attachment, garnishment, or levy of execution shall be commenced or maintained in this state against Preferred Standard or its assets.

### **Recovery from Reinsurers**

42. The amount recoverable by the Receiver from reinsurers shall not be reduced as a result of the delinquency proceedings, regardless of any provision in the reinsurance contract or other agreement. Payment made directly to an insured or other creditor shall not diminish the reinsurer's obligation to Preferred Standard's estate except where:

- a. The reinsurance contract specifically provides for payment to the named insured, assignee, or named beneficiary of the policy issued by Preferred Standard in the event of the ceding insurer's insolvency; or
- b. The assuming insurer, with the consent of the direct insured or insureds, has directly assumed Preferred Standard's policy obligations to the payees under such policies in substitution for the Preferred Standard's obligations to such payees.

### **Recovery of Premiums**

43. A producer, premium finance company, or any other person, other than the insured, responsible for the payment of a premium, shall be obligated to pay any unpaid earned premium due Preferred Standard at the time of the declaration of insolvency as shown on the records of the insurer. The Director shall also have the right to recover from such person any part of an unearned premium that represents commission of such person. Credits or setoffs or both shall not be allowed to a producer or premium finance company for any amounts advanced to Preferred Standard by the producer or premium finance company on behalf of, but in the

absence of, a payment by the insured. An insured shall be obligated to pay any unpaid earned premium due Preferred Standard at the time of the declaration of insolvency, as shown on the records of Preferred Standard.

#### **Review of Claims by Liquidator**

44. The Receiver shall review all claims duly filed in this case and shall make such further investigation as the Receiver deems necessary. The Receiver may compound, compromise, or in any other manner negotiate the amount for which claims will be allowed, under the supervision of the Court, except where the Receiver is required by law to accept claims as settled by any person or organization. No claim under a policy of insurance shall be allowed for any amount in excess of the applicable policy limits or without regard to policy deductibles.
45. The Receiver may make a determination as to a claim and allowance of a claim by an estimate made with reasonable certainty if the fixing or liquidation of any claim or claims would unduly delay the administration of the liquidation or if the administrative expense of processing and adjudication of a claim or group of claims of a similar type would be unduly excessive when compared with the moneys which are estimated to be available for distribution with respect to such claim or group of claims.
46. The estimation of contingent liabilities permitted by this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation may be used for the purpose of fixing a creditor's claim in the estate, and for determining the percentage of partial or final dividend payments to be paid to creditors with reported allowed

claims. Nothing in this paragraph shall be construed to impair any obligation arising pursuant to any insurance agreement.

47. Notwithstanding the provisions of this Declaratory Judgment, Order Appointing Receiver, and Order of Liquidation to the contrary, the Receiver may negotiate a voluntary commutation and release of all obligations arising from reinsurance contracts or any other agreements.

### **Distributions**

48. The priority of distribution of claims from Preferred Standard's estate shall be in accordance with the order in which each class of claims is set forth below. Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class receive any payment. No subclasses shall be established within any class. No claim by a shareholder, policyholder, or other creditor shall be permitted to circumvent the priority class through the use of equitable remedies. The order of distribution of claims shall be:

- a. Class 1. The costs and expenses of administration during liquidation, including but not limited to the following:
  - i. The actual and necessary costs of preserving or recovering the assets of Preferred Standard, and costs necessary to store records required to be preserved;
  - ii. Compensation for all authorized services rendered in the liquidation;
  - iii. Any necessary filing fees;
  - iv. The fees and mileage payable to witnesses;

- v. Authorized reasonable attorney fees and other professional services rendered in the liquidation; and
  - vi. The reasonable expenses of the Missouri Property and Casualty Insurance Guaranty Association, including overhead, salaries, and other general administrative expenses allocable to the receivership. These expenses shall be subordinate to all other costs and expenses of administration under Class 1.
- b. Class 2. All claims under policies including such claims of the federal or any state or local government for losses incurred (“loss claims”), including third party claims and all claims of a guaranty association or foreign guaranty association, including reasonable allocated loss adjustment expenses, relating to the handling of such claims. That portion of any loss, indemnification for which is provided by other benefits or advantages recovered by the claimant, shall not be included in this class, other than benefits or advantages recovered or recoverable in discharge of familial obligation of support or by way of succession at death, or as proceeds of life insurance, or as gratuities. No payment by an employer to his employee shall be treated as a gratuity. The Receiver shall have authority to inquire into the reasonableness of any allocated loss adjustment expenses claimed by a guaranty association or foreign guaranty association and such claim shall not be allowed if it is found to be unreasonable.
- c. Class 3. Claims of the United States government other than those claims

included in class 2.

- d. Class 4. Reasonable compensation to employees for services performed to the extent that they do not exceed two months of monetary compensation and represent payment for services performed within one year before the filing of the petition in this case. Principal officers and directors shall not be entitled to the benefit of this priority except as otherwise approved by the Receiver and the Court. Such priority shall be in lieu of any other similar priority which may be authorized by law as to wages or compensation of employees.
- e. Class 5. Claims under nonassessable policies for unearned premiums or other premium refunds and claims of general creditors including claims of ceding and assuming companies in their capacity as such.
- f. Class 6. Claims of any state or local government except those under class 2 of this section. Claims, including those of any governmental body for a penalty or forfeiture, shall be allowed in this class only to the extent of the pecuniary loss sustained from the act, transaction, or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby. The remainder of such claims shall be postponed as class 9 claims.
- g. Class 7. Claims filed late or any other claims other than class 8 or 9 claims.
- h. Class 8. Surplus or contribution notes, or similar obligations, and premium refunds on assessable policies.
- i. Class 9. The claims of the members of Preferred Standard in their capacity as members.

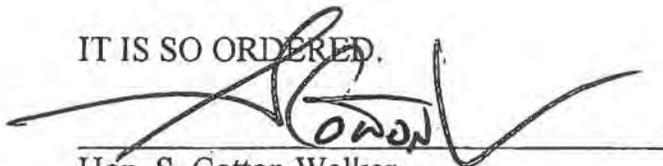
49. Under the Court's direction, the Receiver shall pay distributions in a manner that will assure the proper recognition of the priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims. Distribution of assets in kind may be made at valuations set by agreement between the Receiver and the creditor and shall be approved by the Court.
50. If a claim is denied in whole or in part by the Receiver, written notice of the determination shall be given to the claimant. Within 60 days from the sending of the notice, the claimant may file any objections with the Receiver. If no such filing is made, the claimant may not further object to the determination.
51. If objections are filed with the Receiver and the Receiver does not alter her denial of the claim as a result of the objections, the Receiver shall ask the Court for a hearing as soon as practicable and give notice of the hearing to the claimant. The matter may be heard by the Court or by a court-appointed referee. Hearings before court-appointed referees shall be conducted in an informal manner and the formal rules of evidence shall not apply. The referee shall submit written findings of fact and conclusions of law along with his recommendation for disposition which shall become final if a motion for reconsideration before the Court is not filed by the Receiver or claimant with the Court within 15 days that notice of such findings and conclusions is sent to the parties. The motion for reconsideration must allege either the existence of new facts which could not, with reasonable diligence, have been discovered and presented before the referee, or such erroneous conclusions of law,

that would justify reconsideration of the claim by the Court. A motion for reconsideration based upon erroneous conclusions of law may be decided by the Court, after opportunity for response by the prevailing party, without necessity of hearing. A motion for reconsideration not ruled upon by the Court within 90 days after the motion is filed shall be deemed denied for purposes of appeal.

**Discharge and Dissolution**

- 52. When all assets justifying the expense of collection and distribution have been collected and distributed, the Receiver shall apply to the Court for discharge. At that time the Court may, in addition to granting the discharge, enter other orders, including an order to transfer any remaining funds that are uneconomical to distribute to the state official in charge of unclaimed property.
- 53. Dissolution of Preferred Standard may be ordered by the Court on the discharge of the Receiver.

IT IS SO ORDERED.



Hon. S. Cotton Walker  
Circuit Court Judge, Division III  
19<sup>th</sup> Judicial Circuit, State of Missouri

12/4/2023  
DATE

STATE OF MISSOURI }  
COUNTY OF COLE } SS

Clerk of the Circuit Court of Cole County, Missouri, hereby certify  
that the above and foregoing is a full true and correct copy of

*Judgment*

as fully as the same remains of record in my said office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed  
the seal of my said office this 8 day of October

*Mark Reichholz* by *[Signature]*

Clerk  
Circuit Court of Cole County, Missouri

P.M.