

IN THE DISTRICT COURT OF LANCASTER COUNTY, NEBRASKA

STATE OF NEBRASKA, ex rel.)
L. TIM WAGNER,)
DIRECTOR OF INSURANCE OF)
THE STATE OF NEBRASKA,)
)
Petitioner,)
)
vs.)
)
FAR WEST INSURANCE COMPANY,)
)
Respondent.)

Case No. CI 01 4133

APPLICATION NO. 39

**(LIQUIDATOR'S APPLICATION TO
MODIFY APPROVED AMOUNT OF
CERTAIN PREVIOUSLY APPROVED
UNDISPUTED CLAIMS AND TO
APPROVE DISTRIBUTIONS
THEREON)**

Ann M. Frohman, Liquidator ("Liquidator") of Far West Insurance Company ("Far West"), applies to the Court for an Order modifying the approved amount of certain undisputed claims determinations previously approved pursuant to NEB. REV. STAT. §44-4843(1). The Liquidator further applies to the Court for an Order permitting the Liquidator to pay distributions thereon pursuant to NEB. REV. STAT. §44-4844, which allows the Liquidator to pay distributions under the direction of the Court in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims.

1. After Court approval of certain bail surety claims pursuant to Application No. 25 (Liquidator's First Claims Report), certain affected claimants reported to the Liquidator that the claims had been released or that funds from sources other than the Far West estate paid or satisfied

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such claims in whole or in part, resulting in the withdrawal or reduction of the affected claims. These events consisted of third party payments or releases disclosed to the Liquidator in the claims confirmation process, and the application of bail agent security accounts, commonly known as build-up funds (BUF), to reduce the amount of the affected claims. The affected claims, the funds applied and the ultimate result of such application is as shown on Schedule 1 attached hereto and incorporated herein by reference.

2. After Court approval of certain nonbail surety claims pursuant to Application No. 25, certain affected claimants reported to the Liquidator that the claims had been released or that funds from sources other than the Far West estate paid or satisfied such claims in whole or in part, resulting in the withdrawal or reduction of the affected claims. These events consisted of third party payments or releases disclosed to the Liquidator in the claims confirmation process. The affected claims, the funds applied and the ultimate result of such applications is as shown on Schedule 2 attached hereto and incorporated herein by reference.

3. Attached hereto as Schedule 3 and incorporated herein by reference is a listing of a Class 3 claim held by a claimant whose claim was subject to a settlement agreement providing for the retroactive reduction of the claim amount if the claimant's final costs covered by the surety bond were less than the agreed-upon claim amount. Claimant has submitted information to the Liquidator reducing the claim amount as shown on Schedule 3 and has consented in writing to the reduction of the claim amount as shown thereon.

4. The Liquidator seeks Court approval to pay from its general assets a distribution to Class 3 Policyholder Claimants identified on Schedules 1, 2 and 3, as defined in NEB.

REV. STAT. §44-4842(3) in effect on November 9, 2001, the date of the Order of Liquidation, Declaration of Insolvency, and Injunction herein.

5. The Liquidator seeks to pay a distribution equal to one hundred percent (100%) of the net approved claim amounts of Class 3 Policyholder claims. The total dollar amount of the interim distribution for which approval is sought is \$779,002.99, which is the total of the net claim amounts shown on Schedules 1, 2 and 3.

6. Every claim in every class having priority over Class 3 Policyholder claims has been paid in full or adequate funds have been retained for such payment. Adequate funds have also been retained to assure appropriate treatment of all Class 3 Policyholder claims which are unliquidated and undetermined on the date of this Application.

7. The Liquidator further applies to the Court for authority to make payments of one hundred percent (100%) distributions to all similarly situated Class 3 claims which have received Court approval and which either have been confirmed by the claimant or are exempt from the Liquidator's confirmation process, subject to reporting to the Court from time to time.

8. To the best of the Liquidator's knowledge and belief, the claims covered by this application are not subject to further modification, or those factors have already been accounted for, as reflected on the attached schedules. If any additional factors hereafter come to the Liquidator's attention, such as third party payments or releases of any such claims, or the existence of specific assets (assets held for the benefit of some but not all claimants) securing any such claims, the Liquidator will promptly bring those matters to the Court's attention in a supplemental report or an application to modify such claims as the case requires.

9. This Application does not address any special deposits claims, as defined in NEB. REV. STAT. §44-4803(20), which will be addressed in a later application to the Court.

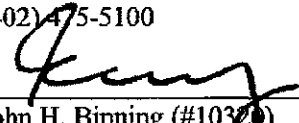
10. Omitted claims will be addressed either in future claims reports or under the disputed claims process in Far West's liquidation proceedings.

This Application is supported by the Affidavit of Michael J. FitzGibbons, Special Deputy Liquidator.

DATED: February 25, 2009.

ANN M. FROHMAN, DIRECTOR OF THE
DEPARTMENT OF INSURANCE, STATE OF
NEBRASKA, LIQUIDATOR OF FAR WEST
INSURANCE COMPANY, Petitioner

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