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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	In Proceedings Under
		Section 304 of the
Petition of Anthony James McMahon and	:	Bankruptcy Code
Philip Wedgwood Wallace, as Joint	:	
Provisional Liquidators of SOVEREIGN	:	Case No. 97-B-44652(CB)
MARINE & GENERAL INSURANCE	:	
COMPANY LIMITED	:	
	:	
Debtor in Foreign Proceedings.	:	

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PERMANENT INJUNCTION ORDER

Upon the Motion dated December 9, 1999 (the "Motion") of Anthony James McMahon and Philip Wedgwood Wallace (the "Petitioners") as the Joint Provisional Liquidators of Sovereign Marine & General Insurance Company Limited (the "Company"), pursuant to sections 105 and 304 of Title 11 of the United States Code (the "Bankruptcy Code"), this Court's Order of November 19, 1999, scheduling a hearing to consider the Motion and specifying the form and manner of service of notice of the Motion, the Memorandum of Points and Authorities in Support of the Motion dated December 9, 1999, the Declaration of Robin G.N. Spencer dated December 23, 1999 regarding the Order of the High Court of Justice of England and Wales sanctioning the Company's Scheme of Arrangement; the petition dated July 11, 1997 (the "Petition") and filed with this Court pursuant to section 304 of the Bankruptcy Code to

* The insurance business of BIMEH IRAN INSURANCE COMPANY (U.K.) LIMITED ("Bimeh") underwritten by Willis Faber (Underwriting Management) Limited during the years 1976 through 1978 and by Lennox Underwriting Agencies Limited during the years 1977 through 1979 (the "Transferred Liabilities") was transferred to Sovereign Marine & General Insurance Company Limited in 1984 pursuant to section 51 of the Insurance Companies Act 1982. As used herein the term "Company" includes Bimeh only to the extent of the Transferred Liabilities. All other business written by or on behalf of Bimeh is not affected by this Order.

commence this ancillary case, and the Declaration of Anthony James McMahon dated July 11, 1997, the Affidavit of Kenneth P. Coleman sworn to July 11, 1997, and the Memorandum of Points and Authorities dated July 11, 1997, which were filed in support of the Petition; and

The Court held a hearing on the Motion and heard argument by counsel on December 30, 1999, and based on the foregoing and all prior proceedings herein, the Court finds and concludes as follows: *

1. The Provisional Liquidators have demonstrated that:

(a) the Company is subject to a "foreign proceeding" within the meaning of sections 101 and 304 of the Bankruptcy Code;

(b) the Petitioners are the "foreign representatives" of the Company within the meaning of sections 101 and 304 of the Bankruptcy Code;

(c) pursuant to section 304(b) of the Bankruptcy Code, in order to permit the expeditious and economical administration of the Company's estate consistent with the factors set forth in section 304(c) of the Bankruptcy Code (i) the Scheme of Arrangement between the Company and its Scheme Creditors dated October 15, 1999, including, without limitation, any amendment or modification thereof, any procedures implemented in furtherance of the Special Resolution and any further schemes of arrangement implemented in accordance with the terms of the Scheme of Arrangement (all the foregoing, the "Scheme") should be given full force and effect in the United States, (ii) the Petitioners and their duly selected successors and designees including, without limitation, the Scheme Administrators, should be recognized as the exclusive representatives of the Company with respect to its interests and affairs in the

* Capitalized terms used but not defined herein have the meanings ascribed to them in the Scheme of Arrangement between the Company and its Scheme Creditors dated October 15, 1999, a copy of which is annexed hereto (the "Scheme of Arrangement").

United States, and (iii) all persons and entities should be permanently enjoined and restrained from taking any action except as expressly permitted by the Scheme or pursuant to the express written direction of the Scheme Administrators; and

(d) the Petitioners are entitled to notice and other information regarding litigation and other proceedings in which the Company is or was named as a party, or in which a liability of the Company may be established.

2. The Petitioners have demonstrated that a permanent injunction would not cause hardships to affected parties that would not be outweighed by the benefits of the injunction. Unless a permanent injunction is issued, it appears to this Court that one or more persons or entities will transfer, relinquish or dispose of property of the Company, or the proceeds thereof, or commence or continue the prosecution of judicial, arbitral, administrative or regulatory actions or proceedings against the Company, its property, or the proceeds thereof, or will attempt to enforce judgments or claims against the Company, its property, or the proceeds thereof, thereby interfering with, and causing harm to, the Petitioners' efforts to administer the Company's estate, and that as a result, the Petitioners will suffer irreparable injury for which they have no adequate remedy at law.

3. The interest of the public will be served by this Court granting the relief requested by the Petitioners.

4. Venue is proper in this District pursuant to 28 U.S.C. § 1410(c).

NOW, THEREFORE, IT IS

ORDERED, that the Motion is granted in all respects; and it is further

ORDERED, that the Scheme is hereby given full force and effect in the United States and is binding on and enforceable in accordance with its terms against all Scheme Creditors; and it is further

ORDERED, that the Petitioners and their duly selected successors and designees, including, without limitation, the Scheme Administrators, are the exclusive representatives of the Company with respect to its interests and affairs in the United States; and it is further

ORDERED, that all persons and entities are hereby permanently enjoined and restrained from:

(1) transferring, relinquishing or disposing of any property of the Company, any property involved in the foreign proceedings, or the proceeds of any such property, other than at the express written direction of the Scheme Administrators;

(2) commencing or continuing any claim, cross-claim, counterclaim, action or other proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company or any of its property, property involved in the foreign proceeding, or the proceeds of any such property, except as expressly permitted in the Scheme;

(3) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or any arbitration award, and taking, commencing, or continuing any act or any action or proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) to create, perfect or enforce any claim, lien, set-off or other right or remedy against the Company or any of its property, property involved in the foreign proceeding, or the proceeds of any such property, except as expressly permitted in the Scheme;

(4) drawing down any letter of credit established by, on behalf or at the request of the Company, or withdrawing from, setting off against, or otherwise applying property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, in excess of what is expressly authorized by the

terms of the contract, any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established; except, however, no such drawdown, withdrawal, set-off or other application of property shall be made in connection with any commutation unless the amount has been agreed in writing with the Scheme Administrators or permitted by further Order of this Court;

(5) invoking, enforcing or relying on the benefit of any statute, rule or requirement of federal, state, or local law or regulation requiring the Company to establish or post security in the form of a bond, letter of credit or otherwise as a condition to prosecuting, defending or appealing any action or proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever), and such statute, rule or requirement is hereby rendered null and void for such actions and proceedings; provided, however, that nothing in this Order shall in any respect affect any security in existence at the Effective Date or the replacement of such security; and

(6) taking any other action that is inconsistent with the Scheme; and it is further

ORDERED, that every person and entity that is a beneficiary of a letter of credit established by, on behalf or at the request of the Company, or parties to any escrow or similar arrangement in which the Company has an interest, is required to (a) provide notice to the Scheme Administrators' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, set-off against, or other application of property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Scheme Administrators to assess the propriety of such drawdown, withdrawal, set-off, or

other application, including, without limitation, the date and amount of such drawdown, withdrawal, set-off, or other application and a copy of the agreement pursuant to which any such drawdown, withdrawal, set-off, or other application was made and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Scheme Administrators for all funds resulting from such drawdown, withdrawal, set-off, or other application in excess of what is expressly authorized by either of the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established; and it is further

ORDERED, that every person and entity that has a claim arising under a contract of insurance, reinsurance, retrocession or otherwise, written or entered into by the Company and that is a party to any action or proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) in which the Company is or was named as a party, or in which a liability of the Company may be established, is required to place the Scheme Administrators' United States counsel on the master service list of any such action or other legal proceeding and to take such other steps as may be necessary to ensure that such counsel receives (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding, and (b) any and all correspondence, or other documents circulated to parties named in the master service list; and it is further

ORDERED, that all persons and entities in possession, custody or control of property of the Company, or the proceeds thereof, shall be required to turn over and account for such property or its proceeds to the Scheme Administrators; and it is further

ORDERED, that all persons and entities in possession, custody or control of any books, papers or records of the Company shall deliver such books, papers and records to the Scheme Administrators, and all persons having any books, papers or records relating to the Company's business, including but not limited to the acts, conduct, property, liabilities (including claim exposures and allocation where the Company shared its participation on risks with other insurers) or financial condition of the Company, or to any matter which may affect the administration of the Company's estate or the Scheme, shall preserve them and submit them to the Scheme Administrators, or their designee, for examination at all reasonable times; and it is further

ORDERED, that except as provided herein with respect to the Pre-Scheme Parties and Scheme Parties (as defined below), nothing in this Order shall in any respect prevent the continuation or commencement of proceedings against or involving any person or entity other than the Company, provided, however, that no settlement or judgment in any such proceeding shall be binding on or enforceable against the Company, its property or property involved in the foreign proceeding; and it is further

ORDERED, that in the event a Scheme Creditor resolves a claim against the Co-Insurers of the Company (in circumstances such that the stay on Proceedings against the Company in relation to that claim ceases to apply in accordance with clause 2.2.2(b)(i) or (ii) of the Scheme), and either the Company or the Scheme Creditor decides to relitigate or force relitigation of the claim (rather than agree to the Scheme Claim on the basis of its resolution against the solvent Co-Insurers), then if the Scheme Creditor is successful in such Proceedings, the Company shall pay to the Scheme Creditor without setoff or other deduction, all reasonable fees and costs incurred by the Scheme Creditor in connection with such Proceedings. In the event of a dispute over the reasonableness of such fees and costs, this Court retains jurisdiction

to decide the issue. For these purposes, the Scheme Creditor will be "successful" in that Proceeding if it obtains an order, decision, or judgment from a court or other tribunal that is not subject to any pending appeal, rehearing, or reconsideration, or any right of appeal or to seek rehearing or reconsideration, and which is, from the perspective of its interests, more favorable than both (a) the Substantive Judgment or Final Settlement (as appropriate) in question and (b) any settlement offer made by the other party in writing prior to the commencement of the Proceeding; and it is further

ORDERED, that all persons and entities are hereby permanently enjoined and restrained from commencing or continuing any action or proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company, the Petitioners, the members of the informal creditors' committee, or any of their respective directors, officers, agents, employees, representatives, financial advisors or attorneys (the "Pre-Scheme Parties"), or any of them, with respect to any claim or cause of action, in law or in equity, arising out of or relating to any action taken or omitted to be taken as of the Effective Date by any of the Pre-Scheme Parties in connection with the Provisional Liquidation proceedings, the section 304 case or in preparing, disseminating, applying for or implementing the Scheme or this Order; and it is further

ORDERED, that except as otherwise provided in the Scheme, all persons and entities are hereby permanently enjoined and restrained from commencing or continuing any action or other legal proceeding (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company, the Scheme Administrators, the members of the Creditors' Committee, or any of their respective directors, officers, agents, employees, representatives, financial advisors or attorneys (the "Scheme Parties"), or any of them, with respect to any claim or cause of action, in law or in

equity, arising out of or relating to the construction or interpretation of the Scheme or any action taken or omitted to be taken by any of the Scheme Parties in connection with the administration of the Scheme; and it is further

ORDERED, that the High Court of Justice of England and Wales shall have exclusive jurisdiction to hear and determine any suit, action, claim or proceeding and to settle any dispute which may arise out of the construction or interpretation of the Scheme, or out of any action taken or omitted to be taken by any of the Scheme Parties in connection with the administration of the Scheme; provided, however, that in relation to the determination of Scheme Claims nothing in this Order shall affect the validity of provisions determining governing law and jurisdiction, whether contained in any contract between the Company and any of its Scheme Creditors or otherwise; and it is further

ORDERED, that the Petitioners and Scheme Administrators are hereby authorized to transfer to the foreign proceedings for distribution pursuant to the Scheme any monies or assets of the Company which the Petitioners or the Scheme Administrators have or may hereafter recover; and it is further

ORDERED, that this Court shall retain jurisdiction with respect to the enforcement, amendment or modification of this Order, and requests for any additional relief in this or any subsequent section 304 case related to this case, and all adversary proceedings in connection therewith properly commenced and within the jurisdiction of this Court; and it is further

ORDERED, that no action taken by the Petitioners or the Scheme Administrators, their successors, agents, representatives or designees or any of them, or their counsel, in preparing, disseminating, applying for, implementing or otherwise acting in furtherance of the Scheme, this Order, the section 304 case, or any order for additional relief in this or any

subsequent section 304 case or any adversary proceeding in connection therewith, shall be deemed to constitute a waiver of the immunity afforded the Petitioners and the Scheme Administrators, their successors, agents, representatives, or designees pursuant to section 306 of the Bankruptcy Code; and it is further

ORDERED, that the Superintendent of Insurance of the State of New York shall be entitled to continue conservatorship proceedings with respect to funds held pursuant to any trust previously established by the Company pursuant to the rules and regulations of the Department of Insurance for the State of New York; and it is further

ORDERED, that this Order (without a copy of the Scheme) shall be served as follows:

(a) by United States mail, first-class postage prepaid, on or before January 10, 2000, upon the parties-in-interest appearing in this case at the time of such service; and

(b) by publication of a summary of this Order in *Business Insurance* magazine on or before January 10, 2000; and it is further

ORDERED, that service pursuant to the foregoing paragraph shall be good and sufficient service and adequate notice for all purposes.

Dated: New York, New York
December 30, 1999
Issued at 10:05 a.m.

/s/ Cornelius Blackshear
United States Bankruptcy Judge