

COPY

IN THE CIRCUIT COURT OF THE
SECOND JUDICIAL CIRCUIT IN AND
FOR LEON COUNTY, FLORIDA

State Of Florida, ex rel., The
Department Of Financial Services Of
The State Of Florida,

Relator,

v.

CASE NO.: 2006- 1060

Southern Family Insurance Company,
a Florida Corporation authorized to
transact an insurance business in Florida

Respondent.

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BOB INALIN
CLERK CIRCUIT COURT
LEON COUNTY, FLORIDA

**PETITION FOR ORDER APPOINTING
THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES
AS RECEIVER FOR PURPOSES OF REHABILITATION,
INJUNCTION, AND NOTICE OF AUTOMATIC STAY**

The Florida Department of Financial Services (hereinafter the "Department") hereby petitions this Court pursuant to Sections 631.031 and 631.051, Florida Statutes, for a consent order of rehabilitation of Southern Family Insurance Company (hereinafter the "Respondent"). In support of its petition, the Department states:

1. This Court has jurisdiction pursuant to Section 631.021, Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a domestic property and casualty insurer. Respondent's corporate offices and its principal place of business is 302 Knights Run Avenue, Suite 700, Tampa, Florida 33602.

3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled insurer.

4. Pursuant to Section 631.031, Florida Statutes, the Department is empowered to apply to this Court for an Order directing the Respondent to show cause why the Department should not be appointed Receiver of Respondent for purposes of rehabilitation under any of the following grounds set out in Section 631.051, Florida Statutes.

5. The Respondent has consented to the appointment of the Department as Receiver for the purposes of rehabilitation pursuant to Section 631.051(11) (see attached consent as Exhibit A). Accordingly, it is in the best interests of Respondent and its creditors and insureds that the relief requested in the petition be granted.

6. Pursuant to Section 631.031(1), Florida Statutes, Kevin McCarty, the Commissioner of the Office of Insurance Regulation, has written a letter to the Chief Financial Officer Tom Gallagher stating grounds for the initiation of delinquency proceedings against Southern Family Insurance Company (see attached letter as Exhibit B).

WHEREFORE, The Florida Department of Financial Services respectfully petitions this Court for entry of its order of rehabilitation entered as follows:

7. The Department of Financial Services of the State of Florida should be appointed Receiver of Respondent for purposes of rehabilitation and that the Receiver be authorized and directed to:

A. Conduct the business of Respondent and take all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Order of

Rehabilitation necessary and to take such further action, as the Receiver deems necessary or appropriate, to reform and revitalize the Respondent.

B. Take immediate possession of all the property, assets, and estate, and all other property of every kind whatsoever and wherever located, belonging to Respondent, pursuant to Section 631.141, Florida Statutes, including but not limited to: offices maintained by the Respondent, rights of action, books, papers, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, and all real property of Respondent, wherever situate, whether in the possession of Respondent or its officers, directors, trustees, employees, consultants, attorneys, agents, affiliates, or other persons.

C. Appoint one or more special agents and employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.

D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.

E. Not defend or accept service of process on legal actions wherein the Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court; except, however, in

actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.

F. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.

G. Collect all debts that are economically feasible to collect which are due and owing to the Respondent, including but not limited to funds or premiums held by agents of Respondent under agency contracts or otherwise.

H. Deposit funds and maintain bank accounts.

I. Take possession of all Respondent's securities and certificates of deposit on deposit with the Treasurer of Florida, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership or otherwise best benefit the estate.

J. Apply to this Court for further instructions in the discharge of its duties as may be necessary.

8. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates should be required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes, notwithstanding the provisions of the above paragraph.

9. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, should be vested in the Receiver pursuant to Section 631.141, Florida Statutes.

10. The Receiver should be granted all of the powers of the Respondent's directors, officers, and managers, whose authority should be suspended, except as such powers are re-delegated in writing by the Receiver. The Receiver should have full power to direct and manage the affairs of Respondent, to hire and discharge employees, and to deal with the property and business of the Respondent.

11. All attorneys employed by Respondent as of the date of the Order, within 10 days of receiving notice of this Order, should be required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report should also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent should be discharged as of the date of the Order unless the Receiver retains their services. All attorneys employed by Respondent should be advised that pursuant to Sections 631.011(17) and 631.011(21), Florida Statutes, a claim based on mere possession does not create a secured claim and all attorneys employed by Respondent, pursuant to In Re the Receivership of Syndicate Two, Inc., 538 So.2d 945 (Fla. 1st DCA 1989), who are in possession of litigation files or other material, documents or records belonging to or relating to work performed by the attorney on behalf of Respondent should be required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, should not be extinguished by the delivery of these documents.

12. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the Respondent should be required to account for and pay all premiums and commissions unearned due to cancellation of policies in the normal course of business owed to the Respondent directly to the Receiver within 30 days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they should not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company or other person should use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

13. Any premium finance company, which has entered into a contract to finance a premium for a policy, which has been issued by the Respondent, should be required to pay any premium owed to the Respondent directly to the Receiver.

14. Reinsurance premiums due to or payable by the Respondent should be remitted to, or disbursed by, the Receiver. The Receiver should handle reinsurance losses recoverable or payable by the Respondent. All correspondence concerning reinsurance should be between the Receiver and the reinsuring company or intermediary.

15. Upon request by the Receiver, any company providing telephonic services to the Respondent should be required to provide a reference of calls from the number presently assigned to the Respondent to any such number designated by the Receiver or perform any other services or changes necessary to the conduct of the receivership.

16. Any bank, savings and loan association, financial institution or other person which has on deposit, in its possession, custody or control any funds, accounts and any other assets of the Respondent should be required to immediately transfer title, custody and control of

all such funds, accounts and other assets to the Receiver. The Receiver should be authorized to change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of this receivership. No bank, savings and loan association or other financial institution should be permitted to 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 unless and until obtaining an order from this Court authorizing such action.

17. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to the Respondent should be required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.

18. Any data processing service not affiliated with Southern Family Insurance Company which has custody or control of any data processing information and records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to the Respondent should be required to transfer custody and control of such records to the Receiver. The Receiver should be authorized to compensate any such entity for the actual use of hardware and software, which the Receiver finds to be necessary to this proceeding. Compensation should be based upon the monthly rate provided for in contracts or leases with Respondent which were in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the Receiver.

19. The United States Postal Service should be directed to provide any information requested by the Receiver regarding the Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.

20. All insurance policies, bonds or similar contracts of coverage issued by the Respondent should remain in full force and effect until they are cancelled.

21. All affiliated companies and associations should be directed to make their books and records available to the Receiver, to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of any records requested by the Receiver whether or not such records are related to Respondent. The Receiver should have title to all policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an affiliate company or any other person, corporation, or association. The Receiver should be authorized to take possession of any such records, files, and documents, and to remove them to any location in the Receiver's discretion. Any disputed records should not be withheld from the Receiver's review, but should be safeguarded and presented to this Court for review prior to copying by the Receiver.

22. The Receiver should have complete access to and control of all computer records of the Respondent and its affiliates at all times including but not limited to Respondent's computer records. Each affiliate should be given reasonable access to such records for the purpose of carrying out its business operations.

23. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms should be directed to appear before this Court to show good cause, if any they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.

24. Pursuant to Sections 631.041(3) and (4), Florida Statutes, all persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, should be enjoined and restrained: from the further transaction of the insurance business of the Respondent; from doing, doing through omission, or permitting to be done any action which might waste or dispose of the books, records and assets of the Respondent; from in any means interfering with the Receiver or these proceedings; from the transfer of property and assets of Respondent without the consent of the Receiver; from the removal, concealment, or other disposition of Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against the Respondent or the Receiver together with its agents or employees, the service of process and subpoenas, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and, from the making of any levy or execution against Respondent or any of its property or assets. Notwithstanding the provisions of this paragraph, the Receiver should be permitted to accept and be subpoenaed for non-party production of claims files in its possession, including medical records, which may be contained therein. In such cases, the requesting party must submit an affidavit to the Receiver stating that notice of the non-party production was appropriately issued and provided to the patient and that the patient was given the opportunity to object and either did not object to the non-party production, or objected and the Court overruled the objection, in which case a copy of the Court's ruling must be attached to the affidavit. The Receiver should be authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07(1)(a), and 624.501, Florida Statutes.

25. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Southern Family Insurance Company agree to fully cooperate with the Receiver in the effort to rehabilitate Southern Family Insurance Company.

26. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Southern Family Insurance Company having any interest in the building located at 302 Knights Run Avenue, Suite 700, Tampa, Florida 33602, agree to make available, at that location and at no charge to the Receiver or to Southern Family Insurance Company, office space, and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

27. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Southern Family Insurance Company having any interest in the computer equipment and software currently used by or for Southern Family Insurance Company shall make such computer equipment and software available to the Receiver at no charge to the Receiver or Southern Family Insurance Company to the extent deemed necessary by the Receiver in its sole discretion.

28. Except for contracts of insurance, all executory contracts to which the Respondent was a party should be cancelled and stand cancelled unless specifically adopted by the Receiver within ninety (90) days of the date of this Order or from the date of the Receiver's actual knowledge of the existence of such contract, whichever is later. "Actual Knowledge" means the Receiver has in its possession the original of a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract. **Any vendor, including but not limited to, any and all employees / contractors of**

insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship. This notice should include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were provided pursuant to the contract, any current, future and/or past due amounts owing under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision should not be treated as an anticipatory breach of such contracts.

CONTINUATION OF INVESTIGATION

29. The Receiver should be authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent's parent corporations, its subsidiaries, and affiliates should be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. The Respondent and the above-specified entities should be required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation should include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any

segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

30. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates should be required to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution should be required to immediately disclose to the Receiver the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

31. All Sheriffs and all law enforcement officials of this state should be required to cooperate with and assist the Receiver in the implementation of this Order.

32. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger, or other transformation of the Respondent is appropriate, the Receiver should be directed to prepare a plan to effect such changes and submit the plan to this Court for consideration.

33. Upon petition by the Receiver stating that further efforts to rehabilitate Respondent would be useless, this Court would consider entry of an order of liquidation of Respondent.

NOTICE OF AUTOMATIC STAY


34. Notice should be given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all

persons and entities, other than the Receiver, which shall be permanent and survive the entry of the order, and which prohibits:

- A. The commencement or continuation of judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof;
- B. The enforcement of a judgment against the insurer or an affiliate obtained either before or after the commencement of the delinquency proceeding;
- C. Any act to obtain possession of property of the insurer;
- D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;
- E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;
- F. The set-off or offset of any debt owing to the insurer except offsets as provided in Section 631.281, Florida Statutes.

35. This Court should retain jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

SUBMITTED on this day 25th, April 2006.


STEVEN G. BRANGACCIO,
SENIOR ATTORNEY
Florida Bar No. 0071773
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4445 – Telephone
(850) 488-1510 – Facsimile



FINANCIAL SERVICES
COMMISSION

JEB BUSH
GOVERNOR

TOM GALLAGHER
CHIEF FINANCIAL OFFICER

CHARLIE CRIST
ATTORNEY GENERAL

CHARLES BRONSON
COMMISSIONER OF
AGRICULTURE

DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
DIRECTOR

CONSENT TO ORDER OF REHABILITATION

IT IS HEREBY agreed as follows:

1. Southern Family Insurance Company (herein "Respondent") is a Florida corporation and is a domestic insurer authorized to transact an insurance business in the State of Florida.

2. Respondent admits that on April 15, 2006, grounds will exist for the appointment of a Receiver under Section 631.051, Florida Statutes, if as of that date the Respondent does not have (1) capital and surplus that is equal to or greater than the minimum surplus required by Section 624.408, Florida Statutes and (2) adjusted risk-based capital calculated in accordance with Section 624.4085 that is above the company action level risk-based capital as defined in Section 624.4085(1)(c), Florida Statutes.

3. If as of April 15, 2006 Respondent does not have the minimum surplus required by Section 624.408, Florida Statutes, or adjusted risk-based capital calculated in accordance with Section 624.4085 that is above the company action level risk-based capital as defined in Section 624.4085(1)(c), Florida Statutes, then as of that date, pursuant to Section 631.051(11), Florida Statutes, Respondent consents, through a majority of its directors, stockholders, members, or subscribers, to the entry of an order of Rehabilitation appointing the Department of Financial Services as receiver for purposes of Rehabilitation and consents to any injunctions this Court deems necessary and appropriate. The Joint Resolution of the Directors and Sole Shareholder of Southern Family Insurance Company is attached hereto.

EXHIBIT A

4. If Respondent's consent as set forth in paragraph 3, above, becomes effective, Respondent consents and agrees to the entry of the Consent Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, and Notice of Automatic Stay included in this Consent as Attachment "A" and incorporated by reference herein.

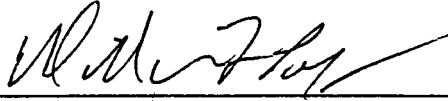
5. If on or before April 14, 2006 Respondent provides the Department of Financial Services with evidence that Respondent has the minimum surplus required by Section 624.408, Florida Statutes, and adjusted risk-based capital calculated in accordance with Section 624.4085 that is above the company action level risk-based capital as defined in Section 624.4085(1)(c), Florida Statutes, then this Consent to Order of Rehabilitation shall be null and void and of no effect.

Executed on following page

Dated this _____ day of March, 2006.

SOUTHERN FAMILY INSURANCE COMPANY

(Corporate seal)



William F. Poe, Jr., President

EXHIBIT A

JOINT RESOLUTION OF THE DIRECTORS AND SOLE
SHAREHOLDER OF SOUTHERN FAMILY INSURANCE COMPANY

The undersigned, being the Directors and Sole Shareholder of Southern Family Insurance Company (the "Company"), hereby certify that the following excerpt is a true and correct copy of resolutions adopted at a combined meeting of the Directors and Sole Shareholder of the Company:

RESOLVED, that if on April 15, 2006 the Company does not have the minimum surplus required by Section 624.408, Florida Statutes, and adjusted risk-based capital calculated in accordance with Section 624.4085 that is above the company action level risk-based capital as defined in Section 624.4085(1)(c), Florida Statutes, the Board of Directors and Sole Shareholder of the Company consent to the entry of the Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, and Notice of Automatic Stay, included with these resolutions as Attachment "A" and incorporated by reference herein

FURTHER RESOLVED, that if the Company on April 15, 2006 has the minimum surplus required by Section 624.408, Florida Statutes, and adjusted risk-based capital calculated in accordance with Section 624.4085 that is above the company action level risk-based capital as defined in Section 624.4085(1)(c), Florida Statutes, then this joint resolution shall be null and void and of no effect;

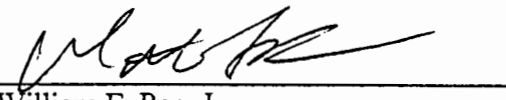
FURTHER RESOLVED, that the President of the Company is hereby authorized to execute any and all consent agreements or other documents on behalf of Southern Family Insurance Company to obtain entry of the Order of Rehabilitation and are authorized to take any and all additional actions deemed necessary or appropriate by the Department of Financial Services to effectuate the foregoing or to comply with the Order, without further approval of the Directors and Sole Shareholder.

Dated this 20th day of March, 2006.


DIRECTORS OF SOUTHERN FAMILY INSURANCE COMPANY:



William F. Poe



William F. Poe, Jr.

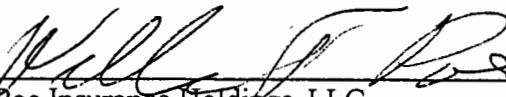


Charles E. Poe



James E. Wurdeman

Jan J. Meder



Poe Insurance Holdings, LLC
Sole Shareholder of Southern Family
Insurance Company

EXHIBIT A

**IN THE CIRCUIT COURT OF THE
SECOND JUDICIAL CIRCUIT IN AND
FOR LEON COUNTY, FLORIDA**

State Of Florida, ex rel., The
Department Of Financial Services Of
The State Of Florida,

Relator,

v.

CASE NO.: 2006-_____

Southern Family Insurance Company,
a Florida Corporation authorized to
transact an insurance business in Florida

Respondent.

_____ /

**CONSENT ORDER APPOINTING THE FLORIDA DEPARTMENT OF
FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF REHABILITATION,
INJUNCTION, AND NOTICE OF AUTOMATIC STAY**

THIS CAUSE was considered on the Petition of the State of Florida, Department of Financial Services (hereinafter the "Department") for entry of a consent order of rehabilitation of Southern Family Insurance Company. The Court having reviewed the pleadings of record, having heard presentation of counsel, and otherwise being fully informed in the premises, finds:

1. Southern Family Insurance Company (hereinafter "Respondent") is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a domestic property and casualty insurer. Respondent's corporate offices and principal place of business are located at 302 Knights Run Avenue, Suite 700, Tampa, Florida 33602.

2. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled insurer.

EXHIBIT A

3. Section 631.051, Florida Statutes, authorizes the Department to apply to this Court for an order directing the Department to rehabilitate a domestic insurer upon the existence of any of the grounds specified therein.

4. Section 631.051(11), Florida Statutes, authorizes the Department to apply to this Court for an order directing it to rehabilitate a domestic insurer upon the ground that the insurer has consented to such an order through a majority of its directors, stockholders, members, or subscribers.

5. Respondent has consented to the appointment of the Department as Receiver for purposes of rehabilitation.

6. It is in the best interests of Respondent and its creditors and insureds that the relief requested in the petition be granted.

THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

7. The Department of Financial Services of the State of Florida is appointed Receiver of Respondent for purposes of rehabilitation and that the Receiver is authorized and directed to:

A. Conduct the business of Respondent and take all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Order of Rehabilitation necessary and to take such further action, as the Receiver deems necessary or appropriate, to reform and revitalize the Respondent.

B. Take immediate possession of all the property, assets, and estate, and all other property of every kind whatsoever and wherever located, belonging to Respondent, pursuant to Sections 631.111 and 631.141, Florida Statutes, including but not limited to: offices maintained by the Respondent, rights of action, books, papers, evidences of debt,

EXHIBIT A

bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, and all real property of Respondent, wherever situate, whether in the possession of Respondent or its officers, directors, trustees, employees, consultants, attorneys, agents, affiliates, or other persons.

C. Employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.

D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.

E. Not defend or accept service of process on legal actions wherein the Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court; except, however, in actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.

F. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.

G. Collect all debts that are economically feasible to collect which are due and owing to the Respondent.

H. Deposit funds and maintain bank accounts.

I. Take possession of all Respondent's securities and certificates of deposit on deposit with the Treasurer of Florida, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership or otherwise best benefit the estate.

J. Apply to this Court for further instructions in the discharge of its duties as may be necessary.

IT IS FURTHER ORDERED AND DIRECTED:

8. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates is required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes, notwithstanding the provisions of the above paragraph.

9. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, is vested in the Receiver pursuant to Sections 631.111 and 631.141, Florida Statutes.

10. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority shall be suspended, except as such powers are re-delegated in writing by the Receiver. The Receiver has full power to direct and manage the affairs of

Respondent, to hire and discharge employees, and to deal with the property and business of the Respondent.

11. All attorneys employed by Respondent as of the date of the Order, within 10 days of receiving notice of this Order, are required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report should also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent are discharged as of the date of the Order unless the Receiver retains their services. All attorneys employed by Respondent are advised that pursuant to Sections 631.011(17) and 631.011(21), Florida Statutes, a claim based on mere possession does not create a secured claim and all attorneys employed by Respondent, pursuant to In Re the Receivership of Syndicate Two, Inc., 538 So.2d 945 (Fla. 1st DCA 1989), who are in possession of litigation files or other material, documents or records belonging to or relating to work performed by the attorney on behalf of Respondent are required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, should not be extinguished by the delivery of these documents.

12. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the Respondent are required to account for and pay all premiums and commissions unearned due to cancellation of policies in the normal course of business owed to the Respondent directly to the Receiver within 30 days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they should not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company or other person should use

premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

13. Any premium finance company, which has entered into a contract to finance a premium for a policy, which has been issued by the Respondent, is required to pay any premium owed to the Respondent directly to the Receiver.

14. Reinsurance premiums due to or payable by the Respondent shall be remitted to, or disbursed by, the Receiver. The Receiver shall handle reinsurance losses recoverable or payable by the Respondent. All correspondence concerning reinsurance shall be between the Receiver and the reinsuring company or intermediary.

15. Upon request by the Receiver, any company providing telephonic services to the Respondent is directed to provide a reference of calls from the number presently assigned to the Respondent to any such number designated by the Receiver or perform any other services or changes necessary to the conduct of the receivership.

16. Any bank, savings and loan association, financial institution or other person which has on deposit, in its possession, custody or control any funds, accounts and any other assets of the Respondent is directed to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver is authorized to change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of this receivership. No bank, savings and loan association or other financial institution shall be permitted to 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 unless and until obtaining an order from this Court authorizing such action.

17. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to the Respondent is required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.

18. Any data processing service not affiliated with Southern Family Insurance Company which has custody or control of any data processing information and records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to the Respondent is directed to transfer custody and control of such records to the Receiver. The Receiver is authorized to compensate any such entity for the actual use of hardware and software, which the Receiver finds to be necessary to this proceeding. Compensation should be based upon the monthly rate provided for in contracts or leases with Respondent which were in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the Receiver.

19. The United States Postal Service is directed to provide any information requested by the Receiver regarding the Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.

20. All insurance policies, bonds or similar contracts of coverage issued by the Respondent shall remain in full force and effect until they are cancelled, as provided for in Paragraph 31 of this Order.

21. All affiliated companies and associations are directed to make their books and records available to the Receiver, to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of any records requested by the Receiver whether or not such records are related to Respondent. The Receiver has title to all

policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an affiliate company or any other person, corporation, or association. The Receiver is authorized to take possession of any such records, files, and documents, and to remove them to any location in the Receiver's discretion. Any disputed records shall not be withheld from the Receiver's review, but should be safeguarded and presented to this Court for review prior to copying by the Receiver.

22. The Receiver shall have complete access to and control of all computer records of the Respondent and its affiliates at all times including but not limited to Respondent's computer records. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.

23. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms is directed to appear before this Court to show good cause, if any they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.

24. Pursuant to Sections 631.041(3) and (4), Florida Statutes, all persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, are enjoined and restrained: from the further transaction of the insurance business of the Respondent; from doing, doing through omission, or permitting to be done any action which might waste or dispose of the books, records and assets of the Respondent; from in any means interfering with the Receiver or these proceedings; from the transfer of property and assets of Respondent without the consent of the Receiver; from the removal, concealment, or other disposition of Respondent's property, books, records, and accounts; from the commencement or

prosecution of any actions against the Respondent or the Receiver together with its agents or employees, the service of process and subpoenas, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and, from the making of any levy or execution against Respondent or any of its property or assets. Notwithstanding the provisions of this paragraph, the Receiver is permitted to accept and be subpoenaed for non-party production of claims files in its possession, including medical records, which may be contained therein. In such cases, the requesting party must submit an affidavit to the Receiver stating that notice of the non-party production was appropriately issued and provided to the patient and that the patient was given the opportunity to object and either did not object to the non-party production, or objected and the Court overruled the objection, in which case a copy of the Court's ruling must be attached to the affidavit. The Receiver is authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07(1)(a), and 624.501, Florida Statutes.

25. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Southern Family Insurance Company agree to fully cooperate with the Receiver in the effort to rehabilitate Southern Family Insurance Company.

26. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Southern Family Insurance Company having any interest in the building located at 302 Knights Run Avenue, Tampa, Florida 33602, agree to make available, at that location and at no charge to the Receiver or to Southern Family Insurance Company, office space, and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

27. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Southern Family Insurance Company having any interest in the computer equipment and software currently used by or for Southern Family Insurance Company shall make such computer equipment and software available to the Receiver at no charge to the Receiver or Southern Family Insurance Company to the extent deemed necessary by the Receiver in its sole discretion.

28. Except for contracts of insurance, all executory contracts to which the Respondent was a party shall be cancelled and stand cancelled unless specifically adopted by the Receiver within ninety (90) days of the date of this Order or from the date of the Receiver's actual knowledge of the existence of such contract, whichever is later. "Actual Knowledge" means the Receiver has in its possession the original of a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract. **Any vendor, including but not limited to, any and all employees / contractors of insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship.** This notice shall include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were provided pursuant to the contract, any current, future and/or past due amounts owing under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision shall not be treated as an anticipatory breach of such contracts.

CONTINUATION OF INVESTIGATION

29. The Receiver is authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent's parent corporations, its subsidiaries, and affiliates are required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. The above-specified entities are required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation should include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

30. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates is directed to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution is directed to immediately disclose to the Receiver the existence of any accounts of

EXHIBIT A

Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

31. All Sheriffs and all law enforcement officials of this state shall cooperate with and assist the Receiver in the implementation of this Order.

32. All insurance policies issued by Southern Family Insurance Company currently in effect, shall be cancelled effective 11:59 P.M., Eastern Daylight Time, _____, 2006, unless otherwise terminated in the ordinary course of business prior to that date.

33. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger, or other transformation of the Respondent is appropriate, the Receiver shall prepare a plan to effect such changes and submit the plan to this Court for consideration.

34. Upon petition by the Receiver stating that further efforts to rehabilitate Respondent would be useless, this Court will consider entry of an order of liquidation of Respondent.

NOTICE OF AUTOMATIC STAY

35. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of the order, and which prohibits:

A. The commencement or continuation of judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof;

B. The enforcement of a judgment against the insurer or an affiliate obtained either before or after the commencement of the delinquency proceeding;

- C. Any act to obtain possession of property of the insurer;
- D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;
- E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;
- F. The set-off or offset of any debt owing to the insurer except offsets as provided in Section 631.281, Florida Statutes.

36. This Court retains jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

DONE and ORDERED in Chambers at the Leon County Courthouse in Tallahassee, Leon County, Florida this _____ day of March, 2006.

CIRCUIT JUDGE

EXHIBIT A



OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
COMMISSIONER

**FINANCIAL SERVICES
COMMISSION**

JEB BUSH
GOVERNOR

TOM GALLAGHER
CHIEF FINANCIAL OFFICER

CHARLIE CRIST
ATTORNEY GENERAL

CHARLES BRONSON
COMMISSIONER OF
AGRICULTURE

April 25, 2006

The Honorable Tom Gallagher
The Chief Financial Officer
Department of Financial Services
The Capitol, PL-11
Tallahassee, FL 32399

Dear Chief Financial Officer Gallagher:

This is to inform you that grounds exist, pursuant to Section 631.051, Florida Statutes, to place Southern Family Insurance Company (Southern Family) in receivership for purposes of rehabilitation and to request that your Division of Rehabilitation and Liquidation petition the Circuit Court for appointment as receiver as soon as possible. The directors and sole shareholder of Southern Family have consented to this action.

In March 2006, Southern Family reported an impaired financial condition on its annual financial statement as of December 31, 2005. Its officers ceased writing insurance business, and ceased offering renewal business while they announced that they would seek new capital and reinsurance. On March 21, 2006, Southern Family consented to enter administrative supervision and agreed to the entry of an order of rehabilitation effective April 15, 2006. Atlantic Preferred Insurance Company (Atlantic Preferred) was in supervision and agreed to rehabilitation as of May 1, 2006. At the time, the supervision was confidential, but under 624.82 may be made public if the Office deems that disclosure is in the public's best interest. At this time, the Office deems disclosure of these orders to be in the public's best interest. During the period of supervision, Southern Family and Atlantic Preferred have continued to pay claims in the ordinary course of business except that the claim payments are being reviewed by the Deputy Supervisor with the assistance of the Florida Insurance Guaranty Association (FIGA) adjusters who are contracted to assist with the review of claims prior to payments being released. The Deputy Supervisor has made efforts to assist agents in moving policyholders, particularly those with large commercial exposures, to alternative markets. Some policies have

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Affirmative Action / Equal Opportunity Employer

EXHIBIT B

moved to other companies, including to the surplus lines market. Southern Family has been unsuccessful in obtaining additional operating capital and at this point remains in an impaired or insolvent financial condition.

At this point, it is time to move forward with receivership action to make certain that policyholders have coverage upon the expiration of the reinsurance contracts so that they are fully protected during hurricane season. The Deputy Supervisor and the Office recommend that Southern Family be placed in rehabilitation. Removal of additional policies or revitalization of capital may still be done within the context of the rehabilitation proceeding if the receiver and the court approve of any such arrangements.

The timeframes recommended are the result of an expiring quota share reinsurance arrangement, the financial position of the company, and other factors. Our goal has been, and will continue to be, to serve the interests of the policyholders and the public. Because the reinsurance market is tight and companies may be contracting their participation in the homeowners insurance market, the policyholders and their agents may experience significant obstacles in finding replacement coverage. Therefore, we anticipate that many of them will go to Citizens Property Insurance Corporation (Citizens) for coverage whenever their policies expire or are cancelled. In an effort to avoid overwhelming Citizens with the task of re-writing thousands of additional policies, a multi-step process starting with the rehabilitation of Southern Family will be necessary.

The Office and the Deputy Supervisor have met with the Poe Financial Group representatives, Citizens, and representatives of your Division of Rehabilitation and Liquidation. The following plan is recommended with the goal to provide for an orderly transition of policyholders from the Poe Financial Group companies and to avoid any unnecessary disruption of coverage for these policyholders:

1. Petition the Court to place Southern Family into receivership for purposes of rehabilitation on or about April 25, 2006.
2. Continue efforts to place blocks of business with other insurers
3. Continue payment of claims in the ordinary course of business to the extent feasible
4. On May 1, 2006, Atlantic Preferred will need to be placed in rehabilitation. The company has consented as of that date.
5. On or about June 1, 2006, Southern Family and Atlantic Preferred would need to be placed in liquidation. If the companies will consent to this, it can be done without a hearing. Otherwise, the Court will need to have a hearing.
6. The liquidation order will need to cancel policies on or about June 30, 2006.
7. Within the order of liquidation, the Court will need to provide for a transition plan requiring that the policies remaining in Atlantic Preferred and Southern Family as of the effective date of the cancellation on or about June 30, 2006 will become policies of Citizens without the need for a new application or underwriting, solely for purposes of covering losses occurring after the cancellation, for the remaining term of the policy periods of those policies, at the rates and on the forms of Southern Family and Atlantic Preferred.

Citizens will adopt, and the Office will approve, the forms, rates, and rules of Southern Family and Atlantic Preferred as those of Citizens only for this transaction.

8. Also within the order of liquidation, the Court will need to provide that the unearned premium claims of policyholders against the FIGA are assigned to Citizens for those policyholders transitioning to Citizens.
9. If any insured has obtained replacement coverage elsewhere, Citizens will not cover that policyholder, and that policyholder will have the right to the unearned premium.
10. Policies need to be in effect as of June 30, 2006 to enable Southern Family, Atlantic Preferred, and Florida Preferred Insurance Company (Florida Preferred) to take maximum benefits under their quota share reinsurance arrangements.
11. Provision needs to be made to ensure that maximum coverage is available to Citizens under the Florida Hurricane Catastrophe Fund for these policies.
12. After July 1, 2006, as the policies reach their anniversary dates, Citizens will offer new coverage using Citizens' forms and rates to those policyholders who are unable to obtain coverage in the voluntary market.
13. Florida Preferred has also consented to receivership for purposes of rehabilitation effective on June 1, 2006. Florida Preferred has filed financial statements indicating a risk based capital ratio that does not comply with statutory requirements, but it has not reported an impairment of its capital and surplus. If Florida Preferred cannot obtain reinsurance, its policies will need to be cancelled with the same effective date as the others because its quota-share reinsurance will expire on June 30, 2006. Therefore, we anticipate that unless new capital is found by its shareholder, it may be necessary to liquidate Florida Preferred on or about June 1, 2006 to ensure that policyholders are not left without adequate coverage during the hurricane season. If the shareholder does not consent to this, the receiver will need to petition the court and request a hearing.

Under this plan, no policyholder should experience a lapse in coverage. The guaranty fund will be triggered for the payment of claims as necessary.

Therefore, I recommend that you authorize the Division of Rehabilitation and Liquidation to petition the Court to place Southern Family Insurance Company in receivership for purposes of rehabilitation and take further actions consistent with this plan as necessary.

Sincerely,



Kevin M. McCarty
Commissioner