



1 **SR**
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11 *Attorney for the Division of Insurance*

12 **IN THE EIGHTH JUDICIAL DISTRICT COURT**
13 **IN AND FOR THE COUNTY OF CLARK**

14 STATE OF NEVADA, EX REL.) Case No. A-14-7-705863
15 COMMISSIONER OF INSURANCE, IN HER)
16 OFFICIAL CAPACITY AS STATUTORY) Dept. No. ~~IX~~ Department 24
17 RECEIVER FOR DELINQUENT DOMESTIC)
18 INSURER,)
19 Plaintiff,)
20 vs.)
21 PROAIR Risk Retention Group, Inc.,)
22 Defendant)

23 **FINAL STATUS REPORT AND MOTION FOR ORDER APPROVING DISTRIBUTION OF**
24 **ESTATE ASSETS**

25 COME NOW, Barbara Richardson, Commissioner of Insurance (the "Commissioner") for the
26 State of Nevada in her capacity as Permanent Receiver of PROAIR Risk Retention Group, Inc.,
27 ("PROAIR" or the "Company"), and Regulatory Services Group ("RSG"), Receivership Manager of
28 PROAIR, and file this **FINAL STATUS REPORT AND MOTION FOR ORDER APPROVING**
DISTRIBUTION OF ESTATE ASSETS in the above-captioned receivership.

1 **NOTICE OF MOTION**

2 Please take notice that the undersigned will bring the above and foregoing Final Status Report
3 and Motion to Approve Distribution of Estate Assets on for hearing before this Court at the courtroom
4 of the above-entitled Court on the 07 day of Sept., 2017, at the hour of 9:00^{AM} or as soon
5 thereafter as counsel can be heard.

6 DATED: August 2, 2017.

7
8 ADAM PAUL LAXALT
ATTORNEY GENERAL

9
10 By: /s/ Joanna N. Grigoriev
11 JOANNA N. GRIGORIEV
Senior Deputy Attorney General

12
13 **I. HISTORICAL BACKGROUND**

14 PROAIR was an association captive insurance company operating as a risk retention group
15 under the authority of Nevada Revised Statutes Chapter 694C and was incorporated and organized
16 under the Nevada Insurance laws and the Liability Risk Retention Act of 1986. PROAIR is domiciled
17 in the state of Nevada and received it's Certificate of Authority on July 25, 2008. As an association
18 risk retention group, the subscribers of PROAIR operated through an Attorney-In-Fact, T. Edwards,
19 LLC, a Nevada domestic limited liability company, to enable the exchange of contracts of insurance
20 among themselves. PROAIR's program provided liability insurance to its subscribers – pilots and pilot
21 groups specializing in the Air Tractor industry. On November 14, 2014, an Order Appointing the
22 Nevada Insurance Commissioner as Permanent Receiver of PROAIR. (the "Permanent Receivership
23 Order") was entered by the Eighth Judicial District Court of the State of Nevada for Clark County (the
24 "Court").

25 On November 6, 2014, Commissioner Scott J. Kipper as Permanent Receiver of PROAIR
26 retained David E. Wilson and Regulatory Services Group ("RSG") as Receivership Manager. The
27 Receivership Manager was authorized to retain the services of Scott Pearce of RSG as his Receivership
28 Supervisor. As provided for by the Permanent Receivership and Liquidation Order, the Receiver and

1 Receivership manager are authorized to conduct the business of PROAIR and to administer its affairs
2 for the protection of all secured creditors, insureds, policyholders, and general creditors.

3 The Permanent Receivership Order appointed the Commissioner as Permanent Receiver
4 pursuant to NRS 696B.220 for the purpose of liquidating the business of insolvent PROAIR and
5 granted other permanent relief.

6 PROAIR has essentially completed the process to recover all known assets of the liquidation
7 estate as well as make final determinations related to its creditor base. The estate is now in position to
8 seek this court's approval to distribute its assets to creditors with approved claims in accordance with
9 Nevada law.

10 II. RECEIVERSHIP ADMINISTRATION

11 A. Notices of Receivership and Notification of Interested Parties

12 Upon entry of the liquidation order in 2014, the court established a Claims Bar Date of
13 7/31/2015 by which time all known creditors and/or interested parties must file a Proof of Claim
14 ("POC") if they seek recovery from the liquidation estate's assets. Shortly after entry of the liquidation
15 order, the Receiver published legal notice of the permanent receivership proceeding in the Wall Street
16 Journal as PROAIR wrote insurance in several different areas of the country. The national publication
17 was completed as part of the POC process. Additionally, the Regulatory Services Group website
18 periodically updated with any material developments and information as well as links to view and
19 obtain copies of the permanent receivership order and any subsequent pleadings filed in the PROAIR
20 receivership.

21 B. The Claims Process

22 On February 3, 2015 the Receivership Manager mailed POC packets to all known potential
23 creditors of PROAIR advising the parties of the July 31, 2017 Claims Bar Date. The estate received
24 eight claims filed as Class (b) policyholder claims (NRS 696B.420). Subsequent to the bar date the
25 estate received notice from a policyholder of two additional claims being asserted against PROAIR.
26 After considering the late tender the Receivership Manager approved the late filing of the two
27 additional claims and established an extended bar date of November 16, 2015. Both claimants
28 subsequently submitted timely proofs of claim. The estate had to resolve a total of 17 claims through all

1 Preference categories. Because of the commonality of ownership, several claims were filed in this
2 Receivership that belonged to the PAIR estate and had to be verified as to which estate they applied.

3 As of June 30, 2017 PROAIR had received proofs of claim asserting \$1,492,484.41 in the
4 policyholder class of POCs. From that population of asserted claims the Receivership Manager has
5 approved \$192,806.37 in submitted policyholder class claims.

6 With final policyholder level claim liability determined the estate has sufficient funds to pay all
7 creditor claims 100% of their approved value, and have remaining a small residual amount of estate
8 funds to be distributed to the equity holders. In addition to the policyholder class of claims the
9 Receivership Manager has approved one class (e) priority claim in the amount of \$826.21 and eight
10 class (g) priority claims for \$78,646.64. (See Exhibit "A" for listing of all filed claims as required by
11 NRS 696B.330 (6).

12 **C. Completion of Proof of Claim Process**

13 As noted in the preceding section, all Proofs of Claim have been determined and have been
14 addressed complying with the claims review process articulated in NRS 696B.330 (7). The estate has
15 sent final notification to the equity claimants and is now seeking court approval to distribute estate
16 assets to approved creditors and return any residual assets to the equity holders.

17 **D. Reinsurance**

18 The reinsurance function was completed during the second quarter of 2016.

19 **E. Records and Assets Control**

20 The Receivership Manager has control of PROAIR's known books and records, both tangible
21 and electronic.

22 In addition to records control, the Receivership Manager has control over PROAIR's sole bank
23 account at Wells Fargo Bank. The Receivership Manager has not located and is not aware of any other
24 material assets beyond the current Wells Fargo Bank account balance belonging to PROAIR. Subject to
25 this Court's approval of PROAIR's final report and distribution, the Receivership Manager will retain
26 PROAIR's electronic records for 12 months. After providing notice to the equity holder and allowing
27 them the opportunity to obtain any records of PROAIR, the Receivership Manager will be authorized to
28 destroy all records in his possession.

1 **F. Financial Analysis**

2 As of May 31, 2017 PROAIR's Wells Fargo Bank account had a balance of \$338,326. The
3 Receivership Manager also holds a \$50,000 retainer. Through June 30, 2017 the Receivership Manager
4 has incurred approximately \$130,000 in administration expenses, including incurred but unpaid
5 expenses. Considering the current cash assets less \$14,640 in incurred but unpaid administrative
6 expenses PROAIR has total current estimated cash assets of approximately \$372,000 (including
7 retainer). PROAIR estimates that its total current estimated cash assets will be sufficient to pay 100%
8 of all priority classes through class (g) with all residual funds, net of a modest administrative closing
9 reserve, being paid to the equity class (k) creditors.

10 **G. Final Distribution and Closing Reserve**

11 Now that the Receivership Manager has gathered all known estate assets, and concluded all claim
12 determinations, the estate is seeking court approval to distribute PROAIR's remaining assets in
13 accordance with NRS 696B.420.

14 The Receivership Manager proposes to complete a 100% distribution of approved claims in all
15 priority classes, net of a modest administrative closing reserve, and paying all residual assets to the
16 equity class (k) creditors through the Attorney-in-Fact, Trevor Edwards. The Receivership Manager
17 proposes to reserve \$20,000 to pay Administrative Expenses which include destruction of records, fees
18 for the final independent review of the estate's receipt/expense records, final tax preparation & filing,
19 and a small reserve for indirect expenses. Any residual funds remaining upon completion of the final
20 post-distribution closing tasks will be transferred to the equity class creditor.

21 Under NRS 696B.420 (i) the estate must pay interest "at the legal rate compounded annually" to
22 all classes before assets can be given to the equity holders. Under Nevada law the interest rate to be
23 applied is 6.25%. The attached Exhibit B is the distribution schedule showing the amount of interest
24 added to the creditors' approved claims through a proposed payment date of October 15, 2017. The
25 PROAIR estate seeks the courts approval to distribute a total of \$297,890.51 to its approved creditors
26 and pay all residual estate funds, net of the administrative closing reserve, to the equity class creditor.

27 ///

CERTIFICATE OF SERVICE

I hereby certify that I am an employee of the State of Nevada, Office of the Attorney General and that on the 2nd day of August I filed the foregoing **FINAL STATUS REPORT AND MOTION FOR ORDER APPROVING DISTRIBUTION OF ESTATE ASSETS** and that it will be sent via US Mail addressed as follows:

Gallatin Grown, LLC
c/o COK Kinzler PLLP
P.O. Box 1105
Bozeman, MT 59771-1105

Rusty's Flying Service
732 CR 312
D'Hanis, TX 78850

Benny White Flying Service
2112 CR 20
Lamesa, TX 79331

Steier Ag Aviation, Inc.
Attn: Dennis Meyer
P.O. Box 368
Whittemore, IA 50598

H. Grady Terrill
Craig, Terrill, Hale & Grantham LLP
9816 Slide Road, Suite 201
Lubbock, TX 79424

Scott G. Buchanan
Buchanan, Bibler, Gabor & Meis
111 N. Dodge St., P.O. Box 617
Algona, IA 50511

Countryside Aviation, LLC
W3124 Hickory Hills
Chilton, WI 53014

Fields & Van Dalen c/o Gingras, Cates & Luebke
Attn: Robert J. Gingras
8150 Excelsior Drive
Madison, WI 53717

Patrick J. Coffey
Menn Law Firm
P.O. Box 785, 2501 E Enterprise Ave.
Appleton, WI 54912

Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, NE
Atlanta, GA 30326

Headwaters Flying Service
c/o Crowley, Fleck PLLP
P.O. Box 797
Helena, MT 59624-0797

Nevada Division of Insurance
1818 East College Pkwy, Suite 103
Carson City, NV 89706

O'Brien Flying Service
PO Drawer 607
Iowa, LA 70647

Illinois Department of Insurance
P.O. Box 7087
Springfield, IL 62791

Scofield, Gerard, Pohorelsky, Gallagher & Laundry LLC
P.O. Drawer 3028
Lake Charles, LA 70602

Risk Services, LLC
1605 Main Street, Suite 800
Sarasota, FL 34236

1 LLOYD'S UNDERWRITER SYND NO.
2 2010MMX
3 29TH FLOOR-20 FENCHURCH ST
4 CATHEDRAL UNDERWRITING LIMITED
5 LONDON
6 United Kingdom
7 EC3M3BY
8
9 ATRIUM AVIATION CONSORTIUM, NO. 9563
10 LLOYD'S BUILDING- ATT: CLIVE HARRIS
11 1 LIME STREET
12 LONDON
13 United Kingdom
14 EC3M7DQ
15
16 XL RE EUROPE LIMITED, FLORIAN
17 KOEHLER
18 XL HOUSE
19 8 ST. STEPHEN'S GREEN
20 DUBLIN
21
22 HANNOVER RUCKVERSICHERUNG AKTIEN
23 KARL-WIECHERT-ALLEE 50
24 D-30625 HANNOVER
25 HANNOVER
26
27 SCOFIELD GERARD POHORELSKY
28 GALLAUGHER & LANDRY
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P.O. BOX 797
HELENA, MT 59624-0797

FRED BEGY, ESQ.
2800 N. LA SALLE ST., STE 2810
CHICAGO, IL 60601

Hartley Flying Service, Inc.
1408 Military Road
P.O. Box 246
Stuttgart, AR 72160

Blackstone Aerial Spraying, LLC
422 Hwy 14
Superior, NE 68978

Trevor Edwards & Jim Hirsch
5 Canyon Crest Court
Wichita Falls, TX 76309

Constance Akridge, Esq.
Holland & Hart, LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, NV 89134

/s/ Marilyn Millam
An employee of the Office of the Attorney General

EXHIBIT A

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PROAIR FILED POC STATUS

POC No.	Claimant Name	Claimed Amount	Approval Amount	Priority	Status
400052	Gallatin Grown, LLC	\$ 107,231.18	\$40,000.00	b	Approved
400098	Benny White Flying Service	\$ 101,706.83	\$0.00	b	PAIR Claim-Not PROAIR
400107	Countryside Aviation, LLC*	\$0.00	\$0.00	b	Rejected
400117	Headwaters Flying Service	\$ 35,000.00	\$35,000.00	b	Approved
400132	O'Brien Flying Service	\$ 212,573.70	\$76,522.17	b	Approved
400141	Rusty's Flying Service	\$ 35,972.70	\$35,972.70	b	Approved
400146	STEIER AG AVIATION, INC.	\$ -	\$0.00	b	PAIR Claim-Not PROAIR
400167	Fields & Van Dalen	\$ 1,000,000.00	\$0.00	b	Rejected; 7/23/16 Final Appeal Date
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR **	\$ -	\$5,311.50	b	Approved
TOTAL		\$ 1,492,484.41	\$192,806.37		
400073	Nevada Division of Insurance	\$ 826.21	\$826.21	e	Exam Fees; Approved
400017	Illinois State Treasurer	\$ -	\$0.00	e	Zero \$ claim presented
			\$826.21		
400155	Risk Services, LLC	\$ 11,965.14	\$11,965.14	g	Management Fees/Apr
400160	LLOYD'S UNDERWRITER SYND NO. 2010MMX	\$ 26,137.50	\$7,710.00	g	Reinsurance-Premium /Apr
400161	ATRIUM AVIATION CONSORTIUM, NO. 9563	\$ 8,712.50	\$2,570.00	g	Reinsurance-Premium /Apr
400162	XL RE EUROPE LIMITED	\$ 26,137.50	\$7,710.00	g	Reinsurance-Premium /Apr
400163	HANNOVER RUCKVERSICHERUNG AKTIEN	\$ 6,648.75	\$7,710.00	g	Reinsurance-Premium /Apr
400166	SCOFIELD GERARD POHORELSKY GALLAUGHER & LANDRY	\$ 64,329.00	\$30,000.00	g	Attorney Fees
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR **	\$ 29,533.17	\$6,856.50	g	Attorney Fees-Class g portion
400045	Stockwell, Sievert, Viccellio, Clements, & Shaddock, LLP	\$ -	\$4,125.00	g	Approved
400165	Crowley Fleck	\$ 10,000.00	\$0.00	g	Rejected claim
400164	Fred Begy	\$0.00	\$0.00	g	No formal claim submitted
			\$78,646.64		
400116	Hartley Flying Service, Inc.	\$ 4,713.25	\$0.00	k	Equity Claim
400100	Blackstone Aerial Spraying	\$ 2,100.00	\$0.00	k	PAIR claim-not PROAIR
400153	Trevor Edwards & Jim Hirsch	\$ 725,000.00	\$0.00	k	Equity Claim
		\$ 2,408,587.43			

*Countryside filed based on potential direct claim (Direct Action State). We had to send claim form with new bar date to potential claimant, but no direct claim against policyholder was ever filed. Policyholder was sent letter advising that claim must be liquidated by 7/23/16 or else to be rejected.

** Some portion of this claim will be approved as Class (b) with remainder as a Class (g)

EXHIBIT B

EXHIBIT B

Exhibit B

PROAIR Creditor Distribution

POC No.	Claimant Name	Approval Amount	Priority	Approval Date	Rate	Total Interest	Ending Balance
400052	Gallatin Grown, LLC	\$40,000.00	b	11/30/15	0.0625	\$4,832.62	\$44,832.62
400117	Headwaters Flying Service	\$35,000.00	b	1/15/16	0.0625	\$3,927.33	\$38,927.33
400132	O'Brien Flying Service	\$76,522.17	b	11/3/16	0.0625	\$4,568.98	\$81,091.15
400141	Rusty's Flying Service	\$35,972.70	b	3/3/15	0.0625	\$6,214.00	\$42,186.70
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR **	\$5,311.50	b	6/16/16	0.0625	\$450.38	\$5,761.88
TOTAL		\$192,806.37				\$19,993.31	\$212,799.68
400073	Nevada Division of Insurance	\$826.21	e	6/13/16	0.0625	\$94.93	\$921.14
		\$826.21					
400155	Risk Services, LLC	\$11,965.14	g	6/16/16	0.0625	\$1,014.57	\$12,979.71
400160	LLOYD'S UNDERWRITER SYND NO. 2010MMX	\$7,710.00	g	6/16/16	0.0625	\$653.76	\$8,363.76
400161	ATRIUM AVIATION CONSORTIUM, NO. 9563	\$2,570.00	g	6/16/16	0.0625	\$217.92	\$2,787.92
400162	XL RE EUROPE LIMITED	\$7,710.00	g	6/16/16	0.0625	\$653.76	\$8,363.76
400163	HANNOVER RUCKVERSICHERUNG AKTIEN	\$7,710.00	g	6/16/16	0.0625	\$653.76	\$8,363.76
400166	SCOFIELD GERARD POHORELSKY GALLAUGHER & LANDRY	\$30,000.00	g	1/19/17	0.0625	\$1,381.85	\$31,381.85
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR **	\$6,856.50	g	6/16/16	0.0625	\$581.39	\$7,437.89
400045	Stockwell, Sievert, Viccellio, Clements, & Shaddock, LLP	\$4,125.00	g	5/25/16	0.0625	\$366.04	\$4,491.04
		\$78,646.64				\$5,523.05	\$84,169.69
400116	Hartley Flying Service, Inc.	\$0.00	k				
400100	Blackstone Aerial Spraying	\$0.00	k				
400153	Trevor Edwards & Jim Hirsch	\$0.00	k				
		\$272,279.22				\$25,611.29	\$297,890.51