

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>AUTOMOTIVE PROFESSIONALS, INC.,</b>	)	<b>Case No. 07 B 6720</b>
	)	
<b>Debtor.</b>	)	<b>Honorable Carol A. Doyle</b>

**SUMMARY OF JOINT LIQUIDATION PLAN OF  
AUTOMOTIVE PROFESSIONALS, INC.**

Frances Gecker, not individually but as the Chapter 11 trustee (the “Trustee”) of Automotive Professionals, Inc. (“API”) and the Official Committee of Unsecured Creditors of API (the “Committee”) filed their Joint Liquidation Plan of Automotive Professionals, Inc. (the “Plan”) on November 6, 2009. The following is a summary of the provisions of the Plan. A full copy of the Plan and accompanying Disclosure Statement may be obtained online at <http://www.apibankruptcy.com> or by written request to Garden City Group, Inc., attn: Automotive Professional, Inc., P.O. Box 9000 #6488, Merrick, NY 11566-9000.

API was in the business of marketing vehicle service contracts (“VSCs”) to consumers through automobile dealerships (“Dealers”) and agents. VSCs provide consumers with an extended warranty for the payment of automobile repair charges for a fixed period of time after expiration of the original manufacturer’s warranty. For an additional price, API also offered a guaranteed price refund option (the “GPR Option”). Under the GPR Option, if a consumer never made a claim under a VSC, and still owned the vehicle at the end of the contract term, the consumer would receive a refund of the purchase price of the VSC less the cost of the GPR Option and applicable sales tax.

Since her appointment, the Trustee has entered into agreements (collectively, the “VSC Coverage Agreements”) with more than eighty Dealers, VSC administrators and insurance companies to pay all valid repair claims and certain cancellation charges (together, “VSC Claims”), and in some instances claims arising under active GPR Options (“GPR Claims”) sold by API. As a result of the VSC Coverage Agreements, the repair and cancellation claims of approximately 250,000 consumers are being resolved and paid in the ordinary course outside of API’s bankruptcy case. Other than GPR Claims arising from GPR Options sold in Illinois, Nebraska, North Carolina, Oregon, Texas, Utah, Virginia, Washington or Wisconsin, or sold in connection with a VSC insured by Ohio Indemnity Company, the VSC Coverage Agreements do not require the payment of GPR Claims. The consumer creditors who will be paid pursuant to this Plan are primarily those consumers who have VSC Claims or GPR Claims that are not covered under any of the VSC Coverage Agreements.

**A. Incorporated Insurance Settlement Agreements.**

**1. Marathon Settlement.** The Trustee and Marathon Financial Insurance Co, Inc., RRG (“Marathon”) have entered into an agreement wherein: Marathon will process and pay all valid VSC Claims and GPR Option Claims in Illinois, Nebraska, North Carolina, Oregon, Texas, Utah, Virginia and

Washington (“First Dollar States”); Marathon will pay \$1.1 million to the Trustee; and Marathon will release any rights it may have to the reserves set aside for the VSC’s in the First Dollar States. The Trustee values the Marathon Settlement at approximately \$12 million. **If the Plan is confirmed and the Marathon Settlement is approved, creditors will be enjoined from pursuing VSC Claims or GPR Option Claims against Marathon, other than valid claims arising under a VSC insured by Marathon in the First Dollar States.**

**2. Travelers Settlement.** On November 6, 2007, the Bankruptcy Court approved a settlement between the Trustee and Travelers Indemnity Company (“Travelers”). Under the agreement, Travelers agreed to pay and process valid VSC Claims under VSC’s insured by Travelers and paid the Trustee \$654,547.00. **The Travelers Settlement enjoins creditors from pursuing VSC claims or GPR Option claims against Travelers, other than valid VSC claims insured by Travelers.**

**3. Ohio Indemnity Settlement.** On December 2, 2008, the Bankruptcy Court approved a settlement between the Trustee and Ohio Indemnity Company (“Ohio Indemnity”). Under the agreement, Ohio Indemnity agreed to pay and process valid VSC Claims and GPR Option Claims insured by Ohio Indemnity and paid the Trustee \$2,700,000. **The Ohio Indemnity Settlement enjoins creditors from pursuing VSC Claims or GPR Option Claims against Ohio Indemnity, other than valid claims under a VSC insured by Ohio Indemnity.**

**B. Pending Litigation.** On the Petition Date, Goldman, Sachs and Co. (“Goldman Sachs”) asserted a secured claim for approximately \$4,173,820 plus accruing interest and fees, which it alleges is secured by certain API reserve accounts on deposit at Goldman Sachs (the “GS Reserves”). The Trustee has filed a lawsuit against Goldman Sachs to determine the amount and validity of its claims. In the lawsuit, the Trustee seeks to avoid the security interest of Goldman Sachs and to subordinate its claim to the claims of other creditors. The Trustee also is a party to the declaratory judgment action against Westchester Fire Insurance Company (“Westchester”), who provided directors’ and officers’ liability insurance to the officers and directors of API. In the lawsuit, the Trustee seeks coverage under a \$5 million policy.

**C. Payment to Holders of Allowed Administrative Expense Claims and Allowed Priority Tax Claims.** The Trustee has paid the general administrative costs of the bankruptcy case in the ordinary course of business. The Trustee has paid professional fees and expenses on an interim basis pursuant to Bankruptcy Court orders. The Trustee entered into settlement agreements with two dealer groups which asserted an interest in reserve accounts at Goldman Sachs and Co. (“Goldman Sachs”). Under the Bankruptcy Court-approved agreements, if the Trustee succeeds in recovering the reserves from the Goldman Sachs accounts, Premier Dealer Services, Inc. shall receive \$449,155.20 and Bright Warranty Services LLC shall receive \$119,921.70 from the Goldman Sachs reserves. Priority Tax Claims in the amount of \$1,383.37 have been filed and will be paid. The Plan reserves \$1 million to pay the ongoing costs of administration.

**D. Payment of Secured Claim of Goldman Sachs.** Upon the Trustee’s motion, the Court entered an order permitting Goldman Sachs to retain \$4,173,820, and directed Goldman Sachs to turn over to the Trustee the excess GS Reserves of \$3,026,180 pending further order of the Court. In the event the Trustee does not prevail in her lawsuit, and the Court determines that Goldman Sachs is entitled to a post-petition claim for attorneys’ fees and interest, the Trustee is retaining \$1.5 million to satisfy any post-petition claims of Goldman Sachs.

**E. Payment of Consumer Claims.** The Plan provides for an initial *pro rata* distribution of \$2.5 million in cash to the Holders of Allowed VSC Claims and GPR Claims not included in any of the VSC Coverage Agreements (“Consumer Claims”). The Trustee will continue to litigate her pending

adversary proceeding against Goldman Sachs and the declaratory judgment action against Westchester Fire Insurance Company. The Trustee will make subsequent distributions to Holders of Allowed Consumer Claims from the litigation recoveries and the Marathon settlement payments.

**F. Payment of Claims of General Unsecured Creditors.** The Trustee will make a *pro rata* distribution to general unsecured creditors of the first \$1.5 million the Trustee may recover in the pending litigation against Goldman Sachs and Westchester Fire Insurance Company. In the event the court determines that the Trustee may retain any of the funds reserved to pay the secured claim of Goldman Sachs, those funds shall be included in the \$1.5 million to be paid to General Unsecured Creditors.

**G. Payment of Insider Claims and Shareholder Interests.** The claims of API's affiliates, including Brokerage Professionals, Inc. and Service Resources, Inc., and Intercontinental Warranty Services, Inc., and the claims and interests of API's sole shareholder, NServ Corp., will receive no distributions under the Plan.

**H. Means of Funding.** On the Effective Date, the Trustee will have cash on hand of approximately \$6.5 million. In addition, the Trustee will receive \$1,100,000 from Marathon, as set forth in the Marathon Settlement Agreement, a copy of which is attached to the Plan as Exhibit 1. The Trustee may receive additional funds upon resolution of the pending litigation against Goldman Sachs and the litigation against Westchester Fire Insurance Company.

The Trustee does not anticipate that sufficient funds will be available for the payment in full of all Claims. The specific terms and conditions of the Plan and the treatment of the various Classes of Claims and Interests are more fully set forth in the Plan and described below.

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
Unclassified: Administrative Claims  \$250,000 (estimated Professional fees and expenses) \$1,500,000 (estimated Administrative Claims for soliciting and tabulating ballots) \$569,076.90 (dealer settlements from Goldman Sachs reserves)	Professional fees and expenses will be paid pursuant to court order after notice and a hearing. All other post-petition expenses have been paid in the ordinary course. All statutory fees to the extent due shall be paid in full in Cash when due until the Case is closed.	Unimpaired	No
Unclassified: Priority Tax Claims  Claims total: \$1,383.37	Priority Tax Claims have been filed by the Louisiana Department of Revenue and the Wisconsin Department of Revenue. Priority Tax Claims shall be paid in full.	Unimpaired	No

<b>CLASS</b>	<b>TREATMENT</b>	<b>STATUS</b>	<b>ENTITLED TO VOTE?</b>
Class 1: Secured Claim of Goldman Sachs  Amount: \$4,175,000 plus post-petition fees and interest if allowed	To the extent the Class 1 Claim is Allowed, the Goldman Sachs Allowed Secured Claim shall be paid in full from the GS Reserves. Any unsecured portion of the Goldman Sachs Claim will be treated as a Class 3 Claim.	Unimpaired	No
Class 2: Consumer Claims  Estimated Amount: \$Unknown	On the Initial Payment Date, Consumer Claimants will receive a <i>pro rata</i> share of the Initial Distribution up to \$2.5 million. Additional distributions will be made on a <i>pro rata</i> basis when the Trustee determines in her sole discretion that funds are available.	Impaired	Yes
Class 3: General Unsecured Claims  Amount:\$12,600,000	General Unsecured Claimants will receive a <i>pro rata</i> distribution of the first \$1.5 million the Trustee may recover in the pending litigation against Goldman Sachs and Westchester Fire Insurance Company. In the event the Court determines that the Trustee may retain any of the funds reserved to pay the claim of Goldman Sachs, those funds shall be included in the \$1.5 million to be paid to General Unsecured Claimants.	Impaired	Yes
Class 4: Inter-Company Claims	Holders of Inter-Company Claims will not receive any distribution under the Plan.	Impaired	No
Class 5: Interests	Holders of Class 5 Interests will not receive any distributions or retain any property under the Plan. All outstanding equity securities of the Debtor will be cancelled as of the Effective Date.	Impaired	No