

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

In re:) Chapter 11
AUTOMOTIVE PROFESSIONALS, INC.) Case No. 07-6720
Debtor.) Honorable Carol A. Doyle

**ORDER APPROVING TRUSTEE'S SETTLEMENT
WITH THE GILLMAN COMPANIES**

THIS MATTER COMING TO BE HEARD upon the motion (the "Motion") of Frances Gecker (the "Trustee"), not individually, but as Chapter 11 Trustee of the estate of Automotive Professionals, Inc. (the "Debtor"), for the entry of an order pursuant to 11 U.S.C. § 363 and Fed. R. Bankr. P. 9019, approving the Trustee's settlement agreement with The Gillman Companies (as defined in the Motion) as set forth in the Settlement Agreement and Release attached to hereto as Exhibit A (the "Settlement Agreement"); due written notice of the Motion having been served on all parties entitled thereto; the Court having heard the statements of counsel, and otherwise being fully advised of the premises, and the Court having jurisdiction over this core matter;

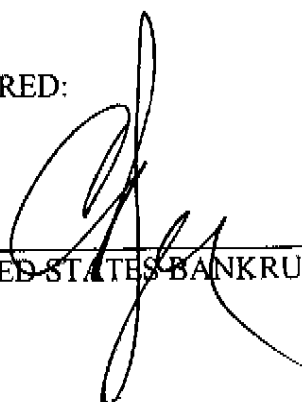
IT IS HEREBY ORDERED THAT:

1. The Motion is granted.
2. The Settlement Agreement is approved, and all transfers set forth therein are hereby authorized.

DATED:

Dec. 20, 2007

ENTERED:


UNITED STATES BANKRUPTCY COURT

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release ("Settlement Agreement") is made this ___th day of December, 2007, by and between Frances Gecker (the "Trustee"), not individually, but as Chapter 11 trustee of Automotive Professionals, Inc. (the "Debtor" or "API"), Gillman Interests, Ltd.; Gillman, Ltd. d/b/a Gillman Honda; Gillman Imports, Ltd. d/b/a Gillman Mitsubishi, Gillman Subaru, Inc.; Gillman North, Ltd. d/b/a Gillman Acura, d//b/a Gillman Subaru North; Gillman Imports North, Ltd. d/b/a Gillman Mitsubishi North; Gillman of Fort Bend, Inc. d/b/a Gillman Honda; Gillman Imports of Fort Bend, Inc. d/b/a Gillman Mazda; Gillman Autoplex of Fort Bend, Inc. d/b/a Gillman Nissan; Gillman of Rosenberg, Inc. d/b/a Gillman Chrysler Jeep; Stagill of Fort Bend, Inc. d/b/a Gillman Lincoln Mercury Mitsubishi; Gillman of San Antonio, Ltd. d/b/a Gillman Honda; Gillman Imports of San Antonio, Ltd. d/b/a Gillman Mitsubishi; Gillman Imports of Austin, Inc. d/b/a Gillman Hyundai, d/b/a Gillman Mitsubishi, d/b/a Gillman Subaru; Gillman of Denison, Ltd. d/b/a Gillman Honda of Denison; Gillman Imports of Denison, Ltd. d/b/a Gillman Mazda of Denison; Gillman Autoplex of Denison, Ltd. d/b/a Gillman Toyota of Denison; Gillman Autoplex of Edna, Ltd. d/b/a Gillman Pontiac Buick Oldsmobile GMC Ford; and Gillman of San Marcos, Inc. d/b/a Gillman Mitsubishi of San Marcos (collectively, except for the Trustee, "Gillman" and together with the Trustee, the "Parties").

WHEREAS, on April 13, 2007 (the "Petition Date"), API filed its voluntary Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court") initiating the bankruptcy case captioned *In re Automotive Professionals, Inc.* and docketed as Case No. 07 B 06720 (the "Bankruptcy Case"). On June 12, 2007 ("Trustee Appointment Date"), on the motion of the United States Trustee for the Northern District of Illinois (the "U.S. Trustee"), the Bankruptcy Court appointed the Trustee as the Chapter 11 trustee of the Debtor's estate.

WHEREAS, prior to the Petition Date, on or about June 1, 2002 (and amended from time to time thereafter), Gillman and API entered into a certain Dealer Agreement (the "API/Gillman Agreement"), pursuant to which, among other things, API agreed to serve as claims administrator and obligor under vehicle service contracts (the "VSCs") that were sold by Gillman (the "Gillman VSCs"). As of December 31, 2006, there were approximately 15,381 unexpired VSCs sold by Gillman and administered by API.

WHEREAS, in connection with the sale and administration of the Gillman VSCs, and pursuant to the API/Gillman Agreement, API and certain of its affiliates established claim reserve accounts at JP Morgan (the "Reserve Accounts"), including the following:

1. Account No. 30000689, which was maintained in connection with Gillman VSCs insured by Travelers/Gulf. According to an Investor Report provided by JP Morgan Asset Management, the outstanding balance of funds on deposit in Account No. 30000689 as of December 29, 2006 was \$432,565.00.
2. Account No. 30000691, which was maintained in connection with Gillman VSCs insured by Travelers/Gulf. According to an Investor Report provided by JP

Morgan Asset Management, the outstanding balance of funds on deposit in Account No. 30000691 as of December 29, 2006 was \$492,710.10.

3. Account No. 30000693, which was maintained in connection with Gillman VSCs insured by Travelers/Gulf. According to an Investor Report provided by JP Morgan Asset Management, the outstanding balance of funds on deposit in Account No. 30000693 as of December 29, 2006 was \$230,738.97.
4. Account No. 30002522, which was maintained in connection with Gillman VSCs insured by Marathon Financial Insurance Company ("MFIC"). According to an Investor Report provided by JP Morgan Asset Management, the outstanding balance of funds on deposit in Account No. 30002522 as of December 29, 2006 was \$3,975,336.00.

WHEREAS, on February 15, 2007, API executed an assignment for the benefit of creditors, and transferred its assets to the API Creditors' Trust, administered by Michael Kayman as Assignee (the "Assignee"). Subsequently, API ceased processing claims in connection with the Gillman VSCs. In addition, the Assignee transferred the funds in Account No. 30002525 (the "Settlement Account") to an account (the "LaSalle Account") at LaSalle Bank National Association ("LaSalle"). Accounting of the LaSalle Account allows the specific allocation of the funds deposited therein from the Settlement Account. As of July 31, 2007, the LaSalle Account contained \$3,737,385.17, not including any accrued interest allocable to the Settlement Account.

WHEREAS, the Trustee and LaSalle entered into a settlement agreement in connection with their respective claims and defenses against each other, including their respective claims and defenses relating to the funds in the LaSalle Account (the "LaSalle Agreement"). Pursuant to the LaSalle Agreement, among other things, LaSalle agreed to transfer and assign whatever rights, claims and interest it held in the funds that were in the LaSalle Account to the Trustee.

WHEREAS, the Bankruptcy Court, on July 25, 2007, entered an order approving the LaSalle Agreement.

WHEREAS, to preserve the integrity of the Gillman VSCs, and to otherwise facilitate and serve the interests of consumers who purchased VSCs from Gillman and/or may have claims under Gillman VSCs, Gillman has established a servicing arrangement with Service Group, Inc., as an administrative agent, to process claims administration in connection with the Gillman VSCs.

WHEREAS, since February 12, 2007, Gillman has not had access to the funds in the Settlement Account, which funds were to be used to pay repair, replacement and cancellation costs associated with claims made by consumers who purchased Gillman VSCs.

WHEREAS, since February 12, 2007, through October 2007, Gillman has expended its own funds in connection with the payment and processing of claims tendered by consumers, will pay additional funds to procure an appropriate reinsurance coverage package for the outstanding

Gillman VSCs, and will incur significant administrative costs associated with the implementation of the arrangement with Service Group.

WHEREAS, in an effort to minimize any further disruptions and inconveniences to consumers holding Gillman VSCs, and to resolve any issues regarding the disposition of the Reserve Accounts, the Parties have engaged in good faith, arm's-length discussions with respect to the resolution of all of the respective rights, obligations, claims and defenses of Gillman, the Trustee, API and API's bankruptcy estate in connection with the Settlement Account. In order to fully resolve all such rights, obligations, claims and defenses relating to the Settlement Account, and to protect the rights of consumer purchasers of the VSCs, including the ongoing administration of the Gillman VSCs, the Parties have elected to enter into this Settlement Agreement as being in the best interests of API's estate, Gillman, and Gillman customers.

NOW THEREFORE, in consideration of the mutual releases and additional consideration set forth herein, which each of the Parties agrees is good and valuable consideration for the various covenants and understandings set forth in this Settlement Agreement, it is hereby agreed by the Parties as follows:

1. Effective Date. This Agreement will become effective on the date that an order approving this Settlement Agreement becomes final and non-appealable (the "Effective Date").

2. Settlement Account. Within five days (5) of the Effective Date, the Trustee will transfer to Gillman the sum of \$3,438,394.00 (the "Settlement Account Transfer"), which the Parties acknowledge consists of the total outstanding balance of the Account No. 30002525, as of February 12, 2007, that was transferred by the Assignee to the LaSalle Count, less the sum of \$298,990.00, which will be held by the Trustee as an asset of API's bankruptcy estate. The Trustee also will retain the accrued interest earned to date on the Settlement Account Transfer as an asset of API's bankruptcy estate. (The aggregate amount of funds transferred to Gillman is referred to herein as the "Transferred Funds.")

3. Use of Transferred Funds and Periodic Reporting. Upon execution of the Settlement Account Transfer, Gillman will place the Transferred Funds into an escrow account or accounts established for the benefit of consumers who purchased Gillman VSCs. Funds will be drawn by Gillman from the escrow account or accounts Funds as follows: (a) payment of all valid claims under the Gillman VSCs in accordance with industry custom and practice; (b) payment of any reimbursements for Gillman VSCs that are cancelled in accordance with their terms; (c) reimbursement of the Gillman Companies for costs incurred in paying or otherwise satisfying claims under the VSCs since February 12, 2007, including loss expenses, insurance, cancellations, repair and replacement costs; and (d) upon expiration of the last Gillman VSC, any remaining funds will be remitted to the Gillman Companies.

Commencing on the tenth (10th) day of the second month following the Effective Date, and continuing on the tenth (10th) day of each succeeding month, until such time as the Trustee determines in her sole discretion, Gillman will provide the Trustee, or her designated agent, with a report detailing all payments and claims processed under Gillman VSCs during the prior month.

Guaranteed Price Refund Contracts. Nothing in this Settlement Agreement shall, or shall be deemed to, obligate Gillman to perform under guaranteed price refund contracts sold by Gillman in connection with API's Marathon Program.

4. Representation and Warranties by Gillman. Gillman hereby represents and warrants that it is currently administering the Gillman VSCs in compliance with all applicable federal, state and local laws and regulations relating to the sale and administration of vehicle service contracts, including maintaining insurance and/or cash reserves as necessary and/or required by law in connection therewith. In addition, Gillman hereby represents and warrants that, until the expiration of all Gillman VSCs insured by MFIC, Gillman will:

- A. provide the Trustee with no less than 60 days' prior written notice of the employment of any administrative agent other than Service Group to administer claims under the API/Gillman Agreement; and
- B. provide the Trustee with proof of insurance in connection with the administration of the Gillman VSCs; and
- C. use commercially reasonable efforts to ensure that Service Group (or any subsequently appointed claims administrator) will comply with all applicable federal, state and local laws and regulations in connection with the administration of the Gillman VSCs.

5. Mutual Release. Effective upon the Effective Date, other than claims relating to the enforcement of this Settlement Agreement and as set forth herein, the Trustee, on behalf of the Trustee, any of the Trustee's successors and/or assigns, and API's bankruptcy estate, and Gillman, on behalf of itself, and any of its successors and/or assigns, each hereby releases, remises and discharges the other, and any and all of such Party's successors and/or assigns, affiliates, officers, directors, principals, employees, attorneys, other professionals, agents and/or any other representatives from any and all claims and causes of action, known or unknown, from the beginning of time up through and including the Effective Date, including but not limited to all claims, counterclaims, defenses and affirmative defenses relating to the API/Gillman Agreement, the Gillman VSCs, the Reserve Accounts, the LaSalle Account, and all claims relating to the relationship between and among any of Gillman, API, API's affiliates, and the Trustee. Notwithstanding any other provision of this Agreement, nothing herein shall be construed to affect any Parties' rights, interest, claims or defenses (if any) to Account Nos. 30000689, 30000691 and 30000693, such rights, interests, claims and/or defenses (if any) being expressly reserved by the Parties hereto.

Preservation of Certain Claims by Gillman. Notwithstanding anything to the contrary in this Agreement, the Parties agree that Gillman's rights to assert third party claims (e.g., claims against parties other than the Trustee, API's bankruptcy estate, and their successors and/or assigns, attorneys, professionals, agents and/or other representatives) arising from or related to API's Marathon Program, the LaSalle Account, the Settlement Account, API's assignment for the benefit of creditors, and the Gillman VSCs are expressly reserved and preserved in their entirety. Specifically, and without limiting the scope of Gillman's claims preserved herein,

nothing in this Mutual Release shall be construed to, and Gillman specifically does not release any third-party claims for reimbursement or otherwise arising under that certain Vehicle Service Contract Reimbursement Insurance Policy, Policy No. M34152, dated March 1, 2002, issued by Marathon Financial Insurance Company, Inc., RRG (the "Marathon Policy") and that certain Vehicle Service Contract Reimbursement Insurance Policy Amendatory Endorsement dated effective June 1, 2002 and made a part of Policy No. M34152 (the "Gillman Endorsement"), and all supplements, amendments, or renewals thereto issued and relating to the Marathon Policy and Gillman Endorsement, such claims being specifically reserved to Gillman.

6. Indemnification. Gillman agrees to hold harmless and indemnify the Trustee and API's bankruptcy estate from and against any and all claims, demands, penalties, damages, obligations, and costs of any nature whatsoever, including the Trustee's attorneys' fees and costs incurred in connection therewith, asserted against the Trustee or API's bankruptcy estate in connection with the Settlement Agreement, the API/Gillman Agreement, the Gillman VSCs, or the Settlement Account; provided, however, that Gillman's aggregate obligations under this paragraph shall in no event exceed the amount of the Transferred Funds.

7. Notice of the Agreement. Within five (5) business days after the execution of this Settlement Agreement, the Trustee will file with the Bankruptcy Court a motion, pursuant to 11 U.S.C. § 363 and Fed. R. Bankr. P. 9019, seeking approval of this Settlement Agreement and the transactions and arrangements contemplated herein (the "Gillman Settlement Motion"). Notice of the Gillman Settlement Motion will be posted on the Bankruptcy Court-approved website maintained by the Trustee in the Bankruptcy Case, and provided to the U.S. Trustee, API and its affiliates, counsel for the Official Committee of Unsecured Creditors, API's twenty largest creditors as listed in the Petition, all parties that have requested notice of all pleadings filed in the Bankruptcy Case, and the Attorney General of each state in which Gillman VSCs were sold. Other than through posting on the Trustee's website for the Bankruptcy Case, separate notice of the Gillman Settlement Motion will not be provided to the consumer purchasers of the VSCs.

8. Authority. The Parties state that they have read and understand this Settlement Agreement, that they have had an opportunity to consult with their attorneys concerning the terms and conditions herein, and that they have entered into this Settlement Agreement for reasons of their own and not based upon representations of any other Party hereto, and that the person signing this Settlement Agreement on behalf of each of the Parties has full authorization to do so.

9. Costs. Each Party shall pay its own respective costs and attorneys' fees incurred in connection with this Settlement Agreement.

10. Entire Agreement. This Settlement Agreement constitutes the entire agreement and supersedes all prior written or oral agreements between the Parties. This Settlement Agreement may not be amended or modified except in writing by both Parties.

11. Counterparts. This Settlement Agreement may be executed by signatures on more than one counterpart. If so executed, the various counterparts shall be considered one instrument.

A facsimile or electronic signature hereto shall have the same force and effect as an original signature.

12. No Admissions. Neither the execution of this Settlement Agreement nor the settlement of the matters herein between the Trustee and the Gillman Companies shall constitute an admission of liability by either the Trustee or Gillman.

13. Governing Law. This Settlement Agreement shall be construed under the internal laws (and not the laws of conflict) of the State of Illinois. This Settlement Agreement shall not be construed against either of the Parties but shall be given a reasonable interpretation. Should any part of this agreement be found void or unenforceable, the remaining portions of the agreement shall remain in full force and effect.

IN WITNESS THEREOF, the Parties hereto have executed this Agreement.

**FRANCES GECKER, not individually, but as
Chapter 11 Trustee of Automotive Professionals, Inc.**

THE GILLMAN COMPANIES

By: _____
One of her attorneys

By: _____
Their authorized representative

Dated: _____

Dated: _____