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11

12 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
13 **FOR THE COUNTY OF LOS ANGELES**

14 INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

15 Applicant,

16 v.

17 GOLDEN STATE MUTUAL LIFE
18 INSURANCE COMPANY, a California
corporation,

19 Respondent.
20

Case No. BS123005

The Hon. Joanne O'Donnell,
Dept. 86

**NOTICE OF APPLICATION AND
APPLICATION FOR ORDER
AUTHORIZING LIQUIDATOR TO SELL
GOLDEN STATE'S ART COLLECTION
TO THE LOS ANGELES COUNTY ARTS
COMMISSION**

[Filed concurrently with Memorandum,
Proposed Order and Proof of Service]

Date: August 28, 2015
Time: 9:30 a.m.
Dept: 86

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4828-1104-1573.1

NOTICE OF APPLICATION AND APPLICATION FOR ORDER AUTHORIZING LIQUIDATOR
TO SELL GOLDEN STATE'S ART COLLECTION

1 **TO: (1) THE LOS ANGELES SUPERIOR COURT;**
2 **(2) ALL PERSONS AND ENTITIES KNOWN TO THE LIQUIDATOR TO**
3 **HAVE A SUBSTANTIAL UNSATISFIED CLAIM THAT MAY BE AFFECTED**
4 **BY THE REQUESTED COURT ORDERS; AND**
5 **(3) ALL INTERESTED PARTIES,**

6 **PLEASE TAKE NOTICE** that on August 28, 2015, at 9:30 a.m., or as soon thereafter as
7 the parties may be heard, in Department 86 of the Los Angeles Superior Court for the State of
8 California, County of Los Angeles, located at 111 N. Hill Street, Los Angeles, California 90012
9 ("Court"), Applicant Insurance Commissioner of the State of California in his capacity as
10 Liquidator ("Liquidator") of Golden State Mutual Life Insurance Company ("Golden State"), will
11 and hereby does apply to the Court and submit this application for the following Court orders:

- 12 1. A Court Order authorizing the Liquidator to sell Golden State's Art Collection
13 consisting of 123 works of art to the Los Angeles County Arts Commission ("County Arts
14 Commission") for \$65,000, pursuant to the terms of the Art Work Sale Agreement by and between
15 the Liquidator and the County Arts Commission; and
- 16 2. A Court Order authorizing the Liquidator to take any and all actions necessary to
17 accomplish the purposes of the above requested Order.

18 **Grounds for the Application**

19 Over many years Golden State accumulated a collection of artwork by African and African
20 American artists including the Art Collection involved here. In 2007, prior to conservation,
21 Golden State conducted an auction of a substantial portion of its collection, selling 94 works of art
22 for a total of \$1.54 million. After the 2007 sale of 94 works of art, Golden State retained the
23 unsold Art Collection which consists of 123 paintings, sculptures, photographs and mixed-media
24 pieces.

25 This application is made pursuant to Insurance Code § 1037 and the Order Appointing
26 Liquidator for Golden State on the grounds that the sale of the Art Collection to the County Arts
27 Commission is within the Liquidator's discretion, is geared towards maximizing Golden State's
28 liquidation estate value and is in the best interests of Golden State's creditors, because:

1. The Liquidator and the County Arts Commission believe that the Art Collection

1 has artistic and historical significance to the City and County of Los Angeles and the State of
2 California. The County Arts Commission intends to preserve and maintain the Art Collection
3 intact and display it within the County at visitor-serving County facilities including the Kenneth
4 Hahn Hall of Administration, Martin Luther King, Jr. Community Hospital and Martin Luther
5 King, Jr. Outpatient Center, as well as at local museums including the California African
6 American Museum ("CAAM") where the collection was on display for 3½ years from September
7 2011 through February 2015.

8 2. The sale price of \$65,000 represents the reasonable market value for the Art
9 Collection. After Golden State's pre-conservation 2007 sale of 94 works of art for \$1.54 million,
10 Golden State retained the unsold Art Collection which consists of paintings, sculptures,
11 photographs and mixed-media pieces. The remaining Art Collection has limited liquidation value
12 in comparison to the 94 works of art sold for \$1.54 million, as shown by (a) the 2010 Request for
13 Proposals conducted by the Liquidator which generated a highest purchase price of only \$40,000,
14 (b) the fact that the \$65,000 offered by the County Arts Commission to purchase the collection is
15 the highest amount offered to date for the collection, and (c) the October 14, 2010 Appraisal
16 Report showing the liquidation value for the highest valued 12 artworks in the remaining Art
17 Collection which estimated the liquidation value of those artworks at only \$50,350.

18 3. The sale of the Art Collection stops the further expenditure of Golden State's
19 limited assets on storage and maintenance expenses including insurance, storage fees to Art
20 Movers (a fine art storage facility), and other costs associated with ownership and maintenance of
21 the Art Collection, which total at least \$414.82 per month.

22 4. Continuing to hold the Art Collection in the hope of getting a higher price over
23 time amounts to speculation in the art market, which is inconsistent with prudent management of
24 the assets of Golden State in liquidation.

25 5. The County Arts Commission is a third party purchaser not related to the
26 Liquidator or to any person involved in Golden State's liquidation.

27 6. The sale is consistent with the Liquidator's duty to marshal and monetize Golden
28 State's remaining assets for distribution to creditors, and is consistent with the Liquidator's

1 authority and discretion under the Court's Order of Liquidation, the Insurance Code and case law.
2 Insurance Code § 1037 and the Court's Order of Liquidation provide broad powers to the
3 Insurance Commissioner as conservator and liquidator of insurance companies such that the
4 Liquidator is "authorized ... to do such other acts as are necessary or expedient to collect,
5 conserve, protect and/or liquidate Golden State's assets, property and business."

6 Accordingly, Court approval for the sale of the Art Collection to the County Arts
7 Commission is appropriate.

8 This application is based on this Notice, the Memorandum of Points and Authorities and
9 the declarations of Scott Pearce and Michael R. Weiss, and evidence filed concurrently with this
10 Notice, the pleadings, documents and papers on file in this action, all documents and other
11 evidence submitted in this action, and on such oral and/or documentary evidence and/or arguments
12 which may be presented at the hearing on this application.

13 **Copies of Liquidator's Application and Supporting Evidence and Documents**

14 Copies of the Liquidator's Notice, Memorandum with evidence and Proposed Order
15 supporting this application can be reviewed and downloaded at the Insurance Commissioner's
16 Conservation & Liquidation Office's website at www.caclo.org/GoldenStateMutual.

17 **Response or Opposition to Application**

18 Any response or opposition to this application shall be filed with the Court and served by
19 mail or e-mail to Liquidator's attorney Michael R. Weiss, with supporting evidence, on or before
20 August 17, 2015. The Liquidator shall file any replies, with supporting evidence, on or before
21 August 21, 2015. The address for Golden State's attorney Michael R. Weiss for service is:

22 Michael R. Weiss
23 Lewis Brisbois Bisgaard & Smith LLP
24 633 West 5th Street, Suite 4000
25 Los Angeles, California 90071
26 Telephone: 213.250.1800
27 Facsimile: 213.250.7900
28 E-Mail: Michael.Weiss@lewisbrisbois.com

No action is required on your part if you do not oppose this Application.

1 DATE: July 22, 2015

KAMALA D. HARRIS
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DIANE S. SHAW
Supervising Deputy Attorney General
LISA W. CHAO
Deputy Attorney General

5 LEWIS BRISBOIS BISGAARD & SMITH LLP

6
7 By: 
8 MICHAEL R. WEISS
9 Attorneys for Applicant
Insurance Commissioner Of The
State Of California