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FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CENTRAL JUSTICE CENTER
SEP 26 2011
ALAN CARLSON, Clerk of the Court
N Quach
BY N QUACH

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF ORANGE
10 CENTRAL JUSTICE CENTER – UNLIMITED CIVIL

13 INSURANCE COMMISSIONER OF THE
14 STATE OF CALIFORNIA,

15 Applicant,

16 v.

17 AMERICAN STERLING INSURANCE
18 COMPANY, A CALIFORNIA CORPORATION,

19 Respondent.

Case No.: 30-2011-00510773

**ORDER APPOINTING CONSERVATOR
AND RESTRAINING ORDERS**

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21 On September 26, 2011, the California Insurance Commissioner's Verified Ex Parte
22 Application for Order Appointing Conservator was heard as an ex parte matter by the Honorable
23 STEVEN L. PERK in Department C32 of the Orange County Superior Court.
24 Present on behalf of the applicant, THE INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA,
25 was Elisa B. Wolfe-Donato, Deputy Attorneys General. Appearing on behalf of respondent
26 AMERICAN STERLING INSURANCE COMPANY, was NO APPEARANCE
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1 FROM THE CALIFORNIA INSURANCE COMMISSIONER'S VERIFIED
2 APPLICATION, IT APPEARS TO THIS COURT THAT:

3 A. The California Insurance Commissioner has found American Sterling Insurance
4 Company to be in such a condition, that its further transaction of business will be hazardous to its
5 creditors, to its policyholders, and to the public;

6 B. The California Insurance Commissioner has found that American Sterling
7 Insurance Company does not comply with the requirements for the issuance to it of a certificate
8 of authority;

9 C. There exist factual and legal grounds for placing American Sterling Insurance
10 Company into a conservation under the supervision of the California Insurance Commissioner;

11 D. The California Insurance Commissioner is prepared to commence conservation of
12 American Sterling Insurance Company, with (i) David E. Wilson serving as the Special Deputy
13 Insurance Commissioner and Chief Executive Officer of the Conservation and Liquidation Office
14 ("CLO") of the California Department of Insurance, and specifically as the Conservator of
15 American Sterling Insurance Company, and (ii) Scott Pearce of the CLO, serving as the
16 Conservation Manager for American Sterling Insurance Company.

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18 THEREFORE, THIS COURT MAKES THE FOLLOWING ORDERS:

19 1. The California Insurance Commissioner is hereby appointed as the Conservator of
20 American Sterling Insurance Company ("AMERICAN STERLING"), and is directed to conduct the
21 business of American Sterling or so much thereof as he may deem appropriate. The Conservator
22 is authorized, in his discretion, to pay or defer payment of some or all proper claims, expenses,
23 liabilities, and obligations of American Sterling, in whole or in part, accruing prior or subsequent
24 to his appointment as Conservator.

25 2. The Conservator is authorized to assume, reject, or modify any executory contracts
26 including, without limitation, any lease, rental or utilization contract or agreement (including any
27 schedule to any such contract or agreement), and any license or other arrangement for the use of
28 computer software of business information systems, to which American Sterling is a party or as to

1 which American Sterling agrees to accept an assignment of such contract. The Conservator is
2 directed to effect any such assumption, rejection, or modification of any executory contract not
3 later than 120 days of the date of this Order Appointing Conservator, unless such date is extended
4 by application to and further order of this Court. All executory contracts not expressly assumed
5 by the Conservator shall be deemed rejected.

6 3. The Conservator is authorized to take possession of all assets of American Sterling,
7 including books, records, property (both real and personal), accounts, safe deposit boxes, rights of
8 action, and all such assets as may be in the name of American Sterling, wheresoever situated.

9 4. Title to all property and assets of American Sterling and of its five subsidiaries
10 (American Sterling Productions, Ltd.; Gold Fish LLC; American Sterling Communications, LLC;
11 American Sterling Capital Corp.; American Sterling Productions One, LLC), including deposits,
12 securities, contracts, rights of actions, books, records, and other assets of every type and nature,
13 and including both those presently in American Sterling's possession and those which may be
14 discovered hereafter, wheresoever situated, is vested in the Conservator or his successor in office,
15 in his official capacity as Conservator. The Conservator is authorized to deal with these assets in
16 his own name as Conservator or in the name of American Sterling. All persons are enjoined from
17 interfering with Conservator's possession and title to these assets.

18 5. The Conservator shall have all the powers of the directors, officers, and managers
19 of American Sterling, whose authorities are suspended except as such powers may be redelegated
20 to them by the Conservator.

21 6. The Conservator is authorized to terminate compensation arrangements with
22 employees, and to enter into new compensation arrangements with employees, including
23 arrangements containing retention incentives. The Conservator is authorized to hire employees
24 on such terms and conditions as he deems reasonable.

25 7. Except upon the express authorization of the Conservator, American Sterling, its
26 officers, directors, agents and employees are enjoined from transacting any of the business of
27 American Sterling or its five Subsidiaries, whether in the State of California or elsewhere, or from
28 disposing of, using, transferring, selling, assigning, canceling, alienating, hypothecating, or

1 concealing in any manner or any way, or assisting any person in any of the foregoing, the
2 property or assets of American Sterling, or property or assets in the possession of American
3 Sterling, of any nature or kind, including claims or causes of action, until further order of this
4 Court. Further, such persons are enjoined from obstructing or interfering with the Conservator's
5 conduct of his or her duties as Conservator.

6 8. All persons are enjoined from instituting, prosecuting, or maintaining any action at
7 law or suit in equity, including but not limited to actions or proceedings to compel discovery or
8 production of documents or testimony, and matters in arbitration, against American Sterling, or
9 against the Conservator, and from attaching, executing upon, redeeming of, or taking any other
10 legal proceedings against any of the property of American Sterling, and from doing any act
11 interfering with the conduct of said business by the Conservator, except after an order from this
12 Court obtained after reasonable notice to the Conservator.

13 9. American Sterling and all officers, directors, agents, and employees of American
14 Sterling shall deliver to and immediately make available to the Conservator all assets, books,
15 records, accounts, records, information, computers, tapes, discs, writings, other recordings of
16 information, equipment, and other property of American Sterling and its Subsidiaries,
17 wheresoever situated, in said persons' custody or control, and further, the aforesaid persons shall
18 disclose verbally, or in writing if requested by the Conservator, the exact whereabouts of the
19 foregoing items if such items are not in the possession custody, or control of said persons.

20 10. All officers, directors, trustees, employees, or agents of American Sterling, or any
21 other person, firm, association, partnership, corporate parent, holding company, affiliate, or other
22 entity in charge of any aspect of American Sterling's affairs, either in whole or in part, and
23 including but not limited to banks, savings and loan associations, financial or lending institutions,
24 brokers, stock or mutual associations, or any parent, holding company, subsidiary or affiliated
25 corporation, or any other representative acting in concert with American Sterling, shall cooperate
26 with the Conservator in the performance of his or her duties.

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1 11. The Conservator is authorized to pay all reasonable costs of taking possession of
2 and conserving American Sterling (including but not limited to the Conservator's
3 pre-conservation costs in examining American Sterling's financial condition, and preparing to
4 take possession and conserve American Sterling) out of the funds and assets of the American
5 Sterling.

6 12. The Conservator is authorized to pay all reasonable costs of operating American
7 Sterling as Conservator (including direct and allocated direct costs, direct and allocated general
8 and administrative costs and overhead, and all other allocated costs) out of any and all funds and
9 assets of American Sterling, and if there are insufficient funds, to pay for the costs out of the
10 Insurance Fund pursuant to Insurance Code section 1035.

11 13. All funds and assets, including certificates of deposit, bank accounts, and mutual
12 fund shares of American Sterling, in various financial depository institutions, including banks,
13 savings and loan associations, industrial loan companies, mutual funds, or stock brokerages,
14 wheresoever situated, shall be vested in the Conservator and subject to withdrawal only upon his
15 order.

16 14. All persons who maintain records for American Sterling, pursuant to written
17 contract or any other agreement, shall maintain such records and deliver to the Conservator such
18 records upon his request.

19 15. All agents of American Sterling or its Subsidiaries, and all brokers who have done
20 business with American Sterling or its Subsidiaries, shall make all remittances of all funds
21 collected by them or in their hands directly to the Conservator.

22 16. All persons having possession of any lists of policyholders or escrow holders of
23 American Sterling shall deliver such lists to the Conservator. All persons are enjoined from using
24 any such lists or any information contained therein without the consent of the Conservator.

25 17. The Conservator is authorized to initiate such equitable or legal actions or
26 proceedings in this or other states as may appear to him necessary to carry out his functions as
27 Conservator.

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1 18. The Conservator is authorized to appoint and employ special deputies, estate
2 officers and managers, other professionals, clerks, and assistants, and to give each of them such
3 power and authority as may be deemed necessary by him. The Conservator is authorized to
4 compensate these persons from the assets of American Sterling as he shall deem appropriate.

5 19. The Conservator is authorized to divert, take possession of, and secure all mail of
6 American Sterling and its Subsidiaries, in order to screen such mail, and to effect a change in the
7 rights to use any and all post office boxes and other mail collection facilities used by American
8 Sterling and its Subsidiaries.

9 20. American Sterling and its officers, directors, agents, servants, employees,
10 successors, assigns, affiliates, and other persons or entities under their control and all persons or
11 entities in concert or participation with American Sterling, and each of them, shall turn over to the
12 Conservator all records, documentation, charts and/or descriptive materials of all funds, assets,
13 property (owned beneficially or otherwise), and all other assets of American Sterling wherever
14 situated, and all books and records of accounts, title documents and other documents in their
15 possession or under their control, which relate, directly or indirectly to assets or property owned
16 or held by American Sterling or to the business or operations of American Sterling.

17 21. Except with leave of court issued after a hearing in which the Conservator has
18 received reasonable notice, all persons are enjoined from obtaining preferences, judgments,
19 attachments, or other liens, or making any levy against American Sterling or its assets or
20 property, and from executing or issuing or causing the execution or issuance of any court
21 attachment, subpoena, replevin, execution, or other process, for the purpose of impounding or
22 taking possession of or interfering with or creating or enforcing a lien upon any property or assets
23 owned or in the possession of American Sterling or the Conservator, wheresoever situated, and
24 from doing any act interfering with the conduct of said business by Conservator.

25 22. Except with leave of court issued after a hearing in which Conservator has
26 received reasonable notice, all persons are enjoined from accelerating the due date of any
27 obligation or claimed obligation; exercising any right of set-off; taking, retaining, retaking, or
28 attempting to retake possession of any real or personal property; withholding or diverting any rent

1 or other obligation; doing any act or other thing whatsoever to interfere with the possession of or
2 management by the Conservator of the property and assets, owned or controlled by American
3 Sterling or in the possession of American Sterling, or in any way interfering with the Conservator
4 or interfering in any manner during the pendency of this proceeding with the exclusive
5 jurisdiction of this Court over American Sterling.

6 23. Any and all provisions of any agreement entered into by and between any third
7 party and American Sterling [including by way of illustration, but not limited to, the following
8 types of agreements (as well as any amendments, assignments, or modifications thereto):
9 financial guarantee bonds, promissory notes, loan agreements, security agreements, deeds of trust,
10 mortgages, indemnification agreements, subrogation agreements, subordination agreements,
11 pledge agreements, assignments of rents or other collateral, financial statements, letters of credit,
12 leases, insurance policies, guaranties, escrow agreements, management agreements, real estate
13 brokerage and rental agreements, servicing agreements, attorney agreements, consulting
14 agreements, easement agreements, license agreements, franchise agreements, or employment
15 contracts] that provide in any manner that selection, appointment, or retention of a conservator,
16 receiver, or trustee by any court, or entry of any order such as hereby made, shall be deemed to be
17 or otherwise operate as a breach, violation, event of default, termination, event of dissolution,
18 event of acceleration, insolvency, bankruptcy, or liquidation, shall be stayed, and the assertion of
19 any and all rights and remedies relating thereto shall also be stayed and barred, except as
20 otherwise ordered by this Court. This Court shall retain jurisdiction over any cause of action that
21 has arisen or may otherwise arise under any such provision.

22 24. The Conservator is authorized to invest American Sterling's assets and funds in
23 such a manner as to him may seem suitable for the best interest of American Sterling's creditors,
24 which funds are not immediately distributable. However, no investment or reinvestment shall be
25 made exceeding the sum of \$100,000 without first obtaining permission of this Court; except, the
26 Conservator may make investments or reinvestments in excess of \$100,000 without prior
27 approval if such investments or reinvestments are made pursuant to the investment guidelines of
28 the Conservator's Conservation & Liquidation Office, a true and correct copy of which is

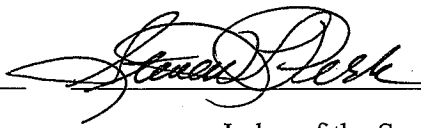
1 attached hereto as Exhibit A and incorporated herein by this reference. The Conservator shall
2 file quarterly reports of such investments in excess of \$100,000 with the Court, with notice to all
3 persons on the service list. Such reports shall be filed within 60 days of the end of each quarter.

4 25. The Conservator is authorized to conduct an analysis of the business and financial
5 condition of American Sterling to determine, in the best judgment of the Conservator, whether it
6 will be possible to correct the problem that led to the order of conservation and restore the insurer
7 to private management and normal operations, or whether American Sterling should be placed
8 into rehabilitation or liquidation.

9 26. The Conservator is authorized to pay for his costs and fees in bringing and
10 maintaining this action, and such other actions as are necessary to carry out his functions as
11 Conservator, out of the funds and assets of American Sterling.

12 27. All persons are enjoined from the waste of the assets of American Sterling.

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14 IT IS SO ORDERED:

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16 Dated: 9/26/2011 

17 Judge of the Superior Court
18 STEVEN L. PERK

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EXHIBIT "A"

The Investment Guidelines
of the Conservation & Liquidation Office
of the California Department of Insurance

INSURANCE COMMISSIONER of the
STATE of CALIFORNIA
CONSERVATION & LIQUIDATION OFFICE
INVESTMENT GUIDELINES

Objectives

To maintain safety of principal and to maximize available yield while assuming a minimum of risk through a balance of quality and diversification within the investment portfolio.

A. Safety

Quality

None of the Portfolio will be invested in fixed income securities rated below investment grade quality by Standard & Poor's, Moody's or by another nationally recognized statistical rating organization. Unrated securities may not be held. The minimum average market value weighted credit quality of securities in the Portfolio will be AA- by Standard & Poor's and Aa3 by Moody's or their equivalent.

Commercial Paper will be rated no less than A1 by Standard & Poor's or P1 by Moody's.

Sectors

Permitted investments for the Portfolio shall include:

1. Fixed income securities and other fixed income obligations of any type which may be issued or guaranteed by (i) the U.S. and the agencies, instrumentalities, and political sub-divisions of the U.S., and (ii) U.S. corporations, trusts and special purpose entities. Such securities must be traded on exchanges or in over the counter markets in the U.S. No emerging markets' securities are allowed.
2. Repurchase agreements.

Restrictions on permitted investments

None of the Portfolio may be invested in foreign securities and in securities not denominated in U.S. dollars. Manager may not elect to hedge currency and/or interest rate exposure. No speculative currency positions are permitted.

All repurchase agreements will be transacted with counterparties approved by the Manager in accordance with its policies and procedures and terms and conditions set forth in the applicable Investment Management Agreement and any applicable Master Repurchase Agreement(s).

No investment in interest only ("IO"), principal only ("PO"), or inverse floater CMOs are permitted. The manager should only accept reasonable prepayment risk, consistent with the stated objectives of their respective funds.

Derivatives, or financial investments containing derivatives, are not permitted, defined as options, forwards, futures and swaps.

Investment transactions (i) which result in leverage or short sales and/or (ii) with affiliates of the Manager, are not permitted.

Diversification

No more than 5 % of the Portfolio will be invested in the securities of any one issuer, other than those securities issued or guaranteed by the U.S. government, its agencies, and instrumentalities and refunded municipal issues (all of which may be held without limit). For the purposes of this guideline, asset backed and mortgage-related securities (not issued by the U.S. Government, its agencies or instrumentalities), issued by trusts and other special purpose entities, will be limited to no more than 5 percent per issue, in addition to a common originator limit of no more than 20 percent.

B. Maturity

Portfolio duration will be maintained within a range of (+/-) twelve months of Barclays Capital US Government/Credit 1-3 Yr ex Baa (the Index) under normal market conditions. There will be no restriction on the duration of any single security. Duration will be calculated adjusting for any optionality in

securities as well as adjusting for the expected prepayment level of mortgage-backed security pools.

C. Calculation of Returns

Returns will be calculated in compliance with the Association for Investment Management and Research standards.

D. General

All percentage restrictions on Portfolio holdings will initially be evaluated at the time of purchase. At any time thereafter, concentrations in eligible portfolio investments will not exceed the prescribed limit by more than one percent.

Notwithstanding any provision to the contrary, Manager will not be required to sell any particular holding because a rating of a security is downgraded subsequent to purchase. However, Manager is required to notify the client in the event of a downgrade below investment grade. In the event a security is split rated, the lower rating will apply with respect to all portfolio percentage and quality restrictions.

Investment personnel who will have input into or control over any investment decision on behalf of the Commissioner are required, if they have a beneficial interest in that security, to disclose in writing their beneficial interest and receive written authority from the Commissioner before an investment decision is made.

E. Benchmark

The benchmark for the Portfolio will be the Barclays Capital US Government/Credit 1-3 Yr ex Baa or better, (the "Index"). The objective of the Portfolio will be to maintain safety of principal and maximize available yield while assuming a minimum of risk through a balance of quality and diversification within the portfolio.