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**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF LOS ANGELES**

**CENTRAL CIVIL WEST COURTHOUSE**

INSURANCE COMMISSIONER OF THE  
STATE OF CALIFORNIA,

Applicant,

v.

SEECHANGE HEALTH INSURANCE  
COMPANY,

Respondent.

Case No. BS152302

**COMMISSIONER'S REPORT TO THE  
COURT CONCERNING THE  
CONSERVATION OF SEECHANGE  
HEALTH INSURANCE COMPANY;  
MEMORANDUM OF POINTS &  
AUTHORITIES; DECLARATION OF  
JOSEPH HOLLOWAY**

Date: April 29, 2015

Time: 9:30 a.m.

Place: Central Civil West Courthouse  
Department 307

600 South Commonwealth Avenue  
Los Angeles, California 90005

Judge: Hon. Amy D. Hogue

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1     **I.     INTRODUCTION**

2             On November 19, 2014, California Insurance Commissioner Dave Jones was appointed by  
3     this Court as statutory conservator (“Conservator”) of SeeChange Health Insurance Company  
4     (“SeeChange”). The Conservator, acting through his duly appointed deputies and assistants,  
5     immediately took possession of SeeChange and all of its assets. The Conservator operated  
6     SeeChange’s business from November 19, 2014 through January 28, 2015 (the “Conservation  
7     Period”), at which point the Court granted the Conservator’s application under Insurance Code  
8     section 1016 to liquidate SeeChange. The purpose of this Conservator’s Report is to advise the  
9     Court of all material activities undertaken by the Conservator during the Conservation Period, in  
10    order that the Court and the Commissioner may formally wind-up the conservation process and  
11    move forward with the orderly liquidation of SeeChange.

12            The Conservation Order granted the Conservator numerous powers, including, among  
13    others, the authority to take possession of and manage SeeChange’s assets and records; to  
14    assume, reject, or modify executory contracts; to initiate necessary legal proceedings; to terminate  
15    and enter into compensation and benefits arrangements with SeeChange employees; and to pay all  
16    reasonable costs of conserving SeeChange out of SeeChange assets. This Conservator’s Report  
17    describes (1) the operation of SeeChange and administrative activities that occurred during the  
18    short Conservation Period; (2) the financial statements for SeeChange for the Conservation  
19    Period; and (3) the fees and expenses reasonably incurred and paid by the Conservator to perform  
20    his duties as Conservator.

21    **II.    CONSERVATOR’S REPORT OF OPERATIONS ACTIVITIES**

22            **A.    Notice of Conservation to Interested Parties**

23            Upon taking control of SeeChange, the Conservator promptly notified all interested  
24    parties of the fact that SeeChange had been placed into statutory conservation. Declaration of  
25    Joseph Holloway In Support Of Conservator’s Report To The Court concerning The  
26    Conservation Of SeeChange Health Insurance Company (“Holloway Decl.”), ¶ 6. This notice was  
27    given to, among others, all employees, producers, policyholders, vendors, banks, landlords, and  
28    other parties and individuals that the Conservator could reasonably determine had any interest in

1 or relationship with SeeChange. *Id.* The Conservator also published legal notice of the  
2 Conservation Order in several newspapers of general circulation in California and Colorado. *Id.*  
3 Copies of the Notice of Conservation and affidavits of publication are attached as **Exhibit A** to  
4 the Holloway Declaration.

5 The Conservation notices were sent out starting on November 19, 2014 and completed by  
6 November 26, 2014. Holloway Decl., ¶ 7. A handful of new addresses were received after that  
7 timeframe; the Conservator promptly sent notices to those addresses. *Id.* A total of 3,151  
8 Conservation notices were sent out, broken down as follows:

Employer Groups	1591
Writing Agents	704
General Agents	9
State Agencies	51
Vendors	593
Employees	38
Reinsurers	6
Cal-COBRA Members	153
Government Agencies	6
<b>Total</b>	<b>3151</b>

16 *Id.*

17 **B. Insurance Operations – Policy & Claims Administration**

18 For several months prior to the entry of the Conservation Order, SeeChange had been  
19 notifying policyholders that the company would be ceasing to issue new or renewal insurance  
20 policies. Holloway Decl., ¶ 8. SeeChange management, working under the regulatory  
21 supervision of the Department of Insurance, implemented an orderly transition of all of  
22 SeeChange's in-force insurance business to other insurance providers. *Id.* Those transition  
23 activities continued during the early portion of the Conservation Period. *Id.* By December 31,  
24 2014, all of SeeChange's in-force insurance business had either expired (and not renewed) or had  
25 been short-term cancelled and transitioned to new, solvent health insurance companies.<sup>1</sup> *Id.*

27 <sup>1</sup> As discussed in the accompanying Status Report, in order to cover some of its liabilities, SeeChange had a  
28 reinsurance program consisting of multiple layers of medical excess loss reinsurance. The reinsurance program was  
exclusively handled by a single broker, Re-Solutions Intermediaries. Holloway Decl., ¶ 9. As of December 31,

1 With respect to claims administration, the Conservator continued to pay all health  
2 insurance claims throughout the entire Conservation Period. Holloway Decl., ¶ 10. The majority  
3 of the claims administration work was performed by Loomis Company, Inc. (“Loomis”), a third  
4 party claims administrator under contract with SeeChange.<sup>2</sup> *Id.* During the Conservation Period,  
5 the Conservator paid a total of approximately \$12 million in claims payable under SeeChange  
6 health insurance policies. *Id.* The Conservator’s claims payments terminated upon the entry of  
7 the Liquidation Order, at which time the liability to pay claims transitioned to the several state life  
8 and health guarantee associations (the “Guarantee Associations”) that became responsible for  
9 payment of SeeChange insurance liabilities upon the liquidation and formal insolvency of  
10 SeeChange.<sup>3</sup> *Id.*

11 **C. Employment Matters**

12 At the commencement of the Conservation Period, the Conservator identified a number of  
13 key employees whose continued service was critically important to the Conservator’s ability to  
14 conduct the operations of the company in an efficient and effective manner, to continue to  
15 provide service to the policyholders, and to facilitate a smooth transition of the company into  
16 liquidation. Holloway Decl., ¶ 11. In order to retain these key employees, the Conservator  
17 determined that it was necessary and reasonable to offer them a retention bonus agreement. *Id.*  
18 This is a common practice in insurance conservatorships that is authorized by section 1037 of the  
19 Insurance Code. Accordingly, the Conservator prepared retention bonus agreements for the  
20 following eight employees of SeeChange: Bryan Cassady, Jolene Coffman, Scott Geske, Fabiola

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21 2014, the three most recent contract years are open and have attaching ceded claims amounting to an estimated  
22 reinsurance recoverable balance of \$4,056,151. *Id.*

23 The Conservator has taken action to recover the outstanding reinsurance recoverables. *Id.* In December 2014,  
24 representatives from the Conservator’s Office, SeeChange, and StarLine USA, LLC (the 100% participant reinsurer)  
25 engaged in a mediation to resolve the disputed reinsurance claims. *Id.* Subsequent discussions resulted in a  
26 negotiated settlement agreement, which is currently being submitted for the Court’s approval by separate motion. *Id.*  
27 Once all reinsurance claims are submitted to the reinsurer, reviewed and collected, the Conservator will be able to  
28 close out SeeChange’s reinsurance portfolio. *Id.*

<sup>2</sup> Additional information regarding modifications to the Loomis agreement is described in Section II.E below.

<sup>3</sup> California, the other 49 states, and the District of Columbia have each created statewide life and health insurance  
guarantee associations to protect policyholders of an insolvent insurance company that issues policies in their  
respective states. (See, e.g., Ins. Code, § 1067.01) Once a court enters an order of liquidation finding that a member  
health insurance company, such as SeeChange, is insolvent, these Guarantee Associations provide replacement  
insurance or pay the claims of the policyholders of the insolvent insurer, subject to the requirements and limits in  
their respective governing statutes. (See, e.g., Ins. Code § 1067.07(b).)

1 Campuzano, Milton Lewis, Jennifer Lyn Luu, Lynette Montano, and Matthew Brown. *Id.* These  
2 Agreements provided an incentive for these selected employees to continue their employment  
3 with SeeChange during the transitional period arising from the conservation and future  
4 liquidation of the company. In exchange for the employee signing a General Release, the  
5 Conservator agreed to pay a monetary retention bonus on the condition that each employee  
6 committed to remain employed through March 31, 2015. *Id.* The total aggregate amount of  
7 retention bonuses that may be paid to the employees is \$146,000. *Id.* Pursuant to the retention  
8 bonus agreements, each employee would receive a pro-rated share of the retention bonus in two  
9 periods, with effective dates of January 9, 2015 and March 31, 2015. *Id.* As of the hearing on  
10 this Conservator's Report, the Commissioner expects that the employment of all SeeChange  
11 employees will have concluded, and SeeChange will have no employees during the remainder of  
12 its liquidation.

13 Pursuant to the Conservation Order, the Conservator was authorized to terminate  
14 compensation and benefit arrangements with SeeChange employees as well as to assume, reject,  
15 or modify any executory contracts. In January 2015, the Conservator rejected the employment  
16 agreements for the following nine employees: Bret Balousek, Cindy Butterawest, Susan Cotton,  
17 Mark Lee Gastineau, Marilyn Jones, Alan Katz, Jacqueline Johanna Macias, Sean Michael  
18 Penwell, and Joseph Jackson Wild. Holloway Decl., ¶ 12. These employees were sent letters  
19 notifying them of the Conservator's election to terminate their employment agreements. *Id.*

20 **D. Real Estate Matters – Office Leases**

21 SeeChange was obligated under two long term commercial offices leases in Los Angeles  
22 County. Holloway Decl., ¶ 13. One lease was for SeeChange's home office in Calabasas; and  
23 the second lease was for a former office space, located in Studio City, that SeeChange had  
24 vacated and sublet to a third party. *Id.*

25 1. Calabasas Office Lease: SeeChange was the tenant under a lease pertaining to the  
26 office space located at 24025 Park Sorrento, Calabasas, California. Holloway Decl., ¶ 14. The  
27 lease, which was entered into on September 9, 2013, began on December 19, 2013 and was set to  
28

1 terminate on May 31, 2019. *Id.* Following the issuance of the Conservation Order, the  
2 Conservator reduced staffing levels at this location to the minimum needed to conduct  
3 SeeChange's claims handling needs. *Id.*

4 The Conservator negotiated a letter agreement with the lessor, Kilroy Realty (the "Letter  
5 Agreement"), amending the lease for the Calabasas office space. *Id.* Pursuant to the Letter  
6 Agreement, the lease will terminate on April 30, 2015, rather than May 31, 2019. *Id.* In  
7 exchange, SeeChange will continue making monthly rent payments as provided for in the lease  
8 through the new termination date, and will forfeit its security deposit. *Id.* As of the termination  
9 of the lease, the parties will mutually waive all obligations under the lease (save for the payments  
10 provided for in the Letter Agreement). *Id.* A copy of the Letter Agreement is attached as **Exhibit**  
11 **B** to the Holloway Declaration.

12 2. Studio City Lease: As of the date of the Conservation Order, SeeChange had entered  
13 into two leases – an original lease and a sublease – related to the office space located at 12711  
14 Ventura Boulevard, Studio City, California. Holloway Decl., ¶ 15. SeeChange entered the  
15 original lease with the landlord, a California company called The Terraces, on June 17, 2011. *Id.*  
16 The initial term of the original lease was three years. *Id.* On June 19, 2012, SeeChange and The  
17 Terraces agreed to extend the term of the lease through June 30, 2017. *Id.* Just over one year  
18 later, SeeChange subleased the Studio City office space to a company known as Forward Studio  
19 City, Inc. *Id.* The term of the sublease was from January 15, 2014 through June 30, 2017. *Id.*  
20 The monthly rent received by SeeChange from the sublease<sup>4</sup> was slightly less than the amount  
21 owed under the original lease (as amended). *Id.*

22 After reviewing the terms original lease and sublease, the Conservator concluded that it  
23 was in the best interest of the estate to reject these agreements. *Id.* A copy of the Notices of  
24 Rejection sent to The Terraces and to Forward Studio City, Inc. are attached collectively as  
25 **Exhibit C** to the Holloway Declaration.

26  
27 <sup>4</sup> The Conservator discovered that SeeChange in fact had not been collecting rent under the sublease. Holloway  
28 Decl., ¶ 13. The Conservator contacted the subtenant's representative, who arranged for the missed payments to be  
made. *Id.*

1           **E. Policy and Claims Administration Vendor Agreements**

2           In order to address policy claims and billing through the end of 2014, the Conservator  
3 negotiated workouts with (i) CIGNA Health and Life Insurance Company (“CIGNA”), with  
4 which SeeChange contracted for the use of its healthcare provider network, and (ii) Loomis,  
5 SeeChange’s third-party administrator that SeeChange contracted to process provider claims and  
6 bills. Holloway Decl., ¶16.

7           1.     CIGNA Workout: SeeChange entered into an Administrative Services Agreement  
8 with CIGNA on July 1, 2011. Holloway Decl., ¶ 17. Pursuant to that agreement, CIGNA made  
9 certain health care provider networks, including incorporated provider billing rates, available to  
10 SeeChange. In return, SeeChange agreed to pay set fees based on a percentage of premiums  
11 it received to CIGNA and to purchase certain CIGNA products, among other obligations. *Id.*  
12 Under its terms, the agreement was to continue in effect until terminated by one or both parties.  
13 The agreement provided (in section 3.1.3 of Schedule C) that, in the event SeeChange desired  
14 run-out services following termination of its access to the network, CIGNA would provide such  
15 services for 12 months in return for a payment equal to four months of the agreed-upon monthly  
16 network access fee. *Id.*

17           In December 2014, the Conservator requested that CIGNA provide run-out services,  
18 which will continue through December 2015. *Id.* SeeChange paid for one of the four months’  
19 cost for run-off services; the other three months’ cost was paid for by the Guarantee Associations.  
20 *Id. i*

21           2.     Loomis Workout: SeeChange entered into an Administrative Services Agreement  
22 with Loomis on June 1, 2011. Holloway Decl., ¶ 18. Pursuant to that agreement, Loomis  
23 provided claims administration and bill processing services on SeeChange policyholder claims.  
24 *Id.* The agreement was to continue for two-year terms, automatically renewed, until terminated  
25 by either party. Following the issuance of the Conservation Order, the Conservator negotiated  
26 and entered into an Amendment #2 to the original agreement<sup>5</sup> with Loomis. *Id.* Under that  
27 Amendment #2, Loomis agreed to provide continuing services to SeeChange’s estate through the

28           <sup>5</sup> An earlier Amendment #1 was in effect from September 15, 2012, through June 30, 2013.

1 entry of a Liquidation Order (or until all remaining claims responsibilities had been transferred to  
2 the Guarantee Associations) in exchange for a one-time fixed-fee. *Id.* Upon the termination of  
3 the agreement, the parties mutually waived all duties and obligations not expressly reserved by  
4 the Amendment #2. *Id.* The Amendment #2 became effective on January 1, 2015, and  
5 terminated on the date of the Liquidation Order, January 28, 2015. *Id.* A copy of the  
6 Amendment #2 entered into by the Conservator and Loomis is attached as **Exhibit D** to the  
7 Holloway Declaration.

### 8 **III. REPORT ON ADMINISTRATIVE FEES & EXPENSES**

9 Pursuant to the authority vested in the Conservator by the Conservation Order, the  
10 Conservator retained professional services and incurred expenses necessary to allow him to  
11 perform all of his duties and obligations. Holloway Decl., ¶ 19. An accounting of all fees and  
12 expenses paid<sup>6</sup> during the conservation period is attached as **Exhibit E** to the Holloway  
13 Declaration. As described in detail in the accompanying Memorandum of Points and Authorities,  
14 the Conservator carefully managed and reviewed all expenses and professional fees incurred, and  
15 approved these expenses and fees as reasonable and proper under the Conservation Order and the  
16 California Insurance Code.

### 17 **IV. FINANCIAL STATEMENTS**

18 The conservator has prepared a statutory-basis financial statement for SeeChange that  
19 covers the Conservation Period.<sup>7</sup> Holloway Decl., ¶ 20. The financial statement includes a  
20 balance sheet, a statement of revenues and expenses, a cash flow statement, and a statement of  
21 changes in Capital & Surplus. A copy of the Conservator's financial statement for SeeChange is  
22 attached hereto as **Exhibit F** to the Holloway Declaration. The financial statement also operates  
23 to fix the "opening" balance sheet for the liquidation phase of this proceeding. The expected  
24 activities that will occur during the liquidation phase of this proceeding are summarized in the

25 <sup>6</sup> As of this Report, the Conservator has paid expenses and fees for the period beginning November 19, 2014 and  
26 ending December 31, 2014. Expenses incurred during the period from January 1, 2015 through January 28, 2015 will  
be addressed in the next fee application (of the Liquidator).

27 <sup>7</sup> The Conservator's SeeChange Financial Statements are prepared as of January 31, 2015, and cover both the  
28 "current month" of January 2015, plus the prior month of December 2014 (for comparison purposes). Although the  
dates of coverage of this financial statement do not match precisely with the Conservation Period, the data is  
materially the same.

1 Liquidator's Status Report, filed concurrently with this Conservator's Report.

2 **V. CONCLUSION**

3 Consistent with the obligations and authority under the Conservation Order, the  
4 Conservator conducted a diligent and efficient conservation of SeeChange in order to facilitate  
5 an orderly transition into liquidation. The combination of the conservation and liquidation of  
6 SeeChange, including the triggering of benefits available to policyholders and medical providers  
7 from the Guarantee Associations, has ensured that all policyholder claims have been fully and  
8 timely paid. Based on this Report, the Conservator respectfully request that the Court approve  
9 this Conservator's Report, together with the transactions, agreements and expenses described  
10 herein.

11  
12 Dated: April 6, 2015

KAMALA D. HARRIS  
Attorney General  
DIANE S. SHAW  
Supervising Deputy Attorney General  
LISA W. CHAO  
MATTHEW C. HEYN  
Deputy Attorneys General



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17 MATTHEW C. HEYN

18 Attorneys for Applicant Insurance  
19 Commissioner of the State of California, in his  
20 capacity as the Conservator & Liquidator of  
21 SeeChange Health Insurance Company

**MEMORANDUM OF POINTS AND AUTHORITIES**  
**THE CONSERVATOR'S DETERMINATION AND PAYMENT OF**  
**ADMINISTRATIVE AND PROFESSIONAL FEES AND EXPENSES**  
**ARE APPROPRIATE EXERCISES OF HIS DISCRETION**

The insolvency provisions of the Insurance Code provide general guidelines to the Conservator in conserving and liquidating insolvent insurers. Insurance Code section 1035 authorizes the Conservator to appoint a special deputy insurance Conservator and employ clerks and assistants to handle the business of the insolvent insurers. Section 1035 further authorizes the Conservator to reimburse all administration costs from the assets of the estate:

The costs of employing special deputy commissioners, clerks, and assistants appointed to carry out this article, and all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of that person under this article, shall be fixed by the commissioner, subject to the approval of the court, and shall be paid out of the assets of that person to the department.

(Ins. Code, § 1035, subd. (a).)

Insurance Code section 1036 authorizes the Conservator to employ and to compensate legal counsel with the Court's approval. It provides, in relevant part:

Notwithstanding any other provisions of law, the provisions of Article 4 (commencing with Section 11040) of Chapter 1 of part 1 of Division 3 of Title of the Government Code, pertaining to legal services, shall apply in the institution and prosecution of all insurance delinquency proceedings under this code. The compensation of any counsel outside of California state service who is employed pursuant to these provisions to represent the commissioner as receiver shall be fixed by the commissioner, subject to approval of the court. Compensation of counsel representing the commissioner as receiver shall be paid from the assets of the person against whom the commissioner has proceeded under this article ....<sup>8</sup>

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<sup>8</sup> Government Code section 11040 requires state agencies to obtain the Attorney General's approval of hiring outside counsel as follows:

- (a) This article does not affect the right of any state agency or employee to employ counsel in any matter of state, after first having obtained the written consent of the Attorney General.
- (b) It is the intent of the Legislature that overall efficiency and economy in state government be enhanced by employment of the Attorney General as counsel for the representation of state agencies and employees in judicial and other proceedings ....
- (c) Except with respect to employment by the state officers and agencies specified by title or name in Section 11041 or when specifically waived by statute other than Section 11041, the written

1 The Conservator is vested with substantial discretion to conduct the liquidation of an  
2 insolvent insurer subject to the limitation “that the exercise of discretion be neither arbitrary nor  
3 improperly discriminatory.” (See *In re Executive Life Ins. Co.* (1995) 32 Cal.App.4th 344, 356  
4 [citing *Carpenter v. Pacific Mut. Life Ins. Co.* (1937) 10 Cal.2d 307, 329].) His decisions as to  
5 matters concerning an insolvent insurer are reviewed by the Court on an abuse of discretion  
6 standard. (*In re Executive Life, supra*, 32 Cal.App.4th at 358.)

7 The only reported California case addressing the payment of legal expenses accords the  
8 Conservator substantial deference in his determination as to the need for assistance and the rate of  
9 compensation. In *In re Executive Life Insurance Company*, the Court of Appeal determined that  
10 the initial determination of the propriety of approving professional service fees for legal work  
11 performed on behalf of an insolvent insurer lies within the Conservator’s discretion. (*Id.* at  
12 p. 401.) The Court further described the standards that govern the Conservator’s and the Court’s  
13 approval of legal fees as follows:

14 The Commissioner is a public officer designated as the steward for the  
15 funds of the insolvent insurer whose estate he or she administers. The  
16 Commissioner’s initial determination necessarily requires adequately detailed  
17 information describing the work performed, by whom it was performed, the time  
18 spent and when it was spent, and the rate and amount billed, unless an approved  
contract specifies a different basis of compensation. ... The Commissioner should  
possess sufficient information to be able to determine from the billings any  
excessive or duplicative charges, and seek clarification and correction where  
appropriate ....

19 To obtain court approval for payment of the fees deem appropriate, the  
20 Commissioner must supply the court with adequate information to permit  
21 intelligent evaluation of the basis for the Commissioner’s determination. The  
22 court must be satisfied that the Commissioner has performed his duty to protect the  
23 interests of the estate. It is not required by statute, nor is it practical, for the court  
to undertake a detailed review of the invoices before approving payment. The  
Commissioner must, however, be ready to provide whatever documentation the  
court may find necessary in determining the propriety of the Commissioner’s  
request that payment be approved.

24 (*Id.* [approving payment of legal fees under Insurance Code section 1036].)

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26 consent of the Attorney General is required prior to employment of counsel for representation of  
27 any state agency or employee in any judicial proceeding.

28 The Attorney General has approved the Commissioner’s retention of Orrick, Herrington & Sutcliffe LLP

1 The standards are met in this case. The professionals employed for the liquidation and  
2 conservation of SeeChange provided the Commissioner invoices that describe in detail the tasks  
3 performed, the person who performed the work, and the time expended on each task. Invoices are  
4 reviewed by the Conservator's staff who are familiar with the work performed and are approved  
5 for payment only to the extent they comply with the Conservator's Office's guidelines and are  
6 reasonable, necessary, accurate and appropriate. As described in the Declaration of Joseph  
7 Holloway submitted herewith, the Conservator is further providing the basis of his review and  
8 approval to this Court in conjunction with the summaries of the work performed by outside  
9 counsel.

10 The Conservator carefully managed all fees and expenses to ensure that they were  
11 reasonable and necessary considering the circumstances and exigencies of the case and approved  
12 all expenses. Accordingly, the Conservator respectfully requests that the Court approve the  
13 payment of the professional fees and expenses, and instructions sought herein.

14  
15 Dated: April 6, 2015

KAMALA D. HARRIS  
Attorney General  
DIANE S. SHAW  
Supervising Deputy Attorney General  
LISA W. CHAO  
MATTHEW C. HEYN  
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20 MATTHEW C. HEYN

21 Attorneys for Applicant Insurance Commissioner  
22 of the State of California, in his capacity as the  
23 Conservator & Liquidator of SeeChange Health  
24 Insurance Company

**DECLARATION OF JOSEPH HOLLOWAY**  
**IN SUPPORT OF COMMISSIONER'S REPORT TO THE COURT CONCERNING THE**  
**CONSERVATION OF SEECCHANGE HEALTH INSURANCE COMPANY**

I, Joseph Holloway, hereby declare as follows:

1. I am currently the Liquidation Manager for SeeChange Health Insurance Company in Liquidation and served as the on-site Conservation Manager for SeeChange Health Insurance Company in Conservation ("SeeChange") during the period from November 19, 2014 through January 28, 2015 (the "Conservation Period"). I make this declaration in support of the Commissioner's Report To The Court Concerning The Conservation Of SeeChange Health Insurance Company (the "Conservation Report"). The following facts are known by me to be true and correct of my own personal knowledge, except to those which I have expressed as being based upon my information and belief, and if called upon to testify thereto, I would and could competently do so.

2. I have a Bachelor of Arts degree in accounting from North Carolina State University and hold the designation of Certified Financial Examiner from the Society of Financial Examiners. From 1985 to 2005, I worked as an examiner, regulatory specialist, and chief forensic accountant for the North Carolina Department of Insurance. Since 2005, I have worked for the Insurance Commissioner's Conservation & Liquidation Office. I have over 25 years of experience working with insurance companies experiencing financial difficulties, including companies in supervision, conservation, rehabilitation, and liquidation.

3. I am empowered under Paragraph 1 of the Stipulated Order Appointing Conservator And Restraining Order ("Conservation Order"), filed November 19, 2014, to carry out all the duties of and exercise the authority of the Conservator Dave Jones ("Conservator" or "Commissioner") and Special Deputy Insurance Commissioner David Wilson as either may delegate to me in the management of SeeChange.

4. As a result of my appointment as Conservation Manager of SeeChange, I am knowledgeable of all of the steps taken by SeeChange and by the Conservator to execute service and provide notice of the Conservation Order, to take possession of and manage SeeChange's

assets and records, and otherwise to manage SeeChange in conservation.

5. I have reviewed the Conservation Report and I am informed and believe that the facts set forth therein are accurate.

6. Upon taking control of SeeChange, the Conservator promptly notified all interested parties of the fact that SeeChange had been placed into statutory conservation. Notice was given to all employees, producers, policyholders, vendors, banks, landlords, and other parties and individuals that the Conservator could reasonably determine had any interest in or relationship with SeeChange. The Conservator also published legal notice of the Conservation Order in several newspapers of general circulation in California and Colorado. Copies of the Notice of Conservation and affidavits of publication are attached hereto collectively as

**Exhibit A.**

7. The Conservation notices were sent out starting on November 19, 2014 and completed by November 26, 2014. A handful of new addresses were received after that timeframe, and the Conservator promptly sent notices to those addresses. In total, 3,151 Conservation notices were sent out, broken down as follows:

Employer Groups	1591
Writing Agents	704
General Agents	9
State Agencies	51
Vendors	593
Employees	38
Reinsurers	6
Cal-COBRA Members	153
Government Agencies	6
<b>Total</b>	<b>3151</b>

8. For several months prior to the entry of the Conservation Order, SeeChange had been notifying policyholders that the company would stop issuing new or renewal insurance policies. SeeChange management, supervised by the Department of Insurance, implemented an orderly transition of all of SeeChange's in-force insurance business to other insurance providers

1 during the early part of the Conservation Period. By December 31, 2014, all of SeeChange's in-  
2 force insurance business had either expired (and not been renewed) or had been short-term  
3 cancelled and transitioned to new, solvent health insurance companies.

4 9. SeeChange had a reinsurance program consisting of multiple layers of medical  
5 excess loss insurance that was exclusively handled by a single broker, Re-Solutions  
6 Intermediaries. As of December 31, 2014, the three most recent contract years are open and have  
7 attaching ceded claims amounting to an estimated reinsurance recoverable balance of \$4,056,151.  
8 The Conservator has taken action to recover the outstanding reinsurance recoverables. In  
9 December 2014, representatives from the Conservator's Office, SeeChange, and StarLine USA,  
10 LLC (the 100% participant reinsurer) engaged in a mediation to resolve the disputed reinsurance  
11 claims. Subsequent discussions resulted in a negotiated settlement agreement, which is currently  
12 being submitted for the Court's approval by separate motion. Once all reinsurance claims are  
13 submitted to the reinsurer, reviewed and collected, the Conservator will be able to close out  
14 SeeChange's reinsurance portfolio.

15 10. The Conservator continued to pay all health insurance claims throughout the  
16 Conservation Period. The majority of the claims administration work was performed by Loomis  
17 Company, Inc. ("Loomis"), a third party claims administrator under contract with SeeChange.  
18 During the Conservation Period, the Conservator paid a total of approximately \$12 million in  
19 claims payable under SeeChange health insurance policies. The Conservator's claims payments  
20 terminated upon the entry of the Liquidation Order, at which time the liability to pay claims  
21 transitioned to the several state life and health guarantee associations that became responsible for  
22 payment of SeeChange insurance liabilities upon the liquidation and formal insolvency of  
23 SeeChange.

24 11. At the commencement of the Conservation Period, the Conservator identified a  
25 number of key employees whose continued service was critically important to the Conservator's  
26 ability to conduct the operations of the company. In order to retain these key employees, the  
27 Conservator determined that it was necessary and reasonable to offer them a retention bonus  
28

1 agreement. This is a common practice in insurance conservatorships that is authorized by section  
2 1037 of the Insurance Code. The Conservator prepared retention bonus agreements for eight  
3 SeeChange employees: Bryan Cassady, Jolene Coffman, Scott Geske, Fabiola Campuzano,  
4 Milton Lewis, Jennifer Lyn Luu, Lynette Montano, and Matthew Brown. In exchange for the  
5 employee signing a General Release, the Conservator agreed to pay a monetary retention bonus  
6 on the condition that each employee committed to remain employed through March 31, 2015.  
7 The total aggregate amount of retention bonuses that may be paid to the employees is \$146,000.  
8 Pursuant to the retention bonus agreements, each employee would receive a pro-rated share of the  
9 retention bonus in two periods, with effective dates of January 9, 2015 and March 31, 2015.

10 12. In January 2015, the Conservator rejected the employment agreements for the  
11 following nine employees: Bret Balousek, Cindy Butterawest, Susan Cotton, Mark Lee  
12 Gastineau, Marilyn Jones, Alan Katz, Jacqueline Johanna Macias, Sean Michael Penwell, and  
13 Joseph Jackson Wild. These employees were sent letters notifying them of the Conservator's  
14 election to terminate their employment agreements.

15 13. SeeChange was obligated under two long term commercial office leases in Los  
16 Angeles County. One lease was for SeeChange's home office in Calabasas; and the second lease  
17 was for a former office space, located in Studio City, that SeeChange had vacated and sublet to a  
18 third party.

19 14. SeeChange was the tenant under a lease pertaining to the office space located at  
20 24025 Park Sorrento, Calabasas, California. The lease was entered into on September 9, 2013,  
21 began on December 19, 2013, and was set to terminate on May 31, 2019. Following the issuance  
22 of the Conservation Order, the Conservator reduced staffing levels at this location to the  
23 minimum needed to conduct SeeChange's claims handling needs. The Conservator negotiated a  
24 letter agreement with the lessor, Kilroy Realty (the "Letter Agreement"), amending the lease for  
25 the Calabasas office space. Pursuant to the terms of the Letter Agreement, the lease will terminate  
26 on April 30, 2015, rather than May 31, 2019. In exchange, SeeChange will continue making  
27 monthly rent payments as provided for in the lease through the new termination date, and will  
28

1 forfeit its security deposit. As of the termination of the lease, the parties will mutually waive all  
2 obligations under the lease (save for the payments provided for in the Letter Agreement). A copy  
3 of the Letter Agreement is attached as **Exhibit B**.

4 15. As of the date of the Conservation Order, SeeChange had entered into two leases –  
5 an original lease and a sublease – related to the office space located at 12711 Ventura Boulevard,  
6 Studio City, California. SeeChange entered the original lease with the landlord, a California  
7 company called The Terraces, on June 17, 2011. The initial term of the original lease was three  
8 years. On June 19, 2012, SeeChange and The Terraces agreed to extend the term of the lease  
9 through June 30, 2017. Just over one year later, SeeChange subleased the Studio City office  
10 space to a company known as Forward Studio City, Inc. The term of the sublease was from  
11 January 15, 2014 through June 30, 2017. The monthly rent received by SeeChange from the  
12 sublease was slightly less than the amount owed under the original lease (as amended). The  
13 Conservator discovered that SeeChange had not been collecting rent under the sublease. The  
14 Conservator contacted the subtenant's representative, who arranged for the missed payments to be  
15 made. After reviewing the terms original lease and sublease, the Conservator concluded that it  
16 was in the best interest of the estate to reject these agreements. A copy of the Notices of  
17 Rejection sent to The Terraces and to Forward Studio City, Inc. are attached collectively as  
18 **Exhibit C**.

19 16. In order to address policy claims and billing through the end of 2014, the  
20 Conservator negotiated workouts with (i) CIGNA Health and Life Insurance Company  
21 ("CIGNA"), with which SeeChange contracted for the use of its healthcare provider network, and  
22 (ii) Loomis, SeeChange's third-party administrator that SeeChange contracted to process provider  
23 claims and bills.

24 17. SeeChange entered into an Administrative Services Agreement with CIGNA on  
25 July 1, 2011, pursuant to which CIGNA made certain health care provider networks, including  
26 incorporated provider billing rates, available to SeeChange in exchange for SeeChange's  
27 agreement to pay set fees based on a percentage of premiums it received and to purchase certain  
28

1 CIGNA products, among other obligations. The agreement provided (in section 3.1.3 of Schedule  
2 C) that in the event SeeChange desired run-out services following termination of its access to  
3 the network, CIGNA would provide such services for 12 months in return for a payment equal to  
4 four months of the agreed-upon monthly network access fee. In December 2014, the Conservator  
5 requested that CIGNA provide run-out services, which will continue through December 2015.  
6 SeeChange paid for one of the four months' cost for run-off services; the other three months' cost  
7 was paid for by the Guarantee Associations.

8 18. SeeChange entered into an Administrative Services Agreement with Loomis on  
9 June 1, 2011, pursuant to which Loomis provided claims administration and bill processing  
10 services on SeeChange policyholder claims. Following the issuance of the Conservation Order,  
11 the Conservator negotiated and entered into an Amendment #2 to the original agreement with  
12 Loomis. Under that Amendment #2, Loomis agreed to provide continuing services to  
13 SeeChange's estate through the entry of a Liquidation Order (or until all remaining claims  
14 responsibilities had been transferred to the Guarantee Associations) in exchange for a one-time  
15 fixed-fee. Upon the termination of the agreement, the parties mutually waived all duties and  
16 obligations not expressly reserved by the Amendment #2. The Amendment #2 became effective  
17 on January 1, 2015, and terminated on the date of the Liquidation Order, January 28, 2015. A  
18 copy of the Amendment #2 entered into by the Conservator and Loomis is attached hereto as  
19 **Exhibit D.**

20 19. Pursuant to the authority vested in the Conservator by the Conservation Order, the  
21 Conservator retained professional services and incurred expenses necessary to allow him to  
22 perform all of his duties and obligations. An accounting of all fees and expenses paid during the  
23 conservation period is attached hereto as **Exhibit E.** The Conservator carefully managed and  
24 reviewed all expenses and professional fees incurred, and approved these expenses and fees as  
25 reasonable and proper.

26 20. The Conservator has prepared a statutory-basis financial statement for SeeChange  
27  
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1 that covers the Conservation Period, a copy of which is attached hereto as **Exhibit F**.

2 I declare under penalty of perjury under the laws of the State of California that the  
3 foregoing is true and correct.

4  
5 Dated: April 6, 2015

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7 Joseph Holloway  
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# Exhibit A



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## CONSERVATION & LIQUIDATION OFFICE

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P.O. Box 26894, San Francisco, CA 94126-6894

November 19, 2014

**Via: First Class Mail**

\*BarCode \* **BARCODE**  
**Mailing Address**

***RE: SeeChange Health Insurance Company Conservation Notice***

To Whom It May Concern:

Please take notice that on November 19, 2014 the Insurance Commissioner of the State of California (the "Commissioner") was appointed by the Superior Court of Los Angeles as Conservator of SeeChange Health Insurance Company (the "Company") pursuant to Section 1011 of the California Insurance Code. The Commissioner has the responsibility to take these actions whenever a company is deemed to be statutorily impaired.

**FOR POLICYHOLDERS:**

In order for you to continue to receive health insurance coverage, you must continue to make your scheduled health insurance premium payments. All health insurance policies will terminate on December 31, 2014. Members will have **12 months from their termination date** to file their health insurance claims. If you have any questions, please call (866) 218-6009.

**FOR BROKERS, EMPLOYEES, AND ALL OTHER VENDORS:**

Please review a copy of the Conservation Order and if you have any questions please call (877) 472-8262.

A copy of the Conservation Order can be found on the Conservation & Liquidation Office website at: [www.caclo.org/seechange](http://www.caclo.org/seechange). Additional information and Questions & Answers can be found on the Company's website at: [www.seechangehealth.com](http://www.seechangehealth.com) or contact your broker.

Sincerely,

David E. Wilson  
Special Deputy Insurance Commissioner

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***Our Mission***

The CLO, on behalf of the Insurance Commissioner, rehabilitates and/or liquidates, under Court supervision, troubled insurance enterprises domiciled in the State of California. In addition the CLO provides Special Examination Services, with Commissioner and Board oversight. As a fiduciary for the benefit of all claimants, the CLO handles the property of troubled or failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

# DECLARATION OF PUBLICATION OF SAN FRANCISCO CHRONICLE

Diane FitzGibbon

declares that:

The annexed advertisement has been regularly published  
in the

## SAN FRANCISCO CHRONICLE

which is and was at all times herein mentioned  
established as newspaper of general circulation in the  
City and County of San Francisco, State of California, as  
that term is defined by Section 6000 of the Government  
Code.

SAN FRANCISCO CHRONICLE

(Name of Newspaper)

901 Mission Street

San Francisco, CA 94103

From November 30, 2014

To November 30, 2014

Namely, on November 30, 2014

(Dates of Publication)

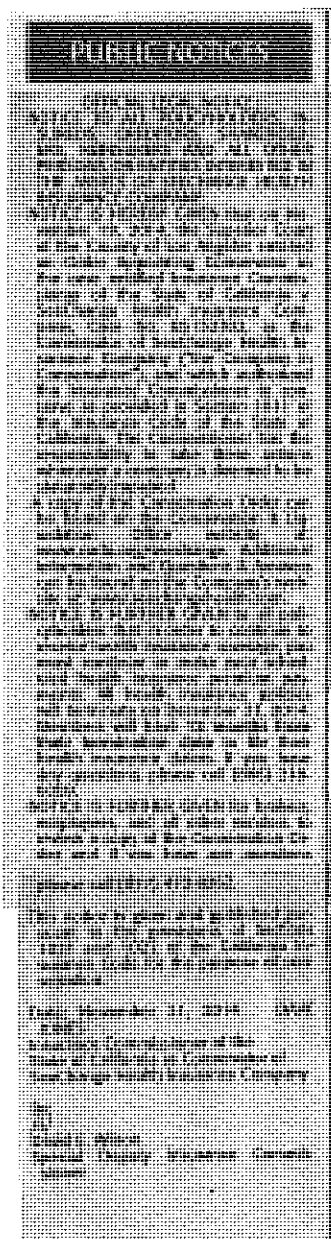
I declare under penalty of perjury that the foregoing is  
true and correct.

Executed on February 20, 2015

at San Francisco, California.



Diane FitzGibbon





P.O. Box 120191, San Diego, CA 92112-0191

## AFFIDAVIT OF PUBLICATION

CALIFORNIA INSURANCE COMMISSIONER'S  
100 PINE STREET SUITE 2600  
ATTN: JENNIFER WONG  
SAN FRANCISCO, CA 94111

STATE OF CALIFORNIA} ss.  
County of San Diego}

The Undersigned, declares under penalty of perjury under the laws of the State of California: That he is a resident of the County of San Diego. That he is and at all times herein mentioned was a citizen of the United States, over the age of twenty-one years, and that he is not a party to, nor interested in the above entitled matter; that he is Chief Clerk for the publisher of

### The San Diego Union-Tribune

a newspaper of general circulation, printed and published daily in the City of San Diego, County of San Diego, and which newspaper is published for the dissemination of local news and intelligence of a general character, and which newspaper at all the times herein mentioned had and still has a bona fide subscription list of paying subscribers, and which newspaper has been established, printed and published at regular intervals in the said City of San Diego, County of San Diego, for a period exceeding one year next preceding the date of publication of the notice hereinafter referred to, and which newspaper is not devoted to nor published for the interests, entertainment or instruction of a particular class, profession, trade, calling, race, or denomination, or any number of same; that the notice of which the annexed is a printed copy, has been published in said newspaper in accordance with the instructions of the person(s) requesting publication, and not in any supplement thereof on the following dates, to wit:

Nov 30, 2014

  
Chief Clerk for the Publisher

12/1/14  
Date

### Affidavit of Publication of

Legal Advertisement  
Ad # 0010885858#  
ORDERED BY: JENNIFER WONG

#### OFFICIAL LEGAL

##### NOTICE:

#### NOTICE TO ALL

#### POLICYHOLDERS,

#### INSURED,

#### CREDITORS,

#### SHAREHOLDERS,

#### REINSURERS AND ALL

#### OTHER PERSONS OR

#### ENTITIES INTERESTED

#### IN THE ASSETS OF

#### SEECHANGE

#### HEALTH INSURANCE

#### COMPANY

NOTICE IS HEREBY GIVEN that on November 19, 2014, the Superior Court of the County of Los Angeles entered an Order Appointing Conservator in the case entitled Insurance Commissioner of the State of California v. SeeChange Health Insurance Company, Case No. BS152302, as the Conservator of SeeChange Health Insurance Company (the Company in Conservation), and which authorized the Insurance Commissioner to conserve as provided in Section 1011 of the Insurance Code of the State of California. The Commissioner has the responsibility to take these actions whenever a company is deemed to be statutorily impaired.

A copy of the Conservation Order can be found on the Conservation & Liquidation Office website at: [www.caclo.org/seechange](http://www.caclo.org/seechange). Additional information and Questions & Answers can be found on the Company's website at: [www.seechangehealth.com](http://www.seechangehealth.com).

NOTICE IS FURTHER GIVEN to all policyholders that in order to continue to receive health insurance coverage, you must continue to make your scheduled health insurance premium payments. All health insurance policies will terminate on December 31, 2014. Members will have 12 months from their termination date to file their

health insurance claims. If you have any questions, please call (866) 218-6009.

NOTICE IS FURTHER GIVEN for brokers, employees, and all other vendors to review a copy of the Conservation Order and if you have any questions please call (877) 472-8262.

This notice is given and published pursuant to the provisions of Sections 1021 and 1022 of the California Insurance Code for the purpose of conservation.

Date:  
November 21, 2014

DAVE JONES  
Insurance Commissioner of the State of California as Conservator of SeeChange Health Insurance Company

By:  
David E. Wilson  
Special Deputy Insurance Commissioner

# Los Angeles Times

## MEDIA GROUP

**Sold To:**

Conservation & Liquidation Office - CU00398701  
100 Pine St  
San Francisco, CA 94111

**Bill To:**

Conservation & Liquidation Office - CU00398701  
100 Pine St  
San Francisco, CA 94111

OFFICIAL LEGAL  
NOTICE NOTICE TO:  
ALL POLICYHOLDERS,  
INSURED, CREDI-  
TORS, SHAREHOLDERS,  
REINSURERS AND ALL  
OTHER PERSONS OR  
ENTITIES INTERESTED  
IN THE ASSETS OF  
SEECHANGE HEALTH  
INSURANCE COMPANY

NOTICE IS HEREBY GIVEN that on November 19, 2014, the Superior Court of the County of Los Angeles entered an Order Appointing Conservator in the case entitled Insurance Commissioner of the State of California v. SeeChange Health Insurance Company, Case No. BS152302, as the Conservator of SeeChange Health Insurance Company (the Company in Conservation), and which authorized the Insurance Commissioner to conserve as provided in Section 1011 of the Insurance Code of the State of California. The Commissioner has the responsibility to take these actions whenever a company is deemed to be statutorily impaired.

A copy of the Conservation Order can be found on the Conservation & Liquidation Office website at: [www.caclo.org/seechange](http://www.caclo.org/seechange). Additional information and Questions & Answers can be found on the Company's website at: [www.seechange-health.com](http://www.seechange-health.com).

NOTICE IS FURTHER GIVEN to all policyholders that in order to continue to receive health insurance coverage, you must continue to make your scheduled health insurance premium payments. All health insurance policies will terminate on December 31, 2014. Members will have 12 months from their termination date to file their health insurance claims. If you have any questions, please call (866) 218-6009.

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This notice is given and published pursuant to the provisions of Sections 1021 and 1022 of the California Insurance Code for the purpose of conservation.

Date: November 21, 2014

DAVE JONES  
Insurance Commissioner  
of the State of  
California as Conservator  
of SeeChange Health  
Insurance Company

By:  
David E. Wilson  
Special Deputy Insurance  
Commissioner

# Los Angeles Times

## MEDIA GROUP


### PROOF OF PUBLICATION (2015.5 C.C.P.)

STATE OF ILLINOIS  
County of Cook

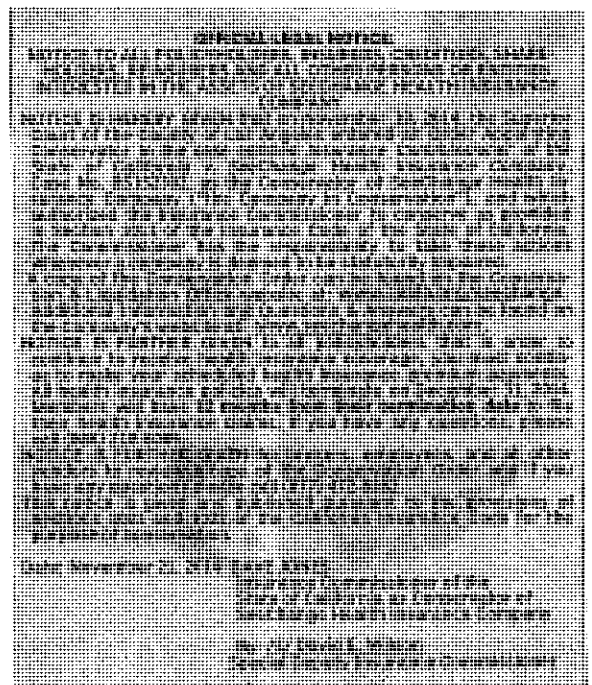
I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the action for which the attached notice was published. I am a principal clerk of the Los Angeles Times, which was adjudged a newspaper of general circulation on May 21, 1952, Cases 598599 for the City of Los Angeles, County of Los Angeles, and State of California. Attached to this Affidavit is a true and complete copy as was printed and published on the following date(s):  
Nov 30, 2014

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated at Chicago, Illinois  
on this 1 day of Dec, 20 14.

  
[signature]

435 N. Michigan Ave.  
Chicago, IL 60611



# Exhibit B

**KILROY**  
**REALTY**  
**CORPORATION**

March 18, 2015

David E. Wilson  
Joseph Holloway, Jr.  
24025 Park Sorrento  
Suite 100  
Calabasas, CA 91302

Re: That certain Lease dated September 9, 2013 (the "**Office Lease**"), as supplemented by that certain Letter of Commencement dated January 6, 2014 (the "**Letter of Commencement**") (the Office Lease and Letter of Commencement shall collectively be referred to herein as the "**Lease**"), between KILROY REALTY L.P., a Delaware limited partnership ("**Landlord**"), and SEECCHANGE HEALTH INSURANCE COMPANY, a California corporation ("**Withdrawing Tenant**" and "**Tenant**"), for that certain 7,874 rentable square feet of space commonly known as Suite 100 (the "**Premises**") and located on the first (1<sup>st</sup>) floor of that certain building located at 24025 Park Sorrento, Calabasas, California 91302 (the "**Building**").

Dear Gentlemen:

California Insurance Commissioner DAVE JONES, in his capacity as the statutory liquidator of SeeChange Health Insurance Company pursuant to that certain Liquidation Order filed January 28, 2015, in Case No. BS152302 (the "**Order**", attached hereto as **Exhibit A**), by and through his duly appointed deputies and assistants, DAVID E. WILSON, an individual serving in his capacity as the Special Deputy Insurance Commissioner in charge of the liquidation of Withdrawing Tenant and JOSEPH HOLLOWAY, JR., an individual in his capacity as the onsite Liquidation Manager for Special Deputy Insurance Commissioner Wilson (collectively "**Liquidator**"), Landlord, and Withdrawing Tenant hereby acknowledge and agree that Liquidator is authorized under the Order to manage Withdrawing Tenant's affairs and may assume Withdrawing Tenant's obligations under the Lease. Accordingly, for all purposes under this letter agreement ("**Letter Agreement**"), "**Tenant**" shall, collectively and jointly and severally, mean Withdrawing Tenant and Liquidator. All capitalized terms when used herein shall have the same respective meanings as are given such terms in the Lease unless expressly provided otherwise in this Letter Agreement. Except as specifically set forth herein, all of the terms and conditions of the Lease are and shall remain in full force and effect and are hereby ratified and confirmed. Landlord and Tenant hereby acknowledge and agree that:

1. **Liquidator Representations.** Liquidator hereby represents and warrants that Liquidator has the authority and all necessary approvals and sign-offs to: (i) enter into and execute this Letter Agreement on behalf of both Liquidator and Withdrawing Tenant pursuant to the Order, (ii) amend the Lease as set forth herein, and (iii) assume and perform the responsibilities under the Lease, as amended hereby.

2. **Shortened Term of Lease.** Pursuant to the Lease, the Lease Term is currently scheduled to expire on May 31, 2019. Notwithstanding anything to the contrary contained in the Lease, Landlord and Withdrawing Tenant hereby acknowledge and agree that on April 30, 2015, (the "**Termination Date**") the Lease shall terminate and be of no further force or effect. On or before the Termination Date, Tenant shall vacate the Premises and surrender and deliver exclusive possession thereof to Landlord, in accordance with the provisions of this Letter Agreement. In the event Tenant retains possession of the Premises or any part thereof after the Termination Date, the holdover provisions of the Lease shall apply.

3. **Mutual Waiver of Obligations.** As of the Termination Date, Landlord and Tenant shall be relieved of all of their respective obligations under the Lease, and each agrees to mutually waive any and all rights to enforce such obligations. This mutual waiver includes obligations created by sections of the Lease that contain either express or implied survival clauses, including, but not limited to, articles 7 and 11 (repair work), section 8.4 (indemnification for alterations to property), article 10 (insurance claims), section 10.1 (indemnification for property damage and personal injury), section 14.3 (transfer premium), article 21 (security deposit), section 23.5.4 (installation and removal of signage), article 26 (curing of defaults), and section 29.30 (installation and removal of water sensors). Notwithstanding anything to the contrary contained herein, this waiver shall not alleviate Tenant of its obligation to pay all rent owed under the Lease as modified by this Letter Agreement, nor shall it alleviate either party of any liability for claims arising during the period beginning on the effective date of this Letter Agreement (March 18, 2015) and ending on the Termination Date.

4. **Claims Arising Out Of Occupancy Of Premises.** Notwithstanding the foregoing, to the extent any claim arising out of Tenant's occupancy of the Premises is asserted by a third party against Landlord, the Liquidator will seek to apply the anti-suit injunction imposed by the Liquidation Order pursuant to section 1020 of the California Insurance Code to all such claims and to have such claims addressed through the liquidation proceeding.

5. **Early Termination.** Notwithstanding anything to the contrary contained herein, Landlord shall have the right to terminate the Lease prior to the Termination Date, effective on the Early Termination Date (as that term is defined below); provided that the Tenant receives written notice from Landlord (the "**Early Termination Notice**") at least thirty (30) days prior to the Early Termination Date, which Early Termination Notice shall provide (i) that Landlord is electing to terminate the Lease pursuant to the terms of this Section 5; (ii) the effective date of such termination (the "**Early Termination Date**") and (iii) the contact information for any new tenant at the Premises, which contact information may be used by Tenant solely for the purposes of exercising options specified in Section 10 below; provided further that Landlord shall only have such right to terminate the Lease pursuant to this Section 5 in the event that Landlord determines (in its sole discretion) that it needs to recapture all or any portion of the Premises in order to prepare the same for lease by a third party tenant. Provided that Landlord terminates the Lease in accordance with the terms of this Section 5, the Lease shall automatically terminate and be of no further force or effect as of the Early Termination Date, and Landlord and Tenant shall be relieved of their respective obligations under the Lease as of the Early Termination Date, pursuant to the provisions of section 3 of this Letter Agreement. On or before the Early Termination Date, Tenant shall vacate the Premises and surrender and deliver exclusive possession thereof to Landlord, in accordance with the provisions of the Lease, as

modified by this Letter Agreement. In the event Tenant retains possession of the Premises or any part thereof after the Early Termination Date, then the holdover provisions of the Lease shall apply.

6. **Base Rent.** Notwithstanding the foregoing or any provision to the contrary contained in the Lease, retroactively commencing on January 1, 2015, (the "**Letter Agreement Commencement Date**") and continuing throughout the remainder of the Lease Term, Tenant shall pay monthly installments of Base Rent for the Premises in an amount equal to Twenty-Three Thousand One Hundred Fourteen and 13/100 Dollars (\$23,114.13) per month and shall make such payments otherwise in accordance with the terms and provisions of the Lease, as modified herein. Tenant is not obligated to make any payment to Landlord beyond payments for base rent, forfeiture of the Security Deposit (pursuant to section 9, below), and rent accrued during any holdover period.

7. **Operating Cost Share Rent and Tax Share Rent.** Notwithstanding any provision to the contrary contained in the Lease, commencing retroactively on the Letter Agreement Commencement Date and continuing throughout the remainder of the Lease Term, as modified by this Letter Agreement, Tenant shall have no obligation to pay the Excess in connection with the Premises.

8. **California Accessibility Disclosure.** For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp).

9. **Security Deposit.** Notwithstanding any provision to the contrary contained in the Lease, Landlord and Tenant hereby acknowledge and agree that Landlord is currently holding the amount of Twenty Six Thousand Fifteen and 15/100 Dollars (\$26,015.15) as a Security Deposit under the Lease. As valuable consideration for Landlord entering into this Letter Agreement and forfeiting future rental income as a result of decreasing the duration of the Lease Term pursuant to Section 2 above, effective upon the expiration or earlier termination of the Lease, as amended hereby, Tenant hereby irrevocably relinquishes any interest in, and agrees that Landlord shall retain, the entire Security Deposit, which shall not count as a credit towards any amount payable by Tenant under the Lease, as amended hereby.

10. **Furniture, Fixtures, and Equipment.** Notwithstanding any provision to the contrary contained in the Lease, with respect to all of Tenant's furniture, fixtures, and equipment located on or at the Premises ("**FF&E**"), Tenant may, in its sole discretion, elect between the following options: (a) convey all right, title and possessory interests to or in the FF&E, or any portion thereof, to any other third party, including without limitation a party who is or may become a tenant at the Premises, on or before the Termination Date; (b) remove from the Premises some or all of the FF&E prior to the Termination Date or Early Termination Date; or (c) abandon some or all of the FF&E at the Premises. Notwithstanding any provision to the contrary contained in the Lease, if Tenant elects option (c) in the preceding sentence, the continued presence of such abandoned FF&E at the Premises shall not constitute an action of holding over by Tenant or otherwise give rise to any claims against Tenant, provided that Tenant delivers a quit claim or other documentation demonstrating its election to abandon the property and convey title thereto to Landlord and waiving any statutory waiting period or other

contractual or regulatory rights Tenant may have to delay Landlord's right to take immediate possession of or dispose of such abandoned FF&E.

11. **No Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Letter Agreement, and that they know of no real estate broker or agent who is entitled to a commission in connection with this Letter Agreement.

12. **Counterparts.** This Letter Agreement may be executed in counterparts with the same effect as if all parties hereto had executed the same document. All counterparts shall be construed together and shall constitute a single agreement.

Please acknowledge your agreement with the foregoing by signing and returning three (3) originals of this Letter Agreement to Landlord.

"LANDLORD"

KILROY REALTY, L.P.,  
a Delaware limited partnership

By: Kilroy Realty Corporation,  
a Maryland corporation,  
its general partner

By:   
Its: Joseph E. Maggi  
Senior Vice President  
and Corporate Counsel

By: 

Its: JVP ASSET MGMT, LA REGION

The foregoing is accepted and agreed to:

"LIQUIDATOR," on behalf of itself and Withdrawing Tenant

JOSEPH HOLLOWAY, JR., an individual,  
in his capacity as the onsite Liquidation Manager for Special Deputy Insurance Commissioner  
Wilson

cc: SeeChange Health Insurance Company  
24025 Park Sorrento, Suite 100

contractual or regulatory rights Tenant may have to delay Landlord's right to take immediate possession of or dispose of such abandoned FF&E.

11. **No Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Letter Agreement, and that they know of no real estate broker or agent who is entitled to a commission in connection with this Letter Agreement.

12. **Counterparts.** This Letter Agreement may be executed in counterparts with the same effect as if all parties hereto had executed the same document. All counterparts shall be construed together and shall constitute a single agreement.

Please acknowledge your agreement with the foregoing by signing and returning three (3) originals of this Letter Agreement to Landlord.

**"LANDLORD"**

KILROY REALTY, L.P.,  
a Delaware limited partnership

By: Kilroy Realty Corporation,  
a Maryland corporation,  
its general partner

By: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

The foregoing is accepted and agreed to:

**"LIQUIDATOR,"** on behalf of itself and Withdrawing Tenant

  
JOSEPH HOLLOWAY, JR., an individual,

in his capacity as the onsite Liquidation Manager for Special Deputy Insurance Commissioner  
Wilson

cc: SeeChange Health Insurance Company  
24025 Park Sorrento, Suite 100

Calabasas, CA 91302  
Attention: Jackie Macias

**EXHIBIT A**

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KAMALA D. HARRIS  
Attorney General of California  
DIANE S. SHAW  
Supervising Deputy Attorney General  
LISA W. CHAO (State Bar No. 198536)  
MATTHEW C. HEYN (State Bar No. 227474)  
Deputy Attorneys General  
300 South Spring Street, Suite 1702  
Los Angeles, CA 90013  
Telephone: (213) 897-2444  
Fax: (213) 897-5775  
E-mail: Matthew.Heyn@doj.ca.gov

*Attorneys for Applicant, Insurance Commissioner of  
the State of California*

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF LOS ANGELES**

**CENTRAL CIVIL WEST COURTHOUSE**

INSURANCE COMMISSIONER OF THE  
STATE OF CALIFORNIA,

Applicant,

v.

SEECHANGE HEALTH INSURANCE  
COMPANY,

Respondent.

Case No. BS152302  
Assigned to Hon. Amy D. Hogue

~~PROPOSED~~ LIQUIDATION ORDER

Hearing

Date: January 28, 2015  
Time 9:30 a.m.  
Place: Central Civil West Courthouse  
Department 307  
600 South Commonwealth Avenue  
Los Angeles, California 90005  
Judge: Hon. Amy D. Hogue

**FILED**

LOS ANGELES SUPERIOR COURT

JAN 28 2015

RECEIVED  
Central Civil West

DEC 31 2014

by: K. Bennett

BY N. Navarro Deputy  
NANCY NAVARRO

LIQUIDATION ORDER (BS152303)

1 On January 28, 2015, in Department 307 of the above-entitled Court, the Court held a  
2 hearing on the *Notice of Application and Application for Liquidation Order and Supplemental*  
3 *Injunctive Relief* (the "**Application**"), filed by the Insurance Commissioner of the State of  
4 California (including his successor in office, the "**Commissioner**"). Appearances are noted in the  
5 record.

6 Having considered the Application, the memorandum and declarations in support of the  
7 Application, and all other documents and evidence submitted, and having heard and considered  
8 the arguments presented to the Court, and upon good cause shown, the Court hereby finds that it  
9 would be futile for the Commissioner to proceed as Conservator of SeeChange and, therefore,  
10 sufficient grounds exist in accordance with Insurance Code section 1016 for entry of this order of  
11 liquidation of SeeChange.

12 **THEREFORE, IT IS HEREBY ORDERED:**

13 1. The Application is GRANTED.

14 2. SeeChange Health Insurance Company ("**SeeChange**") is hereby found to be  
15 insolvent.

16 3. The Commissioner's status as Conservator of SeeChange is terminated. The  
17 Insurance Commissioner is appointed Liquidator of SeeChange as set forth in Insurance Code  
18 section 1016, with (1) David E. Wilson to serve as the Special Deputy Insurance Commissioner in  
19 charge of the SeeChange liquidation and (2) Joseph Holloway, Jr., to serve as the on-site manager  
20 for Special Deputy Insurance Commissioner Wilson (hereinafter, the "**Liquidator**"). The  
21 Liquidator is directed to liquidate and wind up the business of SeeChange and to act in all ways  
22 and exercise all powers necessary for the purpose of carrying out this Order and the liquidation  
23 provisions of the Insurance Code, Insurance Code sections 1010 *et seq.*

24 4. Title to all of the assets of SeeChange, wherever situated, shall be vested in the  
25 Liquidator, in his official capacity as such, including without limitation real and personal  
26 property, deposits, certificates of deposit, bank accounts, mutual funds, securities, contracts,  
27 rights of actions, books, records and other assets of any and every type and nature, wherever  
28 situated, presently in SeeChange's possession and/or those which may be discovered hereafter.

1           5.     All funds and assets (including without limitation deposits, certificates of deposit,  
2 bank accounts, securities, and mutual fund shares of SeeChange) in various financial depository  
3 institutions (including without limitation banks, savings and loan associations, industrial loan  
4 companies, mutual funds and/or stock brokerages) wherever situated, are subject to withdrawal  
5 only upon direction or order by the Liquidator.

6           6.     The Liquidator is authorized to collect all moneys due to SeeChange, and to do  
7 such other acts as are necessary or expedient to collect, protect and liquidate SeeChange's assets,  
8 property and business.

9           7.     The Liquidator is authorized to collect all debts due and claims belonging to  
10 SeeChange and to have the authority to sell, compound, compromise, or assign, for the purpose of  
11 collection upon such terms and conditions as the Liquidator deems best, any bad or doubtful  
12 debts.

13          8.     The Liquidator is authorized to compromise or in any other manner negotiate  
14 settlements of claims against SeeChange upon such terms and conditions as the Liquidator shall  
15 deem to be in the best interests of SeeChange.

16          9.     The Liquidator is authorized, without permission of the Court and without notice,  
17 to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of  
18 or deal with, any real or personal property of SeeChange at its reasonable market value, or, in  
19 cases other than acquisition, sale, or transfer on the basis of reasonable market value, upon such  
20 terms and conditions as the Liquidator may deem proper; provided, however, that the market  
21 value of the property involved does not exceed the sum of twenty thousand dollars (\$20,000).

22          10.    The Liquidator is authorized, for the purpose of executing and performing any of  
23 the powers and authority conferred upon the Liquidator under Insurance Code sections 1010 *et*  
24 *seq.*, in the name of SeeChange or in the Liquidator's own name, to initiate, prosecute and/or  
25 defend any and all suits and other legal proceedings, legal or equitable, and to execute,  
26 acknowledge and deliver any and all deeds, assignments, releases and other instruments necessary  
27 and proper to effectuate any sale of any real and personal property or other transaction in  
28

1 connection with the administration, liquidation or other disposition of the assets of SeeChange, in  
2 this or other states as may appear to him necessary to carry out his functions as Liquidator.

3 11. The Liquidator is authorized to divert, take possession of and secure all mail of  
4 SeeChange and to effect a change in the rights to use any and all post office boxes and other mail  
5 collection facilities used by SeeChange.

6 12. The Liquidator is authorized, without permission of the Court and without notice,  
7 to invest and reinvest, in such manner as the Liquidator may deem suitable for the best interests  
8 of the policyholders and/or creditors of SeeChange, such portions of the funds and assets of  
9 SeeChange in his possession as do not exceed the amount of the reserves required by law to be  
10 maintained by SeeChange as reserves for life insurance policies, annuity contracts, supplementary  
11 agreements incidental to life business, and reserves for non-cancelable disability policies, and  
12 which funds and assets are not immediately distributable to creditors; provided, however, the  
13 investment or reinvestment to be made does not exceed the sum of one hundred thousand dollars  
14 (\$100,000), except that the Liquidator, without permission of the court and without notice, may  
15 make investments or reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per  
16 investment or reinvestment, if such investments or reinvestments are part of SeeChange's existing  
17 investments or are made pursuant to the investment guidelines of the Commissioner's  
18 Conservation & Liquidation Office (including investments and reinvestments through an  
19 investment pool consisting exclusively of assets from conserved and/or liquidating estates).

20 13. The Liquidator is authorized, in his discretion, without permission of the Court and  
21 without notice, to pay or defer payment of some or all claims, expenses, liabilities and/or  
22 obligations of SeeChange, in whole or in part, accruing prior and/or subsequent to his  
23 appointment as Liquidator.

24 14. The Liquidator is authorized to appoint and employ under his hand and official  
25 seal, legal counsel, as his agents, and to employ clerks and/or assistants, and to give to each of  
26 them those powers that the Liquidator deems necessary.

1           15.    The Liquidator is authorized to fix the costs of employing special deputy  
2 commissioners, legal counsel, clerks, and/or assistants, and all expenses of taking possession of,  
3 conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and  
4 property of SeeChange and—subject to Court approval—he is authorized to pay such costs out of  
5 the assets of SeeChange. If there are insufficient funds to pay such costs, then—subject to Court  
6 Approval—the Liquidator may pay such costs out of the Insurance Fund pursuant to Insurance  
7 Code section 1035.

8           16.    The Liquidator is authorized to assume or reject, or to modify, any executory  
9 contract, including without limitation, any lease, rental or utilization contract or agreement  
10 (including any schedule to any such contract or agreement), and any license or other arrangement  
11 for the use of computer software or business information systems, to which SeeChange is a party  
12 or as to which SeeChange agrees to accept an assignment of such contract, not later than 120 days  
13 of the date of the Order Appointing Conservator (i.e., November 19, 2014), unless such date is  
14 extended by application to and further order of this Court. All executory contracts not expressly  
15 assumed by the Conservator within that time shall be deemed rejected.

16           17.    The Liquidator is authorized to terminate compensation arrangements with  
17 employees, to enter into new compensation arrangements with employees (including  
18 arrangements containing retention incentives), and to hire employees on such terms and  
19 conditions as he deems reasonable.

20           18.    The Liquidator is vested with all the powers of the directors, officers and managers  
21 of SeeChange, whose authorities are suspended except as such powers may be re-delegated by  
22 the Liquidator.

23                           **Injunctions and Other Orders**

24           19.    Except upon the express authorization of the Liquidator, all persons (including  
25 without limitation SeeChange and its officers, directors, agents, servants, and employees) are  
26 enjoined from the transaction of SeeChange's business or disposition of its property (including  
27 without limitation disposing of, using, transferring, selling, assigning, canceling, alienating,  
28 hypothecating or concealing in any manner or any way), or assisting any person in any of the

1 foregoing, until further order of this Court. All persons are enjoined from obstructing or  
2 interfering with the Liquidator's conduct of his or her duties as Liquidator.

3 20. All persons are enjoined from instituting or prosecuting or maintaining any action  
4 at law (including without limitation actions or proceedings to compel discovery or production of  
5 documents or testimony, and matters in arbitration), and from obtaining or attempting to attain  
6 preferences, judgments, foreclosures, attachments or other liens of any kind or nature, against  
7 SeeChange, its assets, or the Liquidator, and from attaching, executing upon, foreclosing upon,  
8 redeeming of, making levy upon, or taking any other legal proceedings against any of the  
9 property and/or assets of SeeChange, except after an order from this Court.

10 21. All persons are enjoined from the sale or deed for nonpayment of taxes or  
11 assessments levied by any taxing agency of property and/or assets of SeeChange.

12 22. Except with leave of Court, all persons are enjoined from accelerating the due date  
13 of any obligation or claimed obligation, exercising any right of set-off, taking, retaining, retaking  
14 or attempting to retake possession of any real or personal property, withholding or diverting any  
15 rent or other obligation, and doing any act or other thing whatsoever to interfere with the  
16 possession of, or management by, the Liquidator of the property and assets, owned, controlled, or  
17 possessed by SeeChange.

18 23. All persons are enjoined from the waste of the assets of SeeChange.

19 24. SeeChange and its officers, directors, agents and employees are ordered to  
20 immediately make available to the Liquidator all assets, books, accounts, records, information,  
21 computers, tapes, discs, writings, other recordings of information, equipment and other property  
22 of SeeChange, wherever situated, in their custody or control. They are directed to disclose to the  
23 Liquidator, on his request, the exact whereabouts of the foregoing items if such items are not in  
24 their possession, custody or control.

25 25. SeeChange and its officers, directors, trustees, employees or agents, and any other  
26 person, firm, association, partnership, corporate parent, holding company, affiliate or other entity  
27 in charge of any aspect of SeeChange's affairs, either in whole or in part (including but not  
28 limited to banks, savings and loan associations, financial or lending institutions, brokers, stock or

1 mutual associations, or any parent, holding company, subsidiary or affiliated corporation or any  
2 other representative acting in concert with SeeChange) are ordered to cooperate with the  
3 Liquidator in the performance of his duties.

4 26. All persons who maintain records for SeeChange, pursuant to written contract or  
5 any other agreement, are ordered to maintain such records and to deliver to the Liquidator such  
6 records upon his request.

7 27. The Court hereby stays any and all provisions of any agreement entered into by  
8 and between any third party and SeeChange, that provide, in any manner, that selection,  
9 appointment or retention of a conservator, receiver or trustee, or entry of an order such as hereby  
10 made, shall be deemed to be, or otherwise operate as, a breach, violation, event of default,  
11 termination, event of dissolution, event of acceleration, insolvency, bankruptcy, or liquidation.  
12 The assertion of any and all rights and remedies relating thereto are also stayed and barred, except  
13 as otherwise ordered by this Court. This Court shall retain jurisdiction over any cause of action  
14 that has arisen or may otherwise arise under any such a provision.

15 **Creditors and Setting of Claims Bar Date**

16 28. The rights and liabilities of claimants, policyholders, shareholders, members and  
17 all other persons interested in the assets of SeeChange are fixed as of the date of entry of this  
18 Order.

19 29. Any and all claims against SeeChange—including without limitation those claims  
20 which in any way affect or seek to affect any of the assets of SeeChange, wherever or however  
21 such assets may be owned or held—must be filed no later than December 31, 2015 (the “**Claims**  
22 **Bar Date**”) in accordance with the provisions of Insurance Code sections 1010 *et seq.*, (including  
23 without limitation Insurance Code section 1023). The claim must be timely filed on the form  
24 provided by the Liquidator, together with proper proofs thereof, and must be supplemented with  
25 such further information as the Liquidator requests, in accordance with Insurance Code section

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1 1023(f). As provided in Insurance Code section 1024, any claims not filed by the Claims Bar  
2 Date shall be conclusively deemed forever waived and no action may be maintained thereon.  
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5 DATED: 1/28/15

  
THE HONORABLE AMY D. HOGUE  
Judge of the Los Angeles Superior Court

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# Exhibit C



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## CONSERVATION & LIQUIDATION OFFICE

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P.O. Box 26894, San Francisco, CA 94126-6894 | tel: 415-676-5000 | fax: 415-676-5002

March 11, 2015

The Terraces  
c/o M. David Paul  
M. David Paul & Associates  
100 Wilshire Blvd., Suite 1600  
Burbank, CA 90401

**Re: Notice of Rejection of Lease Pertaining to Property Located at 12711 Ventura Boulevard, Studio City, California; *Insurance Commissioner v. SeeChange Health Insurance Co.*, Los Angeles County Superior Court Case No. BS 152302**

Ladies and Gentleman:

As you may be aware, the Insurance Commissioner of the State of California was appointed as Liquidator of SeeChange Health Insurance Company ("SeeChange") by the Los Angeles County Superior Court on January 28, 2015. A copy of the Court's Liquidation Order is attached for your review.

SeeChange's records show that it entered into a lease with The Terraces ("Landlord") pertaining to the portion of the real property located at 12711 Ventura Boulevard, Studio City, California commonly referred to as Suite 410 (the "Property" subject to the "Lease"). It is our understanding that the lease runs through June 30, 2017.

### Liquidation Order

The Liquidation Order provides, in pertinent part, that the Commissioner, as Liquidator of SeeChange, may assume or reject real property leases. This is set forth in Paragraph 16 of the Liquidation Order, as follows:

The Liquidator is authorized to assume or reject, or to modify, any executory contract, including without limitation, any lease, rental or utilization contract or agreement (including any schedule to any such contract or agreement); and any license or other arrangement for the use of computer software or business information systems, to which SeeChange is a party or as to which SeeChange agrees to accept an assignment of such contract, not later than 120 days of the date of the Order Appointing Conservator (i.e. November 19, 2014), unless such date is extended by application to and further order of this Court. All executory contracts not expressly assumed by the [Liquidator] shall be deemed rejected.

---

### ***Our Mission***

The CLO, on behalf of the Insurance Commissioner, rehabilitates and/or liquidates, under Court supervision, troubled insurance enterprises domiciled in the State of California. In addition the CLO provides Special Examination Services, with Commissioner and Board oversight. As a fiduciary for the benefit of all claimants, the CLO handles the property of troubled or failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

### Rejection of Lease

**The Liquidator has determined to reject the Lease. You are advised that the Lease is hereby rejected and that such rejection shall become effective March 15, 2015 (hereafter, the "Termination Effective Date.")).** Upon rejection, the Liquidator shall have relinquished all of SeeChange's rights under the Lease, including all rights to possession of the Property.


### Rejection of Sublease

As you are aware, a sublease was entered into regarding the leased Property. Concurrent with this Notice of Rejection of Lease, the Commissioner is rejecting the sublease that pertains to the Property and such sublease will terminate on The Termination Effective Date. Occupation of Leased Property by a subtenant after the Termination Effective Date shall not be considered to be an administrative expense of the conservation or liquidation of SeeChange.

### Filing of a Proof of Claim

Now that the Commissioner has been appointed as Liquidator of SeeChange, you will be provided with a Proof of Claim form and may file such Proof of Claim for any claims you may have against SeeChange, including claims for damages which you may contend arise from the rejection of the Lease. Such claims will be treated in accordance with Insurance Code §1010, *et seq.* of the California Insurance Code.

If you have any questions about the contents of this letter, please contact Joe Holloway, at the above address and telephone number of the Conservation & Liquidation Office of the California Department of Insurance.

  
JOSEPH HOLLOWAY, JR., an individual,  
in his capacity as the onsite Liquidation Manager  
for Special Deputy Insurance Commissioner Wilson

cc: Phil Lindholm



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## CONSERVATION & LIQUIDATION OFFICE

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P.O. Box 26894, San Francisco, CA 94126-6894 | tel: 415-676-5000 | fax: 415-676-5002

March 11, 2015

Forward Studio City, Inc.  
4061 Laurel Canyon Blvd.  
Studio City, CA 91604

**Re: Notice of Rejection of Sublease Pertaining to Property Located at 12711  
Ventura Boulevard, Studio City, California ; *Insurance Commissioner v. SeeChange  
Health Insurance Co.*, Los Angeles County Superior Court Case No. BS 152302**

Ladies and Gentlemen:

As you may be aware, the Insurance Commissioner of the State of California was appointed as Liquidator of SeeChange Health Insurance Company ("SeeChange") by the Los Angeles County Superior Court on January 28, 2015. A copy of the Court's Liquidation Order is attached for your review.

SeeChange's records show that it entered into a sublease with Forward Studio City, Inc., pertaining to the portion of the real property located at 12711 Ventura Boulevard, Studio City, California commonly referred to as Suite 410 (the "Property" subject to the "Sublease"). It is our understanding that the Sublease runs through June 30, 2017.

### Liquidation Order

The Liquidation Order provides, in pertinent part, that the Commissioner, as Liquidator of SeeChange, may assume or reject real property leases. This is set forth in Paragraph 16 of the Liquidation Order, as follows:

The Liquidator is authorized to assume or reject, or to modify, any executory contract, including without limitation, any lease, rental or utilization contract or agreement (including any schedule to any such contract or agreement), and any license or other arrangement for the use of computer software or business information systems, to which SeeChange is a party or as to which SeeChange agrees to accept an assignment of such contract, not later than 120 days of the date of the Order Appointing Conservator (i.e. November 19, 2014), unless such date is extended by application to and further order of this Court. All executory contracts not expressly assumed by the [Liquidator] shall be deemed rejected.

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### ***Our Mission***

The CLO, on behalf of the Insurance Commissioner, rehabilitates and/or liquidates, under Court supervision, troubled insurance enterprises domiciled in the State of California. In addition the CLO provides Special Examination Services, with Commissioner and Board oversight. As a fiduciary for the benefit of all claimants, the CLO handles the property of troubled or failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

### Rejection of Sublease

**The Liquidator has determined to reject the entire Sublease. You are advised that the Sublease is hereby rejected and that such rejection shall become effective March 15, 2015 (the "Termination Effective Date").** Upon rejection, the Liquidator shall have relinquished all of SeeChange's rights under the Sublease.

### Rejection of Lease

As you are aware, the Sublease stems from an underlying lease between SeeChange and The Terraces, which is the landlord for the property. Concurrent with this Notice of Rejection of Sublease, the Commissioner is rejecting the lease that pertains to the Property, and such lease will terminate on the Termination Effective Date.


### Disposition of Assets

Upon the termination of the Sublease and the underlying lease, SeeChange shall have relinquished all rights under both agreements. You should contact the landlord of the Property to make any necessary arrangements for the disposition of assets owned by Forward Studio City, Inc. that remain at the Property subsequent to the Termination Effective Date.

### Filing of a Proof of Claim

Now that the Commissioner has been appointed as Liquidator of SeeChange, you will be provided with a Proof of Claim form and may file such Proof of Claim for any claims you may have against SeeChange, including claims for damages which you may contend arise from the rejection of the Sublease. Such claims will be treated in accordance with Insurance Code §1010, *et seq.* of the California Insurance Code.

If you have any questions about the contents of this letter, please contact Joe Holloway, at the above address and telephone number of the Conservation & Liquidation Office of the California Department of Insurance.

  
JOSEPH HOLLOWAY, JR., an individual,  
in his capacity as the onsite Liquidation Manager  
for Special Deputy Insurance Commissioner Wilson

Enclosure

cc: Harma Hartouni

# Exhibit D

## Amendment #2

### To the Administrative Services Agreement dated June 1, 2011 between The Loomis Company and SeeChange Health Management Company

This Amendment #2 to the Administrative Services Agreement dated June 11, 2011, ("Agreement") between The Loomis Company, Inc. ("LOOMIS") and SeeChange Health Management Company, Inc., is effective as of January 1, 2015, and is entered into by California Insurance Commissioner Dave Jones in his capacity as statutory conservator of SeeChange Health Insurance Company in Conservation, the beneficiary of the services provided by LOOMIS under the Agreement ("SEECHANGE").

The Agreement is hereby amended as follows:

1. Administrative Fee for January 2015: Notwithstanding anything to the contrary in the Agreement, including Section 11 thereof, SEECHANGE agrees to pay to LOOMIS, and LOOMIS agrees to accept as the Comprehensive Administrative Fee for all services provided for under the Agreement and rendered during the month of January 2015, the following amounts: (a) a fixed fee of Eighty-Five Thousand Dollars (\$85,000) (the "January 2015 Administrative Fee"), which shall be paid by SEECHANGE within five (5) business days following the execution and delivery of this Amendment #2 by both parties; and (b) any contingency fees earned by LOOMIS with respect to any remaining subrogation items duly collected by and remitted to SEECHANGE, as provided in the Agreement, which contingency fees shall be collected by LOOMIS solely and exclusively by way of offset from any subrogation remittances to SEECHANGE. The fees provided for in this Section 1 shall be Class One "expenses of administration" of the conservation estate of SEECHANGE, pursuant to California Insurance Code section 1033(a)(1).
2. Termination of Agreement/Waiver and Release of Post-Termination Obligations: Notwithstanding anything to the contrary in the Agreement, including Section 12 thereof, the Parties agree that:
  - a. The Agreement shall terminate effective on the later of (1) the date on which a Liquidation Order under Insurance Code section 1016 is entered by the Superior Court in *Insurance Commissioner of the State of California vs. SeeChange Health Insurance Co.*, LA Superior Court Case No. BS152302 (the "Conservation & Liquidation Proceeding"); or (2) the date on which all remaining claims responsibilities are transferred to the applicable life and health insurance guaranty associations or their designee (the "Termination Date"); and
  - b. All post-termination contractual rights, duties and obligations not expressly preserved in Section 3 of this Amendment #2 are waived, including without limitation, any potential obligation of LOOMIS to provide "run-out" services and any potential obligation of SEECHANGE to pay further fees to LOOMIS. For the avoidance of doubt, under this Section 2.b (i) LOOMIS is agreeing to forego waive its right to file a proof of claim in the Conservation & Liquidation Proceeding arising from the Agreement; and (ii) the Parties statutory rights and

duties under California law are otherwise preserved, including the application of Insurance Code sections 1010-1062 and Civil Code section 1542.

3. Survival of Provisions Post-Termination: The following contractual provisions of the Agreement shall survive the Termination Date: (a) LOOMIS' obligation remit to SEECHANGE, net of contingency fees payable under Section 1(b) of this Amendment #2, all subrogation collections on items arising from claims incurred prior to entry of the Liquidation Order, whenever such items are actually collected; (b) Section 9 (Trade Secrets and Confidential Information), including obligations regarding the treatment of personal health information contained within Exhibit F to the Agreement; and (c) Section 10 (Medical Management Information Systems).
4. Records Retention: LOOMIS agrees to retain all records and data generated or received by LOOMIS related to the Agreement and the provision of services under the Agreement for a period of not less than twelve (12) months or until instructed by SEECHANGE or its Conservator or Liquidator to return or destroy such records.
5. Dispute Resolution/Venue and Jurisdiction: Any disputes related to the Agreement or this Amendment #2 that the Parties cannot resolve through good faith negotiation shall be resolved by the Court in the Conservation & Liquidation Proceeding, and the Court shall have exclusive jurisdiction over any such disputes.
6. Conflicts: In case of conflict between a provision of this Amendment #2 and a provision of the Agreement or of Amendment #1 to the Agreement, the provisions of this Amendment #2 shall prevail. Except as amended herein, all terms and conditions of the Agreement shall remain in full force and effect through the Termination Date.

IN WITNESS WHEREOF, the parties hereto have signed this Amendment #2 through their duly authorized representatives.

**Agreed and Accepted:**

**The Loomis Company:**

Signature: Thomas Forsberg  
Name: Thomas Forsberg  
Title: President Benefits

**SeeChange Health Insurance Company in  
Conservation**

By: Joseph B. Holloway, Jr.  
Name: David E. Wilson Joseph B. Holloway, Jr.  
Title: Deputy Conservator and Special Conservation  
Deputy Insurance Commissioner Manager

# Exhibit E

**SeeChange General Operating and Administrative Expenses****Period from Conservation to Liquidation****November 19, 2014 - January 28, 2015****Expense Summary**

<i>Invoice Date</i>	<i>Service/Personnel</i>	<i>Amount</i>
November 1 - November 30, 2014	CLO Staffing 110.75 hrs @ \$279.23	\$ 30,924.72
	CLO Staff Travel & Expenses	\$ 2,180.34
	Professional Fees - INS Consultants, Inc. 109 hrs @ \$160	\$ 17,440.00
	Professional Fees - INS Consultants, Inc. Travel & Expenses	\$ 3,553.51
	<i>CLO November Billing Subtotal</i>	<i>\$ 54,098.57</i>
December 1 - December 31, 2014	CLO Staffing 196.50 hrs @ \$256.09	\$ 50,321.69
	CLO Staff Travel & Expenses	\$ 6,503.12
	Professional Fees - INS Consultants, Inc. 167 hrs @ \$160	\$ 26,720.00
	Professional Fees - INS Consultants, Inc. Travel & Expenses	\$ 4,922.47
	Publication Notices	\$ 4,594.36
	Legal Fees - Orrick, Herrington & Sutcliffe LLP	\$ 688.50
	<i>CLO December Billing Subtotal</i>	<i>\$ 93,750.14</i>
<b>TOTAL</b>		<b>\$ 147,848.71</b>

**\*Note: Invoices paid during the Conservation period**

**SeeChange - Expenses by Service****Period from Conservation to Liquidation****November 19, 2014 - January 28, 2015**

<b>CLO STAFFING FEES</b>		
<i>Invoice Date</i>	<i>Service/Personnel</i>	<i>Amount</i>
November 1 - November 30, 2014	CLO Staffing 110.75 hrs @ \$279.23	\$ 30,924.72
	CLO Staff Travel & Expenses	\$ 2,180.34
December 1 - December 31, 2014	CLO Staffing 196.50 hrs @ \$256.09	\$ 50,321.69
	CLO Staff Travel & Expenses	\$ 6,503.12
	<b>Total CLO Staffing Fees</b>	<b>\$ 89,929.87</b>

<b>LEGAL FEES</b>		
<i>Invoice Date</i>	<i>Service/Personnel</i>	<i>Amount</i>
December 1 - December 31, 2014	Legal Fees - Orrick, Herrington & Sutcliffe LLP	\$ 688.50
	<b>Total Legal Fees</b>	<b>\$ 688.50</b>

<b>PROFESSIONAL FEES</b>		
<i>Invoice Date</i>	<i>Service/Personnel</i>	<i>Amount</i>
November 1 - November 30, 2014	Professional Fees - INS Consultants, Inc. 109 hrs @ \$160	\$ 17,440.00
	Professional Fees - INS Consultants, Inc. Travel & Expenses	\$ 3,553.51
December 1 - December 31, 2014	Professional Fees - INS Consultants, Inc. 167 hrs @ \$160	\$ 26,720.00
	Professional Fees - INS Consultants, Inc. Travel & Expenses	\$ 4,922.47
	<b>Total Professional Fees</b>	<b>\$ 52,635.98</b>

<b>Publication Expense</b>		
<i>Invoice Date</i>	<i>Service/Personnel</i>	<i>Amount</i>
December 1 - December 31, 2014	Publication Notices	\$ 4,594.36

<b>TOTAL</b>	<b>\$ 147,848.71</b>
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**\*Note: Invoices paid during the Conservation period**

**Third Party Vendor Operating Expenses**  
**Period from Conservation to Liquidation**  
**November 19, 2014 - January 28, 2015**

<i><b>Vendor</b></i>		<i><b>Amount</b></i>
<b>Accounting Services</b>		
Ernst & Young LLP	\$	12,000.00
<b>Professional Services</b>		
Careington International Corporation	\$	1,000.00
Cigna Corporation	\$	200,577.31
Emmi Solutions	\$	7,500.00
ExamOne	\$	1,314.80
Loomis	\$	442,132.47
Shape Up Inc	\$	4,382.50
Superior Mobile Medics	\$	14,021.60
Superior Printing Inc	\$	129.37
Weidenhammer	\$	2,400.00
<b>Legal Services</b>		
Sidley Austin LLP	\$	6,188.50
Wilke, Fleury, Hoffelt, Gould & Birney	\$	18,517.02
<b>State Assessment Fees, Licenses, And Taxes</b>		
State Controller's Office	\$	141.85
State of California	\$	17,810.74
<b>VENDOR TOTAL</b>	<b>\$</b>	<b>728,116.16</b>

**\*Note: Invoices paid during the Conservation period**

# Exhibit F

**SeeChange Health Insurance Company**  
**Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus**  
**December 31, 2014**

	Current Month			Prior Month	Change
	GAAP Basis	GAAP to Stat Adjs.	Statutory Basis		
<b>Assets</b>					
Cash and cash equivalents	\$ 1,189,394	\$ -	\$ 1,189,394	\$ 2,301,490	\$ (1,112,096)
Short-term investments	3,563,004	-	3,563,004	224,706	3,338,298
Total cash, cash equivalents and short-term investments	4,752,398	-	4,752,398	2,526,196	2,226,202
Bonds	2,246,962	8,088	2,255,050	9,515,083	(7,260,033)
Total invested assets	6,999,360	8,088	7,007,448	12,041,279	(5,033,831)
Investment income due and accrued	11,719	-	11,719	69,307	(57,588)
Uncollected premiums	47,139	-	47,139	263,629	(216,490)
Amounts receivable under reinsurance contracts	4,056,151	(3,532,944)	523,207	1,235,091	(711,884)
Software	769,020	(769,020)	-	-	-
Furniture and equipment	96,525	-	96,525	98,236	(1,711)
Health care and other amounts receivable	355,000	-	355,000	1,275,466	(920,466)
Intangible assets	-	-	-	-	-
Deferred expenses	-	-	-	-	-
Prepaid expenses	74,196	(74,196)	-	-	-
Leasehold Improvements	38,456	(38,456)	-	-	-
Security deposit	26,015	(26,015)	-	-	-
<b>Total assets</b>	<b>\$ 12,473,581</b>	<b>\$ (4,432,543)</b>	<b>\$ 8,041,038</b>	<b>\$ 14,983,008</b>	<b>\$ (6,941,970)</b>
<b>Liabilities, Capital and Surplus</b>					
<b>Liabilities</b>					
Claims unpaid	\$ 21,225,260	\$ (3,532,944)	\$ 17,692,316	\$ 13,943,074	\$ 3,749,242
Unpaid claims adjustment expenses	271,342	-	271,342	357,271	(85,929)
Premiums received in advance	-	-	-	1,028,457	(1,028,457)
General expenses due and accrued	3,384,215	-	3,384,215	2,507,083	877,132
Ceded reinsurance premiums payable	369,307	-	369,307	535,422	(166,115)
Amounts due to parent and affiliates	323,148	-	323,148	168,609	154,539
ACA Risk Adjustment liability	2,480,071	-	2,480,071	-	2,480,071
Deferred rent	-	-	-	110,299	(110,299)
<b>Total liabilities</b>	<b>28,053,343</b>	<b>(3,532,944)</b>	<b>24,520,399</b>	<b>18,650,215</b>	<b>5,870,184</b>
<b>Capital and Surplus</b>					
Common stock, \$30,000 par value; 1,000 shares authorized; 100 shares issued and outstanding	3,000,000	-	3,000,000	3,000,000	-
Additional paid-in capital	82,228,055	-	82,228,055	82,228,055	-
Other comprehensive income	(102,592)	102,592	-	-	-
Unassigned surplus	(100,705,225)	(1,002,191)	(101,707,416)	(88,895,262)	(12,812,154)
<b>Total capital and surplus</b>	<b>(15,579,762)</b>	<b>(899,599)</b>	<b>(16,479,361)</b>	<b>(3,667,207)</b>	<b>(12,812,154)</b>
<b>Total liabilities and capital and surplus</b>	<b>\$ 12,473,581</b>	<b>\$ (4,432,543)</b>	<b>\$ 8,041,038</b>	<b>\$ 14,983,008</b>	<b>\$ (6,941,970)</b>

**SeeChange Health Insurance Company**  
**Statutory Statements of Revenues and Expenses**  
**December 31, 2014**

	YTD Current Month			YTD Prior Month	Current Month
	GAAP Basis	GAAP to Stat Adjs.	Statutory Basis		
<b>Revenues</b>					
Gross premiums earned	\$ 105,755,267	\$ -	\$ 105,755,267	\$ 102,631,009	\$ 3,124,258
Ceded premiums	(7,005,369)	-	(7,005,369)	(6,675,848)	(329,521)
Net premiums earned	98,749,898	-	98,749,898	95,955,161	2,794,737
Other income	19,094	-	19,094	18,152	942
<b>Total revenues</b>	<b>98,768,992</b>	<b>-</b>	<b>98,768,992</b>	<b>95,973,313</b>	<b>2,795,679</b>
<b>Expenses</b>					
Hospital and medical benefits	88,983,414	-	88,983,414	75,576,950	13,406,464
Prescription drug benefits	13,407,916	-	13,407,916	12,494,216	913,700
Gross claims incurred	102,391,330	-	102,391,330	88,071,166	14,320,164
Ceded benefits	(4,583,514)	-	(4,583,514)	(4,688,752)	105,238
Net claims incurred	97,807,816	-	97,807,816	83,382,414	14,425,402
Claims adjustment expenses	4,073,016	-	4,073,016	3,890,493	182,523
General administrative expenses	24,281,068	(725,000)	23,556,068	22,525,158	1,030,910
<b>Total underwriting deductions</b>	<b>126,161,900</b>	<b>(725,000)</b>	<b>125,436,900</b>	<b>109,798,065</b>	<b>15,638,835</b>
<b>Net underwriting loss</b>	<b>(27,392,908)</b>	<b>725,000</b>	<b>(26,667,908)</b>	<b>(13,824,752)</b>	<b>(12,843,156)</b>
Net investment income	170,329	-	170,329	167,967	2,362
Net realized capital losses	(14,413)	-	(14,413)	(32,831)	18,418
<b>Net investment gains</b>	<b>155,916</b>	<b>-</b>	<b>155,916</b>	<b>135,136</b>	<b>20,780</b>
<b>Net loss</b>	<b>\$ (27,236,992)</b>	<b>\$ 725,000</b>	<b>\$ (26,511,992)</b>	<b>\$ (13,689,616)</b>	<b>\$ (12,822,376)</b>

**SeeChange Health Insurance Company**  
**Statutory Statement of Changes in Capital and Surplus**  
**December 31, 2014**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Unassigned Surplus</u>	<u>Total Capital and Surplus</u>	<u>YTD Prior Month</u>	<u>Current Month</u>
<b>Balance, Beginning of Period</b>	<b>\$ 3,000,000</b>	<b>\$ 81,423,055</b>	<b>\$ (74,653,701)</b>	<b>\$ 9,769,354</b>	<b>\$ 9,769,354</b>	<b>\$ -</b>
Net loss			(26,511,992)	(26,511,992)	(13,689,616)	(12,822,376)
Capital contributions		805,000		805,000	805,000	-
Change in nonadmitted assets			(541,723)	(541,723)	(551,945)	10,222
<b>Balance, End of Period</b>	<b><u>\$ 3,000,000</u></b>	<b><u>\$ 82,228,055</u></b>	<b><u>\$ (101,707,416)</u></b>	<b><u>\$ (16,479,361)</u></b>	<b><u>\$ (3,667,207)</u></b>	<b><u>\$ (12,812,154)</u></b>

**SeeChange Health Insurance Company**  
**Statutory Statements of Cash Flow**  
**December 31, 2014**

	<b>YTD Current Month</b>	<b>YTD Prior Month</b>	<b>Current Month</b>
<b>Cash from Operations:</b>			
Premiums collected net of reinsurance	\$ 97,612,952	\$ 95,796,297	\$ 1,816,655
Net investment income	420,986	360,923	60,063
Miscellaneous income	19,094	18,152	942
Total revenues	<u>98,053,032</u>	<u>96,175,372</u>	<u>1,877,660</u>
Benefit and loss related payments, net of reinsurance	(104,169,449)	(95,150,638)	(9,018,811)
Commissions and expenses paid	<u>(27,263,069)</u>	<u>(26,872,113)</u>	<u>(390,956)</u>
Total expenses	<u>(131,432,518)</u>	<u>(122,022,751)</u>	<u>(9,409,767)</u>
<b>Net cash from operations</b>	<b><u>(33,379,486)</u></b>	<b><u>(25,847,379)</u></b>	<b><u>(7,532,107)</u></b>
<b>Cash from Investments:</b>			
Proceeds from bonds sold, matured or repaid	17,364,539	10,086,200	7,278,339
Net losses on short-term investments	<u>(2,267)</u>	<u>(2,267)</u>	<u>-</u>
Total investment proceeds	<u>17,362,272</u>	<u>10,083,933</u>	<u>7,278,339</u>
Cost of bonds acquired:	<u>(4,317,193)</u>	<u>(4,317,193)</u>	<u>-</u>
<b>Net cash from investments</b>	<b><u>13,045,079</u></b>	<b><u>5,766,740</u></b>	<b><u>7,278,339</u></b>
<b>Cash from Financing and Miscellaneous Sources:</b>			
Capital and paid in surplus	5,605,000	5,605,000	-
Other cash applied	<u>(310,272)</u>	<u>(310,170)</u>	<u>(102)</u>
<b>Net cash from financing and miscellaneous sources</b>	<b><u>5,294,728</u></b>	<b><u>5,294,830</u></b>	<b><u>(102)</u></b>
<b>Net change in cash, cash equivalents and short-term investments</b>	<b>(15,039,679)</b>	<b>(14,785,809)</b>	<b>(253,870)</b>
Cash, cash equivalents and short-term investments:			
Beginning of period	17,312,005	17,312,005	2,526,196
<b>End of period</b>	<b><u>\$ 2,272,326</u></b>	<b><u>\$ 2,526,196</u></b>	<b><u>\$ 2,272,326</u></b>

**SeeChange Health Insurance Company**  
**Balance Sheet Detail**  
**December 31, 2014**

**Health care and other amounts receivable**

Recoverable - providers	200,000
Rx admin fee reimbursement	<u>155,000</u>
	<b><u>355,000</u></b>

**General expenses due and accrued**

Accounts payable	297,941
Commissions payable	665,305
ACA taxes payable	2,085,353
Premium taxes payable	320,121
Accrued vacation	9,464
Accrued expenses	<u>6,031</u>
	<b><u>3,384,215</u></b>

**DECLARATION OF SERVICE BY E-MAIL and OVERNIGHT COURIER**

Case Name: **Insurance Commissioner of the State of California v. SeeChange Health Insurance Company**  
No.: **BS152302**

I declare:

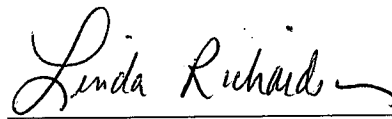
I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter; my business address is: 300 South Spring Street, Suite 1702, Los Angeles, CA 90013. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for overnight mail with the **Fed Ex overnight company**. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the overnight courier that same day in the ordinary course of business.

On April 7, 2015, I served the attached **COMMISSIONER'S REPORT TO THE COURT CONCERNING THE CONSERVATION OF SEECHANGE HEALTH INSURANCE COMPANY; MEMORANDUM OF POINTS & AUTHORITIES; DECLARATION OF JOSEPH HOLLOWAY** by transmitting a true copy via electronic mail. In addition, I placed a true copy thereof enclosed in a sealed envelope, in the internal mail system of the Office of the Attorney General, for overnight delivery, addressed as follows:

**SEE ATTACHED SERVICE LIST**

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on April 7, 2015, at Los Angeles, California.

Linda Richardson  
Declarant

  
Signature

**SERVICE BY E-MAIL**

Case Name: **Insurance Commissioner of the State of California v. SeeChange Health Insurance Company**  
No.: **BS152302**

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**OVERNIGHT COURIER**

Case Name: **Insurance Commissioner of the State of California v. SeeChange Health Insurance Company**

No.: **BS152302**

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