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15 Insurance Commissioner of the State of California

16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
17 **FOR THE COUNTY OF LOS ANGELES**
18

19 INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

20 Applicant,

21 v.

22 GOLDEN STATE MUTUAL LIFE
23 INSURANCE COMPANY, a California
corporation,

24 Respondent.
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Case No. BS123005
Assigned to Hon. Ann I. Jones, Dept. 86

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
APPLICATION FOR ORDER
AUTHORIZING LIQUIDATOR TO SELL
REAL PROPERTY LOCATED AT 1225
EAST FIFTH STREET IN WINSTON-
SALEM, NORTH CAROLINA; AND
DECLARATIONS OF SCOTT PEARCE,
PETER C. KANE AND MICHAEL WEISS**

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

Date: September 5, 2012
Time: 9:30 a.m.
Dept: 86

1 **I. INTRODUCTION**

2 This Application seeks the Court's approval for Applicant Insurance Commissioner of the
3 State of California in his official statutory capacity as Liquidator ("Liquidator") of Golden State
4 Mutual Life Insurance Company ("Golden State") to sell the real property, owned by Golden
5 State, located at 1225 East Fifth Street in Winston-Salem, North Carolina 27101 [Map 636854,
6 Block 9998, Lot 129A] ("Property"), to Trade Street Development Corp, a North Carolina
7 corporation ("Trade Street"), pursuant to the terms of a Real Estate Purchase Agreement and its
8 First and Second Amendments between the Liquidator and Trade Street. The Purchase
9 Agreement and the First and Second Amendments thereto are attached hereto as Exhibit 2.

10 Court approval of this sale should be granted for the following reasons:

- 11 1. The sale price of \$325,000 as stated on the Real Estate Purchase Agreement is the
12 reasonable fair market value for the Property;
- 13 2. Trade Street is a third party purchaser not related to the Liquidator or to any person
14 involved in Golden State's liquidation;
- 15 3. The Property was used for many years as Golden State's district office in Winston-
16 Salem and has been listed for sale for nearly two years since September 2010;
- 17 4. The sale of the Property stops the further expenditure of Golden State's limited
18 assets on property maintenance expenses including maintenance, insurance, property taxes and
19 other costs associated with ownership and maintenance of the Property; and
- 20 5. The sale is consistent with the Liquidator's duty to marshal and monetize Golden
21 State's remaining assets for distribution to creditors, and is consistent with the Liquidator's
22 authority and discretion under the Court's Order of Liquidation, the Insurance Code and case law.

23 **II. FACTUAL BACKGROUND.**

24 **A. Liquidation Order.**

25 On January 28, 2011, this Court terminated the Insurance Commissioner's status as
26 Golden State's Conservator, and ordered and appointed the Insurance Commissioner to serve as
27 Golden State's Liquidator. (Declaration of Scott Pearce ("Pearce Dec."), ¶¶ 6-8; and Order of
28 Liquidation, ¶¶ 1, 2, Exhibit 1.) The Order of Liquidation directs the Liquidator to liquidate and

1 wind up the business of Golden State, and to sell, transfer or otherwise dispose of Golden State's
2 property at its reasonable market value; provided, however, Court approval is required for sales
3 where the market value of the property involved exceeds \$20,000. (Order of Liquidation, ¶ 8,
4 attached hereto as Exhibit 1; see also Insurance Code § 1037(d).)

5 **B. Golden State's assets to be liquidated.**

6 Currently there are two categories of Golden State's assets to be liquidated by the
7 Liquidator: (1) real estate valued at approximately \$575,700, which includes the Property at issue
8 here, and (2) artwork and murals whose value is estimated to be at least \$753,200. The real estate
9 remains listed for sale and/or under contract for sale, and the sale of the artwork and murals is
10 delayed pending resolution of a quiet title lawsuit asserted by a third party, addressing a
11 monument designation by the City of Los Angeles, and further evaluation by the Liquidator of the
12 value of the artwork and murals once confirmed to be Golden State's personal property. (Pearce
13 Dec., ¶ 9; Declaration of Michael R. Weiss ("Weiss Dec."), ¶ 4.)

14 **C. Purchase Agreement for the Property.**

15 On March 6, 2012, the Liquidator on behalf of Golden State entered into a Real Estate
16 Purchase Agreement, Subject To Liquidation Court Confirmation ("Purchase Agreement"), with
17 the buyer Trade Street, for the sale of the Property at the sale price of \$325,000. Two
18 Amendments to the Purchase Agreement were entered into between the Liquidator and Trade
19 Street, which are incorporated into the Purchase Agreement. Trade Street is a third party
20 purchaser not related to the Liquidator or to any other person involved in Golden State's
21 liquidation. (Pearce Dec., ¶¶ 10-11; and Purchase Agreement, Exhibit 2.)

22 **D. Market Value of the Property.**

23 After taking into account the amount of time the Property remained on the open market
24 and the continuing cost to hold the Property, the sale price of \$325,000 for the Property is the
25 reasonable fair market value for the Property, as established in the Declaration of Peter C. Kane
26 attached hereto. (Declaration of Peter C. Kane ("Kane Dec."), ¶¶ 7-9; and Pearce Dec., ¶ 12.)

27 **E. Notice of this Application.**

28 The Liquidator is not aware of any persons or entities that may be adversely affected by

1 this application. Nonetheless, the Liquidator has provided written notice of this application to all
2 persons who have routinely been provided notice of the Liquidator's Court applications. Such
3 persons include Golden State's Certificate of Contribution holders and, due to prior requests to
4 receive copies of court filings in this matter, The National Organization of Life and Health
5 Insurance Guaranty Associations ("NOLHGA") and its attorneys, Pension Benefit Guaranty
6 Corporation, attorneys for Community Impact Development II, LLC, and Pitney Bowes, Inc. The
7 above described persons and entities are listed on the Proof of Service filed concurrently
8 herewith. (Weiss Dec., ¶ 3; and Proof of Service.)

9 **III. ARGUMENT**

10 There is good cause for the Court to authorize the sale of the Property to Trade Street.

11 **A. The Sale Is Consistent With The Liquidator's Authority Set Forth In The**
12 **Order Of Liquidation.**

13 The Order of Liquidation directs the Liquidator to liquidate and wind up the business of
14 Golden State, and to sell, transfer or otherwise dispose of Golden State's property at its
15 reasonable market value with Court approval. (Order of Liquidation, ¶¶ 1, 2 and 8, Exhibit 1; see
16 also Insurance Code § 1037(d).)

17 Here, the sale of the Property is rational, geared toward maximizing Golden State's
18 liquidation estate value and in the best interests of Golden State's policyholders and creditors
19 because:

20 1. The sale price of \$325,000 for the Property is the reasonable fair market
21 value for the Property. As established in the Declaration of Peter Kane, in or about September
22 2010, Golden State, through Kane Corporation, commenced marketing the Property by listing it
23 with The Meridian Realty Group, Inc. and its broker Michael D. Gwyn. The original list price
24 recommended by the broker for the Property was \$450,000. The Property was exposed via The
25 Meridian Realty Group, Inc. website, CoStar.com, KARNES Reports/Commercial Exchange,
26 LoopNet.com and several other marketing mediums used to inform and track potential buyers.
27 The Property had many showings and generated one offer to purchase at \$450,000. Due to much
28 needed property renovations, lack of financing and the inability to finalize negotiations with an

1 end user, the offer of \$450,000 did not successfully close. (Kane Dec., ¶ 7; Pearce Dec., ¶¶ 10-
2 12; and Exhibit 2.)

3 On March 6, 2012, after 1½ years on the market, the Liquidator on behalf of Golden State
4 entered into a Purchase Agreement with the buyer Trade Street for the sale of the Property at the
5 sale price of \$325,000. (Kane Dec., ¶ 8; Pearce Dec., ¶¶ 10-12; and Exhibit 2.)

6 Based upon the Property being exposed to the open market for approximately 1½ years,
7 with postings on several websites, signage on the property and numerous Property showings, it is
8 believed that the sales price of \$325,000 for the sale of the Property to Trade Street is the
9 reasonable fair market value for the Property. (Kane Dec., ¶ 9; Pearce Dec., ¶¶ 10-12; and
10 Exhibit 2.)

11 2. Trade Street is a third party purchaser not related to the Liquidator or to
12 any other person involved in Golden State's liquidation. (Pearce Dec., ¶ 11.)

13 3. The Property was used for Golden State's district office in Winston-Salem
14 and has been listed for sale for two years since September 2010. (Pearce Dec., ¶ 13.)

15 4. The sale of the Property stops the further expenditure of Golden State's
16 limited assets on property maintenance expenses including maintenance, insurance, property taxes
17 and any other costs associated with maintaining the Property. Currently, the Property continues
18 to incur such monthly costs at the expense of the liquidation estate. Stopping such expenditure, in
19 light of Golden State's liquidation and limited assets, is reasonable and in the best interests of
20 Golden State's creditors. (Pearce Dec., ¶ 14.)

21 **B. The Sale Is Consistent With The Liquidator's Authorities And Discretion**
22 **Under The Court's Order Of Liquidation, The Insurance Code And Case**
23 **Law – All Of Which Grant Broad Powers To The Insurance Commissioner**
24 **As Liquidator Of Insurance Companies.**

25 First, pursuant to the Order of Liquidation, the Liquidator is "authorized ... to do such
26 other acts as are necessary or expedient to collect, conserve, protect and/or liquidate Golden
27 State's assets, property and business." (Order of Liquidation, ¶ 5, Exhibit 1.)
28

1 Second, Insurance Code § 1037, entitled "Powers of commissioner as conservator or
2 liquidator," provides broad powers to the Insurance Commissioner as conservator and liquidator
3 of insurance companies and authorizes the Liquidator to sell and dispose of Golden State's
4 property. Section 1037 states in pertinent part:

5 Upon taking possession of the property and business of any person in any
6 proceeding under this article, the commissioner, exclusively and except as
7 otherwise expressly provided by this article, either as conservator or liquidator:

8 (a) [Conservation of assets; conduct of business.] Shall have authority to
9 collect all moneys due that person, and to do such other acts as are necessary or
10 expedient to collect, conserve, or protect its assets, property, and business, and to
11 carry on and conduct the business and affairs of that person or so much thereof as
12 to him or her may seem appropriate.

13
14 (d) [Acquisition and disposition of property.] Shall have authority without
15 notice, to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon,
16 or otherwise dispose of or deal with, any real or personal property of that person at
17 its reasonable market value, or, in cases other than acquisition, sale, or transfer on
18 the basis of reasonable market value, upon such terms and conditions as the
19 commissioner may deem proper. However, no transaction involving real or
20 personal property shall be made where the market value of the property involved
21 exceeds the sum of twenty thousand dollars (\$20,000) without first obtaining
22 permission of the court, and then only in accordance with any terms that court may
23 prescribe.

24 . . .
25 [General powers.] The enumeration, in this article, of the duties, powers
26 and authority of the commissioner in proceedings under this article shall not be
27 construed as a limitation upon the commissioner, nor shall it exclude in any
28 manner his or her right to perform and to do such other acts not herein specifically
enumerated, or otherwise provided for, which the commissioner may deem
necessary or expedient for the accomplishment or in aid of the purpose of such
proceedings.

29 Third, California case law supports the broad grant of powers accorded the Insurance
30 Commissioner to transfer assets when he is conserving, rehabilitating, and/or liquidating
31 insurance companies. For instance, in *In Re Executive Life Insurance Company* (1995) 32
32 Cal.App.4th 344, the Court of Appeal stated that:

33 The Commissioner is an officer of the state (*Caminetti v. Pac.*
34 *Mutual L. Ins. Co.* (1943) 22 Cal.2d 344, 354 [139 P.2d 908]) who, when
35 he or she is a conservator, exercises the state's police power to carry

1 forward the public interest and to protect policyholders and creditors of the
2 insolvent insurer. (*Carpenter v. Pacific Mut. Life Ins. Co.* (1937) 10 Cal.2d
3 307, 330-331 [74 P.2d 761].)

4 In exercising this power, the Commissioner is vested with broad discretion.
5 (*Commercial Nat. Bank v. Superior Court* [(1993)] 14 Cal.App.4th [393] at p.
6 402.) This discretion is subject to statutory limitations (see *id.* at p. 409) and the
7 requirement that the exercise of discretion be neither arbitrary nor improperly
8 discriminatory. (*Carpenter v. Pacific Mut. Life Ins. Co.*, *supra*, 10 Cal.2d at p.
9 329.) The Commissioner as conservator of the insolvent insurer is also a trustee for
10 the benefit of all creditors and other persons interested in the insolvency estate.
11 ([Insurance Code] § 1057.)

12 (*In Re Executive Life*, *supra*, at p. 356.)

13 The Court concluded that:

14 . . . The trial court reviews the Commissioner's actions under the abuse of
15 discretion standard. (*Commercial Nat. Bank v. Superior Court*, *supra*, 14
16 Cal.App.4th 393, 398): was the action arbitrary, i.e. unsupported by a rational
17 basis, or is it contrary to specific statute, a breach of the fiduciary duty of the
18 conservator as trustee, or improperly discriminatory?

19 (*In Re Executive Life*, *supra*, at p. 358.)

20 **IV. CONCLUSION**

21 In sum, there is good cause for the Court to grant this Application. Accordingly, the
22 Liquidator requests that the Court grant this Application and issue the following orders:

23 1. An Order authorizing the Liquidator to sell the Property to Trade Street pursuant to
24 the terms of the Purchase Agreement; and

25 2. An Order authorizing the Liquidator to take any and all actions necessary to
26 accomplish the purposes of the requested Order.

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1 DATE: July 23, 2012

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FELIX E. LEATHERWOOD
W. DEAN FREEMAN
Supervising Deputy Attorneys General
LISA W. CHAO
Deputy Attorney General

6 EPSTEIN TURNER WEISS
A Professional Corporation

8 By: 

9 MICHAEL R. WEISS
Attorneys for Applicant
10 INSURANCE COMMISSIONER OF THE
11 STATE OF CALIFORNIA
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DECLARATION OF SCOTT PEARCE

I, Scott Pearce, declare as follows:

1. I have personal knowledge of the facts and circumstances set forth in this declaration, and if called upon to do so, I could and would competently testify thereto.

2. I am the Senior Estate Trust Officer for the Insurance Commissioner's Conservation & Liquidation Office. Starting on September 30, 2009, and continuing to the present, I have been and currently am the Estate Trust Officer on behalf of the Insurance Commissioner in his Statutory Capacity as Conservator ("Conservator") and then as Liquidator ("Liquidator") of Golden State Mutual Life Insurance Company ("Golden State").

3. As the Senior Estate Trust Officer on behalf of the Conservator and now Liquidator of Golden State, I am responsible for the supervision and management of matters pertaining to the conservation and liquidation of Golden State.

4. I have read the Liquidator's Application For Order Authorizing Liquidator To Sell Real Property Located At 1225 Fifth Street in Winston-Salem, North Carolina, and the attached Memorandum and Declarations of Michael R. Weiss and Peter C. Kane ("Application").

5. Based on my supervision and management of matters pertaining to Golden State, my experience, review and understanding of the events related to the conservation and now liquidation of Golden State, my and my staff's review of the files and records routinely maintained in the regular and ordinary course of business and believed to be entered contemporaneously by persons having knowledge of the events recorded and whose job duties include recording them, my involvement in the sale of this Property, and my review of this Application and its supporting papers and documents, I state the following:

Order of Liquidation for Golden State.

6. On January 28, 2011, this Court terminated the Insurance Commissioner's status as Conservator and ordered and appointed the Insurance Commissioner to serve as Liquidator of Golden State.

7. The Insurance Commissioner was appointed Liquidator because Golden State was and remains insolvent in that, as of September 30, 2010, Golden State's estimated liabilities of

1 \$9,291,895 exceeded its estimated remaining assets of \$5,721,154 by over \$3.5 million
2 (\$5,721,154 in assets - \$9,291,895 in liabilities = \$-3,570,741). Attached hereto and incorporated
3 herein as Exhibit 1 is a true and correct copy of the Court's Order of Liquidation. The Order of
4 Liquidation directs the Insurance Commissioner to liquidate and wind up the business of Golden
5 State.

6 8. The March 31, 2012, financials have increased the shortfall to \$8,699,000, in that
7 as of March 31, 2012, estimated liabilities are \$10,344,200 and remaining estimated assets are
8 \$1,645,200.

9 **Golden State's Assets Currently to be Liquidated.**

10 9. Currently there are two categories of Golden State's assets to be liquidated by the
11 Liquidator: (1) real estate valued at approximately \$575,000, which includes the real property,
12 owned by Golden State, located at 1225 East Fifth Street in Winston-Salem, North Carolina
13 27101 [Map 636854, Block 9998, Lot 129A] ("Property"), and (2) artwork and murals whose
14 value is estimated to be at least \$753,200. The real estate remains listed for sale and/or is under
15 contract for sale, and the sale of the artwork and murals is delayed pending resolution of a quiet
16 title lawsuit commenced by Community Impact Development II, LLC, and a monument
17 designation by the City of Los Angeles, and further evaluation by the Liquidator of the value of
18 the artwork and murals once confirmed to be Golden State's personal property.

19 **Purchase Agreement for Property.**


20 10. On March 6, 2012, the Liquidator on behalf of Golden State entered into a Real
21 Estate Purchase Agreement, Subject To Liquidation Court Confirmation ("Purchase Agreement"),
22 with the buyer Trade Street Development Corp., a North Carolina Corporation ("Trade Street"),
23 for the sale of the Property at the sale price of \$325,000. The Purchase Agreement was amended
24 twice, as reflected in First and Second Amendments to the Purchase Agreement. A true and
25 correct copy of the Purchase Agreement and its First and Second Amendments are attached hereto
26 and incorporated herein as Exhibit 2.

27 11. Trade Street is a third party purchaser not related to the Liquidator or to any other
28 person involved in Golden State's liquidation.

12. Based on my involvement in the sale of the Property and my understanding of the sale efforts and information regarding the Property, and after taking into account the amount of time the Property remained on the open market and the continuing cost to hold the Property, I believe the sale price of \$325,000 is the reasonable fair market value for the Property.

14. The sale of the Property stops the further expenditure of Golden State's limited assets on property maintenance expenses including maintenance, insurance, property taxes and any other costs associated with maintaining the Property. Currently, the Property continues to incur such monthly costs at the expense of the liquidation estate. Stopping such expenditure, in light of Golden State's liquidation and limited assets, is reasonable and in the best interests of Golden State's creditors.

Executed on this 19 day of July, 2012, at San Francisco, California.


SCOTT PEARCE

DECLARATION OF PETER C. KANE

I, Peter C. Kane, declare as follows:

1. I have personal knowledge of the facts and circumstances set forth in this declaration, and if called upon to do so, I could and would competently testify thereto.

2. I am a real estate consultant and have been actively engaged in the real estate and real estate “turnaround” profession since 1984. I am the chief executive officer of Kane Corporation. Kane Corporation (“Kane”) is a real estate “turnaround” firm specializing in solving complex operational, financial, structural, and managerial problems for some of the largest problematic real estate portfolios in the United States. Kane has provided asset analysis, acquisition management, capital enhancement, debt/equity structuring, valuation, disposition, and consultation services for a variety of clients, including without limitation life insurance companies, property and casualty insurance companies, Fortune 500 companies, savings banks, community banks, national banks, state/federal regulatory authorities, public accounting firms, attorneys, real estate service companies, and private investors.

3. I have been a licensed real estate professional since 1980, and maintain affiliations with the National Association of Realtors, California Association of Realtors, National Association of Insurance Commissioners, and International Association of Insurance Receivers.

4. Starting on September 30, 2009, Kane has been retained by the Insurance Commissioner of the State of California, in his capacity as Conservator (“Conservator”) and then as Liquidator (“Liquidator”) of Golden State Mutual Life Insurance Company (“Golden State”), to provide, and has provided, real estate consulting services including real estate asset analyses, valuation, marketing, disposition and sales services concerning Golden State’s real estate mortgage portfolio and real estate holdings throughout the country.

5. I have read the Liquidator’s Application For Order Authorizing Liquidator To Sell Real Property Located At 1225 East Fifth Street in Winston-Salem, North Carolina, and the attached Memorandum and Declarations of Scott Pearce and Michael R. Weiss (“Application”). I make this declaration in support of said Application.

6. Based on the above described consulting services provided by Kane, my review of

1 this Application and its supporting papers and documents, I state the following:

2 7. In or about September, 2010, Golden State, through Kane, commenced marketing
3 the Property. Kane interviewed local Winston-Salem, North Carolina real estate brokers and
4 recommended the selection of The Meridian Realty Group, Inc. and its broker Michael D. Gwyn.
5 The Property was listed for sale with The Meridian Realty Group and the listing price
6 recommended by the broker for the Property was \$450,000. The Property was exposed via The
7 Meridian Realty Group, Inc. website, CoStar.com, KARNES Reports/Commercial Exchange,
8 LoopNet.com and several other marketing mediums used to inform and track potential buyers.
9 The Property had many showings and generated one (1) offer to purchase at \$450,000. Due to
10 much needed Property renovations, lack of financing, and the inability to finalize negotiations
11 with an end user, the aforementioned purchase contract did not successfully close.

12 8. On March 6, 2012, the Liquidator on behalf of Golden State entered into a Real
13 Estate Purchase Agreement, Subject To Liquidation Court Confirmation ("Purchase Agreement"),
14 with the buyer Trade Street Development Corp. ("Trade Street"), for the sale of the Property at
15 the sale price of \$325,000. A true and correct copy of the Purchase Agreement with its First and
16 Second Amendments is attached hereto and incorporated herein as Exhibit 2.

17 9. Based upon the Property being exposed to the open market for approximately
18 twenty-two months, with postings on several websites, signage on the property and numerous
19 Property showings, I believe the sales price of \$325,000 for the sale of the Property to Trade
20 Street is the reasonable fair market value for the Property. The Property continues to incur
21 monthly costs at the expense of the liquidation estate including taxes, insurance, utilities and
22 periodic repairs.

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

25 Executed on this 20th day of July, 2012, at Atherton, California.

26
27 
28 PETER C. KANE

DECLARATION OF MICHAEL R. WEISS

I, Michael R. Weiss, declare as follows:

1. I am over 18 years of age and have personal knowledge of the facts and circumstances set forth in this declaration, and if called upon to do so, I could and would competently testify thereto.

2. I am an attorney licensed to practice law in the State of California, and am a partner with the law firm Epstein Turner Weiss, A Professional Corporation. I and Epstein, Turner Weiss have been retained by the Insurance Commissioner of the State of California, in his capacity as Conservator ("Conservator") and then as Liquidator ("Liquidator") of Golden State Mutual Life Insurance Company ("Golden State"), to provide legal services concerning Golden State. I make this declaration in support of the Liquidator's Application For Order Authorizing Liquidator To Sell Real Property Located At 1225 East Fifth Street in Winston-Salem, North Carolina ("Application").

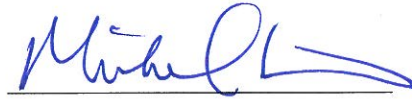
3. The Liquidator has provided written notice of this Application to all persons and entities known to the Liquidator or his staff that may have a substantial, unsatisfied claim that may be affected by this application and any Court Orders pertaining thereto, regardless of whether the persons or entities are a party to this action or have appeared in it, in compliance with California Rules of Court Rule 3.1184(c). Said persons and entities include the Pension Benefit Guaranty Corporation, National Organization of Life and Health Insurance Guaranty Associations and its attorneys, and Certificate of Contribution holders. Additionally, due to prior requests to receive copies of court filings in this matter, the Liquidator has provided notice of this application to Community Impact Development II, LLC, and Pitney Bowes, Inc. The above described persons and entities are listed on the Proof of Service filed concurrently herewith. To maintain confidentiality, the names and addresses of Certificate of Contribution Holders are not listed on the Proof of Service.

4. As the Court is aware, the Golden State murals are the subject of a quiet title lawsuit filed by Community Impact Development ("CID") in which CID seeks ownership of the murals. The murals also are the subject of a monument designation by the City of Los Angeles,

1 which has caused Golden State to file a petition for writ of mandate proceeding. Therefore the
2 sale of the murals is delayed pending final determination of these actions.

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

5 Executed on this 23rd day of July, 2012, at Los Angeles, California.

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8 MICHAEL R. WEISS
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EXHIBIT 1

ORIGINAL FILED

JAN 28 2011

RECEIVED

LOS ANGELES
SUPERIOR COURT

DEC 21 2010

DEPT86

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14 Attorneys for Applicant
15 Insurance Commissioner of the State of California

16 SUPERIOR COURT OF THE STATE OF CALIFORNIA
17 FOR THE COUNTY OF LOS ANGELES

18 INSURANCE COMMISSIONER OF THE
19 STATE OF CALIFORNIA,

20 Applicant,

21 v.

22 GOLDEN STATE MUTUAL LIFE
23 INSURANCE COMPANY, a California
corporation,

24 Respondent.

Case No. BS123005
Assigned to Hon. Ann I. Jones, Dept. 86

~~[PROPOSED]~~ ORDER OF LIQUIDATION
AND ORDERS AND INJUNCTIONS IN
AID OF LIQUIDATION FOR GOLDEN
STATE MUTUAL LIFE INSURANCE
COMPANY

Date: January 28, 2011
Time: 9:30 a.m.
Dept: 86

1 On January 28, 2011, in Department 86 of the above-entitled Court, the Honorable Ann I.
2 Jones, Judge Presiding (the "Court"), the Court held the hearing on the Court's Order to Show
3 Cause and the Motion For Order Of Liquidation And Orders And Injunctions In Aid Of
4 Liquidation For Golden State Mutual Life Insurance Company, filed by Applicant Steve Poizner,
5 Insurance Commissioner of the State of California, in his capacity as Conservator ("Conservator")
6 of Golden State Mutual Life Insurance Company in Conservation ("Golden State"). Deputy
7 Attorney General Marta L. Smith and attorney Michael R. Weiss appeared on behalf of the
8 Conservator. Other appearances, if any, are noted in the record.

9 The Court, having read and considered the Conservator's Notice of Order to Show Cause
10 and Motion, Memorandum of Points and Authorities in support of the Motion, the Declarations of
11 David E. Wilson and Michael R. Weiss, and all documents and evidence submitted, and having
12 heard and considered the arguments presented to the Court, and upon good cause shown,

13 IT IS HEREBY ORDERED that the Conservator's Motion is granted and that:

14 **A. Liquidation, Administration and Operation**

15 1. As of September 30, 2010, Golden State is insolvent and remains insolvent today,
16 and it would be futile for the Commissioner to proceed as Conservator; and therefore, sufficient
17 grounds exist in accordance with Insurance Code § 1016 for entry of an order of liquidation of
18 Golden State. (Insurance Code § 1016.)

19 2. The Commissioner's status as Conservator is terminated, he is appointed
20 Liquidator of Golden State as set forth in Insurance Code § 1016, and he is directed as Liquidator
21 to liquidate and wind up the business of Golden State and to act in all ways and exercise all
22 powers necessary for the purpose of carrying out this Order. (Insurance Code § 1016.)

23 3. Title to all of the assets of Golden State, wheresoever situated, shall remain vested
24 in the Commissioner, now as Liquidator, or his successor in office, in his official capacity as
25 such, including without limitation real and personal property, deposits, certificates of deposit,
26 bank accounts, mutual funds, securities, contracts, rights of actions, books, records and other
27 assets of any and every type and nature, wheresoever situated, presently in Golden State's
28

1 possession and/or those which may be discovered hereafter. (Insurance Code §§ 1011, 1016 and
2 1037 General Powers.)

3 4. All funds and assets, including without limitation deposits, certificates of deposit,
4 bank accounts, securities, and mutual fund shares of Golden State, in various financial depository
5 institutions, including without limitation banks, savings and loan associations, industrial loan
6 companies, mutual funds and/or stock brokerages, wheresoever situated, are subject to withdrawal
7 only upon direction or order by the Liquidator. (Insurance Code §§ 1011, 1016 and 1037 General
8 Powers.)

9 5. The Liquidator is authorized to collect all moneys due to Golden State, and to do
10 such other acts as are necessary or expedient to collect, conserve, protect and/or liquidate Golden
11 State's assets, property and business. (Insurance Code § 1037(a).)

12 6. The Conservator is authorized to collect all debts due and claims belonging to
13 Golden State and to have the authority to sell, compound, compromise, or assign, for the purpose
14 of collection upon such terms and conditions as the Liquidator deems best, any bad or doubtful
15 debts. (Insurance Code § 1037(b).)

16 7. The Liquidator is authorized to compound, compromise or in any other manner
17 negotiate settlements of claims against Golden State upon such terms and conditions as the
18 Liquidator shall deem to be most advantageous to the estate of Golden State. (Insurance Code §
19 1037(c).)

20 8. The Liquidator is authorized, without permission of the court and without notice,
21 to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of
22 or deal with, any real or personal property of Golden State at its reasonable market value, or, in
23 cases other than acquisition, sale, or transfer on the basis of reasonable market value, upon such
24 terms and conditions as the Liquidator may deem proper, provided the market value of the
25 property involved does not exceed the sum of twenty thousand dollars (\$20,000). (Insurance
26 Code § 1037(d).)

27 9. The Liquidator is authorized to transfer to a trustee or trustees, under a voting trust
28 agreement, the stock of Golden State heretofore or hereafter issued to the Liquidator in

1 connection with a rehabilitation or reinsurance agreement, or any other proceeding under
2 Insurance Code § 1010 *et seq.* (Insurance Code § 1037(e).)

3 10. The Liquidator is authorized, for the purpose of executing and performing any of
4 the powers and authority conferred upon the Liquidator under Insurance Code § 1010 *et seq.*, in
5 the name of Golden State or in the Liquidator's own name, to initiate, prosecute and/or defend any
6 and all suits and other legal proceedings, legal or equitable, and to execute, acknowledge and
7 deliver any and all deeds, assignments, releases and other instruments necessary and proper to
8 effectuate any sale of any real and personal property or other transaction in connection with the
9 administration, liquidation or other disposition of the assets of Golden State, in this or other states
10 as may appear to him necessary to carry out his functions as Liquidator. (Insurance Code §
11 1037(f) and 1037 General Powers.)

12 11. The Liquidator is authorized to divert, take possession of and secure all mail of
13 Golden State and to effect a change in the rights to use any and all post office boxes and other
14 mail collection facilities used by Golden State. (Insurance Code §§ 1011 and 1037 General
15 Powers.)

16 12. The Liquidator is authorized, without permission of the court and without notice,
17 to invest and reinvest, in such manner as the Liquidator may deem suitable for the best interests of
18 the policyholders and/or creditors of Golden State, such portions of the funds and assets of
19 Golden State in his possession as do not exceed the amount of the reserves required by law to be
20 maintained by Golden State as reserves for life insurance policies, annuity contracts,
21 supplementary agreements incidental to life business, and reserves for non-cancelable disability
22 policies, and which funds and assets are not immediately distributable to creditors, provided the
23 investment or reinvestment to be made does not exceed the sum of one hundred thousand dollars
24 (\$100,000), except that the Liquidator, without permission of the court and without notice, may
25 make investments or reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per
26 investment or reinvestment, if such investments or reinvestments are part of Golden State's
27 existing investments or are made pursuant to the investment guidelines of the Commissioner's
28 Conservation & Liquidation Office including investments and reinvestments through an

1 investment pool consisting exclusively of assets from conserved and/or liquidating estates.
2 (Insurance Code § 1037(g) and General Powers.)

3 13. The Liquidator is authorized, in his discretion, without permission of the court and
4 without notice, to pay or defer payment of some or all claims, expenses, liabilities and/or
5 obligations of Golden State, in whole or in part, accruing prior and/or subsequent to his
6 appointment as Liquidator. (Insurance Code §§ 1011 and 1037 General Powers.)

7 14. The Liquidator is authorized to appoint and employ under his hand and official
8 seal, special deputy commissioners and/or legal counsel, as his agents, and to employ clerks
9 and/or assistants, and to give to each of them those powers that the Liquidator deems necessary.
10 (Insurance Code §§ 1035(a) and 1036.)

11 15. The Liquidator is authorized to fix the costs of employing special deputy
12 commissioners, legal counsel, clerks, and/or assistants, and all expenses of taking possession of,
13 conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and
14 property of Golden State, subject to the approval of the court, and to pay such costs out of the
15 assets of Golden State to the Liquidator and others including without limitation expenses, expense
16 allocations, administrative costs, administrative overhead, and costs incurred and/or allocated by
17 the Conservation & Liquidation Office, and if there are insufficient funds to pay such costs, then
18 to pay such costs out of the Insurance Fund pursuant to Insurance Code § 1035. (Insurance Code
19 §§ 1035(a), 1036 and 1037 General Powers.)

20 16. The Liquidator is authorized to assume or reject, or to modify, any executory
21 contract, including without limitation, any lease, rental or utilization contract or agreement
22 (including any schedule to any such contract or agreement), and any license or other arrangement
23 for the use of computer software of business information systems, to which Golden State is a
24 party or as to which Golden State agrees to accept an assignment of such contract, not later than
25 120 days of the date of the Order Appointing Conservator, unless such date is extended by
26 application to and further order of this Court, and if not expressly assumed by the Conservator
27 within that time then such executory contract is deemed rejected. (Insurance Code § 1037
28 General Powers.)

1 17. The Liquidator is authorized to terminate compensation arrangements with
2 employees, to enter into new compensation arrangements with employees including arrangements
3 containing retention incentives, and to hire employees on such terms and conditions as he deems
4 reasonable. (Insurance Code § 1037 General Powers.)

5 18. The Liquidator is vested with all the powers of the directors, officers and managers
6 of Golden State, whose authorities are suspended except as such powers may be re-delegated by
7 the Liquidator. (Insurance Code § 1037 General Powers.)

8 **B. Injunctions and Other Orders**

9 19. Except upon the express authorization of the Liquidator, all persons are hereby
10 enjoined, including without limitation Golden State and its officers, directors, agents, servants,
11 and employees, from the transaction of Golden State's business or disposition of its property
12 including without limitation from disposing of, using, transferring, selling, assigning, canceling,
13 alienating, hypothecating or concealing in any manner or any way, or assisting any person in any
14 of the foregoing, of the property or assets of Golden State or property or assets in the possession
15 of Golden State, of any nature or kind, including without limitation claims or causes of action,
16 until further order of this Court and further, enjoining such persons from obstructing or interfering
17 with the Liquidator's conduct of his or her duties as Liquidator. (Insurance Code §§ 1011, 1020
18 and 1037.)

19 20. All persons are enjoined from instituting or prosecuting or maintaining any action
20 at law or suit in equity including without limitation actions or proceedings to compel discovery or
21 production of documents or testimony, and matters in arbitration, and from obtaining or
22 attempting to attain preferences, judgments, foreclosures, attachments or other liens of any kind
23 or nature, against Golden State, its assets, or the Liquidator, and from attaching, executing upon,
24 foreclosing upon, redeeming of, making levy upon, or taking any other legal proceedings against
25 any of the property and/or assets of Golden State, and from doing any act interfering with the
26 conduct of said business by the Liquidator, except after an order from this Court obtained after
27 reasonable notice to the Liquidator. (Insurance Code §§ 1011, 1020 and 1037 General Powers.)
28

1 21. All persons are enjoined from the sale or deed for nonpayment of taxes or
2 assessments levied by any taxing agency of property and/or assets of Golden State. (Insurance
3 Code § 1020(f).)

4 22. Except with leave of court issued after a hearing in which the Liquidator has
5 received reasonable and statutory notice, all persons are enjoined from accelerating the due date
6 of any obligation or claimed obligation, exercising any right of set-off, taking, retaining, retaking
7 or attempting to retake possession of any real or personal property, withholding or diverting any
8 rent or other obligation, and doing any act or other thing whatsoever to interfere with the
9 possession of or management by the Liquidator of the property and assets, owned or controlled,
10 by Golden State or in the possession of Golden State or in any way interfering with the Liquidator
11 or interfering in any manner during the pendency of this proceeding with the exclusive
12 jurisdiction of this Court over Golden State. (Insurance Code §§ 1020 and 1037 General Powers.)

13 23. All persons are enjoined from the waste of the assets of Golden State. (Insurance
14 Code § 1020.)

15 24. Golden State and all officers, directors, agents and employees of Golden State are
16 ordered to deliver to, and immediately make available to, the Liquidator all assets, books,
17 accounts, records, information, computers, tapes, discs, writings, other recordings of information,
18 equipment and other property of Golden State, wheresoever situated, in said person's custody or
19 control and further, and are directed the aforesaid to disclose verbally, or in writing if requested
20 by the Liquidator, the exact whereabouts of the foregoing items if such items are not in the
21 possession, custody or control of said persons. (Insurance Code §§ 1011, 1016, 1020 and 1037
22 General Powers.)

23 25. Golden State and all officers, directors, trustees, employees or agents of Golden
24 State, or any other person, firm, association, partnership, corporate parent, holding company,
25 affiliate or other entity in charge of any aspect of Golden State's affairs, either in whole or in part,
26 and including but not limited to banks, savings and loan associations, financial or lending
27 institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or
28 affiliated corporation or any other representative acting in concert with Golden State, are ordered

1 to cooperate with the Liquidator in the performance of his or her duties. (Insurance Code § 1037
2 General Powers.)

3 26. All persons who maintain records for Golden State, pursuant to written contract or
4 any other agreement, are ordered to maintain such records and to deliver to the Liquidator such
5 records upon his request. (Insurance Code §§ 1020 and 1037 General Powers.)

6 27. All agents of Golden State, and all brokers who have done business with Golden
7 State, are ordered to make all remittances of all funds collected by them or in their hands directly
8 to the Liquidator. (Insurance Code §§ 1020 and 1037 General Powers.)

9 28. All persons having possession of any lists of policyholders, escrow holders,
10 mortgages or mortgagees of Golden State are ordered to deliver such lists to the Liquidator and all
11 persons are enjoined from using any such lists or any information contained therein without the
12 consent of the Liquidator. (Insurance Code §§ 1020 and 1037 General Powers.)

13 29. Golden State and its officers, directors, agents, servants, employees, successors,
14 assigns, affiliates, and other persons or entities under their control and all persons or entities in
15 concert or participation with Golden State, and each of them, are ordered to turn over to the
16 Liquidator all records, documentation, charts and/or descriptive materials of all funds, assets,
17 property (owned beneficially or otherwise), and all other assets of Golden State wherever situated,
18 and all books and records of accounts, title documents and other documents in their possession or
19 under their control, which relate, directly or indirectly, to assets or property owned or held by
20 Golden State or to the business or operations of Golden State. (Insurance Code §§ 1020 and 1037
21 General Powers.)

22 30. Any and all provisions of any agreement entered into by and between any third
23 party and Golden State, including by way of illustration, but not limited to, the following types of
24 agreements (as well as any amendments, assignments, or modifications thereto), are stayed, and
25 the assertion of any and all rights and remedies relating thereto are also stayed and barred, except
26 as otherwise ordered by this Court, and this Court shall retain jurisdiction over any cause of action
27 that has arisen or may otherwise arise under any such provision: financial guarantee bonds,
28 promissory notes, loan agreements, security agreements, deeds of trust, mortgages,

1 indemnification agreements, subrogation agreements, subordination agreements, pledge
2 agreements, assignments of rents or other collateral, financial statements, letters of credit, leases,
3 insurance policies, guaranties, escrow agreements, management agreements, real estate brokerage
4 and rental agreements, servicing agreements, attorney agreements, consulting agreements,
5 easement agreements, license agreements, franchise agreements, or employment contracts that
6 provide in any manner that selection, appointment or retention of a conservator, receiver or trustee
7 by any court, or entry of any order such as hereby made, shall be deemed to be, or otherwise
8 operate as, a breach, violation, event of default, termination, event of dissolution, event of
9 acceleration, insolvency, bankruptcy, or liquidation. (Insurance Code §§ 1020 and 1037 General
10 Powers).

11 C. **Creditors and Setting of Claims Bar Date**

12 31. The rights and liabilities of claimants, policyholders, shareholders, members and
13 all other persons interested in the assets of Golden State are fixed as of the date of entry of this
14 Order. (Insurance Code § 1019.)

15 32. Any and all claims against Golden State, including without limitation those claims
16 which in any way affect or seek to affect any of the assets of Golden State, wherever or however
17 such assets may be owned or held, must be filed no later than December 31, 2011 (the "Claims
18 Bar Date"), together with proper proofs thereof, in accordance with the provisions of Insurance
19 Code § 1010 *et seq.* including without limitation Insurance Code § 1023. The proof of claim must
20 be timely filed on the form provided by the Liquidator, together with proper proofs thereof, and
21 must be supplemented with such further information as the Liquidator requests, in accordance
22 with Insurance Code § 1023(f). Except for persons deemed to have filed claims against Golden
23 State in accordance with the provisions of Insurance Code § 1010 *et seq.* including without
24 limitation Insurance Code § 1024 and § 1025.5, any claims not filed by the Claims Bar Date shall
25 be conclusively deemed forever waived. (Insurance Code § 1024.)

26 //

27 //

28 //

1 33. For such other and further relief as may be proper or necessary.

2 34. The Liquidator is authorized to take any and all action necessary to accomplish the
3 purposes of this Order and the Orders requested herein.

4 DATED: _____

1-28-11

ANN I. JONES

THE HONORABLE ANN I. JONES
Los Angeles Superior Court Judge

EXHIBIT 2

**REAL ESTATE PURCHASE AGREEMENT, SUBJECT TO LIQUIDATION
COURT CONFIRMATION**

THIS REAL ESTATE PURCHASE AGREEMENT, SUBJECT TO LIQUIDATION COURT CONFIRMATION ("Agreement") is entered into as of the date signed by the last of the parties hereto (the "Effective Date") by and between **GOLDEN STATE MUTUAL LIFE INSURANCE COMPANY, IN LIQUIDATION**, a California Corporation ("Seller"), and **TRADE STREET DEVELOPMENT CORP.**, a North Carolina corporation, and/or ASSIGNS, ("Buyer").

Buyer understands and acknowledges that Seller is making a counteroffer to more than one prospective buyer and that the counteroffers may not contain identical terms and provisions. Further, until Buyer's written acceptance is received and Seller accepts in writing this multiple counteroffer by dating and executing this Agreement at the place provided below Buyer's signature, this Agreement shall not be binding and Seller may negotiate with any and all interested parties regarding the sale of the Property, may enter into any agreements for the sale of the Property with any such parties, and shall have no duties or obligations whatsoever to Buyer including, without limitation, any duty or obligation to sell the Property to Buyer.

Buyer agrees to purchase from Seller all of Seller's right, title and interest in and to that certain real property located at **1225 East Fifth Street, City of Winston-Salem, County of Forsyth, NC 27101 (Map 636854, Block 9998, Lot 129A)** more particularly described on Exhibit A attached hereto and by this reference incorporated herein and all fixtures, buildings, and improvements thereon (the "Property"), on the following terms and conditions:

ARTICLE 1. PURCHASE PRICE

SECTION 1.01. The purchase price for the Property shall be the sum of Three Hundred and Fifty Thousand and No/100ths Dollars (~~\$350,000.00~~) payable by Buyer to Seller as follows: Twenty Five (~~\$325,000.00~~) *Deu*

(a) \$5,000 To be deposited by the Buyer in escrow with The Meridian Realty Group, Inc., "Trust Account" within three (3) business days after the Effective Date (the "Initial Deposit")

Deu *320,000*
(b) ~~\$345,000~~ Balance due at Closing.

Deu *325,000*
(c) ~~\$350,000~~ Total Purchase Price

ARTICLE 2. ESCROW

SECTION 2.01. OPENING ESCROW AND CLOSING. An escrow shall be opened at the offices _____ herein referred to as the "Closing Agent", to consummate the purchase of the Property pursuant to this Agreement. The closing of the sale and conveyance of title on the terms and conditions hereof (the

"Closing") will take place commencing at 10:00 A.M. at the office of the Closing Agent, or at such other time and/or location as the parties agree, on the date (the "Closing Date") that is the later of either (a) the thirtieth (30th) day after the expiration of the Due Diligence Term, or (b) the tenth (10th) day after satisfaction or waiver of the conditions set forth in Section 2.02 below; *provided* that if such date is not a business day, on the next succeeding business day.

SECTION 2.02. CONDITIONS OF CLOSING. The Closing of sale and conveyance of title to the Buyer and the respective obligations of Buyer and Seller to consummate the transactions contemplated under this Agreement are conditioned on:

(a) Liquidator and Court Confirmation of this sale as follows:

1. Seller shall have accepted this Agreement by executing below in the space provided. When this Agreement has been accepted in this manner, it shall constitute a binding obligation upon the Buyer to purchase and Seller to sell the Property on the terms and conditions as set forth herein.
2. Seller shall petition the Superior Court of the State of California, in and for the County of Los Angeles, in connection with Case Number BS 123005 (hereinafter "*Court*") for confirmation of this Agreement no later than thirty (30) days after the date of Buyer's acceptance or waiver of the conditions set forth in Sections 2.02(c) and (e) below. In connection with such petition, a Court hearing for Confirmation will be set for a date no sooner than twenty-five (25) days after the date the petition is submitted.
3. The Court shall have entered a Final Order that approves this Agreement and the transactions contemplated hereunder. As used in this Agreement the term "*Final Order*" shall mean an order of the Court as to which the time for appeal has expired without a notice of appeal having been filed or, if a notice of appeal has been filed, as to which no stay pending appeal has been entered.

(b) No domestic or foreign, federal, state, county, parish, municipal or other local court, agency, department, legislative body, commission, council, board or other administrative or governmental body shall have issued any order, writ, judgment, injunction, decree, determination or award that directs that the transactions contemplated hereunder not be consummated.

(c) The conveyance to Buyer of title by Special Warranty Deed free of liens, encumbrances, easements, restrictions, rights and conditions of record or known to Seller, other than the following (each a "*Permitted Encumbrance*"):

1. Current property taxes and current bond(s) or improvement assessment(s), if any;
2. Matters not in the public record which would be disclosed by a survey or physical inspection of the Property; and

3. Covenants, conditions, restrictions, easements, and other matters of record, if any, unless disapproved by Buyer in writing within ten (10) days of receipt of a current commitment for issuance of an ALTA owner's policy in the amount of the Purchase Price issued by the Closing Agent, together with legible copies of all documents referenced therein (collectively, the "Title Commitment"), which shall be furnished at Buyer's expense. Any matter shown on such Title Commitment and not objected to by Buyer shall be a Permitted Encumbrance hereunder. Seller will have five (5) days after receipt of Buyer's objections to cure such objections. If Buyer's objections are not cured within such 5-day period, Buyer will have the option to either: (a) terminate this Agreement, in which case the Deposit shall be refunded to Buyer; or (b) waive the objections and proceed to Closing, in which case such matters shall be Permitted Encumbrances.

At the Closing, Buyer shall cause the Closing Agent to irrevocably commit to issue an owner's policy of title insurance in the form a "marked up" Title Commitment or a proforma showing title to the Property vested in Buyer subject only to the Permitted Encumbrances. Buyer shall pay the title insurance premium.

- (d) Buyer shall furnish concurrently with the execution and return of this Agreement, financial statements and/or information indicating Buyer's ability to perform its obligations hereunder (the "Confidential Information"). Seller and its representatives agree to keep the Confidential Information, that such information will be used solely for the purpose of evaluating a possible transaction with Buyer, that the Confidential Information will be kept confidential, and that neither Seller nor its representatives will disclose any of the Confidential Information to any other person or entity in any manner whatsoever. If this Agreement is terminated for any reason, Seller shall promptly cause the Confidential Information and all copies of the same to be returned to Buyer. JHP
- (e) The purchase of the Property is contingent upon a ^{Sixty 60 JHP} ~~ninety (90)~~ day due diligence and feasibility period (hereinafter referred to as the "Due Diligence Term") which shall commence upon the Effective Date. *Dave*

During the Due Diligence Term, Buyer may complete physical and geological inspections of the Property and improvements thereon, including but not limited to, taking soil borings as desired, obtaining engineering studies, and such other matters relating to the Property as Buyer deems appropriate, so as to ensure that the Property is acceptable in its "As-Is" condition. Such inspection shall be at Buyer's sole cost and expense. Buyer will indemnify, defend, and hold Seller harmless from and against any claims for injury or death to persons, damage to property or other losses, actual damages or claims, including, without limitation, claims of any tenants, and including, in each instance, reasonable attorneys' fees and litigation costs, arising out of any action of any person or firm entering the Property on Buyer's behalf as aforesaid, which indemnity shall expressly survive Closing or the earlier expiration or termination of this Agreement.

BUYER IS PURCHASING THE PROPERTY "AS IS, WHERE IS" IN ITS PRESENT CONDITION. BUYER HAS THE OPPORTUNITY TO INSPECT THE PROPERTY AS PROVIDED HEREIN. SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO, HEREBY DISCLAIMS, AND SHALL HAVE NO LIABILITY FOR; (A) THE CONDITION OF THE PROPERTY OR ANY BUILDINGS, STRUCTURES OR IMPROVEMENTS THEREON OR THE SUITABILITY OF THE PROPERTY FOR HABITATION OR FOR BUYER'S INTENDED USE, (B) ANY APPLICABLE BUILDING, ZONING OR FIRE LAWS OR REGULATIONS OR WITH RESPECT TO THE EXISTENCE OF OR COMPLIANCE WITH ANY REQUIRED PERMITS, IF ANY, OF ANY GOVERNMENTAL AUTHORITY; (C) THE AVAILABILITY OR EXISTENCE OF ANY WATER, SEWER OR UTILITIES, ANY RIGHTS THERETO, OR ANY WATER, SEWER OR UTILITY DISTRICTS; (D) ACCESS TO ANY PUBLIC OR PRIVATE SANITARY SEWER OR UTILITY SYSTEMS; OR (E) THE PRESENCE OF ANY HAZARDOUS SUBSTANCES AT THE PROPERTY OR IN ANY IMPROVEMENTS ON THE PROPERTY, INCLUDING WITHOUT LIMITATION ASBESTOS OR UREA-FORMALDEHYDE, OR THE PRESENCE OF ANY ENVIRONMENTALLY HAZARDOUS WASTES OR MATERIALS ON OR UNDER THE PROPERTY. BUYER ACKNOWLEDGES THAT BUYER IS GIVEN THE OPPORTUNITY UNDER THIS AGREEMENT TO FULLY INSPECT THE PROPERTY AND BUYER ASSUMES THE RESPONSIBILITY AND RISKS OF ALL DEFECTS AND CONDITIONS AT THE PROPERTY, INCLUDING WITHOUT LIMITATION, SUCH DEFECTS AND CONDITIONS, IF ANY, THAT CANNOT BE OBSERVED BY CASUAL INSPECTION.

During the term of this Agreement and at any time following the expiration or earlier termination thereof, upon Seller's request, Buyer shall provide Seller with copies of any third party reports or surveys obtained by Buyer during the Due Diligence Term and any extensions thereof at no cost to the Seller.

Prior to the end of the Due Diligence Term, the Buyer must accept the Property in its "As Is" condition. Said acceptance must be delivered to the Seller in writing reflecting that all contingencies set forth in this subsection (e) have been removed. If for any reason during Due Diligence Term, Buyer finds the Property unacceptable, in Buyer's sole and absolute discretion, Buyer must advise Seller in writing and the Agreement thereupon shall be terminated and all monies deposited shall be returned to Buyer. Upon Buyer's acceptance of the Property in its "As-Is" condition and Buyer's acceptance or waiver of the title matters in Section 2.02(c), Seller shall submit a petition to the Court for confirmation of this Agreement as provided in Section 2.02(a)(2).

SECTION 2.03. FAILURE OF CONDITIONS. If any condition specified in Section 2.02 above is not satisfied or waived within one hundred fifty (150) days after the Effective Date, then Seller may, at any time thereafter, elect to terminate this Agreement by giving written notice to Buyer and the Closing Agent. The Closing Agent shall be, and is hereby, irrevocably instructed by Seller on receipt of such notice from either party, to

immediately refund to Buyer all monies and instruments deposited by Buyer in escrow pursuant to this Agreement.

SECTION 2.04. PRORATIONS. The following prorations shall be made between Buyer and Seller at Closing: property taxes, rents, homeowner's/association dues (if applicable), and N/A.

SECTION 2.05. BONDS AND ASSESSMENTS. Any bonds or improvement assessments which are a lien on the Property shall, at Closing, be paid/assumed by Buyer, except any past due/delinquent amounts shall be paid by Seller at Closing.

SECTION 2.06. BROKERS' COMPENSATION AND DISPOSITION FEES. If Buyer is confirmed as the purchaser of the Property and thereafter performs in accordance with this Agreement, any and all compensation and disposition fees due to real estate or other brokers shall be paid by Seller at Closing based upon the confirmed sales price or, if no overbidding occurs, as follows:

6 % of the accepted price to The Meridian Realty Group, Inc., who represents Seller and Buyer.

Seller and Buyer each warrant that they have dealt with no other real estate brokers in connection with this transaction except those brokers stated above.

SECTION 2.07. EXPENSES OF ESCROW. The expenses of the escrow described in this section shall be paid in the following manner:

- (a) The cost of recording any deeds or other instruments required to convey title of the Property to Buyer as described in Section 2.02 of this Agreement shall be paid by Buyer.
- (b) Buyer shall pay all real estate excise tax payable in connection with this transaction.
- (c) Any escrow fee charged by the Title Company shall be paid as follows 50% by Seller and 50% by Buyer.

SECTION 2.08. POSSESSION. Possession of the Property shall be delivered to Buyer upon Closing.

SECTION 2.09. TITLE. Title shall vest as follows: to Buyer, or to any entity owned or controlled by Buyer or a nominee, with Buyer remaining liable for the Purchase Price and any and all duties and obligations of the Buyer until the Close of Escrow, which shall be designated in writing by Buyer no later than five (5) days prior to the Closing.

ARTICLE 3. MISCELLANEOUS

SECTION 3.01. DEFAULT BY Buyer. Should Buyer fail to complete said purchase as herein provided by reason of any default of Buyer, Seller shall be released from its

Golden State Mutual Life Insurance Company, In Liquidation
c/o Kane Corporation
67 Selby Lane, Suite 100
Atherton, CA 94027-3926
Attn: Peter C. Kane
PH: (650) 369-9100
FAX: (650) 369-9106

If to the Closing Agent at:

Notice delivered in accordance with the foregoing shall be effective (x) when delivered, if delivered personally or by receipted-for telex, telecopier or facsimile transmission, (y) on the next business day after being delivered in the United States (properly addressed and all fees paid) for overnight delivery service to a courier (such as Federal Express) which regularly provides such service and regularly obtains executed receipts evidencing delivery, or (z) five (5) days after being deposited (properly addressed and stamped for first-class delivery) in a daily serviced United States mail box. Either party, Buyer or Seller, may change its address for the purposes of this section by giving written notice of such change to the other party in the manner provided in this section.

SECTION 3.06. DISCLAIMER OF WARRANTIES. The parties acknowledge that this transaction is entered into by them in full reliance on their own independent investigations, and not on any statements, representations, or agreements made by the other party, or by the broker(s), if any herein, or any salesperson(s) of such broker. It is also agreed by both parties that no statements, representations, or agreements made by either party, the broker(s), or any salesperson(s) of such broker(s), are valid unless such statements, representations or agreements are reduced to writing and made a part hereof. Seller expressly makes no warranties regarding the suitability of the Property for any purpose and Buyer acknowledges that all real property and improvements, if any, thereon are taken in an "As Is" Condition including all known and unknown defects.

Buyer: (Signature) Seller: (Signature)

SECTION 3.07. ATTORNEY'S FEES. Should any litigation be commenced between the parties hereto concerning the Property, this Agreement, or the rights and duties of either in relation thereto, the party, Buyer or Seller, prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for its attorney's fees and expenses in such litigation which shall be determined by the Court in such litigation or in a separate action brought for that purpose.

SECTION 3.08. ENTIRE AGREEMENT. This instrument contains the entire Agreement between Buyer and Seller respecting the Property, and any agreement or representation respecting the Property or the duties of either Buyer or Seller in relation thereto not expressly set forth in this instrument is null and void.

obligation to sell the Property to Buyer and Seller shall retain the Deposit, as liquidated damages for such default as Seller's sole and exclusive remedy hereunder.

SECTION 3.02. TIME. Time is of the essence in the performance of this Agreement.

SECTION 3.03. MODIFICATIONS. All modifications or extensions shall be in writing signed by all parties.

SECTION 3.04. LAND USE RESTRICTIONS. Buyer shall satisfy itself through sources of information, other than the Seller or real estate brokers, or salespersons of such brokers in this transaction, whether any public or private action in the form of a vote, initiative, referendum, local ordinance, law, or other measure presently in force or contemplated by a governing or other body may halt entirely or otherwise restrict Buyer's use of the Property for improvement or other use, and Buyer acknowledges that it has not relied on any advice or representations by the Seller or real estate representatives in this transaction for such independent information to any extent.

SECTION 3.05. NOTICES. Any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to either party hereto, or the Title Company, shall be in writing and shall be deemed duly served and given when (a) personally delivered to any of the parties, to whom it is directed; (b) by deposit in the United States mail as first-class certified mail, return receipt requested, postage paid; (c) by overnight nationwide commercial courier service; or (d) by telecopy transmission with a confirmation copy to be delivered by duplicate notice in accordance with any of clauses (a) through (c) above, in each case, to the party intended to receive the same at the following address(es):

If to Buyer:

Trade Street Development Corp
807 North Trade Street
Winston-Salem, NC 27101
Attn: James H. Perkins, President

If to Seller at:

Golden State Mutual Life Insurance Company, in Liquidation
425 Market Street, 23rd Floor
San Francisco, CA 94105
Attn: Scott D. Pearce, Senior Estate Trust Officer
PH: (415) 676-5013
FAX: (415) 676-5002

With copy to:

SECTION 3.09. COUNTERPARTS; FACSIMILE SIGNATURES. This Agreement may be executed in any number of counterparts and all counterparts shall be deemed to constitute a single agreement. The execution of one counterpart by any party shall have the same force and effect as if that party had signed all other counterparts. The signatures to this Agreement may be executed on separate pages and when attached to this Agreement shall constitute one complete document. This Agreement may be signed by facsimile, and each facsimile copy so signed shall be deemed an original hereof.

SECTION 3.10. GOVERNING LAW; VENUE. This Agreement is governed by and construed in accordance with the laws of the State of California. Buyer hereby waives any defense it may have based on *forum non conveniens*. As a material part of the consideration for this Agreement, and with the understanding that Seller would not enter into this Agreement without such agreement, Buyer hereby irrevocably submits to the jurisdiction of the State of California in any such action.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year shown opposite their signatures below.

BUYER:

TRADE STREET DEVELOPMENT CORP., a North Carolina corporation

By: James H. Perkins
Name: James H. Perkins
Title: President

Date: 3-5-2012

SELLER:

**GOLDEN STATE MUTUAL LIFE INSURANCE
COMPANY, IN LIQUIDATION, a California
corporation**

By: David E. Wilson
Name: David E. Wilson
Title: Special Deputy Insurance Commissioner

Date: 3/6/2012

EXHIBIT A

LEGAL DESCRIPTION

Beginning at a point in the new northern margin of Fifth Street, the said point being N857677.71, E1636764.45, coordinates and bearings derived by field survey from North Carolina State Plan Co-ordinate Monuments, and running from the said beginning point, along the new northern margin of Fifth Street, the following courses and distances, viz.: North 88 degrees 29 minutes 25 seconds West 239.52 feet, North 87 degrees 33 minutes 37 seconds West 89.36 feet, and North 88 degrees 14 minutes 13 seconds West to a point; whence, leaving the new northern margin of Fifth Street, North 1 degree 45 minutes 37 seconds East 175.00 feet to a point; thence South 88 degrees 14 minutes 15 seconds East 383.44 feet to a point; thence South 1 degree 30 minutes 35 seconds West 175.00 feet to the BEGINNING, containing 67,342 square feet and being Parcel 129A, East Winston Urban Renewal Project No. 2, N. C. R--1B.

Golen State Mutual Insurance Co



PIN	6835-67-6843.00	Current Deed Stamps	
Property Address	1225 E Fifth ST	Map Number	636854
Block Lot	9998 129A	Assessment Method	Income and Expense
Additional Lots		WIP	No
Tax Jurisdiction	Winston-Salem	Land Value	\$287,887
Anx	N	Dwelling Value	
Taxable Owner Name1	Golden State Mutual Life Ins	Commercial Value	\$158,863
Taxable Owner Name2		Industrial Value	
Taxable Owner Address	PO Box 2332	Misc Imp Value	\$22,973
Taxable Owner City St Zip	Los Angeles, CA 90078	Total Value	\$547,600
Taxable Deed Bk-Pg	1497-421	Acreage	1.55
Taxable Deed Date	7/24/1985	Sq Ft Living Area (Res)	
Taxable Deed Stamps		Gross Sq Ft (Com)	18000
Current Owner Name1	Golden State Mutual Life Ins	Year Built (Res)	
Current Owner Name2		Year Built (Com)	1969
Current Owner Address	PO Box 2332	Census Tract	7
Current Owner City St Zip	Los Angeles, CA 90078	Zoning	HB
Current Deed Bk-Pg	1497-421	Last Qualified Sale Price	

**FIRST AMENDMENT TO REAL ESTATE PURCHASE AGREEMENT,
SUBJECT TO LIQUIDATION COURT CONFIRMATION**

THIS FIRST AMENDMENT TO REAL ESTATE PURCHASE AGREEMENT, SUBJECT TO LIQUIDATION COURT CONFIRMATION (this "First Amendment") is entered this 4th day of May 2012.

Whereas, Trade Street Development Corp. and or assigns ("Buyer") and Golden State Mutual Life Insurance Company, In Liquidation ("Seller") entered into a Real Estate Purchase Agreement, Subject to Liquidation Court Confirmation ("Agreement"), on March 6, 2012 for the purchase of a certain parcel of land located at 1225 East Fifth Street in Forsyth County, North Carolina.

Now the parties wish to amend the Agreement as follows for and in consideration of mutual covenants and conditions retained herein and other good and valuable consideration:

1. Section 2.02 (c) 1 ("permitted encumbrances") of the March 6, 2012 Agreement shall be revised to include the following:

The past due taxes and governmental sanitation liens are not a permitted exception and must be removed prior to or paid at closing by Seller.

2. Section 2.02 (e) (Examination Period) of the March 6, 2012 Agreement shall be revised to include the following:

The ending date of the due diligence and feasibility period shall be extended for 60 days in order for the Buyer to complete a Phase 2 environmental study. It is understood that all other physical and geological inspections of the property with the exception of the Phase 2 study have been completed and the due diligence and feasibility period is not extended for any other physical or geological inspection not related to the Phase 2 environmental study.

3. All other terms and conditions will remain the same.

In witness whereof, the parties have caused this First Amendment to the Agreement to be executed as of the date first set forth above.

Buyer

Trade Street Development Corp., a North Carolina Corporation

By: James H. Perkins
James H. Perkins, president

Date 5-3-12

Seller

Golden State Mutual Life Insurance Company In Liquidation, a California Corporation

By David E. Wilson

David E. Wilson

Special Deputy Insurance Commissioner

Date 5/3/12

**SECOND AMENDMENT TO REAL ESTATE PURCHASE AGREEMENT,
SUBJECT TO LIQUIDATION COURT CONFIRMATION**

THIS SECOND AMENDMENT TO REAL ESTATE PURCHASE AGREEMENT, SUBJECT TO LIQUIDATION COURT CONFIRMATION (this "Second Amendment") is entered into this 2nd day of July, 2012 by and between Trade Street Development Corp., a North Carolina corporation, and or assigns ("Buyer") and Golden State Mutual Life Insurance Company, In Liquidation, a California Corporation ("Seller").

RECITALS:

Buyer and Seller are Parties to that certain Real Estate Purchase Agreement, Subject to Liquidation Court Confirmation ("Agreement"), with an Effective Date of March 6, 2012, as amended by the First Amendment dated May 4, 2012 (collectively, the "Agreement"). Unless otherwise defined herein, all capitalized terms shall have the same meaning set forth in the Agreement.

Buyer has completed its due diligence review of and has accepted the Property in its "as-is" condition. Buyer requires additional time to complete an application for Brownfield designation for the Property and for said application to be approved by the North Carolina Department of Environment and Natural Resources ("DENR").

Buyer and Seller agree to amend the Agreement as set forth below.

AGREEMENT:

Now, therefore, in consideration of the above recitals, which are incorporated by this reference, and for good and valuation consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Due Diligence Term:** Buyer accepts the Property in its "as-is" condition and all contingencies set forth in Section 2.02 (c) and (e) of the Agreement have been removed. Notwithstanding Buyer's acceptance of the Property, the Due Diligence Term is hereby extended so as to expire on August 20, 2012, solely for the purpose of allowing Buyer additional time to complete an application for Brownfield designation for the Property and for said application to be approved by the North Carolina Department of Environment and Natural Resources ("DENR"). Both Parties will cooperate with DENR and its employees and agents to facilitate the designation process. All costs and expenses of this application shall be borne by the Buyer. If Buyer is unable to obtain the Brownfield designation for the Property on terms and conditions acceptable to Buyer, Buyer may terminate the Agreement by providing a written notice to Seller given no later than the last day of the Due Diligence Term. As consideration for this Amendment, the Initial Deposit of Five Thousand (\$5,000.00) Dollars currently held in The Meridian Realty Group, Inc. Trust Account shall be "non-refundable" to Buyer but "applicable" to the Purchase Price at Closing.

2. Section 2.02 (e) of the Agreement shall be revised to include the following:

The ending date of the Due Diligence Term shall be extended to August 20, 2012 in order for the Buyer to apply for and obtain a Brownfield designation for the Property.

3. Counterparts; Facsimile; PDF Format. This Agreement may be executed in any number of counterparts and all counterparts shall be deemed to constitute a single agreement. The execution of one counterpart by any party shall have the same force and effect as if that party had signed all other counterparts. The signatures to this Agreement may be executed on separate pages and when attached to this Agreement shall constitute one complete document. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.
4. No Other Modification. Except as specifically set forth herein, all other terms and conditions of the Agreement shall remain unmodified and in full force and effect, the same being confirmed and republished hereby.

IN WITNESS WHEREOF, the Parties have entered into this Amendment effective as of the date set forth above.

BUYER

Trade Street Development Corp., a North Carolina Corporation

By: _____

James H. Perkins
President

Date _____

SELLER

Golden State Mutual Life Insurance Company, In Liquidation, a California Corporation

By

David E. Wilson
David E. Wilson

Special Deputy Insurance Commissioner

Date

July 2, 2012

2. Section 2.02 (e) of the Agreement shall be revised to include the following:

The ending date of the Due Diligence Term shall be extended to August 20, 2012 in order for the Buyer to apply for and obtain a Brownfield designation for the Property.

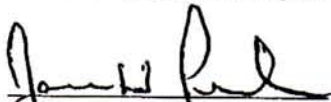
3. Counterparts; Facsimile; PDF Format. This Agreement may be executed in any number of counterparts and all counterparts shall be deemed to constitute a single agreement. The execution of one counterpart by any party shall have the same force and effect as if that party had signed all other counterparts. The signatures to this Agreement may be executed on separate pages and when attached to this Agreement shall constitute one complete document. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.
4. No Other Modification. Except as specifically set forth herein, all other terms and conditions of the Agreement shall remain unmodified and in full force and effect, the same being confirmed and republished hereby.

IN WITNESS WHEREOF, the Parties have entered into this Amendment effective as of the date set forth above.

BUYER

Trade Street Development Corp., a North Carolina Corporation

By:


James H. Perkins
President

Date 7-3-2012

SELLER

Golden State Mutual Life Insurance Company, In Liquidation, a California Corporation

By

David E. Wilson
Special Deputy Insurance Commissioner

Date _____