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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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26
27
28

ORIGINAL FILED

SEP - 5 2012

**LOS ANGELES
SUPERIOR COURT**

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

**[PROPOSED] ORDER GRANTING
LIQUIDATOR'S APPLICATION FOR
ORDER AUTHORIZING LIQUIDATOR
TO SELL REAL PROPERTY LOCATED
AT 1225 EAST FIFTH STREET IN
WINSTON-SALEM, NORTH CAROLINA**

[Filed concurrently with Notice,
Memorandum, Declarations, and Proof of
Service]

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

**[PROPOSED] ORDER GRANTING LIQUIDATOR'S APPLICATION FOR ORDER AUTHORIZING
SALE OF REAL PROPERTY LOCATED AT 1225 EAST FIFTH STREET IN WINSTON-SALEM, N.C**

1 On September 5, 2012, in Department 86 of the Los Angeles Superior Court for the State
2 of California, County of Los Angeles, located at 111 N. Hill Street, Los Angeles, California
3 90012, the Honorable Ann I. Jones, Judge Presiding (the "Court"), held the hearing on the
4 Application For Order Authorizing Liquidator To Sell Real Property Located At 1225 East Fifth
5 Street in Winston-Salem, North Carolina ("Application"), filed by Applicant Insurance
6 Commissioner of the State of California in his capacity as Liquidator ("Liquidator") of Golden
7 State Mutual Life Insurance Company ("Golden State").

8 Deputy Attorney General Lisa W. Chao and attorney Michael R. Weiss appeared on
9 behalf of the Liquidator. Other appearances, if any, are noted in the record.

10 The Court, having read and considered the Liquidator's Application, the Notice,
11 Memorandum of Points and Authorities, Declarations of Scott Pearce, Peter C. Kane and Michael
12 R. Weiss, and evidence in support of the Application, and all documents and evidence submitted,
13 and having heard and considered the arguments presented to the Court, and upon good cause
14 shown,

15 IT IS HEREBY ORDERED that the Application is granted and that:

16 1. The Liquidator is authorized to sell the real property, owned by Golden State,
17 located at 1225 East Fifth Street in Winston-Salem, North Carolina 27101 [Map 636854, Block
18 9998, Lot 129A] ("Property"), to Trade Street Development Corp, a North Carolina corporation
19 ("Trade Street"), pursuant to the terms of the Real Estate Purchase Agreement between the
20 Liquidator and Trade Street; and

21 2. The Liquidator is authorized to take any and all actions necessary to accomplish
22 the purposes of this Order.

23
24 DATED: SEP - 5 2012

ANN I. JONES

THE HONORABLE ANN I. JONES
Los Angeles Superior Court Judge

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

ORIGINAL FILED

SEP - 5 2012

LOS ANGELES
SUPERIOR COURT

STEVE POIZNER

Petitioner

vs

GOLDEN STATE MUTUAL LIFE
INSURANCE COMPANY, ET AL

Respondents

CASE NO. BS123005

**COURT'S RULING ON APPLICATION TO SELL REAL PROPERTY HEARD ON
SEPTEMBER 5, 2012**

Applicant Insurance Commissioner of the State of California, in his capacity as Liquidator of Golden State Mutual Life Insurance Company ("Golden State"), seeks a Court order authorizing Liquidator to sell the real property, owned by Golden State, located at 1225 East Fifth Street, Winston-Salem, North Carolina 27101 (the "subject property") to Trade Street Development Corp ("Trade Street") pursuant to the terms of a Real Estate Purchase Agreement and its First and Second Amendments between the Liquidator and Trade Street.

After reading and considering the pleadings, and having conducted argument, the Court renders the following decision:

Statement of the Case

On January 28, 2011, the Court terminated the Insurance Commissioner's status as Conservator, ordered and appointed the Insurance Commissioner to serve as Liquidator of Golden State, and upon the Liquidator's request, established December 31, 2011 as the current claims bar date. As of September 30, 2010, Golden State remains insolvent, and its estimated liabilities of \$8,191,012 exceed its estimated remaining assets of \$2,244,784.

Since September 2010, the Insurance Commissioner, in his capacity as Conservator and then as Liquidator, shut down all operations conducted in Golden State's Los Angeles home office and seven district offices, terminated all remaining employees, transitioned all affairs associated with the conservation and liquidation to the Commissioner's Conservation and Liquidation Office in San Francisco, completed the final accounting, completed the negotiation and approval of the transfer of Golden State's Retirement Plan to the federal Pension Benefit Guaranty Corporation,

completed the decommission of Golden State's 401k Retirement program, negotiated the transition of all non-assumed Class 2 policy liability to the National Organization of Life and Health Guaranty Associations, continued to defend Golden State's ownership and control of its murals against the Community Impact Development II, LLC's ("CID") claims and the monument designation by the City of Los Angeles, listed for sale all seven district offices under local brokerage agreements, and commenced preparations for Golden State's required financial filings and disclosures.

Currently, there are two categories of Golden State's assets to be liquidated by the Liquidator: (1) real estate valued at approximately \$1,486,579; and (2) artwork and murals with an estimated value of at least \$753,200. The real estate remains for sale, and the sale of the artwork and murals is delayed pending resolution of the quiet title lawsuit filed by the CID, the monument designation by the City of Los Angeles, and further evaluation by the Liquidator of the artwork's value.

On December 21, 2010, the Court entered an order regarding the non-removal of the lobby murals, which prevents CID's removal or damage to the murals.

On January 28, 2011, the Court entered the Order of Liquidation, stating in relevant part that "[a]ll persons are enjoined from instituting or maintaining any action at law or suit in equity . . . and from obtaining or attempting to attain preferences, judgments, foreclosures, attachments or other liens of any kind or nature, against Golden State, its assets, or the Liquidator . . . except after an order from this Court obtained after reasonable notice to the Liquidator."

On May 26, 2011, the Court granted CID's application for an order allowing CID to initiate a quiet title and declaratory relief action against Golden State Mutual Life Insurance Company and the Liquidator to determine ownership of the building and the murals.

Procedural History

On September 29, 2009, the verified application for an order appointing the Insurance Commissioner as Conservator was filed.

On August 23, 2011, the Insurance Commissioner filed an application for an order continuing the claims bar date to December 31, 2012. On September 21, 2011, the Insurance Commissioner filed a notice of no opposition to its application. On September 28, 2011, the Court granted the application for an order continuing the claims bar date to December 31, 2012.

On October 3, 2011, Liquidator filed a reply brief in support of Liquidator's application for order clarifying the Court's orders.

On October 3, 2011, the Court denied Insurance Commissioner's application for related case.

On October 6, 2011, the Court granted Insurance Commissioner's application for an order clarifying the Court's prior Court orders regarding the murals. On October 17, 2011, the Court

granted Insurance Commissioner's application for an order continuing the claims bar date to December 31, 2012.

On October 21, 2011, Insurance Commissioner, in his capacity as Liquidator of Golden State filed an application for an order authorizing Liquidator to sell the real property located at 8237-8247 South State Street in Chicago, Illinois 60619. No opposition was filed, and on November 30, 2011, the Court granted Insurance Commissioner's application to sell the Chicago property.

On November 21, 2011, Insurance Commissioner, in his capacity as Liquidator of Golden State filed an application for an order authorizing Liquidator to sell the real property located at 4575 Village Fair Drive, Dallas, Texas. To date, no opposition has been filed to the application, and on December 13, 2011, Insurance Commissioner filed a Notice of No Opposition.

On December 13, 2011, the Court, on its own motion, continued the motion for an order authorizing liquidator to sell real property set for December 20, 2011 to January 4, 2012.

On December 19, 2011, Liquidator filed a motion for an order authorizing Liquidator to sell the real property, owned by Golden State, located at 19115 West 8 Mile Road, Detroit, Michigan. On January 18, 2012 Liquidator filed a notice of no opposition to the motion.

On January 4, 2012, the Court granted the motion for an order authorizing Liquidator's sale of the real property located at 4575 Village Fair Drive in Dallas, Texas. On January 9, 2012, counsel for Liquidator filed notice of entry of the Court's January 4, 2012 order.

On January 24, 2012, the Court granted Petitioner's application to sell the 19115 West 8 Mile Road, Detroit, Michigan property. Notice of the entry of the Court's January 24, 2012 order was filed on January 25, 2012.

On March 1, 2012, Liquidator filed a motion for an order authorizing Liquidator to sell the real property, owned by Golden State, located at 4801 Almeda, Houston, Texas 77004. To date, no opposition has been filed.

On April 6, 2012, the Court granted Petitioner's application to sell the real property located at 4801 Almeda, Houston, Texas 77004.

On April 17, 2012, Petitioner filed an application to approve the expenses of the Conservator and the Liquidator. RPI Michael Webb filed an opposition on May 9, 2012, and Petitioner filed a reply on May 15, 2012.

On May 22, 2012, the Court continued the hearing on the Commissioner's application for approval of the conservation and liquidation expenses to August 17, 2012. The Court ordered any motion to seal and supplemental application are to be filed and served by August 10, 2012; in addition, the Court ordered Petitioner to give notice, which Petitioner filed on May 23, 2012.

On July 18, 2012 RPI Webb filed a motion to compel Petitioner's responses to discovery. On August 6, 2012, the Commissioner filed an opposition.

On August 10, 2012, the Commissioner filed a supplemental submission in support of the Commissioner's application for approval of conservation and liquidation expenses.

On July 24, 2012, the Commissioner filed an application for authorization to sell the real property, owned by Golden State, located at 1225 East Fifth Street, Winston-Salem, North Carolina 27101. On August 28, 2012, the Commissioner filed a notice of no opposition to the application for authorization to sell the Winston-Salem property.

Summary of Applicable Law

California Insurance Code section 1037 provides that:

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

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

Analysis

In the instant case, the sale of the subject property is for \$325,000, an amount that exceeds \$20,000. Accordingly, pursuant to Insurance Code section 1037(d), the Liquidator has properly sought permission from the Court for an order authorizing the sale of the subject property.

Paragraphs 1, 2, and 8 of the January 28, 2011 Order of Liquidation direct the Liquidator to liquidate and wind up the business of Golden State and to sell, transfer or otherwise dispose of Golden State's property at its reasonable market value. The Liquidator provides evidence that the sale price of the subject property for \$325,000 is the reasonable fair market value of the property based on marketing the property for over 22 months starting in September 2010. Kane Decl., ¶ 9. The subject property's original list price was \$450,00 and was listed with The Meridian Realty Group, Inc. *Id.*, ¶ 7. The property was listed for sale with the Meridian Realty Group and was exposed via The Meridian Realty Group, Inc. website, CoStar.com, KARNES Reports/Commercial Exchange, LoopNet.com and several other marketing mediums used to inform and track potential buyers. *Id.* The property generated one offer to purchase the property a \$450,000 but due to the necessity for property renovations, a lack of financing, and the inability to finalize negotiations with an end user, the \$450,000 price did not successfully close. *Id.* On

March 6, 2012, the Liquidator entered into a Real Estate Purchase Agreement for the sales price of \$325,000 with Trade Street. Based on the diligent marketing efforts and the evidence presented by the Liquidator, the Court is satisfied that the proposed sale is for the reasonable market value of the property.

Liquidator also presents evidence that Trade Street is a third party purchaser who is not related to Liquidator or to any other person involved in Golden State's liquidation. Pearce Decl., ¶ 11. In addition, the subject property has been listed for sale for over 22 months and the sale of the subject property prevents the further expenditure of Golden State's assets on property maintenance, insurance, and property taxes. *Id.*, ¶¶ 13, 14. The Liquidator has provided notice of the proposed sale to all persons who have routinely been provided notice of Liquidator's Court applications, including Golden State's Certificate of Contribution holders, the National Organization of Life and Health Insurance Guaranty Associations and its attorneys, Pension Benefit Guaranty Corporation, attorneys for CID II, and Pitney Bowes, Inc. Weiss Decl., ¶ 3; Proof of Service.

The Liquidator's application is unopposed.

Based on the foregoing, the Court finds that the Liquidator has properly sought permission from the Court to sell the subject property for its reasonable market value, in compliance with the Order of Liquidation and Insurance Code section 1037. Accordingly, the Court grants the Liquidator's application.

Conclusion

Based on the foregoing, the Court grants the Liquidator's unopposed application for a Court order authorizing the Liquidator to sell the real property located at 1225 East Fifth Street, Winston-Salem, North Carolina 27101 to Trade Street Development Corp pursuant to the terms of a Real Estate Purchase Agreement and its First and Second Amendments between the Liquidator and Trade Street.