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Insurance Commissioner of the State of California
13 in his Capacity as Conservator of Majestic Insurance
Company

**EXEMPT from filing fees per Govt.
Code § 6103**

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15 SUPERIOR COURT OF THE STATE OF CALIFORNIA
16 CITY AND COUNTY OF SAN FRANCISCO
17

18 DAVE JONES, INSURANCE
19 COMMISSIONER OF THE STATE OF
CALIFORNIA,

20 Applicant,

21 v.

22 MAJESTIC INSURANCE COMPANY, and
23 DOES 1-50, inclusive,

24 Respondents.
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27
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Case No. CPF-11-511261

**DECLARATION OF DAVID WILSON
IN SUPPORT OF INSURANCE
COMMISSIONER DAVE JONES'
NOTICE OF MOTION AND MOTION
FOR ORDER APPROVING
CONSERVATION TRUST
AGREEMENT AND PURCHASE AND
SALE AGREEMENT**

**Date: February 25, 2013
Time: 9:30 a.m.
Dept.: 302
Judge: Hon. Marla A. Miller**

1 I, DAVID E. WILSON, hereby declare as follows:

2 1. I am the Chief Executive Officer and Special Deputy Insurance Commissioner of
3 the Conservation & Liquidation Office (“CLO”) of the California Department of Insurance
4 (“CDI”) and have held this position since 2005, when I was appointed as CEO of the CLO by the
5 California Insurance Commissioner and confirmed by the California State Senate. I make this
6 declaration in support of Insurance Commissioner Dave Jones’ Motion for Order Approving
7 Conservation Trust Agreement And Purchase and Sale Agreement. The following facts are
8 known by me to be true and correct and of my own personal knowledge, except to those which I
9 have expressed as being based upon my information and belief, and if called upon to testify
10 thereto I would and could competently do so.

11 2. On April 21, 2011, the Court issued its Order Appointing Conservator and
12 Restraining Orders (the “Conservation Order”). Pursuant to the Conservation Order, Majestic
13 Insurance Company (“Majestic”) was placed in conservation, and California Insurance
14 Commissioner Dave Jones was authorized to act as conservator of Majestic (“Conservator”).
15 Pursuant to the Conservator’s authority under the Conservation Order, I was appointed as Deputy
16 Conservator for Majestic. A true and correct copy of the Conservation Order is attached hereto as
17 Exhibit A.

18 3. The Conservator prepared and executed, with the Court’s approval, a
19 Rehabilitation Plan that provided for the sale of all of Majestic’s policyholder claims and
20 liabilities to AmTrust North America, Inc. (“AmTrust”) and Technology Insurance Company
21 (“Technology”). In addition to and in combination with the Rehabilitation Plan, the Conservator
22 entered into the Rehabilitation Agreement with AmTrust and Technology, as well as a Renewal
23 Rights and Asset Purchase Agreement, a Loss Portfolio Transfer and Quota Share Reinsurance
24 Agreement, and a Reinsurance Administrative Services Agreement (collectively, the
25 “Rehabilitation Transaction Agreements”), in addition to other ancillary agreements. On June 2,
26 2011, the Court issued its Order Approving Rehabilitation Plan, which approved the
27 Rehabilitation Plan, Rehabilitation Agreement, and all associated transactions entered into by the
28 Conservator relating to the sale of Majestic assets to Amtrust. A true and correct copy of the

1 June 2, 2011 Order Approving Rehabilitation Plan is attached hereto as Exhibit B.

2 4. All of the transactions contemplated by the Rehabilitation Plan and Rehabilitation
3 Agreement closed on July 1, 2011 and provided for the satisfaction of all known policyholder
4 liabilities to Majestic's estate. This left Majestic in possession of all non-policyholder liabilities,
5 as well as a small amount of assets. Section 8.3 of the Rehabilitation Agreement also expressly
6 reserved the Conservator's authority to establish a conservation or liquidation trust for the
7 management of Majestic's remaining assets and liabilities.

8 5. As part of his ongoing duties to manage the Majestic estate, on July 18, 2012, the
9 Conservator issued a request for proposals for the purchase of Majestic's charter of incorporation
10 and related assets as a "clean 'shell' free and clear of pre-acquisition liabilities." A true and
11 correct copy of the Conservator's Request For Proposals is attached hereto as Exhibit C. The
12 Conservator received roughly a half dozen inquiries from interested parties in response to the
13 Request for Proposals. The best bid was made by California General Insurance Services, LLC
14 ("CGIS").

15 6. In my capacity as Deputy Conservator, I have entered into a Purchase and Sale
16 Agreement with CGIS, pending the Court's approval, which provides for the purchase by CGIS
17 of Majestic's corporate shell, charter documents, including the articles of incorporation and
18 bylaws of Majestic, certificates of authority, and certain pledged assets in the aggregate amount
19 of approximately Three Million Eight Hundred Seventy Thousand Dollars (\$3,870,000) related to
20 the Certificates of Authority (the "Pledged Surplus," collectively, the "Corporate Assets"). The
21 Purchase and Sale Agreement also provides for the cancellation of Majestic's existing stock and
22 the issuance of new stock to CGIS. A true and correct copy of the Purchase and Sale Agreement
23 is attached hereto as Exhibit D. Meanwhile, the Embarcadero Liquidating Trust, as successor-in-
24 interest to Embarcadero Insurance Holdings, Inc ("Embarcadero"), and the Conservator have
25 stipulated to the provision of a Trust Certificate to the Embarcadero Liquidating Trust that will
26 replace its existing stock in Majestic, pursuant to the terms of the Conservation Trust Agreement.
27 A true and correct copy of the Stipulation of Lloyd T. Whitaker As Liquidating Trustee Of The
28 Embarcadero Liquidating Trust And Insurance Commissioner Dave Jones As Conservator Of

1 Majestic Insurance Company To Order Approving Conservation Trust Agreement And Purchase
2 And Sale Agreement is attached hereto as Exhibit E.

3 7. In order to facilitate the execution of the Purchase and Sale Agreement, the
4 Conservator also entered into the Conservation Trust Agreement, which creates the Conservation
5 Trust pursuant to the Conservator's authority under the Rehabilitation Agreement. Under the
6 Conservation Trust Agreement, all of Majestic's assets and liabilities not constituting the Majestic
7 Shell will be placed into the Conservation Trust and shall continue to be managed by the
8 Conservator for the benefit of Majestic's estate and its creditors. The Majestic Shell will then be
9 transferred to CGIS according to the provisions of the Purchase and Sale Agreement. A true and
10 correct copy of the Conservation Trust Agreement is attached hereto as Exhibit F.

11 8. In my capacity as Deputy Conservator of Majestic, it is my opinion that execution
12 of the Purchase and Sale Agreement and the Conservation Trust Agreement is in the best interest
13 of the Majestic estate and its creditors. In exchange for the Majestic Shell, the Conservation
14 Trust will receive \$500,000 from CGIS (in addition to roughly \$3.8 million to offset the value of
15 the pledged deposit assets included within the Majestic Shell). This \$500,000 represents real
16 value and will increase the recovery for Majestic's remaining creditors.

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

19
20 Dated: January 22, 2013



David E. Wilson