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SUPERIOR COURT OF THE STATE OF CALIFORNIA

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COUNTY OF SAN FRANCISCO

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11 INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

Case No. 984502

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Applicant,

[PROPOSED]
FINAL ORDER OF LIQUIDATION FOR
GOLDEN EAGLE INSURANCE COMPANY

13

v.

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15 GOLDEN EAGLE INSURANCE
COMPANY, et al.,

16

Respondents.

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19 California Insurance Commissioner Chuck Quackenbush, in his capacity as Conservator
20 of Golden Eagle Insurance Company, filed with the Court an Ex Parte Application For The Entry Of An
21 Order Of Liquidation For Golden Eagle Insurance Company And For The Imposition Of The Golden
22 Eagle Liquidating Trust (the "Application"). Based upon the Application, the Court on December 10,
23 1997, entered its Order of Liquidation for Golden Eagle Insurance Company and Notice of Hearing
24 Scheduled For January 21, 1998 (the "Preliminary Liquidation Order"). Pursuant to the Preliminary
25 Liquidation Order, the Commissioner mailed timely notice of the January 21, 1998 hearing to all Golden
26 Eagle policyholders, creditors and other persons and entities the Commissioner could identify from the
27 records of Golden Eagle as having an interest in or potential claim against Golden Eagle. In addition,
28 the Commissioner published a copy of the Preliminary Liquidation Order in the Wall Street Journal,
U.S.A. Today, the Sacramento Bee, the San Francisco Chronicle, the Los Angeles Time and the San

ENDORSED
FILED
San Francisco County Superior Court

FEB 18 1998

ALAN CARLSON, Clerk
BY: JAMES F. BAUBEL
Deputy Clerk

1 Diego Union-Tribune.

2 The Court, having held the hearing on the Preliminary Liquidation Order and having
3 received no opposition thereto, hereby finds and determines that it is reasonable and appropriate to enter
4 this Final Order of Liquidation For Golden Eagle Insurance Company.

5 IT IS HEREBY ORDERED that:

6 1. Golden Eagle Insurance Company, In Conservation (the "Company") shall be
7 liquidated in accordance with the terms of the Settlement Agreement and subject to the provisions of the
8 Rehabilitation Plan previously approved by this Court in its August 4, 1997 Final Order Approving
9 Rehabilitation Plan.

10 2. The Commissioner and his successors in office are hereby appointed Liquidator
11 of the Company. A liquidating trust ("Liquidating Trust") shall be imposed upon the assets of the
12 Company by execution and pursuant to the terms of that certain Liquidating Trust Agreement of Golden
13 Eagle Insurance Company (the "Trust Agreement"), a copy of which is attached hereto as Exhibit "A"
14 and the terms of which are hereby incorporated herein by reference. The Commissioner is hereby
15 Ordered to execute and deliver the Trust Agreement and to take all other actions necessary to the
16 creation and establishment of the Liquidating Trust effective as of January 31, 1998.

17 3. The Commissioner, as Liquidator, is hereby appointed Trustee of the Liquidating
18 Trust, which shall be named the "Liquidating Trust for GEIC in Liquidation" and which shall be
19 referred to herein as the "Liquidating Trust."

20 4. Pursuant to section 3.3 of the Trust Agreement, the Trust shall be administered
21 under the terms of the Trust Agreement by three Deputy Trustees. Karl Rubinstein, Philip Ward and
22 George Deukmejian are hereby designated as the Deputy Trustees for the Liquidating Trust. The duties
23 and powers of the Deputy Trustees are set forth in the Trust Agreement.

24 5. The compensation of the Deputy Trustees shall be determined by the Liquidator,
25 subject to the approval of the Court. Subject to the limitations set forth in this paragraph, the Deputy
26 Trustees shall have no personal liability for any act or omission performed or omitted in connection with
27 the performance of their duties as Deputy Trustees under the Trust Agreement or in connection with the
28 Liquidating Trust for GEIC In Liquidation. In the event of a claim against a Deputy Trustee, the Deputy

1 Trustee is entitled to indemnification from the Liquidating Trust, including indemnification against
2 expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in
3 connection with the proceeding if the Deputy Trustee acted in good faith and in a manner the Deputy
4 Trustee reasonably believed to be in the best interest of the Liquidating Trust and, in the case of a
5 criminal proceeding, had no reasonable cause to believe that the conduct was unlawful. The
6 indemnification rights hereunder and under the Liquidating Trust Agreement shall be treated as "Class
7 One" administrative expenses and may be advanced to the Deputy Trustee immediately from the assets
8 of the estate and the Liquidating Trust prior to the final disposition of the claim, provided that the
9 Deputy Trustee provide the Liquidating Trust with a written undertaking to repay any amounts so
10 advanced if it is determined ultimately that the Deputy Trustee is not entitled to be indemnified. The
11 Deputy Trustees are hereby authorized to conduct the business of the Liquidating Trust without further
12 direction or authorization from this Court other than as expressly provided for in the Trust Agreement.

13 6. The Deputy Trustees shall not, solely by reason of their service as Deputy
14 Trustees, be subject to the provisions of California Government Code sections 87400 and 87406.

15 7. The Trustee and the Deputy Trustees are hereby authorized to appoint and retain
16 such employees, agents, attorneys, clerks and assistants as they may deem appropriate as determined in
17 accordance with the terms of the Trust Agreement. The compensation of such employees, agents,
18 attorneys, clerks and assistants may be set by the Trustee and the Deputy Trustees and determined in
19 accordance with the Trust Agreement.

20 8. All prior injunctions and other orders of this Court are hereby reaffirmed and
21 remain in full force and effect. This Court shall continue to retain and exercise sole and exclusive
22 jurisdiction over all assets of the Company and the Liquidating Trust and to all claims of any kind or
23 nature related to the Company, the Liquidating Trust or their assets.

24 9. All persons and entities are hereby enjoined from instituting or maintaining any
25 action at law, suit in equity or other action of any kind or nature against Golden Eagle Insurance
26 Company, the Liquidating Trust, the Trustee or any Deputy Trustee, their counsel or any of their agents,
27 employees, consultants or anyone acting under their direction and from doing any act interfering with
28 the conduct of the business of the Liquidating Trust by the Trustee and Deputy Trustees or with the

1 dominion and control of the Trustee and Deputy Trustees over the assets of GEIC or the Liquidating
2 Trust. No judgment, lien, attachment, claim or right of any kind or nature shall be valid against said
3 assets unless the same is either adjudicated by this Court or is filed and approved as a claim in these
4 proceedings pursuant to the said Rehabilitation Plan.

5 10. Actual notice of the Rehabilitation Plan has been given to the California Insurance
6 Guaranty Association ("CIGA"). Neither the Rehabilitation Plan, this Order, or any other order entered
7 herein shall change, abrogate, alter or otherwise modify the obligations and rights of CIGA pursuant to
8 the applicable statutes.

9 11. This Final Liquidation Order does not constitute a finding of insolvency.

10 12. The Commissioner, as Liquidator, shall seek a further order of this Court before
11 any final liquidation and dissolution of the Company.

12 13. This Court has previously set a claims bar date of February 27, 1998, which is
13 only applicable to "uncovered claims," as that term is defined in the Rehabilitation Plan, and by which
14 time any and all such uncovered claims against the Company must be filed. The Rehabilitation Plan
15 contains no bar date for "Covered Claims" as that term is defined in the Rehabilitation Plan, and no bar
16 date shall be required for Covered Claims by reason of this Order. Nothing in this Order is intended to
17 create a new claims bar date, and the February 27, 1998 claims bar date as it applies to uncovered claims
18 is hereby reaffirmed.

19 14. This Order is self-executing and no further notice or hearing shall be required
20 hereon.

21 Dated: 2-16, 1998
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23 WILLIAM CAHILL

24 _____
25 The Honorable William Cahill
26 Judge of the Superior Court
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