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**FILED**  
San Francisco County Superior Court

MAR 30 2001

ALAN CARLSON, Clerk

THE ANNEXED INSTRUMENT IS A  
CORRECT COPY OF THE ORIGINAL  
ON FILE IN MY OFFICE.  
ATTEST: CERTIFIED  
Deputy Clerk

MAR 30 2001  
ALAN CARLSON, Clerk  
San Francisco County Superior Court  
BY KEVIN R. DOUGHERTY DEPUTY CLERK

10 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 FOR THE COUNTY OF SAN FRANCISCO

13 INSURANCE COMMISSIONER OF THE STATE  
OF CALIFORNIA,  
14  
15 Applicant,  
16 v.  
17 GREAT STATES INSURANCE COMPANY,  
18 Respondent,

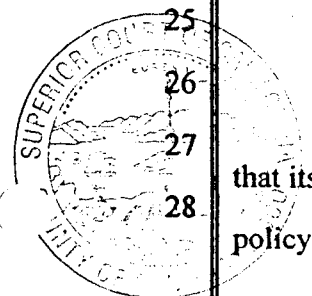
Case No.: **320047**

[PROPOSED] ORDER  
APPOINTING CONSERVATOR  
AND RESTRAINING ORDER  
[Insurance Code §1011]

19 On March 30, 2001, the Verified Ex Parte Application for an Order Appointing  
20 Conservator of Respondent Great States Insurance Company (hereinafter "Respondent"), and  
21 restraining order, came on regularly for hearing as an *ex parte* matter in Department 301 of  
22 the San Francisco County Superior Court, the Honorable *David Garcia* presiding.  
23 Deputy Attorneys General David Lew and Anne Michelle Burr appeared on behalf of Applicant.  
24 No appearance was made on behalf of Respondent.

25 **GOOD CAUSE APPEARING FROM APPLICANT'S VERIFIED**  
26 **APPLICATION, THIS COURT MAKES THE FOLLOWING FINDINGS:**

27 A. Applicant Commissioner has found Respondent to be in such a condition  
28 that its further transaction of business will be, and is, hazardous to its creditors, to its  
policyholders, to its shareholders, and to the public, and such condition is a ground for



1 conservation under Insurance Code section 1011(d);

2 B. Respondent is insolvent with the meaning of Insurance Code section 985,  
3 and such insolvency is a ground for conservation under Insurance Code section 1011(i); and

4 C. By reason of its insolvency, Respondent does not meet the requirements  
5 for issuance to it of a Certificate of Authority, and such condition is a ground for conservation  
6 under Insurance Code section 1011(h).

7 **WHEREFORE, GOOD CAUSE APPEARING, THE COURT ORDERS**  
8 **THE FOLLOWING:**

9 **APPOINTMENT OF CONSERVATOR**

10 1. The Commissioner of Insurance of the State of California is appointed as  
11 Conservator of Respondent Great States Insurance Company.

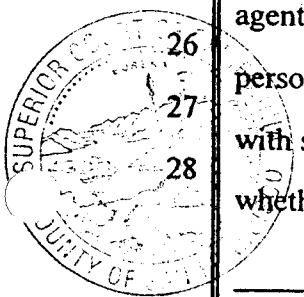
12 **THE ASSETS OF THE CONSERVED ESTATE**

13 2. The Commissioner is authorized to take possession of all Respondent's  
14 assets, books, records, and property, both real and personal, wherever situated.

15 3. Title to all of said property and assets of Respondent, wherever situated  
16 and of whatever nature, is vested in the Commissioner or his successor in office, in his or her  
17 official capacity as Conservator. All persons (individuals and entities alike) are enjoined from  
18 interfering with the Commissioner's possession and title to said property and assets.

19 4. The sole and exclusive right to all funds and assets of Respondent,  
20 including but not limited to certificates of deposit, bank deposits, bank accounts, and mutual fund  
21 shares in various financial depository institutions, including banks, savings and loan associations,  
22 industrial loan companies, mutual funds, stock brokerages, in the State of California or  
23 elsewhere, is vested in the Commissioner as Conservator, and is subject to withdrawal only upon  
24 his order.

25 5. Respondent, and all its current or former officers, directors, governors,  
26 agents, servants, employees, representatives, managers, successors, assigns, affiliates, and other  
27 persons or entities under their control, and all persons or entities in active concert or participation  
28 with same, and each of them, are enjoined from transacting any of the business of Respondent,  
whether in the State of California or elsewhere, or from disposing of any or assisting any person



1 in the transfer or alienation of any of the property or assets of Respondent until further order of  
2 the Superior Court.

3           6.       Respondent, and all its current and former officers, directors, governors,  
4 agents, servants, representatives, employees, successors, assigns, affiliates, and other persons or  
5 entities under their control, and all persons or entities in active concert or participation with  
6 same, and each of them, are directed to deliver to the Commissioner forthwith all assets, books,  
7 records, equipment, and other property of Respondent, wheresoever situated.

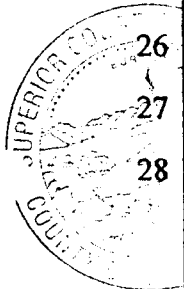
8           7.       Respondent, and all its current and former officers, directors, agents,  
9 representatives, managers, servants, employees, successors, assigns, affiliates, and other persons  
10 or entities under their control, and all persons or entities in active concert or participation with  
11 same, and each of them, are ordered to turn over to the Conservator records, documentation,  
12 charts, and/or descriptive material of all funds, assets, property owned beneficially or otherwise,  
13 and all other assets of Respondent, wherever situated, and all books and records of accounts, title  
14 documents, and other documents in their possession or under their control, which relate, directly  
15 or indirectly, to assets or property of Respondent belonging to or now held by Respondent or any  
16 of them or to the business or operations of Respondent.

17           8.       All insurance agents working on behalf of Respondent, and all insurance  
18 brokers who have done or are doing business on behalf of or with Respondent, are directed to  
19 make all remittances of funds collected by them or in their hands directly to the Commissioner as  
20 Conservator, forthwith. This obligation to remit collected funds is continuing in nature.

21           9.       All persons having possession or obtaining possession of any lists of  
22 policyholders and/or customers of Respondent are ordered to deliver all such lists, and all copies  
23 of such lists, to the Commissioner as Conservator forthwith. All persons are enjoined from using  
24 any such lists or any information contained therein without the consent of the Conservator.

25                   **CONDUCTING THE BUSINESS OF THE CONSERVED ESTATE**

26           10.       As Conservator, the Commissioner is directed to conduct the business of  
27 Respondent, or so much thereof the Conservator may deem appropriate. The Commissioner, as  
28 Conservator, is authorized to use his discretion to pay or defer payment of all proper claims and



1 all obligations against Respondent accruing prior to or subsequent to his appointment as  
2 Conservator.

3 11. The Commissioner is authorized to appoint and employ special deputies,  
4 estate managers, other professionals, clerks, and assistants, and to give each of them such power  
5 and authority as may by him be deemed necessary. The Commissioner is authorized to  
6 compensate these persons from the assets of Respondent as to him shall seem appropriate.

7 12. The Commissioner is authorized to divert, take possession of, and secure  
8 all mail of Respondent in order to screen such mail, and to effect a change in the rights to use any  
9 and all post office boxes and other mail collection facilities used by Respondent.

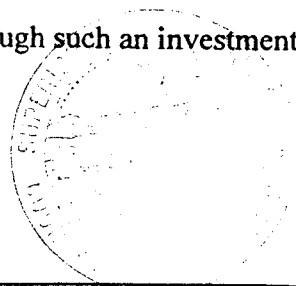
10 13. All persons who maintain records for Respondent, whether pursuant to  
11 written contract or to any other agreement, are ordered to continue to maintain such records and  
12 to deliver such records to the Commissioner upon his request.

13 14. The Commissioner is authorized to pay all reasonable costs of operating  
14 Respondent as Conservator (including direct and allocated direct costs, direct and allocated  
15 general and administrative costs and overhead, and other allocated costs) out of funds and assets  
16 of Respondent.

17 15. The Commissioner is authorized to use the funds and assets of Respondent  
18 to pay for his costs in bringing and maintaining this action, and for such other actions as are  
19 necessary to carry out his functions as Conservator.

20 16. Pursuant to Insurance Code section 1037, subdivision (g), the  
21 Commissioner as Conservator is authorized to invest and reinvest all assets in a manner he deems  
22 to be in the best interest of the creditors of the estate. This authority includes the investing and  
23 reinvesting of assets through an investment pool consisting exclusively of assets from conserved  
24 estate. No investment or reinvestment which exceeds the sum of \$100,000 shall be made without  
25 first obtaining permission of the court; however, to the extent that the Commissioner invests and  
26 reinvests through such an investment pool, such investments and reinvestments may exceed  
27 \$100,000.

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1 **LITIGATION**

2 17. Except upon obtaining leave of court, obtained after a hearing for which  
3 the Commissioner has received reasonable notice, all persons are enjoined from:

4 (1) instituting, prosecuting, or maintaining any action at law or suit in  
5 equity, including but not limited to actions or proceedings to compel discovery or production of  
6 documents or testimony, and matters in arbitration, against Respondent, or against the  
7 Commissioner as Conservator, except for matters before the Workers Compensation Appeals  
8 Board; and

9 (2) attaching, executing foreclosure upon, redeeming of, or taking any  
10 other legal proceedings against any of the property of Respondent; and

11 (3) doing any act interfering with the conduct of conservation-related  
12 business and/or Respondent-related business by the Commissioner.

13 18. Except with leave of court issued after a hearing for which the  
14 Commissioner has received reasonable notice, all persons are enjoined from executing or issuing  
15 or causing the execution or issuance of any court attachment, subpoena, replevin, execution, or  
16 other process for the purpose of impounding or taking possession of or interfering with or  
17 creating or enforcing a lien upon any property owned or in the possession of Respondent, or its  
18 affiliates, or the Conservator appointed herein, wheresoever situated.

19 19. Except by leave of court, obtained after a hearing for which the  
20 Commissioner has received reasonable notice, all persons are enjoined from:

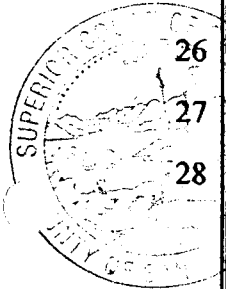
21 (1) accelerating the due date of any obligation or claimed obligation;

22 (2) exercising any right of set-off;

23 (3) taking, retaining, retaking, or attempting to retake possession of any  
24 real or personal property;

25 (4) withholding or diverting any rent or other obligation;

26 (5) doing any act or other thing whatsoever to interfere in any way with (a)  
27 the possession of, or management by the Conservator of the property and assets, owned or  
28 controlled by Respondent, or in the possession of Respondent, or in any way interfere with said

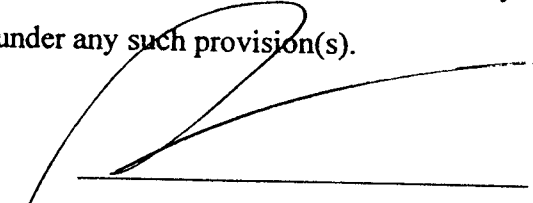


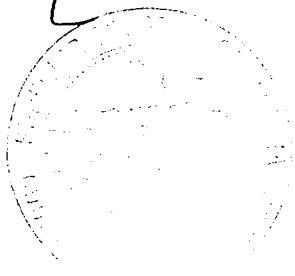
1 Conservator, or to interfere in any manner during the pendency of this proceeding with the  
2 exclusive jurisdiction of this Court over Respondent,

3 20. The Commissioner is authorized to initiate such equitable or legal actions  
4 or proceedings in this state or in other states, as may appear to him necessary to carry out his  
5 functions as Conservator.

6 21. Any and all provisions of any agreement<sup>1'</sup> entered into by and between any  
7 third party and Respondent, that provide in any manner that the selection, appointment, or  
8 retention of a Conservator or trustee by any court, or entry of an order such as the instant order,  
9 shall be deemed to be, or otherwise operate as a breach, violation, event of default, or as a cause  
10 for termination, dissolution, acceleration, insolvency, bankruptcy, or liquidation are stayed, and  
11 the assertion of any and all rights, remedies relating thereto shall be stayed and barred, except as  
12 otherwise ordered by the Court, and the Court shall retain jurisdiction over any cause of action  
13 that has arisen or may otherwise arise under any such provision(s).

14 DATED: 3/30/01

  
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Judge of the Superior Court



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24 1. The term "agreement" includes, *by way of illustration*, but is not limited to, the  
25 following types of agreements (as well as any amendments, assignments, or modifications  
26 thereto): financial guarantee bonds, promissory notes, loan agreements, security agreements,  
27 deeds of trust, mortgages, indemnification agreements, subrogation agreements, subordination  
28 agreements, pledge agreements, assignments of rents or other collateral, financial statements,  
letters of credit, leases, insurance policies, guaranties, escrow agreements, management  
agreements, real estate brokerage and rental agreements, servicing agreements, attornment  
agreements, consulting agreements, easement agreements, license agreements, franchise  
agreements, or employment contracts.