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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN FRANCISCO
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13 **DAVE JONES, INSURANCE**
14 **COMMISSIONER OF THE STATE OF**
15 **CALIFORNIA,**

16 Applicant,

17 v.

18 **MAJESTIC INSURANCE COMPANY, and**
19 **DOES 1-50, inclusive,**

20 Respondents.

Case No. CPF-11-511261

**APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
AND PROFESSIONAL FEES AND
EXAMINATION FEES**

Date: August 10, 2012
Time: 9:30 a.m.
Dept: 302
Judge: Hon. Harold Kahn

21 **INTRODUCTION AND FACTUAL BACKGROUND**

22 Insurance Commissioner Dave Jones ("Commissioner"), in his capacity as Conservator of
23 Majestic Insurance Company ("Majestic"), applies to this Court for an Order approving and
24 ratifying prior payments of (1) pre-conservation examination fees and related expenses in the
25 amount of \$357,777.37 as a Class 4 priority expense; (2) the Conservator's administrative costs
26 and expenses, including vendor payments and state agency attorney fees, in the total amount of
27 \$2,876,953.99, incurred and paid as part of the Majestic conservation and rehabilitation
28 proceeding; and (3) professional service fees in the total amount of \$441,860.58 for legal

1 services rendered to the Conservator by the law firm of Orrick, Herrington & Sutcliffe LLP
2 ("Orrick") during the time period April 21, 2011 through November 30, 2011 (the "Rehabilitation
3 Period").

4 As the conservator of Majestic, the Commissioner's primary responsibilities are to collect
5 and marshal all of Majestic's available assets, to manage Majestic for the benefit of its
6 policyholders, shareholders, creditors, and employees, and to prepare and execute a plan for
7 Majestic's rehabilitation. (Ins. Code, § 1037.) To achieve these goals, the Commissioner, through
8 his Conservation and Liquidation Office ("CLO"), has appointed deputy conservators and
9 assistants, utilized facilities and information technology, and contracted with vendors and
10 professionals.

11 The payment of expenses incurred in administering the Majestic conservation estate is
12 governed by Insurance Code sections 1035 and 1036.¹ Specifically, section 1035 authorizes the
13 Conservator to pay the salaries of the special deputy conservators and employees and all other
14 expenses necessary to carry out the functions of the management of an insolvent insurer. Section
15 1036 further empowers the Commissioner to employ and compensate legal counsel to advise the
16 Conservator on estate business, and to prosecute and defend actions on behalf of the estate. The
17 expenses incurred for these purposes are entitled to Class 1 priority status over and above all
18 other expenses of the estate pursuant to section 1033(a)(1).

19 Expenses of examination incurred pursuant to section 736, but not paid prior to
20 conservation as part of the Insurance Commissioner's examination of Majestic's operations, are
21 entitled to Class 4 priority status pursuant to section 1033(a)(4). There are no Class 2 priority
22 claims (see Declaration of David Wilson in Support of Application for Order Approving Payment
23 of Conservator's Administrative Fees and Examination Fees ("Wilson Decl."), ¶ 4) or any known
24 Class 3 priority claims. (Wilson Decl., ¶5.) The examination expenses are entitled to
25 reimbursement from the assets of the estate as a Class 4 priority claim.

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28 ¹ All further references to the Insurance Code shall be by section number only.

1 This Application seeks the Court's approval for payment of examination expenses incurred
2 prior to entry of the Conservation Order (April 21, 2011); for administrative and legal expenses
3 incurred by the Majestic estate during the Rehabilitation Period, which runs from the
4 commencement of the conservation proceeding through the conclusion of the Rehabilitation Plan
5 Transactions (as defined in the Rehabilitation Plan approved by the Court in its June 2, 2011
6 Order Approving Rehabilitation Plan); and for payment of additional administrative expenses
7 incurred and paid by the Conservator as of December 31, 2011. The total amount of expenses
8 for which the Conservator is seeking court approval is \$3,676,591.94. (Wilson Decl., ¶26.) Of
9 this amount, \$357,777.37 is attributable to section 736 examination expenses. The balance is
10 attributable to expenses incurred during the period of conservation, i.e. administrative expenses
11 totaling \$2,876,953.99, which include the Conservator's services from the date of conservation
12 through October 31, 2011 in the amount of \$759,192.06 (Wilson Decl., ¶¶ 15-21) and the
13 payment of \$2,117,761.93 to the various third-party vendors that provided services to the
14 Majestic estate (Wilson Decl., ¶ 22); as well as attorneys' fees billed by and paid to Orrick in the
15 amount of \$441,860.58. (Wilson Decl., ¶ 23).

16 This application does not request approval of day to day expenses incurred by Majestic for
17 its employees, rent, utilities and other ordinary operating expenses.

18 The administration expenses and examination expenses for which the Conservator is
19 seeking approval were incurred in connection with the successful creation and implementation of
20 the Rehabilitation Plan for Majestic and the continued oversight of the Majestic estate. Now that
21 the Rehabilitation Plan has been approved, and the Rehabilitation Plan Transactions have been
22 successfully closed and fully implemented, the Conservator anticipates that future expenses of
23 administration will be incurred at modest levels as the remaining aspects of the Rehabilitation
24 Plan are completed. That activity will be comprised primarily of the receipt, administration and
25 resolution of all non-policyholder claims, the collection and liquidation of contingent assets, the
26 management of the estate and its assets, and the ultimate distributions of the company's assets to
27 holders of allowed general creditor claims and equity interests.

PRIORITY OF CLAIMS

The payment of claims related to the Majestic estate is governed by section 1033. Section 1033 creates several classes of claims with a designated priority of payment. All claims with higher priority must be paid from the assets of the estate before a lower class priority can be paid. Section 1033 provides, in pertinent part:

“(a) Claims allowed in a proceeding under this article shall be given preference in the following order:

(1) Expense of administration.

(2) All claims of the California Insurance Guarantee Association or the California Life and Health Insurance Guarantee Association, and associations or entities performing a similar function in other states, together with claims for refund of unearned premiums and all claims under insurance and annuity policies or contracts, including funding agreements, of an insolvent insurer that are not covered claims.

....
(3) Claims having preference by the laws of the United States.

(4) Unpaid charges due under the provisions of Section 736.”

The salaries of the special deputy conservators and employees and all other expenses necessary to carry out the functions of the management of an insolvent insurer, and legal counsel retained to advise the Conservator on estate business and to prosecute and defend actions on behalf of the estate, are entitled to Class 1 priority status over and above all other expenses of the estate pursuant to section 1033(a)(1). There are no class 2 priority claims and no known class 3 priority claims that would take preference over the class 4 priority claim for payment of examination charges due under the provision of section 736. Majestic has sufficient assets to pay all expenses of administration as well as the class 4 priority claims. (Wilson Decl., ¶ 6.)

EXAMINATION EXPENSES

Prior to the conservation of Majestic, which occurred on April 21, 2011, pursuant to section 730 the Insurance Commissioner conducted an examination of Majestic’s operations. As noted above, unpaid examination charges are given a class 4 priority toward payment from the assets of the Majestic estate.

1 Expenses incurred by the Insurance Commissioner for services provided by the Special
2 Examiner and designated employees of the CLO through April 20, 2011 are based on the CLO
3 hourly rate for each month. Services provided by the CLO are billed based on a blended hourly
4 rate for the hours that each employee provided services to the Special Examiner and subsequently
5 to the Majestic estate. (Wilson Decl., ¶ 8 and attached Exhibit A.) Contractors retained by the
6 Special Examiner are billed at the CLO contracted rate along with related expenses. (*Id.*) In
7 addition to the hourly charges for CLO personnel provided services, the Majestic estate is also
8 billed by the CLO for any travel and travel-related expenses incurred by CLO personnel, as well
9 as any direct expenses such as postage and delivery. (Wilson Decl., ¶ 9.) INS Consultant and Ed
10 Farnworth are the only CLO contractors that provided services for the period of March 2011
11 through October 31, 2011. (Wilson Decl., ¶ 10.)

12 The CLO employees and contractors were used to provide those necessary services
13 requested by the Special Examiner prior to conservation, and subsequently by the Conservator, to
14 oversee the continuing operations of the Majestic estate, close down and transfer Majestic's
15 insurance operations, secure Majestic's financial and policy data, and provide general oversight
16 and other technical and financial support as deemed appropriate for the estate. (Wilson Decl., ¶
17 7.)

18 The Conservator has been represented by the California Attorney General, as the lead
19 litigation counsel on the commencement of the conservation proceeding and the approval of the
20 Rehabilitation Plan. In addition, the Conservator receives legal services for non-litigation related
21 matters from the Commissioner's Legal Division of the California Department of Insurance.
22 Both the Commissioner's attorneys and the Attorney General's Office bill the estate for legal
23 services provided to the Majestic estate at an hourly rate set by the state agencies. The expense of
24 these state-employed attorneys is not required to be separately approved pursuant to section 1036.
25 These expenses are paid by the CLO and billed to the Majestic estate on a monthly basis. (Wilson
26 Decl., ¶ 11.)

27 For the month of March 2011, the total amount billed by the CLO for services provided in
28 conjunction with Insurance Commissioner's examination of Majestic and paid by the Majestic

1 estate total \$71,808.29. The services provided during the month of March included meeting with
2 AmTrust representatives to discuss and develop a viable rehabilitation plan that would transfer all
3 of Majestic's policies and policy obligations to an AmTrust insurance affiliate and thereby allow
4 for the policies to remain in full force once Majestic was conserved. (Wilson Decl., ¶ 12.)

5 For the period of April 1 through April 20, 2011, the total amount billed by the CLO for
6 services provided in conjunction with Insurance Commissioner's examination of Majestic and
7 paid by the Majestic estate total \$85,696.08. The services provided included finalizing the
8 rehabilitation plan and preparing for the conservation of Majestic. As noted previously, the
9 billing encompasses payment to the CLO for services provided by CLO employees, the CLO's
10 contractor INS Consultant, legal services provided by California state employees together with
11 related travel and expenses, as well as any postage and delivery charges. (Wilson Decl., ¶ 13.)

12 Orrick billed the Insurance Commissioner \$200,273.00 for the period of March 2011
13 through April 20, 2011 for legal services related to the section 730 examination, and include
14 assisting in the negotiation and development of the Rehabilitation Plan, drafting the various
15 agreements necessary for the implementation of the proposed Rehabilitation Plan, preparing the
16 related pleadings in support of the Rehabilitation Plan, and providing support in preparation for
17 the conservation of Majestic. These fees are part of the examination expenses pursuant to section
18 736.² (Wilson Decl., ¶ 14.)

19 Based on the above, the Commissioner requests approval of \$357,777.37 attributable to
20 section 736 examination expenses.

21 **GENERAL OPERATING AND ADMINISTRATIVE EXPENSES**

22 The Majestic estate's administrative fees and expenses after the date of conservation fall
23 into several large categories, and generally concern the Conservator's efforts to discharge his
24 duties to Majestic's policyholders and creditors to marshal and manage Majestic's assets, to direct
25 the operations of Majestic while it is in conservation, and to develop a Rehabilitation Plan for
26 Majestic. The ongoing expenses incurred as a result of the administration of the Majestic

27 _____
28 ² The reasonableness of Orrick's fees will be discussed separately, below.

1 conservation estate are paid out of estate assets pursuant to section 1035, which authorizes the
2 Conservator to pay the salaries of the special deputy conservators and employees and all other
3 expenses necessary to carry out the functions of the management of an insolvent insurer.

4 Majestic's general estate operating and administrative expenses fall into two categories: (1),
5 estate administrative expenses including vendor related expenses and California state agency
6 counsel, and (2) legal fees incurred by attorneys outside of state service providing professional
7 services in the development of the rehabilitation plan, the application and court approval of the
8 rehabilitation plan. The Majestic estate's operating expenses incurred in the administration of the
9 estate by the CLO for the period in question include services provided by CLO's personnel that
10 are charged to the estate, together with professional fees for services provided by third party
11 vendors and CLO contractors.

12 During the period from April 21, 2011 through December, 2011, the Majestic estate
13 incurred and paid a total of \$759,192.06 for CLO personnel, CLO contractor expenses, state-
14 employed attorneys' fees for services provided through October 2011, and related travel and
15 expenses. (Wilson Decl., ¶ 26)

16 In addition to CLO Estate Operation Expenses, the Conservator has also incurred third-
17 party vendor related operating expenses for the Majestic conservation ("Majestic Operating
18 Expenses"), which are directly paid from estate assets. These expenses are primarily for Majestic
19 vendors retained by the Conservator specifically for the administration of the Majestic estate. For
20 the relevant period, payments made to the vendors through December 31, 2011 totaled
21 \$2,117,761.93. (Wilson Decl., ¶ 22, and attached Exhibit B.)

22 Based on the above, the general operating and administrative expenses paid by the Majestic
23 estate which the Conservator is seeking approval totals \$2,876,953.99. (Wilson Decl., ¶ 26.)

24 **PROFESSIONAL AND LEGAL FEES AND EXPENSES**

25 **A. Majestic's Conservation and Retention of Outside Legal Counsel**

26 In addition, the Conservator was represented by Orrick in connection with the negotiation,
27 preparation, court approval and closing of the Rehabilitation Plan. Orrick assisted the
28 Commissioner in his examination of Majestic prior to conservation and during conservation on

1 legal matters including (a) identifying and conducting Majestic's continuing business obligations;
2 (b) dealing with employment matters such as rights of termination, contractual severance
3 obligations, retaining key employees for continuing operations, and managing human resources
4 issues; (c) ensuring that litigants with pending lawsuits against the Majestic estate observed this
5 Court's anti-suit injunctions; (d) managing and dealing with Majestic's assets and obligations,
6 including negotiation and termination of leases and executor contracts; (e) assessing the tax
7 implications resulting from Majestic's conservation and rehabilitation, and (f) developing and
8 implementing the Rehabilitation Plan. (See, Wilson Decl. ¶ 3.)

9 To carry out these multiple functions, the Conservator required the assistance and advice of
10 legal counsel. Generally, non-litigation legal services are provided to the Conservator by and/or
11 under the direction of the Commissioner's Department of Insurance attorneys. In addition, the
12 Attorney General's Office provides the litigation services needed by the Conservator. However,
13 to address the aforementioned specialized legal issues, the Conservator required the services of
14 legal counsel with expertise in the areas of insurance, corporate law, real estate, bankruptcy,
15 reinsurance, employment, and taxation, as well as legal counsel in other jurisdictions. (Wilson
16 Decl., ¶ 3.)

17 In this regard, and pursuant to section 1036, the Conservator, through his Special Deputy
18 Insurance Commissioner and the Attorney General's Office, retained outside legal counsel to
19 assist with many specialty areas of law. Members of Orrick have advised the Conservator and his
20 staff on complex legal matters, and have continued to report regularly to the Conservator
21 throughout the conservation proceedings.

22 **B. Fees for Legal Services Provided to the Conservator**

23 Orrick billed the Insurance Commissioner \$200,273.00 for the period of March 2011
24 through April 20, 2011, for legal services which included assisting in the negotiation and
25 development of the Rehabilitation Plan, drafting the various agreements necessary for the
26 implementation of the proposed Rehabilitation Plan, preparing the related pleadings in support of
27 the Rehabilitation Plan, and providing support in preparation for the conservation of Majestic.
28 These fees are part of the examination expenses pursuant to section 736. (Wilson Decl., ¶ 14.)

1 In conjunction with the legal services provided by Orrick to the Conservator in preparing
2 pleadings, appearing in court, negotiating various agreement related to regulatory issues,
3 leaseholds, equipment leases and assisting in the implementation of the Rehabilitation Plan,
4 Orrick billed the Conservator \$441,860.58 for the period of April 21, 2011 through November 30,
5 2011. (Wilson Decl., ¶ 23.)

6 **C. Review and Approval of Legal Services Bills by the Conservator**

7 The CLO has strict guidelines governing the hiring and compensation of private law firms
8 that perform services in conservation and liquidation matters. Those guidelines require, *inter*
9 *alia*, that outside law firms submit monthly bills describing each task performed, the date the task
10 was performed, and the time expended on each task (reported in increments of tenths of an hour).
11 With respect to disbursements, i.e. expenses incurred by the law firms, the CLO requires that
12 invoices contain an itemization of disbursements by category.

13 When the Conservator receives invoices for legal services, his staff carefully reviews the
14 invoices in order to determine whether they comply with the CLO's guidelines, and whether the
15 fees and expenses sought are reasonable, necessary, accurate, and appropriate. Outside law firms
16 are only paid the amounts sought in their invoices after the invoices have been carefully reviewed
17 and approved. The procedures established by the CLO are intended to ensure that no
18 unreasonable or unnecessary fees or expenses are approved and paid. The personnel who review
19 the legal bills have regular contact with the outside attorneys, regularly see the attorneys' work
20 product, and are knowledgeable about the legal work being performed by the law firms. (Wilson
21 Decl., ¶ 24.)

22 The Conservator's staff has reviewed the invoices submitted by Orrick in this application
23 and have approved the amounts sought by Orrick as reasonable, necessary, accurate, appropriate,
24 and in the best interest of Majestic. (Wilson Decl., ¶ 24.)
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CONCLUSION

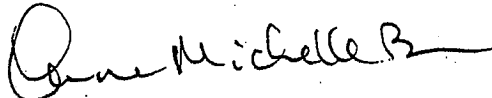
WHEREFORE, the Conservator respectfully requests that the Court issue an Order:

1. Approving the Conservator's payment of the section 736 examination expenses (including Orrick's bill of \$200,273.00) charged for the period of March through April 20, 2011 in the amount of \$357,777.37 as a Class 4 priority expense;
2. Approving the Conservator's payment of general operating and administrative expenses in the total amount of \$2,876,953.99 for services rendered to the Majestic estate during the Rehabilitation Period and paid prior to the end of December 2011;
3. Approving the Conservator's payment of professional fees and expenses to Orrick, Herrington and Sutcliffe, LLP in the amount of \$441,860.58 for legal services provided to the Conservator for the Majestic estate from April 21, 2011 through November 30, 2011; and
4. Authorizing the Conservator to take any and all action necessary to accomplish the purposes of the Order prayed for herein.

Dated: June 28, 2012

Respectfully Submitted,

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JOYCE E. HEE
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13 **DAVE JONES, INSURANCE**
14 **COMMISSIONER OF THE STATE OF**
15 **CALIFORNIA,**

16 Applicant,

17 v.

18 **MAJESTIC INSURANCE COMPANY, and**
19 **DOES 1-50, inclusive,**

20 Respondents.

Case No. CPF-11-511261

**[PROPOSED] ORDER APPROVING
PAYMENT OF CONSERVATOR'S
ADMINISTRATIVE AND
PROFESSIONAL FEES AND
EXAMINATION FEES**

Date: August 10, 2012
Time: 9:30 a.m.
Dept: 302
Judge: Hon. Harold Kahn

21 California Insurance Commissioner Dave Jones ("Conservator"), as Conservator of
22 Majestic Insurance Company ("Majestic"), has applied for an Order approving and ratifying prior
23 payments of (1) pre-conservation examination fees and related expenses in the amount of
24 \$357,777.37 as a Class 4 priority expense; (2) the Conservator's administrative costs and
25 expenses, including vendor payments and state agency attorney fees, in the total amount of
26 \$2,876,953.99, incurred and paid as part of the Majestic conservation and rehabilitation
27 proceeding; and (3) professional service fees in the total amount of \$441,860.58 for legal
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1 services rendered to the Conservator by the law firm of Orrick, Herrington & Sutcliffe LLP
2 ("Orrick") during the time period April 21, 2011 through November 30, 2011 (the "Rehabilitation
3 Period"). The Court having considered the Conservator's Application, the Declaration of David
4 Wilson and the Declaration of Thomas J. Welsh in support of the Conservator's Application, and
5 good cause appearing therefore:

6 IT IS ORDERED that:

7 1. The Conservator's payment of the section 736 examination expenses (including
8 Orrick's bill of \$200,273.00) charged for the period of March through April 20, 2011 in the
9 amount of \$357,777.37 as a Class 4 priority expense is approved;

10 2. The Conservator's payment of general operating and administrative expenses in the
11 total amount of \$2,876,953.99, for services rendered to the Majestic estate during the
12 Rehabilitation Period and paid prior to the end of December 2011 is approved;

13 3. The Conservator's payment of professional fees and expenses to Orrick, Herrington
14 and Sutcliffe, LLP in the amount of \$441,860.58 for legal services provided to the Conservator
15 for the Majestic estate from April 21, 2011 through November 30, 2011 is approved; and

16 4. The Conservator is authorized to take any and all action necessary to accomplish the
17 purposes of the Order prayed for herein.

18
19 Dated: _____, 2012.

20 _____
21 Judge of the Superior Court

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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN FRANCISCO
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13
14 **DAVE JONES, INSURANCE**
15 **COMMISSIONER OF THE STATE OF**
CALIFORNIA,

16 Applicant,

17 v.

18 **MAJESTIC INSURANCE COMPANY, and**
19 **DOES 1-50, inclusive,**

20 Respondents.
21

Case No. CPF-11-511261

**DECLARATION OF DAVID WILSON IN
SUPPORT OF APPLICATION FOR
ORDER APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
AND PROFESSIONAL FEES AND
EXAMINATION FEES**

Date: August 10, 2012
Time: 9:30
Dept: 302
Judge: Hon. Harold Kahn

22 I, David Wilson, declare:

23 1. I am the Chief Executive Officer ("CEO") and Special Deputy Insurance
24 Commissioner of the Conservation & Liquidation Office ("CLO") of the California Department
25 of Insurance ("CDI"). I have held this position since 2005, when I was appointed CEO of the
26 CLO by the California Insurance Commissioner. Prior to the conservation of Majestic Insurance
27 Company ("Majestic") pursuant to Insurance Code section 730, I was appointed Special
28

1 Insurance Examiner to assist the Insurance Commissioner in his examination of Majestic. I am
2 also the court-appointed Deputy Conservator of Majestic.

3 In the foregoing capacities, I am knowledgeable about the financial affairs of Majestic. I
4 make this declaration in support of the Application for Order Approving Payment of
5 Conservator's Administrative and Professional Fees and Examination Fees filed by Insurance
6 Commissioner Dave Jones ("Commissioner"). The following facts are known by me to be true
7 and correct and of my own personal knowledge, except as to those which I have expressed as
8 being based upon my information and belief, and if called upon to testify thereto I would and
9 could competently do so.

10 2. In 2011 the Commissioner determined that Majestic was under severe financial strain,
11 and entered into discussions to develop a Rehabilitation Plan to protect Majestic's shareholders
12 and creditors.

13 3. The Special Examiner and subsequently the Conservator retained the legal services of
14 the Orrick, Herrington & Sutcliffe LLP law firm ("Orrick"), and in particular Thomas Welsh.
15 Orrick and Welsh were hired to provide legal expertise to assist the Special Examiner and the
16 Conservator in devising a rehabilitation plan that would seamlessly transfer all of Majestic's
17 policies and its policyholder claims to a viable A rated insurer, along with sufficient assets so that
18 all of Majestic's policyholders, and their injured workers' claims, would be transferred without
19 limitation. Moreover, Orrick and Welsh were retained to provide legal assistance related to the
20 Rehabilitation Plan, including (a) identifying and conducting Majestic's continuing business
21 obligations; (b) dealing with employment matters such as rights of termination, contractual
22 severance obligations, retaining key employees for continuing operations, and managing human
23 resources issues; (c) ensuring that litigants with pending lawsuits against the Majestic estate
24 observed this Court's anti-suit injunctions; (d) managing and dealing with Majestic's assets and
25 obligations, including negotiation and termination of leases and executor contracts; (e) assessing
26 the tax implications resulting from Majestic's conservation and rehabilitation, and (f) developing
27 and implementing the Rehabilitation Plan.

1 4. The Conservator successfully oversaw and implemented the Rehabilitation Plan for
2 Majestic, and transferred all of Majestic's policies and related claims to the A rated insurer,
3 Technology Insurance Company, an AmTrust affiliate, thereby protecting the interests of
4 Majestic policyholders and its claimants from the adverse consequences of Majestic's insolvency.
5 With the successful transfer of all of Majestic's policies and related claims, Majestic has no
6 policy claims that would otherwise be a class 2 priority claim under Insurance Code section 1033
7 that would have preference over the payment of unpaid expenses due under the provision of
8 Insurance Code section 736.

9 5. As of today's date, there are no known claims for payment pending against Majestic
10 that would have preference by the laws of the United States. The January 31, 2012 bar date for
11 submitting a general creditor's claims has expired and no proof of claim has been submitted that
12 would have preference under the laws of the United States.

13 6. The Majestic estate, as of its March 31, 2012 statutory financial statement, had over
14 \$13 million in assets available to pay all future expenses of administration and still has sufficient
15 assets to pay claims with a Class 4 priority.

16 7. The CLO employees and contractors were used to provide those necessary services
17 requested by the Special Examiner prior to conservation, and subsequently by the Conservator, to
18 oversee the continuing operations of the Majestic estate, close down and transfer Majestic's
19 insurance operations, secure Majestic's financial and policy data, and provide general oversight
20 and other technical and financial support as deemed appropriate for the estate.

21 8. Services provided by the CLO are billed based on a blended hourly rate for the hours
22 that each employee provided services to the Special Examiner and subsequently to the Majestic
23 estate. The blended hourly rate is calculated as follows: total CLO employees personnel expenses
24 for a given month are divided by the total number of employee labor hours worked plus CLO
25 monthly facility expenses divided by the total number of labor hours for CLO employees and
26 CLO contractors using CLO facilities for a given month to arrive at hourly rate that is charged to
27 the Majestic estate for CLO employees providing services to the Majestic estate. Facility
28 expenses are non-estate specific expenses and include office supplies, rent, utilities and other

1 occupancy expenses. Attached hereto as Exhibit "A" is the spreadsheet calculating the CLO
2 hourly rate charged to the Majestic estate for the months of March through October 2011.

3 9. In addition to the hourly charges for CLO personnel provided services, the Majestic
4 estate is also billed by the CLO for any travel and travel-related expenses incurred by CLO
5 personnel, as well as any direct expenses such as postage and delivery.

6 10. The CLO contractor-provided services to the Special Examiner and the Majestic
7 estate, along with related travel and expenses, are paid by the CLO and charged to the Majestic
8 estate at the hourly rate agreed to by the contractor. INS Consultant and Ed Farnworth are the
9 only CLO contractors that provided services for the period of March 2011 through October 31,
10 2011.

11 11. The Conservator has been represented by the California Attorney General, as the lead
12 litigation counsel on the commencement of the conservation proceeding and the approval of the
13 Rehabilitation Plan. In addition, the Conservator receives legal services for non-litigation related
14 matters from the Commissioner's Legal Division of the California Department of Insurance.
15 Both the Commissioner's attorneys and the Attorney General's Office bill the estate for legal
16 services provided to the Majestic estate at an hourly rate set by the state agencies. The expense of
17 these state-employed attorneys is not required to be separately approved pursuant to Insurance
18 Code section 1036. These expenses are paid by the CLO and billed to the Majestic estate on a
19 monthly basis.

20 12. For the month of March 2011, the total amount billed by the CLO for services
21 provided in conjunction with Insurance Commissioner's examination of Majestic and paid by the
22 Majestic estate total \$71,808.29. The services provided during the month of March included
23 meeting with AmTrust representatives to discuss and develop a viable rehabilitation plan that
24 would transfer all of Majestic's policies and policy obligations to an AmTrust insurance affiliate
25 and thereby allow for the policies to remain in full force once Majestic was conserved.

26 13. For the period of April 1 through April 20, 2011, the total amount billed by the CLO
27 for services provided in conjunction with Insurance Commissioner's examination of Majestic and
28 paid by the Majestic estate total \$85,696.08. The services provided included finalizing the

1 rehabilitation plan and preparing for the conservation of Majestic. As noted previously, the
2 billing encompasses payment to the CLO for services provided by CLO employees, the CLO's
3 contractor INS Consultant, legal services provided by California state employees together with
4 related travel and expenses, as well as any postage and delivery charges.

5 14. Orrick billed the Insurance Commissioner \$200,273.00 for the period of March 2011
6 through April 20, 2011, for legal services which included assisting in the negotiation and
7 development of the Rehabilitation Plan, drafting the various agreements necessary for the
8 implementation of the proposed Rehabilitation Plan, preparing the related pleadings in support of
9 the Rehabilitation Plan, and providing support in preparation for the conservation of Majestic.
10 These fees are part of the examination expenses pursuant to Insurance Code section 736.

11 15. From April 21, 2011, the date of entry of the conservation order through the end of
12 April 2011, the total amount billed by the CLO for services provided and paid by the Majestic
13 estate total \$73,644.80. Upon entry of this Court's order of conservation, the services provided
14 during this time period included taking over responsibility for the oversight and operation of
15 Majestic as Conservator of the Majestic estate. As noted previously, the billing encompasses
16 payment to the CLO for services provided by CLO employees, the CLO's contractor INS
17 Consultant, legal services provided by California state employees together with related travel and
18 expenses, as well as any postage and delivery charges.

19 16. For the period ending May 2011, the total amount billed by the CLO for services
20 provided and paid by the Majestic estate total \$160,448.83. In addition to general oversight of the
21 Majestic estate and its insurance operations, the services provided during the month of May
22 included extensive work related to gathering the necessary data in conjunction with and arranging
23 for the sale of Majestic's insurance operations, due diligence related thereto, and negotiating and
24 drafting of the necessary agreements for the transfer of Majestic policies and claims to AmTrust's
25 insurance affiliates. The CLO billing to the Majestic estate encompasses payment to the CLO for
26 services provided by CLO employees, the CLO's contractor INS Consultant, legal services
27 provided by California state employees together with related travel and expenses, as well as any
28 postage and delivery charges.

1 17. For the period ending June 2011, the total amount billed by the CLO for services
2 provided and paid by the Majestic estate total \$157,814.24. In addition to providing continued
3 oversight of the Majestic estate and its insurance operations, the services provided during the
4 month of June included securing the necessary regulatory approval for the proposed transfer of all
5 of Majestic's insurance operations, and truing up of the policies, claims and assets that would be
6 transferred to AmTrust's insurance affiliates. The CLO billing encompasses payment to the CLO
7 for services provided by CLO employees, the CLO's contractor INS Consultant, legal services
8 provided by California state employees together with related travel and expenses, as well as any
9 postage and delivery charges.

10 18. For the period ending July 2011, the total amount billed by the CLO for services
11 provided and paid by the Majestic estate total \$129,065.40. In addition to providing continued
12 oversight of the Majestic estate and its insurance operations prior to its transfer to AmTrust's
13 insurance affiliates, services provided during the month of July included finalizing and closing
14 the AmTrust transaction whereby all of Majestic insurance operations, including its policies,
15 claims, facilities and identified assets along with associated obligations, were transferred to
16 AmTrust's insurance affiliates. The billing encompasses payment to the CLO for services
17 provided by CLO employees, the CLO's contractor INS Consultant, legal services provided by
18 California state employees together with related travel and expenses, as well as any postage and
19 delivery charges.

20 19. For the period ending August 2011, the total amount billed by the CLO for services
21 provided and paid by the Majestic estate total \$77,814.95. In addition to providing continued
22 oversight over the Majestic estate, services provided included all necessary post-closing activities
23 related to the completed AmTrust transaction. The billing encompasses payment to the CLO for
24 services provided by CLO employees, the CLO's contractor INS Consultant, legal services
25 provided by California state employees together with related travel and expenses, as well as any
26 postage and delivery charges.

27 20. For the period ending September 2011, the total amount billed by the CLO for
28 services provided and paid by the Majestic estate total \$82,688.46. In addition to providing

1 continued oversight over the Majestic estate, services provided included all necessary post-
2 closing activities related to the completed AmTrust transaction. The billing encompasses
3 payment to the CLO for services provided by CLO employees, the CLO's contractor INS
4 Consultant, legal services provided by California state employees together with related travel and
5 expenses, as well as any postage and delivery charges.

6 21. For the period ending October 2011, the total amount billed by the CLO for services
7 provided and paid by the Majestic estate total \$77,715.38. In addition to providing continued
8 oversight over the Majestic estate, services provided included implementing the Proof of Claim
9 process to determine and review all potential claims against the Majestic estate. The billing
10 encompasses payment to the CLO for services provided by CLO employees, the CLO's
11 contractor INS Consultant, legal services provided by California state employees together with
12 related travel and expenses, as well as any postage and delivery charges.

13 22. The Conservator was required to pay various third party vendors that provided
14 professional or technical services, including accounting services, computer and software services,
15 placement services and legal services related to pending lawsuits, for the period of April through
16 December 31, 2011. Before payments were made, it was determined that the payments were
17 necessary for successfully implementing the Rehabilitation Plan, as well as maintaining the books
18 and records, computer servers, placement services and other vendor provided services needed for
19 the estate's operations. Payments to third party vendors totaling \$2,117,761.93 were made
20 directly from the Majestic accounts for services provided and listed by category. Attached hereto
21 as Exhibit B is the list of third party vendors that provided services to the Conservator during the
22 referenced time period during which the Rehabilitation Plan was drafted, submitted to the Court
23 for approval and implemented, and the amounts paid.

24 23. In conjunction with the legal services provided by Orrick to the Conservator in
25 preparing pleadings, appearing in court, negotiating various agreement related to regulatory
26 issues, leaseholds, equipment leases and assisting in the implementation of the Rehabilitation
27 Plan, Orrick billed the Conservator \$441,860.58 for the period of April 21, 2011 through
28 November 30, 2011.

1 24. Before authorizing payment for the services provide by Orrick, I or my staff reviewed
2 the billings for its reasonableness and to confirm that the services provided were within the scope
3 of the legal services requested. Based on my or my staff's review, the legal fees and expenses
4 incurred and charged were determined to be reasonable and related to the legal services provided.
5 After determining that the billings for legal services provided were reasonable and within the
6 scope of engagement, I authorized payment of the full amount billed and request the Court to
7 approve payment thereof. Payment was made directly from the Majestic accounts.

8 25. As noted in paragraph 4, with the successful transfer of all of Majestic's policies,
9 there are no Insurance Code section 1033(a)(2) claims. As of today's date, no claims having
10 preference under the laws of the United States have been submitted to the Conservator for the
11 Majestic estate, nor am I aware in my capacity as the court-appointed Deputy Conservator of
12 Majestic of any potential section 1033(a)(3) claim having preference under the laws of the United
13 States that would require payment prior to the payment of expenses under Insurance Code section
14 1033(a)(4) for unpaid charges due under the provisions of Insurance Code section 736.

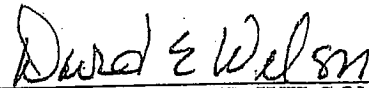
15 26. This application seeks approval of the payments for section 736 examination
16 expenses charged for the period of March through April 20, 2011 in the amount of \$357,777.37 as
17 a Class 4 priority expense (see ¶¶ 12, 13 & 14); for administrative expenses totaling
18 \$2,876,953.99, which include the Conservator's services from the date of conservation through
19 October 31, 2011 in the amount of \$759,192.06 (see ¶¶ 15-21) and the payment of \$2,117,761.93
20 to the various third-party vendors that provided services to the Majestic estate (see ¶ 22); and for
21 attorneys' fees billed by and paid to the Orrick, Herrington and Sutcliffe law firm from April 21,
22 2011 in the amount of \$441,860.58 (see ¶ 23). The administrative expenses, Insurance Code
23 section 1036 legal expenses related to the Majestic Rehabilitation Plan and section 736
24 examination expenses for which the Conservator seeks court approval total \$3,676,591.94.

25 27. The Conservator's Application for Order Approving Payment of Conservator's
26 Administrative and Professional Fees does not include other operating expenses paid by the
27
28

1 Majestic estate for payroll, employee severance, rent, utilities and other ongoing operational
2 expenses that were incurred and paid by the estate for the April through December 31, 2011 time
3 period.

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

6 Executed this 27 day of June, 2012.

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8 DAVID E. WILSON
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Conservation Liquidation Office 2011 Rates

	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Department Expenses								
11-Executive	\$140,274	\$138,280	\$140,605	\$138,973	\$130,405	\$131,809	\$159,639	\$160,417
21-ETB	70,492	75,680	74,509	69,387	65,343	66,868	69,852	49,764
31-IT	154,878	175,475	140,083	152,658	131,751	134,609	162,412	144,103
32-ACTNG	107,316	120,165	107,981	110,251	108,229	114,451	112,797	108,467
33- REINS	77,350	75,397	74,726	70,224	72,145	74,849	79,342	70,593
41- ADM.	29,003	29,158	27,990	26,336	27,025	27,679	30,269	28,996
42- Claims	55,896	57,474	59,038	55,792	55,498	59,308	60,490	58,074
43- HR	3,369	(570)	326	2,607	827	5,001	2,832	6,023

Total Dept Expenses	\$638,578	\$671,059	\$625,258	\$626,228	\$591,224	\$614,576	\$677,632	\$626,437
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Facilities Expenses	\$121,698	\$138,484	\$122,767	\$129,916	\$128,162	\$137,130	\$129,895	\$121,433
Total Expenses	\$760,275	\$809,544	\$748,025	\$756,145	\$719,386	\$751,706	\$807,527	\$747,870

Month	Total Dept Exp	Total Dir. Hrs	Facility Exp	Contractor Hrs	Total Exp	Dir + Cont Hrs	Hrly Rate
Mar-11	\$638,578	5,296.76	\$121,698	253.50	\$760,275	5,550.26	\$ 142.49
Apr-11	\$671,059	4,858.50	\$138,484	30.00	\$809,544	4,888.50	\$ 166.45
May-11	\$625,258	5,305.75	\$122,767	38.75	\$748,025	5,344.50	\$ 140.82
Jun-11	\$626,228	5,299.68	\$129,916	2.00	\$756,145	5,301.68	\$ 142.67
Jul-11	\$591,224	5,045.00	\$128,162	26.50	\$719,386	5,071.50	\$ 142.46
Aug-11	\$614,576	5,494.51	\$137,130	31.75	\$751,706	5,526.26	\$ 136.67
Sep-11	\$677,632	4,909.51	\$129,895	85.75	\$807,527	4,995.26	\$ 164.03
Oct-11	\$626,437	4,712.50	\$121,433	10.50	\$747,870	4,723.00	\$ 158.64

Exhibit A

Majestic's Vendor Related Operating Expenses

Computer Related Vendor Expenses

Ampa Advisors, LLC	\$ 36,231.86
Millbrook Inc.	39,800.00
Outline Systems, Inc.	36,724.00
Senturus, Inc.	40,724.16
Stone River	329,740.31
XTIUM LLC	979,610.50

Accounting Services

Crown Business Solutions	71,089.41
D'Arcangelo & Co.	20,000.00
David Piper	84,663.17
Morrison Insurance Services	41,866.00
Overland Solutions	44,772.75
The McCain Group	12,632.50
World Wide Claims Management Services	26,137.50

Claims Administration

Cannon Cochran Management Services	25,000.00
John Mullen & Co., Inc.	2,029.60
Llorente Investigation, Inc.	95,473.55
Northern Adjuster	3,175.05
USIS	826.91

Temporary Staffing

Essential Staffing	43,249.00
Insurance Staffing, Inc.	8,118.34
Manpower, Inc. of New York	62,639.17
William F. Flynn & Associates	29,215.50
RemX Specialty Staffing	2,304.00

Legal Fees for Pending Litigation

Farber Brocks and Zane	13,715.69
Foley, Smit, O'Boyle & Weisman	390.00
George Ballard Company	163.44
Gibson & Beyman	337.50
Goldberg Segalla, LLP	11,167.50
Hogan Lovells US	9,284.61
Knutson, Compton and Associates	560.00
Law Offices of Andre Hassid & Associates	5,760.50
Law Offices of Daniel J. Spielfogel	192.50
Liffey Thames Group, LLC	5,326.70
McCabe & Mack LLP	5,000.00
Michelman & Robinson LLP	9,964.50
Mintzer Sarowitz Zeris Ledva & Meyers	636.50
SNR Denton LLP	3,189.75
Weiss, Wexler & Wornow	377.50

Placement Services

Inspire Careers	750.00
Right Management Inc.	5,725.00

Miscellaneous

Association Outsource Services	550.00
Malleolo Administrators	1,939.46
Norwood & Associates	6,007.50
Van Dinter & Associates	700.00
	<u>\$2,117,761.93</u>

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Supervising Deputy Attorney General
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6 Fax: (415) 703-5480
E-mail: AnneMichelle.Burr@doj.ca.gov
7 Attorneys for Applicant Dave Jones, Insurance
Commissioner of the State of California
8

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN FRANCISCO
11
12

13 **DAVE JONES, INSURANCE**
14 **COMMISSIONER OF THE STATE OF**
15 **CALIFORNIA,**

Applicant,

16 v.
17

18 **MAJESTIC INSURANCE COMPANY, and**
19 **DOES 1-50, inclusive,**

20 Respondents.
21
22

Case No. CPF-11-511261

**DECLARATION OF THOMAS WELSH
IN SUPPORT OF ORDER APPROVING
PAYMENT OF CONSERVATOR'S
ADMINISTRATIVE AND
PROFESSIONAL FEES AND
EXAMINATION FEES**

Date: August 10, 2012
Time: 9:30
Dept: 302
Judge: Hon. Harold Kahn

23 I, Thomas J. Welsh, declare:

24 1. I am a partner with the law firm of Orrick, Herrington & Sutcliffe LLP ("Orrick"),
25 and counsel to California Insurance Commissioner Dave Jones, in his capacity as conservator of
26 Majestic Insurance Company ("Majestic") in the above captioned action. I am a member of the
27 State Bar of California, and I am admitted to practice before the courts of the State of California.
28

1 I have personal knowledge of the facts contained in this declaration and, if called as a witness,
2 would testify to the facts contained herein.

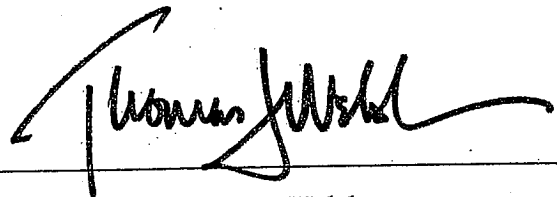
3 2. The Commissioner's statutorily appointed Special Insurance Examiner of Majestic,
4 David E. Wilson, initially retained Orrick effective March 1, 2011, to advise him in connection
5 with certain administrative and legal matters related to the potential conservation and
6 rehabilitation of Majestic. On April 21, 2011, the date on which the Commissioner was formally
7 appointed by the Court as statutory conservator of Majestic ("Conservator"), Orrick was retained
8 as counsel to the Conservator to assist in the formulation, approval and implementation of a
9 comprehensive plan of rehabilitation and wind-up for Majestic.

10 3. Attached hereto as Exhibit A is an accurate summary of the legal services performed
11 by Orrick, including aggregate legal service hours and aggregate attorneys' fees incurred by the
12 SIE for legal services from March 1, 2011 through and including April 20, 2011. Exhibit A also
13 includes a summary of the reimbursable expenses incurred by Orrick during this period.

14 4. Attached hereto as Exhibit B is an accurate summary of the legal services performed
15 by Orrick, including aggregate legal service hours and aggregate attorneys' fees incurred by the
16 Conservator for legal services from April 21, 2011 through and including November 30, 2011
17 (legal services for December 2011 were not invoiced or paid until January 2012). Exhibit B also
18 includes a summary of the reimbursable expenses incurred by Orrick during this period.

19 Executed this 25th day of June, 2012, at Sacramento, California.

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



Thomas J. Welsh

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EXHIBIT A



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner's Special Deputy Examiner of
Majestic Insurance Company
(March 2011 – April 20, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
March 2011	133.50	\$63,014.90	<p>Advice and services to Special Deputy Examiner related to:</p> <ul style="list-style-type: none">• Possible conservation and rehabilitation of Majestic Insurance Company, including negotiation and preparation of agreements relating to conservation and Rehabilitation Plan.• Negotiations, and drafting of proposed agreements with AmTrust North America relating to Rehabilitation Plan.• Negotiations and communications with Majestic Insurance Company's parent companies, including Insurance Holding Company System Regulatory Act compliance issues.• Majestic's financial condition and solvency issues, including AM Best notice of downgrade following press release.• Financing and banking relationships of Majestic with Comerica Bank, including Standby Letters of Credit, draws on letters of credit based on alleged events of default.• Financing term sheets; pro forma balance sheets.• AmTrust (Technology Insurance Company) business plan filing relating to Majestic asset acquisition under Rehabilitation Plan.• Disputes with equipment lessor, Marquette.• Tax advice, including potential for preservation and utilization of NOLs.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner's Special Deputy Examiner of
Majestic Insurance Company
(March 2011 – April 20, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
April 2012 (up to the April 21, 2011 Order Appointing Conservator)	286.20	\$137,258.10	<p>Advice and services to Special Deputy Examiner related to:</p> <ul style="list-style-type: none">• Conservation and rehabilitation of Majestic Insurance Company, including negotiation and preparation of agreements relating to conservation and Rehabilitation Plan,• Preparation of Ex Parte Application, Motion for Rehabilitation, Memorandum of Points and Authorities and all accompanying paperwork, including declarations of R. Dahlquist, B. Zyskind, A. Bottalico, D. Wilson and exhibits thereto.• Employee provisions and assessment of potential liability, including WARN Act under federal, California and NY law, severance issues, and employee HIPPA privacy issues.• Negotiations and drafting of proposed agreements with AmTrust North America relating to Rehabilitation Plan, AmTrust's request for Transitional Services through Poughkeepsie NY, and diligence issues.• Majestic's financial condition and solvency issues.• Financing term sheets; pro forma balance sheets, reserves and structure of LPT;• AmTrust (Technology Insurance Company) business plan filing relating to Majestic asset acquisition under Rehabilitation Plan.• Disputes and default letter from equipment lessor, Marquette.

EXHIBIT B



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
April 2012 (From and after April 21, 2011 <i>Order Appointing Conservator</i>)	86.30	\$43,739.49	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> • Preparation of pleadings, filing and attendance at Conservation hearing, obtain certified copies of Conservation Orders. • Preparation of pleadings, filing of Motion for Rehabilitation Plan, and related pleadings. • Preparation of booklet of all relevant pleadings and agreements for distribution to all interested parties. • Coordination of activities with Majestic USA Capital (parent company) bankruptcy case. • Negotiation with landlord at parent company's leasehold in Poughkeepsie, New York, regarding (i) separate, short term lease agreement, and (ii) telecom equipment at leasehold. • Attend to closing requirements and Closing Memorandum. • Winding up and transitioning of Comerica Bank banking relationship. • Negotiations and agreements with ancillary regulators in NY, OR, AZ, NV, and with US Dept. of Labor regarding plans for assignment and transfer of Statutory Workers' Compensation Insurance Deposits from Majestic to AmTrust insurance company affiliate at closing. • Negotiations with AmTrust North America relating to Rehabilitation Plan. • Employment, staffing, severance and WARN Act issues, including drafting and review of New York and California separation agreements.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
May 2011	322.65	\$149,637.52	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none">• Rehabilitation Plan implementation issues.• Parent company's bankruptcy case issues, including treatment of joint employees' paid time off (PTO), severance and other compensation under Bankruptcy Code, and including legal opinion letter regarding treatment of "grandfathered sick leave" issue.• Resolution of Wells Fargo checking account freeze and resulting dishonored Majestic checks based on error in Parent Company's bankruptcy petition.• Eligibility of Bermuda holding company to be debtor in U.S. chapter 11 case.• Submission to NY Insurance Department re anticipated assignment of statutory deposit under Rehabilitation Plan.• AmTrust North America issues re NCCI reinsurance pool collateral, and scope of Technology Insurance Company's assumption under LPT Reinsurance Agreement, and AmTrust's settlement proposal to NY Workers' Compensation Board.• Employment law issues, including draft of Employee Separation & Release Agreement for employees transferring to AmTrust under Plan.• <i>Tanner v. Majestic</i> issues (one of CA self-insured trust cases against Majestic).• Notification letters to insurance agencies in states where Majestic has Certificate of Authority.• Letters to State and Federal Regulators re release of workers' compensation deposits per Plan.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
May 2011 (continued)			<ul style="list-style-type: none">• Negotiations with Hannover Re.• Implications of automatic stay on lease negotiations, and negotiations with Poughkeepsie, NY landlord (Oakwood).• Data issues (e-mail and Xtium contract).• Agreement with equipment lessor, Marquette.• Negotiations and preparation of Ex Parte Application For Order Shortening Time and related pleadings re Oakwood (Landlord) Memorandum of Understanding.• Assignment of insuring reinsurance agreements under Rehabilitation Plan.• E&Y Retention Letter.• Negotiations with New York Workers' Compensation Board (WCB), including potential settlement and attempts to resolve WCB's opposition to proposed Rehabilitation Plan.• WCB objection to Rehabilitation Plan, and research and preparation of responsive pleadings, including supporting declarations and evidentiary presentation.• Communications strategy relating to benefits of Rehabilitation Plan and WCB opposition.• Communications with NY Governor's Office re NY's participation in Rehabilitation Plan, and contingent preparations for Amended Rehabilitation Plan to carve out NY claimants.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
June 2011	307.90	\$145,371.02	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none">• Rehabilitation Plan implementation issues, including preparation of proposed Order Approving Rehabilitation Plan and notice thereof.• Review of tentative ruling and attendance at hearing on Motion to Approve Rehabilitation Plan; Preparation and service of Notice of Entry of Order Approving Rehabilitation Plan.• Attend to closing checklist and closing items, including all hands meetings to facilitate closing of Rehabilitation Plan Transactions.• Employment law issues, including form of agreement and release for Majestic employees retained by AmTrust, and review and revise separation agreements, Older Workers Benefit Protection Act disclosure documentation, and development of strategy for ADEA data to be provided to applicable employees.• Communications with NY Governor and regulators re NY's participation in Rehabilitation Plan.• Review letter from Roxborough Pomerance firm re complaint relating to retrospectively rated Majestic policy.• Reinsurance assignments under Plan.• Data issues and Xtium Contract, including preparation of Confidentiality Agreement for data transfer issues.• Rehabilitation Plan closing documents, including form of Novation Agreement, and related reinsurance accounting issues, and timing of "top up" deposits.

ORRICK

**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
June, 2011 (continued)			<ul style="list-style-type: none">• Motion to approve Oakwood lease Memorandum of Understanding and term sheet, including motion to shorten time.• Termination of Fronting Agreement.• Confidentiality Agreement with AmTrust and Debtors.• Preparation and review of Preliminary Closing Statement.• Letters to various states Departments of Insurance re pending transfer of Statutory Deposits upon closing; closing notices to State Departments of Insurance requesting release or assignment of Statutory Deposits.• Transfer to AmTrust of various items of policyholder/debtor collateral under Rehabilitation Plan, and related UCC provisions.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
July 2011	121.20	\$58,832.10	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none">• Plan implementation and closing issues, and development of post-closing process, including preparation of closing sets.• Various issues related to parent company bankruptcy, and approval of bankruptcy order re Oakwood.• Motions for approval of Oakwood and Xtium term sheets and hearings thereon.• Communications materials regarding Rehabilitation Plan closing and implementation.• Creditors' committee issues and investigation regarding Xtium agreement.• Actuarial studies and NCCI collateral and Loss Reserve studies.• Cash collateral assignment agreement.• Report to Court re Closing of Rehab Plan Transactions and Application to Approve Administrative Expenses.• Employment issues, including release and severance issues, and 401(k) partial plan termination issue.• Presentation to CLO Oversight Board regarding Plan development, approval and implementation.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
August 2011	74.50	\$35,117.70	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none">• Post-closing and estate administration issues, and plan for transition of Orrick post-closing work to Department of Insurance Staff Counsel and Attorney General's Office to preserve residual estate assets.• Review of final form of Order approving Oakwood deal, and diligence items related thereto.• Employment issues, including 401(k) plan Adoption Agreement, SPD, vesting spreadsheet and partial termination analysis issues, severance agreement for Senior Officer.• ERISA preemption issues re partial plan termination vesting issue.• Bankruptcy of parent issues, including communications with Debtors' and Creditors' Committees.• Xtium Term Sheet issues.• Preparation of draft Motion for Approval of Administrative Costs and Professional Fees, and related pleadings.• Claims of former employee (P.B.).• Preparation of draft Motion to Set Claims Bar Date, and related pleadings.• Marquette draws on letters of credit and claims against Marquette to recover wind-fall profit.• Attend CLO Oversight Board Meeting and provide presentation to Board re Rehabilitation Plan development and implementation.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
September 2011	11.20	\$5,160.75	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Post-closing and estate administration issues, and continued transition of post-closing work to Staff Counsel and Attorney General's Office.• Employment issues, including 401(k) plan partial termination and vesting issues, Senior Officer separation agreement issues, and employee previously on workers' compensation leave of absence.• Motion for Relief from Stay.• AmTrust True-up (Post-Closing) Report.• Preparation of Acknowledgement of Final Report, and review of LPT Agreement.• Final form of POC Bar Date Order.
October 2011	1.30	\$598.00	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Post-closing and estate administration issues, and transition process.• True-up process under LPT.• Potential use of liquidating trust feature of Plan.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(April 21, 2011 – November 30, 2011)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
November 2011	7.40	\$3,404.00	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Post-closing and estate administration issues, and transition issues.• Motion in Bankruptcy Court by former Senior Officer.• CAP litigation against Majestic.• Notice of Termination of Health Care Plan, and COBRA requirements.• Claims against Marquette (equipment lessor).

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8 *Commissioner of the State of California in his*
9 *Capacity as Conservator of Majestic Insurance*
10 *Company*

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF SAN FRANCISCO

13
14 **DAVE JONES, INSURANCE**
15 **COMMISSIONER OF THE STATE OF**
16 **CALIFORNIA,**

17 Applicant,

18 v.

19 **MAJESTIC INSURANCE COMPANY, and**
20 **DOES 1-50, inclusive,**

21 Respondents.
22
23
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25
26
27
28

Case No. CPF-11-511261

PROOF OF SERVICE

Date: August 10, 2012
Time: 9:30 a.m.
Dept: 302
Judge: Hon. Harold Kahn

DECLARATION OF SERVICE

Case Name: **Insurance Commissioner v. Majestic Insurance Company**
No.: **CPF-11-511261**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter; my business address is: 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On June 28, 2012, I served the attached:

1. NOTICE OF HEARING ON APPLICATION FOR ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE AND PROFESSIONAL FEES AND EXAMINATION FEES;

2. APPLICATION FOR ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE AND PROFESSIONAL FEES AND EXAMINATION FEES;

3. DECLARATION OF DAVID WILSON IN SUPPORT OF APPLICATION FOR ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE AND PROFESSIONAL FEES AND EXAMINATION FEES;

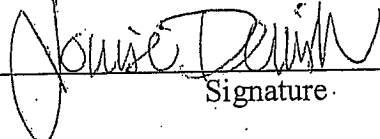
4. DECLARATION OF THOMAS WELSH IN SUPPORT OF ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE AND PROFESSIONAL FEES AND EXAMINATION FEES; and

5. [PROPOSED] ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE AND PROFESSIONAL FEES AND EXAMINATION FEES

by placing a true copy thereof enclosed in a sealed envelope in the internal mail collection system at the Office of the Attorney General at 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004, addressed as follows: SEE ATTACHED LIST

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on June 28, 2012, at San Francisco, California.

Louise Denish
Declarant


Signature

SERVICE LIST

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