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15
16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
17 **FOR THE COUNTY OF LOS ANGELES**

18 INSURANCE COMMISSIONER OF THE
19 STATE OF CALIFORNIA,

20 Applicant,

21 v.

22 GOLDEN STATE MUTUAL LIFE
INSURANCE COMPANY, a California
23 corporation,

24 Respondent.

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

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
APPLICATION TO APPROVE
CONSERVATION AND LIQUIDATION
EXPENSES; AND DECLARATIONS OF
SCOTT PEARCE AND MICHAEL R.
WEISS IN SUPPORT THEREOF**

[Filed concurrently with Notice of Application,
Proposed Order and Proof of Service]

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1 **I. INTRODUCTION.**

2 This application seeks approval of the Conservator's and Liquidator's¹ expenses for the
 3 twenty-seven month period from September 30, 2009 through December 31, 2011. The expenses
 4 incurred by the Conservator and Liquidator for which approval is requested are the following:

5	1.	Commissioner's CLO:	\$1,586,348.91
6	2.	INS Consultants:	\$ 290,277.01
7	3.	Todd Donovan:	\$ 234,816.00
8	4.	Manhattan Group:	\$ 496,086.28
9	5.	Epstein Turner Weiss:	\$ 912,053.30
10	6.	Wisener Nunnally Gold:	\$ 57,019.94
11	7.	Larson & Rosenberger:	\$ 209,805.01
12	8.	Kane Corporation:	\$ 313,292.19
13	9.	Bryan, Pendleton:	\$ 53,136.00
14	10.	Ultimate Staffing:	\$ 46,189.56
15	11.	Lewis & Ellis:	\$ 16,499.15
16	12.	Aloria Character:	\$ 31,473.44
17	13.	Cooke's Crating:	\$ 6,740.47
18	14.	ART Movers:	\$ 10,198.71
19	15.	Joshua Solomon	\$ 69,255.10

20 The above-described fees and expenses were necessary for the conservation and
 21 liquidation of Golden State, are within the Conservator's and Liquidator's broad discretion, and
 22 are reasonable for the services performed. A separate application will be filed in the future for
 23 approval of the Liquidator's expenses from January 1, 2012 through the conclusion of Golden
 24 State's liquidation.

25 _____
 26
 27 ¹ "Conservator" is the Insurance Commissioner of the State of California in his official statutory
 28 capacity as Conservator of Golden State Mutual Life Insurance Company ("Golden State"), and
 "Liquidator" is the Insurance Commissioner of the State of California in his official statutory
 capacity as Liquidator of Golden State.

1 **II. BACKGROUND.**

2 Golden State was a mutual life insurance company domiciled and existing under the laws
3 of the State of California. From 1949 through December 31, 2010, Golden State’s principal place
4 of business and home office was located at 1999 West Adams Boulevard in Los Angeles,
5 California 90018. Golden State was authorized to transact the business of life, health and
6 disability insurance and annuities, and as of September 30, 2009, had in force approximately
7 120,000 life, health and disability insurance policies and annuity contracts. Golden State’s
8 business focus had been to provide protection insurance products to the minority middle income
9 marketplace with a geographic emphasis in California, Texas, North Carolina, Michigan and
10 Illinois. (Declaration of Scott Pearce (“Pearce Dec.”), ¶ 6.)

11 On September 30, 2009, Los Angeles Superior Court Judge David P. Yaffe appointed the
12 Insurance Commissioner to serve as Conservator of Golden State and issued an Order Appointing
13 Conservator and Restraining Order (“Order Appointing Conservator”). The Order Appointing
14 Conservator, among other things, vested title of Golden State’s assets in the Conservator, directed
15 the Conservator to take possession of Golden State’s assets, books and records, directed the
16 Conservator to conduct the business of Golden State or so much thereof as he may deem
17 appropriate, and provided the Conservator with broad discretion and certain powers and
18 authorities set forth in the Order and pursuant to the Insurance Code. (Pearce Dec., ¶ 7, and
19 Exhibit 1.)

20 Sixteen months later, on January 28, 2011, this Court terminated the Insurance
21 Commissioner’s status as Golden State’s Conservator, appointed the Insurance Commissioner to
22 serve as Golden State’s Liquidator, and issued an Order Appointing Liquidator and Injunction in
23 Aid of Liquidation (“Order Appointing Liquidator”). The Order Appointing Liquidator, among
24 other things, placed Golden State into liquidation, directs the Liquidator to liquidate and wind up
25 the business of Golden State, and also provided the Liquidator with broad discretion and certain
26 powers and authorities set forth in the Order and pursuant to the Insurance Code. (Pearce Dec., ¶
27 8, and Exhibit 2.)

1 To carry out the Conservator's and Liquidator's duties and to manage the day-to-day
 2 operations of Golden State, pursuant to his authorities and his broad discretion under Insurance
 3 Code §§ 1035, 1036 and 1037, the Conservator and the Liquidator used the services of the
 4 Insurance Commissioner's Conservation & Liquidation Office ("CLO") and Golden State's
 5 retained employees, and hired specialized vendors, contractors and consultants including
 6 managerial personnel, accountants, actuaries, attorneys and others. Financial auditing and
 7 actuarial evaluations and reports were provided by private accountants and actuaries. Non-
 8 litigation legal services were provided by the Conservation & Liquidation Bureau ("CLB") of the
 9 Insurance Commissioner's Legal Division. The Office of the Attorney General was the
 10 Conservator's, and now Liquidator's, primary litigation counsel. Both sets of attorneys were and
 11 continue to be supplemented by private counsel with expertise in specialized areas of the law
 12 including insurance conservation and liquidation, rehabilitation, reinsurance, policy termination,
 13 asset liquidation, employment termination and real estate. (Pearce Dec., ¶ 9.)

14 **III. SUMMARY OF SIGNIFICANT ACTIONS TAKEN BY THE CONSERVATOR**
 15 **AND THE LIQUIDATOR DURING THE PERIOD SEPTEMBER 30, 2009**
 16 **THROUGH DECEMBER 31, 2011.**

17 During the twenty-seven month period September 30, 2009 through December 31, 2011,
 18 the Conservator and Liquidator undertook the following significant and time intensive actions
 19 concerning Golden State and its operations. In addition, as part of the Conservator's and
 20 Liquidator's day-to-day operation of Golden State, the Conservator and Liquidator undertook
 21 many other actions in furtherance of Golden State's conservation and now liquidation. (Pearce
 22 Dec., ¶ 10.)

23 1. Starting on September 30, 2009, the Conservator's staff took control of all aspects
 24 of Golden State and its operations, including without limitation all of Golden State's day-to-day
 25 operations, which included Golden State's over 100 employees, Golden State's 86 captive
 26 insurance and annuity agents, Golden State's bank and financial accounts, and Golden State's
 27 operations at its home office building located at 1999 West Adams Boulevard in Los Angeles and
 28 operations at its district and satellite offices and office buildings located in (1) Oakland,

1 California; (2) Vallejo, California; (3) Chicago, Illinois; (4) Dallas, Texas; (5) Tyler, Texas; (6)
2 Beaumont, Texas; (7) Houston, Texas; (8) Detroit, Michigan; (9) Charlotte, North Carolina; (10)
3 Winston-Salem, North Carolina; and (11) Rocky Mount, North Carolina. (Pearce Dec., ¶ 11.)

4 2. The Conservator's staff took control of and actively maintained Golden State's
5 approximately 120,000 in-force life, health and disability insurance policies and annuity
6 contracts, having a premium volume of approximately \$10 million, and continued to provide
7 policy and annuity benefits and services. Maintaining Golden State's in-force policies and
8 annuity contracts was essential to maximize Golden State's estate value. (Pearce Dec., ¶ 12.)

9 3. The Conservator's staff took control of and actively managed Golden State's
10 portfolio of commercial mortgage loans, to further maximize Golden State's estate value. The
11 commercial mortgage loan portfolio consisted of 67 loans having a total principal balance of
12 approximately \$25,230,775. (Pearce Dec., ¶ 13.)

13 4. The Conservator's staff took control of and directed the continuing third party
14 management of a portfolio of investment grade bonds valued in accordance with the National
15 Association of Insurance Commissioners' ("NAIC") practices and procedures manual at
16 approximately \$27,507,445 and a portfolio of investment grade stocks valued in accordance with
17 NAIC's practices and procedures manual at approximately \$4,663,168. (Pearce Dec., ¶ 14.)

18 5. The Conservator's staff took control of and actively managed Golden State's eight
19 commercial office buildings located throughout the country valued at that time at approximately
20 \$2.2 million. (Pearce Dec., ¶ 15.)

21 6. The Conservator's staff extensively evaluated Golden State's business, business
22 operations, operational capabilities, financial condition, assets, liabilities and records to determine
23 the sustainability and long-term prospects of Golden State and its insurance business. (Pearce
24 Dec., ¶ 16.)

25 7. In approximately November 2009, based on Golden State's financial condition and
26 its operational capabilities, the Conservator and his staff determined that the business operations
27 of Golden State were not sustainable and that the best course of action for Golden State's
28 policyholders and creditors was for the Conservator to position Golden State for a sale, merger or

1 assumption of Golden State's in-force blocks of life, annuity and health insurance policy and
2 annuity contract business by a third party. In furtherance of this determination, the Conservator's
3 staff prepared a comprehensive bid and request for proposal package for the purpose of soliciting
4 interest from potential bidders for the purchase of Golden State's insurance and annuity contract
5 business including bids for the sale of the entire company. Thirteen potential bidders submitted
6 the required solicitation responses to receive further information. In December 2009, the
7 Conservator's staff sent detailed and extensive information packages to the thirteen interested
8 parties and completed numerous on-site visits and due diligence evaluations of Golden State by
9 the interested parties. In response, five insurers submitted bids for the purchase of Golden State's
10 business and/or policies. After in-depth evaluations of the bids by the Conservator's staff, the
11 Conservator selected IA American Life Insurance Company to purchase the approximately
12 120,000 in-force life, health and disability insurance policies and annuity contracts, negotiated
13 detailed purchase and assumption agreements with IA American, and drafted and provided
14 written notice of the transaction to the holders of the approximately 120,000 insurance policies
15 and annuity contracts. (Pearce Dec., ¶ 17.)

16 8. Thereafter, on September 2, 2010, after receiving Court approval, the Conservator
17 and IA American closed an Assumption Reinsurance Agreement which resulted in the successful
18 transfer to IA American of Golden State's in-force insurance policies and annuity contracts (a
19 substantial benefit to the policyholders) and transfer to IA American of approximately \$71 million
20 in reserve liability and certain of Golden State's assets totaling approximately \$60 million
21 including Golden State's commercial mortgage portfolio, bond portfolio, stock portfolio and other
22 assets. (Pearce Dec., ¶ 18.)

23 9. For many months after the closing of the Assumption Reinsurance Agreement, the
24 Conservator and Liquidator continued to negotiate and resolve with IA American various post-
25 transaction policy, reinsurance and accounting issues, address other state's regulatory and
26 reinsurance issues concerning the transaction, and address policyholder concerns regarding the
27 purchase of their policies by IA American. (Pearce Dec., ¶ 19.)
28

1 10. From the beginning of conservation through December 31, 2010, the
2 Conservator's staff began the process of winding down Golden State's employment operations
3 and terminated Golden State's employees including Golden State's former executives, Board of
4 Directors, eighty-six captive insurance and annuity agents, underwriting department, and all of
5 Golden State's over one-hundred employees and personnel. The Conservator complied with state
6 and federal employment termination requirements. As part of the winding down of Golden
7 State's employment, the Conservator's staff implemented employment incentive plans and
8 employment assistance programs to assist Golden State's employees and lessen the adverse
9 impact on employees and Golden State's business operations. (Pearce Dec., ¶ 20.) The programs
10 included:

11 (a) An Employee Retention Incentive Plan in which key employees were
12 provided a monetary incentive to continue their employment through certain dates in 2010. The
13 incentive plan was necessary to maintain key employees to assist with day-to-day business
14 operations and the migration of the policies to IA American, so that such employees would not
15 leave for new employment prior to the completion of such work. The plan was successful in
16 maintaining key employees. (Pearce Dec., ¶ 20(a).)

17 (b) A Premium Collection Incentive Plan in which district managers and
18 agents were provided a monetary incentive to collect past due premiums from policyholders, so as
19 to minimize lost revenues due to unpaid premiums at the conclusion of the conservation. The
20 plan was successful in collecting unpaid premiums. (Pearce Dec., ¶ 20(b).)

21 (c) Pre-termination employment transition assistance services including pre-
22 termination retirement plan counseling and pre-termination governmental assistance and
23 counseling seminars and programs. (Pearce Dec., ¶ 20(c).)

24 11. To reduce operating expenses throughout the conservation, the Conservator's staff
25 instituted a plan to consolidate and reduce Golden State's district offices. At the start of
26 conservation, Golden State had district offices located in California, Illinois, North Carolina,
27 Michigan and Texas. The consolidation plan significantly reduced Golden State's operating
28 expenses. (Pearce Dec., ¶ 21.)

1 12. To further reduce operating expenses throughout the conservation, the
2 Conservator's staff terminated the leases for office space in several district offices and
3 successfully re-negotiated the leases for Golden State's home office building in Los Angeles and
4 two district offices, securing significant rent reductions and early terminations during the
5 conservation period. For instance, the term of the lease for Golden State's Los Angeles home
6 office was reduced by five years thereby eliminating five years of lease obligations and the rent
7 payment was reduced, both of which afforded Golden State the time needed to complete the
8 transfer of Golden State's policies and vacate the home office. Similarly, the leases for district
9 offices in Oakland, California and in Beaumont, Texas were renegotiated such that both leases
10 were terminated early as of October 31, 2010 and February 28, 2010, respectively, thereby
11 significantly reducing lease obligations. (Pearce Dec., ¶ 22.)

12 13. Upon the closing of the Assumption Reinsurance Agreement with IA American,
13 the Conservator's staff discontinued operations in the remaining district offices in an effort to
14 continue to reduce operating expenses. The Conservator's staff also developed a closing plan and
15 vacating strategy at each District Office and the Los Angeles home office. Essential business
16 related materials were first transferred to the Home Office to be inventoried and sent to storage.
17 Business equipment was returned to lessors and/or disposed of and the district office spaces were
18 cleaned and vacated. As to the Home Office, vacating it proved challenging due to the extensive
19 records and materials (including significant amounts of damaged or obsolescent property)
20 maintained for over sixty years in the building's extensive office space and basement areas. After
21 extensive efforts, the building was vacated on December 31, 2010. (Pearce Dec., ¶ 23.)

22 14. The Conservator's staff commenced and completed a system-wide back-up of all
23 electronic data generated and/or stored by Golden State and installed a back-up server to improve
24 system reliability, both of which were necessary to maintain and maximize Golden State's in-
25 force insurance policies and annuity contracts for sale. (Pearce Dec., ¶ 24.)

26 15. The Conservator's staff prepared Golden State's annual retirement plan report and
27 retirement plan audit. To complete the report and audit, the Conservator hired the actuarial firm
28 of Bryan, Pendleton, Swats & McAllister, LLC. (Pearce Dec., ¶ 25.)

1 16. The Conservator's staff prepared financial audits for Golden State for the periods
2 ending December 31, 2008, September 30, 2009 and December 31, 2009, which had not been
3 completed prior to Golden State's September 30, 2009 conservation. Thereafter, the
4 Conservator's staff completed the preparations for Golden State's 2009 Annual Statement and
5 filed the statement with the California Department of Insurance. To complete the financial audits,
6 the Conservator hired Larson & Rosenberger, Certified Public Accountants. (Pearce Dec., ¶ 26.)

7 17. The Conservator's staff terminated Golden State's 401(k) retirement plan. Upon
8 submitting the final employee contributions to the plan in late December 2010, the Conservator's
9 staff worked to obtain all of the necessary forms from the 401k participants to terminate the plan
10 and completed the appropriate termination forms with the Plan Administrator. (Pearce Dec., ¶
11 27.)

12 18. The Conservator's and Liquidator's staff worked with, negotiated and completed
13 the termination and transfer of Golden State's Retirement Plan to the Pension Benefit Guaranty
14 Corporation ("PBGC"). As a result of the Liquidator's efforts, Golden State's plan participants
15 are assured retirement payments, the Retirement Plan was terminated as of December 31, 2010,
16 the PBGC was appointed the Plan's trustee, the Plan's records, assets and property were conveyed
17 and transferred to the PBGC, and said agreement and transfer was approved by the Court. The
18 Liquidator's staff expended significant time and effort to evaluate and resolve with the PBGC
19 issues concerning the PBGC's purported multi-million dollar lien claim against Golden State's
20 assets due to the multi-million dollar underfunded portion of the plan, and expended significant
21 time and effort to negotiate and ensure that the termination and transfer of the Retirement Plan to
22 the PBGC did not establish or control the priority of PBGC's claim or claims, if any, against
23 Golden State, and that PBGC's claim or claims, if any, against Golden State are to be determined
24 in accordance with the statutory claim priority and asset distribution procedures set forth in
25 Insurance Code § 1010 *et seq.* including Insurance Code § 1033. (Pearce Dec., ¶ 28.)

26 19. The Conservator's and Liquidator's staff worked with an actuarial and valuation
27 consulting services firm, Lewis & Ellis, to develop reserve valuations and projections for Golden
28

1 States liabilities used to assist the Conservator with valuing Golden State’s insurance policies and
2 annuity contracts. (Pearce Dec., ¶ 29.)

3 20. To monetize Golden State’s artwork, murals and historical materials including the
4 two removable murals, the Conservator’s staff completed a second request for proposals process
5 in which persons and entities interested in purchasing Golden State’s fine art collection including
6 its removable murals and approximately 120 pieces of African-American art and/or purchasing
7 Golden State’s historical materials were required to submit proposals to the Conservator’s staff
8 for such purchase or purchases. Upon selecting prevailing bidders for the purchase of the murals,
9 fine art collection and the collection of historic materials, the Conservator’s staff prepared three
10 separate purchase and sale agreements for Court approval. The Court approved the agreement to
11 transfer Golden State’s historical materials to the UCLA Library; the agreement to sell the murals
12 was withdrawn because days before the hearing the party interested in purchasing the murals
13 withdrew its bid; and the agreement to sell the art collection was denied by the Court. (Pearce
14 Dec., ¶ 30.)

15 21. The Liquidator negotiated and reached an agreement with the National
16 Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”) through which
17 NOLGHA agreed to provide coverage to Golden State’s group life certificate holders, long-term
18 disability claimants, and non-assumed policy liability. Without NOLHGA’s coverage, the
19 insureds would likely lose coverage. (Pearce Dec., ¶ 31.)

20 22. The Liquidator agreed to loan a significant portion of Golden State’s art collection
21 to the California African American Museum for display as part of a city-wide art exhibition.
22 (Pearce Dec., ¶ 32.)

23 23. Throughout the conservation period and continuing into the current liquidation
24 period, the Conservator, the Liquidator and his staff have extensively evaluated and responded to
25 community concerns regarding Golden State, Golden State’s policyholders, Golden State’s
26 historical significance and materials, and Golden State’s art collection including murals, and
27 continue to do so. (Pearce Dec., ¶ 33.)
28

1 24. The Conservator and Liquidator filed numerous applications with the Court for
2 approval of certain administrative actions including applications for approval of sales of Golden
3 State’s real property, the liquidation of Golden State, continuation of the proof of claim deadline,
4 settlements of claims and lawsuits against Golden State, and other actions. (Pearce Dec., ¶ 34.)

5 25. The Conservator’s and Liquidator’s staff handled and resolved most employment
6 and other litigations and legal matters that were either pending at the time of conservation or had
7 been commenced against Golden State during the conservation. (Pearce Dec., ¶ 35.) Several of
8 the larger litigation matters and disputes include:

9 (a) *Equal Employment Opportunity Commission v. Golden State*, United States
10 District Court for the Western District of North Carolina, Statesville Division, Civil Action No.
11 3:09cv00105. This was a discrimination action against Golden State by the Equal Employment
12 Opportunity Commission (“EEOC”) on behalf of a former employee. The action was resolved
13 through settlement, with approval applied for and granted by both Judge Yaffe and the United
14 States District Court for the Western District of North Carolina. (Pearce Dec., ¶ 35(a).)

15 (b) *Willie M. Grady v. Golden State*, Discrimination Complaints filed with
16 Illinois Department of Human Rights and City of Chicago Commission of Human Relations.
17 These were discrimination complaints filed by a former employee who was demoted for
18 violations of his employment agreement and the Court’s Order Appointing Conservator by his
19 appointment with competing insurance companies during his employment with Golden State and
20 his solicitation of Golden State’s policyholders to switch to other insurance companies after the
21 conservation. The Conservator’s staff responded to the complaints and, based on those responses
22 and further requests for information, the complaints were dismissed without hearing. (Pearce
23 Dec., ¶ 35(b).)

24 (c) *Valerie Belcher v. Golden State*, Discrimination Complaints also filed with
25 Illinois Department of Human Rights and City of Chicago Commission of Human Relations.
26 These too were discrimination complaints filed by a former employee who was demoted for
27 violations of her employment agreement and the Court’s Order Appointing Conservator by her
28 appointment with competing insurance companies during her employment with Golden State and

1 her solicitation of Golden State's policyholders to switch to other insurance companies after the
2 conservation. The Conservator's staff responded to the complaints and again, based on those
3 responses and further requests for information, the complaints were dismissed without hearing.
4 (Pearce Dec., ¶ 35(c).)

5 (d) *Childs v. Golden State, California Labor Commissioner Case No. 06-*
6 *93878 DG*: This was an employee wage waiting time penalty claim by a former employee. The
7 Conservator's staff responded to the claim and, after a hearing, the claim was denied by the Labor
8 Commissioner. (Pearce Dec., ¶ 35(d).)

9 (e) *James H. Nunya v. Golden State*, Los Angeles Superior Court Case No.
10 LAM 08M11746. Mr. Nunya is a former employee who unsuccessfully sought damages from
11 Golden State in Los Angeles Small Claims Court, and appealed the denial of his claim to the Los
12 Angeles Superior Court, assigned to the Honorable Coleman Swatt, Judge. In response to this
13 Courts September 30, 2009 Order Appointing Conservator and Restraining Orders, Judge Swatt
14 stayed the case. (Pearce Dec., ¶ 35(e).)

15 (f) *Community Impact Development II, LLC ("CID") v. Golden State*, Dispute
16 over ownership of the murals. The Conservator's and Liquidator's staff commenced depositions
17 and document subpoenas to evaluate CID's ownership claim to the murals, evaluated and
18 responded to CID's complaint claiming ownership of the murals, and participated in pre-trial
19 discovery and preparations. The case is currently pending for trial in December 2012. (Pearce
20 Dec., ¶ 35(f).)

21 (g) Numerous employment, policy and miscellaneous claims against Golden
22 State's assets. (Pearce Dec., ¶ 35(g).)

23 **IV. CONSERVATION AND LIQUIDATION FEES AND EXPENSES TO BE**
24 **APPROVED.**

25 The above-referenced actions taken by the Conservator, the Liquidator and his staff
26 required substantial expenditures of time, fees and expenses. The Liquidator hereby requests the
27 Court's approval of the following fees and expenses incurred by the Conservator and Liquidator
28 during the 27 month period September 30, 2009 through December 31, 2011. The Liquidator

1 states that the fees and expenses incurred were necessary for the conservation and liquidation of
2 Golden State and are reasonable for the services performed. (Pearce Dec., ¶ 36.)

3 1. Allocated Expenses by Commissioner's CLO: The CLO is an administrative
4 service entity created by the Insurance Commissioner to administer the estates of insurers
5 undergoing conservation or liquidation in California. Upon obtaining a conservation or
6 liquidation order, the Insurance Commissioner generally delegates his statutory administrative
7 duties over the insurer to the CLO and/or to special deputy insurance commissioners, pursuant to
8 Insurance Code § 1035. The CLO's administrative expenses are allocated to each conservation or
9 liquidation estate it manages on a pro rata basis ("Allocated Expenses"). Allocated Expenses are
10 non-estate specific expenses and include office supplies, rent, utilities and other occupancy
11 expenses as well as salaries and benefits for CLO and CLB employees. The portion of Allocated
12 Expenses charged to each estate is determined by the amount of time CLO employees worked on
13 estate matters. For example, if total estate hours for a particular month is 4,000 hours, and 200 of
14 those are attributed to Golden State, the CLO would charge Golden State's estate 5% (or
15 $200/4,000$) of the Allocated Expenses for that month. Allocated Expenses also include the CLB's
16 administrative expenses, which are based on hours billed by the CLB's legal staff and the pass-
17 through billings associated with work performed by the Attorney General's Office. From
18 September 30, 2009 through December 31, 2011, the Conservator and Liquidator incurred
19 \$1,726,040.41 in Allocated Expenses attributable to Golden State. Judge Yaffe previously had
20 approved fees and expenses from September 30, 2009 through October 31, 2009, in the amount of
21 \$139,691.50; leaving \$1,586,348.91 for approval by this Application. (Pearce Dec., ¶ 37.)

22 2. Approval of Fees and Expenses to INS Consultants: INS Consultants provided
23 consultants and consulting services to the Conservator and Liquidator for the day-to-day
24 management of Golden State's operations. In particular, INS Consultants provided Joe Holloway
25 who served as the Conservator's on-site supervisor and managed Golden State's operations.
26 From September 30, 2009 through December 31, 2011, the Conservator and Liquidator incurred
27 \$398,987.47 in fees and expenses to INS Consultants. Judge Yaffe previously had approved fees
28 and expenses from September 30, 2009 through November 30, 2009, in the amount of

1 \$108,710.46 to INS Consultants; leaving \$290,277.01 for approval by this Application. (Pearce
2 Dec., ¶ 38.)

3 3. Approval of Fees and Expenses to Todd Donovan: Todd Donovan was the
4 assistant to the Conservator's on-site supervisor located at Golden State's home office in Los
5 Angeles. Mr. Donovan provided consulting services to the Conservator and Liquidator for the
6 day-to-day management of Golden State's operations. From September 30, 2009 through
7 December 31, 2011, the Conservator and Liquidator incurred \$260,992.24 in fees and expenses to
8 Todd Donovan. Judge Yaffe previously had approved fees and expenses from September 30,
9 2009 through November 30, 2009, in the amount of \$26,176.24 to Todd Donovan; leaving
10 \$234,816 for approval by this Application. (Pearce Dec., ¶ 39.)

11 4. Approval of Fees and Expenses to Manhattan Group: Manhattan Group provided
12 accounting, financial and consulting services to the Conservator and Liquidator for the day-to-day
13 management of Golden State's operations. From September 30, 2009 through December 31,
14 2011, the Conservator and Liquidator incurred \$591,539.94 in fees and expenses to the Manhattan
15 Group. Judge Yaffe previously had approved fees and expenses from September 30, 2009
16 through November 30, 2009, in the amount of \$95,453.66 to Manhattan Group; leaving
17 \$496,086.28 for approval by this Application. (Pearce Dec., ¶ 40.)

18 5. Approval of Attorneys Fees and Expenses to Epstein Turner Weiss: Epstein
19 Turner Weiss is a law firm that provided necessary legal services to the Conservator and
20 Liquidator and his staff including providing advice concerning insurance conservation and
21 liquidation, rehabilitation, reinsurance, policy termination, asset liquidation, employment
22 termination, real estate, re-negotiation of lease terms and terminations, Golden State's retirement
23 plan and Pension Benefit Guaranty Corporation issues, private section employment and
24 employment discrimination claims and litigation matters, the sale of Golden State's book of
25 insurance business, corporate governance, and other issues and matters pertaining to Golden
26 State. From September 30, 2009 through December 31, 2011, the Conservator and Liquidator
27 incurred \$958,193.01 in fees and expenses to Epstein Turner Weiss. Judge Yaffe previously had
28 approved fees and expenses from September 30, 2009 through October 31, 2009, in the amount of

1 \$46,139.71 to Epstein Turner & Weiss; leaving \$912,053.30 for approval by this Application.
2 (Pearce Dec., ¶ 41.)

3 6. Approval of Attorneys Fees and Expenses to Wisener Nunnally Gold: Wisener
4 Nunnally Gold is a law firm that provided necessary legal services including in part negotiating
5 the sale of the Golden State's insurance policies and annuity contracts and drafting the
6 agreements for said sale, transfer of historical materials to UCLA Library, and additional related
7 matters. From September 30, 2009 through December 31, 2011, the Conservator and Liquidator
8 incurred \$57,019.94 in fees and expenses to Wisener Nunnally Gold. (Pearce Dec., ¶ 42.)

9 7. Approval of Fees and Expenses to Larson & Rosenberger: Larson & Rosenberger
10 is a Certified Public Accounting firm that provided financial audits and tax liability consulting for
11 the Conservator and Liquidator concerning Golden State. At the time of Conservation, Golden
12 State had not completed its 2008 or 2009 annual financial audits or statutory financial statements.
13 Larson & Rosenberger completed said annual financial audits and statements as well as Golden
14 State's 2010 annual financial audit and statements. The audits and statements were required by
15 law and were vital to the evaluation of Golden State's financial sustainability and business
16 capabilities. From September 30, 2009 through December 31, 2011, the Conservator and
17 Liquidator incurred \$209,805.01 in fees and expenses to Larson & Rosenberger. (Pearce Dec., ¶
18 43.)

19 8. Approval of Fees and Expenses to Kane Corporation: Kane Corporation provided
20 mortgage loan marketing services and commercial real estate consulting services to the
21 Conservator and Liquidator regarding Golden State's commercial mortgage loan portfolio and
22 office buildings. From September 30, 2009 through December 31, 2011, the Conservator and
23 Liquidator incurred \$317,033.04 in fees and expenses to Kane Corporation. Judge Yaffe
24 previously had approved fees and expenses for the month of November, 2009, in the amount of
25 \$3,740.85 to Kane Corporation; leaving \$313,292.19 for approval by this Application. (Pearce
26 Dec., ¶ 44.)

27 9. Approval of Fees and Expenses to Bryan, Pendleton, Swats, & McAllister: Bryan,
28 Pendleton, Swats & McAllister, LLC provided actuarial evaluations and reports concerning

1 Golden State's retirement plan and issues relating thereto. From September 30, 2009 through
2 December 31, 2011, the Conservator and Liquidator incurred \$55,945.00 in fees and expenses to
3 Bryan, Pendleton, Swats & McAllister. Judge Yaffe previously had approved fees and expenses
4 from September 30, 2009 through November 30, 2009, in the amount of \$2,809 to Bryan,
5 Pendleton, Swats & McAllister; leaving \$53,136.00 for approval by this Application. (Pearce
6 Dec., ¶ 45.)

7 10. Approval of Fees and Expenses to Ultimate Staffing: Ultimate Staffing provided
8 temporary employment services to the Conservator and Liquidator. These services were
9 necessary to assist the Conservator and Liquidator in sorting, boxing, inventorying and in
10 removing thousands of boxes containing Golden States records from Golden State's home office
11 building in December 2010. From October 2010 through December 31, 2010, the Conservator
12 and Liquidator incurred \$46,189.56 in fees and expenses to Ultimate Staffing. (Pearce Dec., ¶
13 46.)

14 11. Approval of Fees and Expenses to Lewis & Ellis: Lewis & Ellis provided actuarial
15 and valuation consulting services to the Conservator and the Liquidator. These services were
16 necessary to develop reserve valuations for Golden States liabilities used to assist the Conservator
17 with valuing Golden State's insurance policies and annuity contracts. From January 1, 2010
18 through December 31, 2011, the Conservator and Liquidator incurred \$16,499.15 in fees and
19 expenses to Lewis & Ellis. (Pearce Dec., ¶ 47.)

20 12. Approval of Fees and Expenses to Aloria Character: Aloria Character provided
21 Human Resources and consulting services to the Conservator and Liquidator to assist with
22 terminating Golden State's 401k program, terminating Golden State's Pension program and
23 administering Golden State's Group Life program. For the period January through March 2011,
24 the Conservator and Liquidator incurred \$31,473.44 in fees and expenses to Aloria Character.
25 (Pearce Dec., ¶ 48.)

26 13. Approval of Fees and Expenses to Cooke's Crating: Cookes Crating provided fine
27 art packing, transporting and climate controlled storage to the Conservator and Liquidator for
28 Golden State's fine art collection, historical matters and records. Cooke's services were

1 necessary to properly package, transport and store these items. From December 1, 2010 through
2 December 31, 2011, the Conservator and Liquidator incurred \$6,740.47 in fees and expenses to
3 Cookes Crating. (Pearce Dec., ¶ 49.)

4 14. Approval of Fees and Expenses to ART Movers: ART Movers provided fine art
5 moving to the Conservator and Liquidator for Golden State’s fine art collection, historical matters
6 and records. ART Movers’ services were necessary to properly package, transport and store these
7 items. From December 1, 2010 through December 31, 2011, the Conservator and Liquidator
8 incurred \$10,198.71 in fees and expenses to ART Movers. (Pearce Dec., ¶ 50.)

9 15. Approval of Fees and Expenses to Joshua Solomon: Joshua Solomon provided
10 asset disposition and consulting services to the Conservator, including organizing and
11 inventorying Golden State’s fine art collection and historical materials, cleaning out Golden’s
12 State’s home office building, and disposing of certain of Golden State’s equipment, furniture and
13 assets. From November 1, 2009 through September 30, 2010, the Conservator incurred
14 \$69,255.10 in fees and expenses to Joshua Solomon. (Pearce Dec., ¶ 51.)

15 **V. THE APPROVAL OF THE FEES AND EXPENSES REQUESTED HEREIN IS**
16 **CONSISTENT WITH THE CONSERVATOR’S AND THE LIQUIDATOR’S**
17 **AUTHORITIES AND DISCRETION UNDER THE COURT’S ORDERS OF**
18 **CONSERVATION AND LIQUIDATION, THE INSURANCE CODE AND CASE**
19 **LAW – ALL OF WHICH GRANT BROAD POWERS TO THE INSURANCE**
20 **COMMISSIONER AS CONSERVATOR AND AS LIQUIDATOR OF INSURANCE**
21 **COMPANIES.**

22 Impaired and insolvent insurance companies are precluded from seeking relief in
23 bankruptcy. (11 U.S.C. § 109(b)(2) (“A person may be a debtor under chapter 7 of this title only
24 if such person is not . . . a domestic insurance company”).) Instead, California, like most states,
25 has statutory proceedings subjecting impaired and insolvent insurers to orderly conservation,
26 rehabilitation and/or liquidation. California’s statutory proceedings are codified in Insurance
27 Code § 1010 *et seq.* (*Garamendi v. Golden Eagle Insurance Company* (2005) 128 Cal.App.4th
28

1 452 (Insurance conservation proceedings are special proceedings subject to the provisions of the
2 California Insurance Code).)

3 The approval of the fees and expenses requested herein is consistent with the
4 Conservator's and the Liquidator's authorities and discretion under the Court's Orders appointing
5 conservator and liquidator, the Insurance Code and case law.

6 First, the Order Appointing Conservator directed the Insurance Commissioner as
7 Conservator to conduct the business of Golden State or so much thereof as the Conservator may
8 deem appropriate, and authorized him to employ special deputy commissioners, assistants, clerks
9 and legal counsel, and to give to each of them those powers that the Conservator deemed
10 necessary. (Order Appointing Conservator, ¶¶ 1, 8, 13 and 14, Exhibit 1, citing Insurance Code §§
11 1035(a), 1036 and 1037.) Similarly, the Order Appointing Liquidator directs the Liquidator to
12 liquidate and wind up the business of Golden State and to act in all ways and exercise all powers
13 necessary for the purpose of carrying out this Order. (Order Appointing Liquidator, ¶¶ 1, 2,
14 Exhibit 2, citing Insurance Code § 1016.)

15 Second, Insurance Code § 1037, entitled "Powers of commissioner as conservator or
16 liquidator," provides broad powers to the Insurance Commissioner as conservator and liquidator
17 of insurance companies and authorizes the Liquidator to sell and dispose of Golden State's
18 property. Section 1037 states in pertinent part:

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

22 (a) [Conservation of assets; conduct of business.] Shall have authority to
23 collect all moneys due that person, and to do such other acts as are necessary or
24 expedient to collect, conserve, or protect its assets, property, and business, and to
25 carry on and conduct the business and affairs of that person or so much thereof as
26 to him or her may seem appropriate.

27

28 (d) [Acquisition and disposition of property.] Shall have authority without
notice, to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon,
or otherwise dispose of or deal with, any real or personal property of that person at
its reasonable market value, or, in cases other than acquisition, sale, or transfer on
the basis of reasonable market value, upon such terms and conditions as the
commissioner may deem proper. However, no transaction involving real or

1 personal property shall be made where the market value of the property involved
2 exceeds the sum of twenty thousand dollars (\$20,000) without first obtaining
3 permission of the court, and then only in accordance with any terms that court may
prescribe.

4 . . .

[General powers.] The enumeration, in this article, of the duties, powers
5 and authority of the commissioner in proceedings under this article shall not be
6 construed as a limitation upon the commissioner, nor shall it exclude in any
7 manner his or her right to perform and to do such other acts not herein specifically
8 enumerated, or otherwise provided for, which the commissioner may deem
necessary or expedient for the accomplishment or in aid of the purpose of such
proceedings.

9 Third, California case law supports the broad grant of powers accorded the Insurance
10 Commissioner to transfer assets when he is conserving, rehabilitating, and/or liquidating
11 insurance companies. For instance, in *In Re Executive Life Insurance Company* (1995) 32
12 Cal.App.4th 344, the Court of Appeal stated that:

13 The Commissioner is an officer of the state (*Caminetti v. Pac.*
14 *Mutual L. Ins. Co.* (1943) 22 Cal.2d 344, 354 [139 P.2d 908]) who, when
15 he or she is a conservator, exercises the state's police power to carry
16 forward the public interest and to protect policyholders and creditors of the
insolvent insurer. (*Carpenter v. Pacific Mut. Life Ins. Co.* (1937) 10 Cal.2d
307, 330-331 [74 P.2d 761].)

17 In exercising this power, the Commissioner is vested with broad discretion.
18 (*Commercial Nat. Bank v. Superior Court* [(1993)] 14 Cal.App.4th [393] at p.
19 402.) This discretion is subject to statutory limitations (see *id.* at p. 409) and the
20 requirement that the exercise of discretion be neither arbitrary nor improperly
discriminatory. (*Carpenter v. Pacific Mut. Life Ins. Co.*, *supra*, 10 Cal.2d at p.
329.)

21 (*In Re Executive Life*, *supra*, at p. 356.)

22 The Court concluded that:

23 . . . The trial court reviews the Commissioner's actions under the abuse of
24 discretion standard. (*Commercial Nat. Bank v. Superior Court*, *supra*, 14
25 Cal.App.4th 393, 398): was the action arbitrary, i.e. unsupported by a rational
26 basis, or is it contrary to specific statute, a breach of the fiduciary duty of the
conservator as trustee, or improperly discriminatory?

27 (*In Re Executive Life*, *supra*, at p. 358.)

1 Here, the fees and expenses incurred by the Conservator and Liquidator during the period
2 September 30, 2009 through December 31, 2011 are not an abuse of discretion. Accordingly, the
3 fees and expenses should be approved by the Court.

4 **VI. CONCLUSION**


5 In sum, there is good cause for the Court to grant this Application. Accordingly, the
6 Liquidator requests that the Court grant this Application and issue the following orders:

- 7 1. An Order approving the fees and expenses incurred during the period September
- 8 30, 2009 through December 31, 2011, as detailed in this application; and
- 9 2. An Order authorizing the Liquidator to take any and all actions necessary to
- 10 accomplish the purposes of the requested Order.

11
12 DATE: April 16, 2012

KAMALA D. HARRIS
Attorney General of California
W. DEAN FREEMAN
Supervising Deputy Attorneys General
LISA W. CHAO
Deputy Attorney General

EPSTEIN TURNER WEISS
A Professional Corporation

18
19 By: 
20 MICHAEL R. WEISS
21 Attorneys for Applicant
22 INSURANCE COMMISSIONER OF THE
23 STATE OF CALIFORNIA
24
25
26
27
28

1 **DECLARATION OF SCOTT PEARCE**

2 I, Scott Pearce, declare as follows:

3 1. I have personal knowledge of the facts and circumstances set forth in this
4 declaration, and if called upon to do so, I could and would competently testify thereto.

5 2. I am the Senior Estate Trust Officer for the Insurance Commissioner’s
6 Conservation & Liquidation Office. Starting on September 30, 2009, and continuing to the
7 present, I have been and currently am the Estate Trust Officer on behalf of the Insurance
8 Commissioner in his Statutory Capacity as Conservator (“Conservator”) and then as Liquidator
9 (“Liquidator”) of Golden State Mutual Life Insurance Company (“Golden State”).

10 3. As the Senior Estate Trust Officer on behalf of the Conservator and now
11 Liquidator of Golden State, I am responsible for the supervision and management of matters
12 pertaining to the conservation and liquidation of Golden State.

13 4. I have read the Liquidator’s Application To Approve Conservation And
14 Liquidation Expenses, and the attached Memorandum (“Application”).

15 5. Based on my supervision and management of matters pertaining to Golden State,
16 my experience, review and understanding of the events related to the conservation and now
17 liquidation of Golden State, my and my staff’s review of the files and records routinely
18 maintained in the regular and ordinary course of business and believed to be entered
19 contemporaneously by persons having knowledge of the events recorded and whose job duties
20 include recording them, and my review of this Application and its supporting papers and
21 documents, I state the following:

22 **Background Information on Golden State**

23 6. Golden State was a mutual life insurance company domiciled and existing under
24 the laws of the State of California. From 1949 through December 31, 2010, Golden State’s
25 principal place of business and home office was located at 1999 West Adams Boulevard in Los
26 Angeles, California 90018. Golden State was authorized to transact the business of life, health
27 and disability insurance and annuities, and as of September 30, 2009, had in force approximately
28 120,000 life, health and disability insurance policies and annuity contracts. Golden State’s

1 business focus had been to provide protection insurance products to the minority middle income
2 marketplace with a geographic emphasis in California, Texas, North Carolina, Michigan and
3 Illinois.

4 **Order Appointing Conservator of Golden State.**

5 7. On September 30, 2009, Los Angeles Superior Court Judge David P. Yaffe
6 appointed the Insurance Commissioner to serve as Conservator of Golden State and issued an
7 Order Appointing Conservator and Restraining Order (“Order Appointing Conservator”). The
8 Order Appointing Conservator, among other things, vested title of Golden State’s assets in the
9 Conservator, directed the Conservator to take possession of Golden State’s assets, books and
10 records, directed the Conservator to conduct the business of Golden State or so much thereof as
11 he may deem appropriate, and provided the Conservator with broad discretion and certain powers
12 and authorities set forth in the Order and pursuant to the Insurance Code. Attached hereto and
13 incorporated herein as Exhibit “1” is a true and correct copy of the Order Appointing
14 Conservator.

15 **Order of Liquidation for Golden State.**

16 8. Sixteen months later, on January 28, 2011, this Court terminated the Insurance
17 Commissioner’s status as Golden State’s Conservator, appointed the Insurance Commissioner to
18 serve as Golden State’s Liquidator, and issued an Order Appointing Liquidator and Injunction in
19 Aid of Liquidation (“Order Appointing Liquidator”). The Order Appointing Liquidator, among
20 other things, placed Golden State into liquidation, directs the Liquidator to liquidate and wind up
21 the business of Golden State, and also provided the Liquidator with broad discretion and certain
22 powers and authorities set forth in the Order and pursuant to the Insurance Code. Attached hereto
23 and incorporated herein as Exhibit “2” is a true and correct copy of the Order Appointing
24 Liquidator.

25 **Management of Golden State’s Day-To-Day Operations**

26 9. To carry out the Conservator’s and Liquidator’s duties and to manage the day-to-
27 day operations of Golden State, pursuant to his authorities and his broad discretion under
28 Insurance Code §§ 1035, 1036 and 1037, the Conservator and the Liquidator used the services of

1 the Insurance Commissioner's Conservation & Liquidation Office ("CLO") and Golden State's
 2 retained employees, and hired specialized vendors, contractors and consultants including
 3 managerial personnel, accountants, actuaries, attorneys and others. Financial auditing and
 4 actuarial evaluations and reports were provided by private accountants and actuaries. Non-
 5 litigation legal services were provided by the Conservation & Liquidation Bureau ("CLB") of the
 6 Insurance Commissioner's Legal Division. The Office of the Attorney General was the
 7 Conservator's, and now Liquidator's, primary litigation counsel. Both sets of attorneys were and
 8 continue to be supplemented by private counsel with expertise in specialized areas of the law
 9 including insurance conservation and liquidation, rehabilitation, reinsurance, policy termination,
 10 asset liquidation, employment termination and real estate.

11 **Significant Actions Taken by the Conservator and the Liquidator During the Period**
 12 **September 30, 2009 Through December 31, 2011.**

13 10. During the twenty-seven month period September 30, 2009 through December 31,
 14 2011, the Conservator and Liquidator undertook the following significant and time intensive
 15 actions concerning Golden State and its operations. In addition, as part of the Conservator's and
 16 Liquidator's day-to-day operation of Golden State, the Conservator and Liquidator undertook
 17 many other actions in furtherance of Golden State's conservation and now liquidation.

18 11. Starting on September 30, 2009, the Conservator's staff took control of all aspects
 19 of Golden State and its operations, including without limitation all of Golden State's day-to-day
 20 operations, which included Golden State's over 100 employees, Golden State's 86 captive
 21 insurance and annuity agents, Golden State's bank and financial accounts, and Golden State's
 22 operations at its home office building located at 1999 West Adams Boulevard in Los Angeles and
 23 operations at its district and satellite offices and office buildings located in (1) Oakland,
 24 California; (2) Vallejo, California; (3) Chicago, Illinois; (4) Dallas, Texas; (5) Tyler, Texas; (6)
 25 Beaumont, Texas; (7) Houston, Texas; (8) Detroit, Michigan; (9) Charlotte, North Carolina; (10)
 26 Winston-Salem, North Carolina; and (11) Rocky Mount, North Carolina.

27 12. The Conservator's staff took control of and actively maintained Golden State's
 28 approximately 120,000 in-force life, health and disability insurance policies and annuity

1 contracts, having a premium volume of approximately \$10 million, and continued to provide
2 policy and annuity benefits and services. Maintaining Golden State's in-force policies and
3 annuity contracts was essential to maximize Golden State's estate value.

4 13. The Conservator's staff took control of and actively managed Golden State's
5 portfolio of commercial mortgage loans, to further maximize Golden State's estate value. The
6 commercial mortgage loan portfolio consisted of 67 loans having a total principal balance of
7 approximately \$25,230,775.

8 14. The Conservator's staff took control of and directed the continuing third party
9 management of a portfolio of investment grade bonds valued in accordance with the National
10 Association of Insurance Commissioners' ("NAIC") practices and procedures manual at
11 approximately \$27,507,445 and a portfolio of investment grade stocks valued in accordance with
12 NAIC's practices and procedures manual at approximately \$4,663,168.

13 15. The Conservator's staff took control of and actively managed Golden State's eight
14 commercial office buildings located throughout the country valued at that time at approximately
15 \$2.2 million.

16 16. The Conservator's staff extensively evaluated Golden State's business, business
17 operations, operational capabilities, financial condition, assets, liabilities and records to determine
18 the sustainability and long-term prospects of Golden State and its insurance business.

19 17. In approximately November 2009, based on Golden State's financial condition and
20 its operational capabilities, the Conservator and his staff determined that the business operations
21 of Golden State were not sustainable and that the best course of action for Golden State's
22 policyholders and creditors was for the Conservator to position Golden State for a sale, merger or
23 assumption of Golden State's in-force blocks of life, annuity and health insurance policy and
24 annuity contract business by a third party. In furtherance of this determination, the Conservator's
25 staff prepared a comprehensive bid and request for proposal package for the purpose of soliciting
26 interest from potential bidders for the purchase of Golden State's insurance and annuity contract
27 business including bids for the sale of the entire company. Thirteen potential bidders submitted
28 the required solicitation responses to receive further information. In December 2009, the

1 Conservator's staff sent detailed and extensive information packages to the thirteen interested
2 parties and completed numerous on-site visits and due diligence evaluations of Golden State by
3 the interested parties. In response, five insurers submitted bids for the purchase of Golden State's
4 business and/or policies. After in-depth evaluations of the bids by the Conservator's staff, the
5 Conservator selected IA American Life Insurance Company to purchase the approximately
6 120,000 in-force life, health and disability insurance policies and annuity contracts, negotiated
7 detailed purchase and assumption agreements with IA American, and drafted and provided
8 written notice of the transaction to the holders of the approximately 120,000 insurance policies
9 and annuity contracts.

10 18. Thereafter, on September 2, 2010, after receiving Court approval, the Conservator
11 and IA American closed an Assumption Reinsurance Agreement which resulted in the successful
12 transfer to IA American of Golden State's in-force insurance policies and annuity contracts (a
13 substantial benefit to the policyholders) and transfer to IA American of approximately \$71 million
14 in reserve liability and certain of Golden State's assets totaling approximately \$60 million
15 including Golden State's commercial mortgage portfolio, bond portfolio, stock portfolio and other
16 assets.

17 19. For many months after the closing of the Assumption Reinsurance Agreement, the
18 Conservator and Liquidator continued to negotiate and resolve with IA American various post-
19 transaction policy, reinsurance and accounting issues, address other state's regulatory and
20 reinsurance issues concerning the transaction, and address policyholder concerns regarding the
21 purchase of their policies by IA American.

22 20. From the beginning of conservation through December 31, 2010, the
23 Conservator's staff began the process of winding down Golden State's employment operations
24 and terminated Golden State's employees including Golden State's former executives, Board of
25 Directors, eighty-six captive insurance and annuity agents, underwriting department, and all of
26 Golden State's over one-hundred employees and personnel. The Conservator complied with state
27 and federal employment termination requirements. As part of the winding down of Golden
28 State's employment, the Conservator's staff implemented employment incentive plans and

1 employment assistance programs to assist Golden State's employees and lessen the adverse
2 impact on employees and Golden State's business operations. The programs included:

3 (a) An Employee Retention Incentive Plan in which key employees were
4 provided a monetary incentive to continue their employment through certain dates in 2010. The
5 incentive plan was necessary to maintain key employees to assist with day-to-day business
6 operations and the migration of the policies to IA American, so that such employees would not
7 leave for new employment prior to the completion of such work. The plan was successful in
8 maintaining key employees.

9 (b) A Premium Collection Incentive Plan in which district managers and
10 agents were provided a monetary incentive to collect past due premiums from policyholders, so as
11 to minimize lost revenues due to unpaid premiums at the conclusion of the conservation. The
12 plan was successful in collecting unpaid premiums.

13 (c) Pre-termination employment transition assistance services including pre-
14 termination retirement plan counseling and pre-termination governmental assistance and
15 counseling seminars and programs.

16 21. To reduce operating expenses throughout the conservation, the Conservator's staff
17 instituted a plan to consolidate and reduce Golden State's district offices. At the start of
18 conservation, Golden State had district offices located in California, Illinois, North Carolina,
19 Michigan and Texas. The consolidation plan significantly reduced Golden State's operating
20 expenses.

21 22. To further reduce operating expenses throughout the conservation, the
22 Conservator's staff terminated the leases for office space in several district offices and
23 successfully re-negotiated the leases for Golden State's home office building in Los Angeles and
24 two district offices, securing significant rent reductions and early terminations during the
25 conservation period. For instance, the term of the lease for Golden State's Los Angeles home
26 office was reduced by five years thereby eliminating five years of lease obligations and the rent
27 payment was reduced, both of which afforded Golden State the time needed to complete the
28 transfer of Golden State's policies and vacate the home office. Similarly, the leases for district

1 offices in Oakland, California and in Beaumont, Texas were renegotiated such that both leases
2 were terminated early as of October 31, 2010 and February 28, 2010, respectively, thereby
3 significantly reducing lease obligations.

4 23. Upon the closing of the Assumption Reinsurance Agreement with IA American,
5 the Conservator's staff discontinued operations in the remaining district offices in an effort to
6 continue to reduce operating expenses. The Conservator's staff also developed a closing plan and
7 vacating strategy at each District Office and the Los Angeles home office. Essential business
8 related materials were first transferred to the Home Office to be inventoried and sent to storage.
9 Business equipment was returned to lessors and/or disposed of and the district office spaces were
10 cleaned and vacated. As to the Home Office, vacating it proved challenging due to the extensive
11 records and materials (including significant amounts of damaged or obsolescent property)
12 maintained for over sixty years in the building's extensive office space and basement areas. After
13 extensive efforts, the building was vacated on December 31, 2010.

14 24. The Conservator's staff commenced and completed a system-wide back-up of all
15 electronic data generated and/or stored by Golden State and installed a back-up server to improve
16 system reliability, both of which were necessary to maintain and maximize Golden State's in-
17 force insurance policies and annuity contracts for sale.

18 25. The Conservator's staff prepared Golden State's annual retirement plan report and
19 retirement plan audit. To complete the report and audit, the Conservator hired the actuarial firm
20 of Bryan, Pendleton, Swats & McAllister, LLC.

21 26. The Conservator's staff prepared financial audits for Golden State for the periods
22 ending December 31, 2008, September 30, 2009 and December 31, 2009, which had not been
23 completed prior to Golden State's September 30, 2009 conservation. Thereafter, the
24 Conservator's staff completed the preparations for Golden State's 2009 Annual Statement and
25 filed the statement with the California Department of Insurance. To complete the financial audits,
26 the Conservator hired Larson & Rosenberger, Certified Public Accountants.

27 27. The Conservator's staff terminated Golden State's 401(k) retirement plan. Upon
28 submitting the final employee contributions to the plan in late December 2010, the Conservator's

1 staff worked to obtain all of the necessary forms from the 401k participants to terminate the plan
2 and completed the appropriate termination forms with the Plan Administrator.

3 28. The Conservator's and Liquidator's staff worked with, negotiated and completed
4 the termination and transfer of Golden State's Retirement Plan to the Pension Benefit Guaranty
5 Corporation ("PBGC"). As a result of the Liquidator's efforts, Golden State's plan participants
6 are assured retirement payments, the Retirement Plan was terminated as of December 31, 2010,
7 the PBGC was appointed the Plan's trustee, the Plan's records, assets and property were conveyed
8 and transferred to the PBGC, and said agreement and transfer was approved by the Court. The
9 Liquidator's staff expended significant time and effort to evaluate and resolve with the PBGC
10 issues concerning the PBGC's purported multi-million dollar lien claim against Golden State's
11 assets due to the multi-million dollar underfunded portion of the plan, and expended significant
12 time and effort to negotiate and ensure that the termination and transfer of the Retirement Plan to
13 the PBGC did not establish or control the priority of PBGC's claim or claims, if any, against
14 Golden State, and that PBGC's claim or claims, if any, against Golden State are to be determined
15 in accordance with the statutory claim priority and asset distribution procedures set forth in
16 Insurance Code § 1010 *et seq.* including Insurance Code § 1033.

17 29. The Conservator's and Liquidator's staff worked with an actuarial and valuation
18 consulting services firm, Lewis & Ellis, to develop reserve valuations and projections for Golden
19 States liabilities used to assist the Conservator with valuing Golden State's insurance policies and
20 annuity contracts.

21 30. To monetize Golden State's artwork, murals and historical materials including the
22 two removable murals, the Conservator's staff completed a second request for proposals process
23 in which persons and entities interested in purchasing Golden State's fine art collection including
24 its removable murals and approximately 120 pieces of African-American art and/or purchasing
25 Golden State's historical materials were required to submit proposals to the Conservator's staff
26 for such purchase or purchases. Upon selecting prevailing bidders for the purchase of the murals,
27 fine art collection and the collection of historic materials, the Conservator's staff prepared three
28 separate purchase and sale agreements for Court approval. The Court approved the agreement to

1 transfer Golden State’s historical materials to the UCLA Library; the agreement to sell the murals
2 was withdrawn because days before the hearing the party interested in purchasing the murals
3 withdrew its bid; and the agreement to sell the art collection was denied by the Court.

4 31. The Liquidator negotiated and reached an agreement with the National
5 Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”) through which
6 NOLGHA agreed to provide coverage to Golden State’s group life certificate holders, long-term
7 disability claimants, and non-assumed policy liability. Without NOLHGA’s coverage, the
8 insureds would likely lose coverage.

9 32. The Liquidator agreed to loan a significant portion of Golden State’s art collection
10 to the California African American Museum for display as part of a city-wide art exhibition.

11 33. Throughout the conservation period and continuing into the current liquidation
12 period, the Conservator, the Liquidator and his staff have extensively evaluated and responded to
13 community concerns regarding Golden State, Golden State’s policyholders, Golden State’s
14 historical significance and materials, and Golden State’s art collection including murals, and
15 continue to do so.

16 34. The Conservator and Liquidator filed numerous applications with the Court for
17 approval of certain administrative actions including applications for approval of sales of Golden
18 State’s real property, the liquidation of Golden State, continuation of the proof of claim deadline,
19 settlements of claims and lawsuits against Golden State, and other actions.

20 35. The Conservator’s and Liquidator’s staff handled and resolved most employment
21 and other litigations and legal matters that were either pending at the time of conservation or had
22 been commenced against Golden State during the conservation. Several of the larger litigation
23 matters and disputes include:

24 (a) *Equal Employment Opportunity Commission v. Golden State*, United States
25 District Court for the Western District of North Carolina, Statesville Division, Civil Action No.
26 3:09cv00105. This was a discrimination action against Golden State by the Equal Employment
27 Opportunity Commission (“EEOC”) on behalf of a former employee. The action was resolved
28 through settlement, with approval applied for and granted by both Judge Yaffe and the United

1 States District Court for the Western District of North Carolina.

2 (b) *Willie M. Grady v. Golden State*, Discrimination Complaints filed with
3 Illinois Department of Human Rights and City of Chicago Commission of Human Relations.
4 These were discrimination complaints filed by a former employee who was demoted for
5 violations of his employment agreement and the Court's Order Appointing Conservator by his
6 appointment with competing insurance companies during his employment with Golden State and
7 his solicitation of Golden State's policyholders to switch to other insurance companies after the
8 conservation. The Conservator's staff responded to the complaints and, based on those responses
9 and further requests for information, the complaints were dismissed without hearing.

10 (c) *Valerie Belcher v. Golden State*, Discrimination Complaints also filed with
11 Illinois Department of Human Rights and City of Chicago Commission of Human Relations.
12 These too were discrimination complaints filed by a former employee who was demoted for
13 violations of her employment agreement and the Court's Order Appointing Conservator by her
14 appointment with competing insurance companies during her employment with Golden State and
15 her solicitation of Golden State's policyholders to switch to other insurance companies after the
16 conservation. The Conservator's staff responded to the complaints and again, based on those
17 responses and further requests for information, the complaints were dismissed without hearing.

18 (d) *Childs v. Golden State, California Labor Commissioner Case No. 06-*
19 *93878 DG*: This was an employee wage waiting time penalty claim by a former employee. The
20 Conservator's staff responded to the claim and, after a hearing, the claim was denied by the Labor
21 Commissioner.

22 (e) *James H. Nunya v. Golden State*, Los Angeles Superior Court Case No.
23 LAM 08M11746. Mr. Nunya is a former employee who unsuccessfully sought damages from
24 Golden State in Los Angeles Small Claims Court, and appealed the denial of his claim to the Los
25 Angeles Superior Court, assigned to the Honorable Coleman Swatt, Judge. In response to this
26 Courts September 30, 2009 Order Appointing Conservator and Restraining Orders, Judge Swatt
27 stayed the case.

28 (f) *Community Impact Development II, LLC ("CID") v. Golden State*, Dispute

1 over ownership of the murals. The Conservator's and Liquidator's staff commenced depositions
 2 and document subpoenas to evaluate CID's ownership claim to the murals, evaluated and
 3 responded to CID's complaint claiming ownership of the murals, and participated in pre-trial
 4 discovery and preparations. The case is currently pending for trial in December 2012.

5 (g) Numerous employment, policy and miscellaneous claims against Golden
 6 State's assets.

7 **Conservation and Liquidation Fees and Expenses to be Approved.**

8 36. The above-referenced actions taken by the Conservator, the Liquidator and his
 9 staff required substantial expenditures of time, fees and expenses. The Liquidator hereby requests
 10 the Court's approval of the following fees and expenses incurred by the Conservator and
 11 Liquidator during the 27 month period September 30, 2009 through December 31, 2011. The
 12 Liquidator states that the fees and expenses incurred were necessary for the conservation and
 13 liquidation of Golden State and are reasonable for the services performed.

14 37. Allocated Expenses by Commissioner's CLO: The CLO is an administrative
 15 service entity created by the Insurance Commissioner to administer the estates of insurers
 16 undergoing conservation or liquidation in California. Upon obtaining a conservation or
 17 liquidation order, the Insurance Commissioner generally delegates his statutory administrative
 18 duties over the insurer to the CLO and/or to special deputy insurance commissioners, pursuant to
 19 Insurance Code § 1035. The CLO's administrative expenses are allocated to each conservation or
 20 liquidation estate it manages on a pro rata basis ("Allocated Expenses"). Allocated Expenses are
 21 non-estate specific expenses and include office supplies, rent, utilities and other occupancy
 22 expenses as well as salaries and benefits for CLO and CLB employees. The portion of Allocated
 23 Expenses charged to each estate is determined by the amount of time CLO employees worked on
 24 estate matters. For example, if total estate hours for a particular month is 4,000 hours, and 200 of
 25 those are attributed to Golden State, the CLO would charge Golden State's estate 5% (or
 26 200/4,000) of the Allocated Expenses for that month. Allocated Expenses also include the CLB's
 27 administrative expenses, which are based on hours billed by the CLB's legal staff and the pass-
 28 through billings associated with work performed by the Attorney General's Office. From

1 September 30, 2009 through December 31, 2011, the Conservator and Liquidator incurred
2 \$1,726,040.41 in Allocated Expenses attributable to Golden State. Judge Yaffe previously had
3 approved fees and expenses from September 30, 2009 through October 31, 2009, in the amount of
4 \$139,691.50; leaving \$1,586,348.91 for approval by this Application.

5 38. Approval of Fees and Expenses to INS Consultants: INS Consultants provided
6 consultants and consulting services to the Conservator and Liquidator for the day-to-day
7 management of Golden State's operations. In particular, INS Consultants provided Joe Holloway
8 who served as the Conservator's on-site supervisor and managed Golden State's operations.
9 From September 30, 2009 through December 31, 2011, the Conservator and Liquidator incurred
10 \$398,987.47 in fees and expenses to INS Consultants. Judge Yaffe previously had approved fees
11 and expenses from September 30, 2009 through November 30, 2009, in the amount of
12 \$108,710.46 to INS Consultants; leaving \$290,277.01 for approval by this Application.

13 39. Approval of Fees and Expenses to Todd Donovan: Todd Donovan was the
14 assistant to the Conservator's on-site supervisor located at Golden State's home office in Los
15 Angeles. Mr. Donovan provided consulting services to the Conservator and Liquidator for the
16 day-to-day management of Golden State's operations. From September 30, 2009 through
17 December 31, 2011, the Conservator and Liquidator incurred \$260,992.24 in fees and expenses to
18 Todd Donovan. Judge Yaffe previously had approved fees and expenses from September 30,
19 2009 through November 30, 2009, in the amount of \$26,176.24 to Todd Donovan; leaving
20 \$234,816 for approval by this Application.

21 40. Approval of Fees and Expenses to Manhattan Group: Manhattan Group provided
22 accounting, financial and consulting services to the Conservator and Liquidator for the day-to-day
23 management of Golden State's operations. From September 30, 2009 through December 31,
24 2011, the Conservator and Liquidator incurred \$591,539.94 in fees and expenses to the Manhattan
25 Group. Judge Yaffe previously had approved fees and expenses from September 30, 2009
26 through November 30, 2009, in the amount of \$95,453.66 to Manhattan Group; leaving
27 \$496,086.28 for approval by this Application.

28 41. Approval of Attorneys Fees and Expenses to Epstein Turner Weiss: Epstein

1 Turner Weiss is a law firm that provided necessary legal services to the Conservator and
 2 Liquidator and his staff including providing advice concerning insurance conservation and
 3 liquidation, rehabilitation, reinsurance, policy termination, asset liquidation, employment
 4 termination, real estate, re-negotiation of lease terms and terminations, Golden State's retirement
 5 plan and Pension Benefit Guaranty Corporation issues, private section employment and
 6 employment discrimination claims and litigation matters, the sale of Golden State's book of
 7 insurance business, corporate governance, and other issues and matters pertaining to Golden
 8 State. From September 30, 2009 through December 31, 2011, the Conservator and Liquidator
 9 incurred \$958,193.01 in fees and expenses to Epstein Turner Weiss. Judge Yaffe previously had
 10 approved fees and expenses from September 30, 2009 through October 31, 2009, in the amount of
 11 \$46,139.71 to Epstein Turner & Weiss; leaving \$912,053.30 for approval by this Application.

12 42. Approval of Attorneys Fees and Expenses to Wisener Nunnally Gold: Wisener
 13 Nunnally Gold is a law firm that provided necessary legal services including in part negotiating
 14 the sale of the Golden State's insurance policies and annuity contracts and drafting the
 15 agreements for said sale, transfer of historical materials to UCLA Library, and additional related
 16 matters. From September 30, 2009 through December 31, 2011, the Conservator and Liquidator
 17 incurred \$57,019.94 in fees and expenses to Wisener Nunnally Gold.

18 43. Approval of Fees and Expenses to Larson & Rosenberger: Larson & Rosenberger
 19 is a Certified Public Accounting firm that provided financial audits and tax liability consulting for
 20 the Conservator and Liquidator concerning Golden State. At the time of Conservation, Golden
 21 State had not completed its 2008 or 2009 annual financial audits or statutory financial statements.
 22 Larson & Rosenberger completed said annual financial audits and statements as well as Golden
 23 State's 2010 annual financial audit and statements. The audits and statements were required by
 24 law and were vital to the evaluation of Golden State's financial sustainability and business
 25 capabilities. From September 30, 2009 through December 31, 2011, the Conservator and
 26 Liquidator incurred \$209,805.01 in fees and expenses to Larson & Rosenberger.

27 44. Approval of Fees and Expenses to Kane Corporation: Kane Corporation provided
 28 mortgage loan marketing services and commercial real estate consulting services to the

1 Conservator and Liquidator regarding Golden State's commercial mortgage loan portfolio and
2 office buildings. From September 30, 2009 through December 31, 2011, the Conservator and
3 Liquidator incurred \$317,033.04 in fees and expenses to Kane Corporation. Judge Yaffe
4 previously had approved fees and expenses for the month of November, 2009, in the amount of
5 \$3,740.85 to Kane Corporation; leaving \$313,292.19 for approval by this Application.

6 45. Approval of Fees and Expenses to Bryan, Pendleton, Swats, & McAllister: Bryan,
7 Pendleton, Swats & McAllister, LLC provided actuarial evaluations and reports concerning
8 Golden State's retirement plan and issues relating thereto. From September 30, 2009 through
9 December 31, 2011, the Conservator and Liquidator incurred \$55,945.00 in fees and expenses to
10 Bryan, Pendleton, Swats & McAllister. Judge Yaffe previously had approved fees and expenses
11 from September 30, 2009 through November 30, 2009, in the amount of \$2,809 to Bryan,
12 Pendleton, Swats & McAllister; leaving \$53,136.00 for approval by this Application.

13 46. Approval of Fees and Expenses to Ultimate Staffing: Ultimate Staffing provided
14 temporary employment services to the Conservator and Liquidator. These services were
15 necessary to assist the Conservator and Liquidator in sorting, boxing, inventorying and in
16 removing thousands of boxes containing Golden States records from Golden State's home office
17 building in December 2010. From October 2010 through December 31, 2010, the Conservator
18 and Liquidator incurred \$46,189.56 in fees and expenses to Ultimate Staffing.

19 47. Approval of Fees and Expenses to Lewis & Ellis: Lewis & Ellis provided actuarial
20 and valuation consulting services to the Conservator and the Liquidator. These services were
21 necessary to develop reserve valuations for Golden States liabilities used to assist the Conservator
22 with valuing Golden State's insurance policies and annuity contracts. From January 1, 2010
23 through December 31, 2011, the Conservator and Liquidator incurred \$16,499.15 in fees and
24 expenses to Lewis & Ellis.

25 48. Approval of Fees and Expenses to Aloria Character: Aloria Character provided
26 Human Resources and consulting services to the Conservator and Liquidator to assist with
27 terminating Golden State's 401k program, terminating Golden State's Pension program and
28 administering Golden State's Group Life program. For the period January through March 2011,

1 the Conservator and Liquidator incurred \$31,473.44 in fees and expenses to Aloria Character.

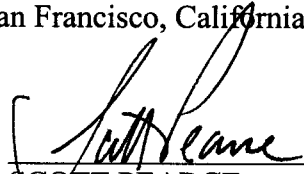
2 49. Approval of Fees and Expenses to Cooke's Crating: Cookes Crating provided fine
3 art packing, transporting and climate controlled storage to the Conservator and Liquidator for
4 Golden State's fine art collection, historical matters and records. Cooke's services were
5 necessary to properly package, transport and store these items. From December 1, 2010 through
6 December 31, 2011, the Conservator and Liquidator incurred \$6,740.47 in fees and expenses to
7 Cookes Crating.

8 50. Approval of Fees and Expenses to ART Movers: ART Movers provided fine art
9 moving to the Conservator and Liquidator for Golden State's fine art collection, historical matters
10 and records. ART Movers' services were necessary to properly package, transport and store these
11 items. From December 1, 2010 through December 31, 2011, the Conservator and Liquidator
12 incurred \$10,198.71 in fees and expenses to ART Movers.

13 51. Approval of Fees and Expenses to Joshua Solomon: Joshua Solomon provided
14 asset disposition and consulting services to the Conservator, including organizing and
15 inventorying Golden State's fine art collection and historical materials, cleaning out Golden's
16 State's home office building, and disposing of certain of Golden State's equipment, furniture and
17 assets. From November 1, 2009 through September 30, 2010, the Conservator incurred
18 \$69,255.10 in fees and expenses to Joshua Solomon.

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

21 Executed on this 12TH day of April, 2012, at San Francisco, California.

22
23 
24 SCOTT PEARCE

DECLARATION OF MICHAEL R. WEISS

I, Michael R. Weiss, declare as follows:

1. I am over 18 years of age and have personal knowledge of the facts and circumstances set forth in this declaration, and if called upon to do so, I could and would competently testify thereto.

2. I am an attorney licensed to practice law in the State of California, and am a partner with the law firm Epstein Turner Weiss, A Professional Corporation. I and Epstein, Turner Weiss have been retained by the Insurance Commissioner of the State of California, in his capacity as Conservator (“Conservator”) and then as Liquidator (“Liquidator”) of Golden State Mutual Life Insurance Company (“Golden State”), to provide legal services concerning Golden State. I make this declaration in support of the Liquidator’s Application To Approve Conservation and Liquidation Expenses (“Application”).

3. The Liquidator has provided written notice of this Application to all persons and entities known to the Liquidator or his staff that may have a substantial, unsatisfied claim that may be affected by this application and any Court Orders pertaining thereto, regardless of whether the persons or entities are a party to this action or have appeared in it, in compliance with California Rules of Court Rule 3.1184(c). Said persons and entities include the Pension Benefit Guaranty Corporation, National Organization of Life and Health Insurance Guaranty Associations and its attorneys, and Certificate of Contribution holders. Additionally, due to prior requests to receive copies of court filings in this matter, the Liquidator has provided notice of this application to Community Impact Development II, LLC, and Pitney Bowes, Inc. The above described persons and entities are listed on the Proof of Service filed concurrently herewith. To maintain confidentiality, the names and addresses of Certificate of Contribution Holders are not listed on the Proof of Service.

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

3 Executed on this 16 day of April, 2012, at Los Angeles, California.

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6 MICHAEL R. WEIS

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EXHIBIT 1

1 EDMUND G. BROWN JR.
Attorney General of the State of California
2 W. DEAN FREEMAN
Supervising Deputy Attorney General
3 FELIX LEATHERWOOD
Supervising Deputy Attorney General
4 MARTA L. SMITH, State Bar No. 101955
Deputy Attorney General
5 300 South Spring Street, Room 1702
Los Angeles, California 90013
6 Telephone: (213) 897-2480
Fax: (213) 897-5775

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF LOS ANGELES

SEP 3 0 2009

John A. Clarke, Executive Officer/Clerk
By *Connie L. Hudson* Deputy
CONNIE L. HUDSON

7 Attorneys for Applicant Insurance Commissioner
8 of the State of California

9 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 FOR THE COUNTY OF LOS ANGELES

11
12 INSURANCE COMMISSIONER OF THE
13 STATE OF CALIFORNIA,

CASE NO. **BS123005**

14 Applicant,

ce
~~PROPOSED~~ ORDER APPOINTING
CONSERVATOR AND RESTRAINING
ORDER

15 v.

16 GOLDEN STATE MUTUAL LIFE
INSURANCE, a California corporation,

17 Respondent.

Assigned For All Purposes To the Honorable

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1 The verified Application of the Insurance Commissioner of the State of California ("the
2 Commissioner") having been filed herein and it appearing to this Court from said Application that
3 the Commissioner has (1) found Golden State Mutual Life Insurance Company ("Golden State")
4 to be in such condition that its further transaction of business will be hazardous to its
5 policyholders, creditors, and the public; and (2) found that said insurer does not comply with the
6 requirements for the issuance to it of a certificate of authority,

7 **IT IS HEREBY ORDERED** that:

8 1. The Commissioner is appointed as Conservator (hereinafter "Conservator") of
9 Golden State and directed him to conduct the business of Golden State or so much thereof as he
10 may deem appropriate (Insurance Code §§ 1011 and 1037(a));

11 2. Title to all of the assets of Golden State, wheresoever situated, is vested in the
12 Conservator or his or her successor in office, in his official capacity as such, including without
13 limitation deposits, certificates of deposit, bank accounts, mutual funds, securities, contracts,
14 rights of actions, books, records and other assets of any and every type and nature, wheresoever
15 situated, presently in Golden State's possession or control those which may be discovered
16 hereafter (Insurance Code § 1011);

17 3. All funds and assets, including without limitation deposits, certificates of deposit,
18 bank accounts, securities, and mutual fund shares of Golden State, in various financial depository
19 institutions, including without limitation banks, savings and loan associations, industrial loan
20 companies, mutual funds and/or stock brokerages, wheresoever situated, are subject to
21 withdrawal only upon direction or order by the Conservator (Insurance Code §§ 1011 and 1037
22 General Powers);

23 4. The Conservator is authorized forthwith to take possession of all of Golden State's
24 books, records, property, real and personal, and assets including without limitation accounts, safe
25 deposit boxes, rights of actions and all assets as may be in the name of Golden State, wheresoever
26 situated (Insurance Code § 1011);

27 5. The Conservator is authorized to collect all moneys due to Golden State, and to do
28 such other acts as are necessary or expedient to collect, conserve, or protect Golden State's assets,

1 property, and business (Insurance Code § 1037(a));

2 6. The Conservator is authorized to collect all debts due and claims belonging to
3 Golden State and to have the authority to sell, compound, compromise, or assign, for the purpose
4 of collection upon such terms and conditions as the Conservator deems best, any bad or doubtful
5 debts (Insurance Code § 1037(b));

6 7. The Conservator is authorized to compound, compromise or in any other manner
7 negotiate settlements of claims against Golden State upon such terms and conditions as the
8 Conservator shall deem to be in the best interest of the estate of Golden State (Insurance Code §
9 1037(c));

10 8. The Conservator is authorized to acquire, hypothecate, encumber, lease, improve,
11 sell, transfer, abandon, or otherwise dispose of or deal with, any real or personal property of
12 Golden State at its reasonable market value, or, in cases other than acquisition, sale, or transfer on
13 the basis of reasonable market value, upon such terms and conditions as the Conservator may
14 deem proper, provided the market value of the property involved does not exceed the sum of
15 twenty thousand dollars (\$20,000) (Insurance Code § 1037(d));

16 9. The Conservator, for the purpose of executing and performing any of the powers
17 and authority conferred upon the Conservator under Insurance Code § 1010 *et seq.*, in the name of
18 Golden State or in the Conservator's own name, is authorized to initiate, prosecute, and/or defend
19 any and all suits and other legal proceedings, legal or equitable, and to execute, acknowledge and
20 deliver any and all deeds, assignments, releases and other instruments necessary and proper to
21 effectuate any sale of any real and personal property or other transaction in connection with the
22 administration, liquidation or other disposition of the assets of Golden State, in this or other states
23 as may appear to him necessary to carry out his functions as Conservator (Insurance Code §
24 1037(f) and 1037 General Powers);

25 10. The Conservator is authorized to divert, take possession of and secure all mail of
26 Golden State and to effect a change in the rights to use any and all post office boxes and other
27 mail collection facilities used by Golden State (Insurance Code §§ 1011 and 1037 General
28 Powers);

1 11. The Conservator is authorized to invest and reinvest, in such manner as the
2 Conservator may deem suitable for the best interests of the policyholders and creditors of Golden
3 State, such portions of the funds and assets of Golden State in his possession as do not exceed the
4 amount of the reserves required by law to be maintained by Golden State as reserves for life
5 insurance policies, annuity contracts, supplementary agreements incidental to life business, and
6 reserves for noncancellable disability policies, provided the investment or reinvestment to be
7 made does not exceed the sum of one hundred thousand dollars (\$100,000), except that the
8 Conservator may make investments or reinvestments in excess of \$100,000, but not exceeding
9 \$5,000,000 per investment or reinvestment, if such investments or reinvestments are in
10 compliance with Golden State's existing investment guidelines (Attached as Exhibit 2 to the
11 Application and incorporated by reference herein) or are made pursuant to the investment
12 guidelines of the Commissioner's Conservation & Liquidation Office (Attached as Exhibit 3 to
13 the Application and incorporated by reference herein) including investments and reinvestments
14 through an investment pool consisting exclusively of assets from conserved and/or liquidating
15 estates (Insurance Code § 1037(g) and General Powers);

16 12. The Conservator is authorized, in his discretion, to pay or defer payment of some
17 or all claims, expenses, liabilities and/or obligations of Golden State, in whole or in part, accruing
18 prior and/or subsequent to his appointments as Conservator; to establish a 90-day moratorium on
19 surrenders of and withdrawals from life insurance policies and annuities; to develop and
20 implement a procedure for surrenders of and withdrawals from life insurance policies and
21 annuities due to hardship (Insurance Code §§ 1011 and 1037 General Powers);

22 13. The Conservator is authorized to appoint and employ under his hand and official
23 seal, special deputy commissioners and/or legal counsel, as his agents, and to employ clerks
24 and/or assistants, and to give to each of them those powers that the Conservator deems necessary
25 (Insurance Code §§ 1035(a) and 1036);

26 14. The Conservator is authorized to fix the costs of employing special deputy
27 commissioners, legal counsel, clerks, and/or assistants, and all expenses of taking possession of,
28 conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and

1 property of Golden State, subject to the approval of the court, and to pay such costs out of the
2 assets of Golden State to the Conservator and others including without limitation expenses,
3 expense allocations, administrative costs, administrative overhead, and costs incurred and/or
4 allocated by the Conservation & Liquidation Office, and if there are insufficient funds to pay such
5 costs, then to pay such costs out of the Insurance Fund pursuant to Insurance Code § 1035
6 (Insurance Code §§ 1035(a), 1036 and 1037 General Powers);

7 15. The Conservator is authorized to assume or reject, or to modify, any executory
8 contract, including without limitation, any lease, rental or utilization contract or agreement
9 (including any schedule to any such contract or agreement), and any license or other arrangement
10 for the use of computer software of business information systems, to which Golden State is a
11 party or as to which Golden State agrees to accept an assignment of such contract, not later than
12 120 days of the date of the Order Appointing Conservator, unless such date is extended by
13 application to and further order of this Court, and if not expressly assumed by the Conservator
14 within that time then such executory contract is deemed rejected (Insurance Code § 1037 General
15 Powers);

16 16. The Conservator is authorized to terminate compensation arrangements with
17 employees, to enter into new compensation arrangements with employees including arrangements
18 containing retention incentives, and to hire employees on such terms and conditions as he deems
19 reasonable (Insurance Code § 1037 General Powers);

20 17. The Conservator is granted all the powers of the directors, officers and managers
21 of Golden State, whose authorities are suspended except as such powers may be redelegated in
22 writing by the Conservator (Insurance Code § 1037 General Powers);

23 18. Except upon the express authorization of the Conservator, Golden State and its
24 officers, directors, agents, servants, and employees are enjoined from the transaction of Golden
25 State's business or disposition of its property including without limitation from disposing of,
26 using, transferring, selling, assigning, canceling, alienating, hypothecating or concealing in any
27 manner or any way, or assisting any person in any of the foregoing, of the property or assets of
28 Golden State or property or assets in the possession of Golden State, of any nature or kind,

1 including without limitation claims or causes of action, until further order of this Court and
2 further, such persons are enjoined from obstructing or interfering with the Conservator's conduct
3 of his or her duties as Conservator (Insurance Code §§ 1011, 1020 and 1037);

4 19. All persons are enjoined from instituting or prosecuting or maintaining any action
5 at law or suit in equity including without limitation actions or proceedings to compel discovery or
6 production of documents or testimony, and matters in arbitration, and from obtaining or
7 attempting to attain preferences, judgments, foreclosures, attachments or other liens of any kind
8 or nature, against Golden State, its assets, or the Conservator, and from attaching, executing upon,
9 foreclosing upon, redeeming of, making levy upon, or taking any other legal proceedings against
10 any of the property and/or assets of Golden State, and from doing any act interfering with the
11 conduct of said business by the Conservator, except after an order from this Court obtained after
12 reasonable notice to the Conservator (Insurance Code §§ 1011, 1020 and 1037 General Powers);

13 20. Enjoining the sale or deed for nonpayment of taxes or assessments levied by any
14 taxing agency of property and/or assets of Golden State (Insurance Code § 1020(f));

15 21. Except with leave of court issued after a hearing in which the Conservator has
16 received reasonable notice, all persons are enjoined from accelerating the due date of any
17 obligation or claimed obligation, exercising any right of set-off, taking, retaining, retaking or
18 attempting to retake possession of any real or personal property, withholding or diverting any rent
19 or other obligation, and doing any act or other thing whatsoever to interfere with the possession of
20 or management by the Conservator of the property and assets, owned or controlled, by Golden
21 State or in the possession of Golden State or in any way interfering with the Conservator or
22 interfering in any manner during the pendency of this proceeding with the exclusive jurisdiction
23 of this Court over Golden State (Insurance Code §§ 1020 and 1037 General Powers);

24 22. All persons are enjoined from the waste of the assets of Golden State (Insurance
25 Code § 1020);

26 23. Golden State and all officers, directors, agents and employees of Golden State are
27 ordered to deliver to, and immediately make available to, the Conservator all assets, books,
28 records, accounts, information, computers, tapes, discs, writings, other recordings of information,

cl

1 equipment and other property of Golden State, wheresoever situated, in said persons custody or
2 control and further, directing the aforesaid to disclose verbally, or in writing if requested by the
3 Conservator, the exact whereabouts of the foregoing items if such items are not in the possession
4 custody or control of said persons (Insurance Code §§ 1011, 1020 and 1037 General Powers);

5 24. All officers, directors, trustees, employees or agents of Golden State, or any other
6 person, firm, association, partnership, corporate parent, holding company, affiliate or other entity
7 in charge of any aspect of Golden State's affairs, either in whole or in part, and including but not
8 limited to banks, savings and loan associations, financial or lending institutions, brokers, stock or
9 mutual associations, or any parent, holding company, subsidiary or affiliated corporation or any
10 other representative acting in concert with Golden State, are ordered to cooperate with the
11 Conservator in the performance of his or her duties (Insurance Code § 1037 General Powers);

12 25. All persons who maintain records for Golden State, pursuant to written contract or
13 any other agreement, are ordered to maintain such records and to deliver to the Conservator such
14 records upon his request (Insurance Code §§ 1020 and 1037 General Powers);

15 26. All agents of Golden State, and all brokers who have done business with Golden
16 State, are ordered to make all remittances of all funds collected by them or in their hands directly
17 to the Conservator (Insurance Code §§ 1020 and 1037 General Powers);

18 27. All persons having possession of any lists of policyholders, escrow holders,
19 mortgages or mortgagees of Golden State are ordered to deliver such lists to the Conservator and
20 all persons are enjoined from using any such lists or any information contained therein without
21 the consent of the Conservator (Insurance Code §§ 1020 and 1037 General Powers);

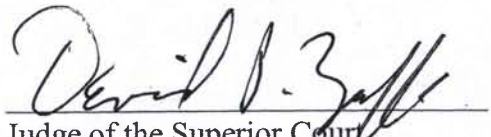
22 28. Golden State and its officers, directors, agents, servants, employees, successors,
23 assigns, affiliates, and other persons or entities under their control and all persons or entities in
24 concert or participation with Golden State, and each of them, are ordered to turn over to the
25 Conservator all records, documentation, charts and/or descriptive materials of all funds, assets,
26 property (owned beneficially or otherwise), and all other assets of Golden State wherever
27 situated, and all books and records of accounts, title documents and other documents in their
28 possession or under their control, which relate, directly or indirectly to assets or property owned



1 or held by Golden State or to the business or operations of Golden State (Insurance Code §§ 1020
2 and 1037 General Powers);

3 29. Any and all provisions of any agreement entered into by and between any third
4 party and Golden State, including by way of illustration, but not limited to, the following types of
5 agreements (as well as any amendments, assignments, or modifications thereto), shall be stayed,
6 and the assertion of any and all rights and remedies relating thereto shall also be stayed and
7 barred, except as otherwise ordered by this Court, and this Court shall retain jurisdiction over any
8 cause of action that has arisen or may otherwise arise under any such provision: financial
9 guarantee bonds, promissory notes, loan agreements, security agreements, deeds of trust,
10 mortgages, indemnification agreements, subrogation agreements, subordination agreements,
11 pledge agreements, assignments of rents or other collateral, financial statements, letters of credit,
12 leases, insurance policies, guaranties, escrow agreements, management agreements, real estate
13 brokerage and rental agreements, servicing agreements, attorney agreements, consulting
14 agreements, easement agreements, license agreements, franchise agreements, or employment
15 contracts that provide in any manner that selection, appointment or retention of a conservator,
16 receiver or trustee by any court, or entry of any order such as hereby made, shall be deemed to be,
17 or otherwise operate as, a breach, violation, event of default, termination, event of dissolution,
18 event of acceleration, insolvency, bankruptcy, or liquidation (Insurance Code §§ 1020 and 1037
19 General Powers).

20
21
22 Dated: SEP 30 2009



Judge of the Superior Court

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DECLARATION OF SERVICE BY E-MAIL AND OVERNIGHT COURIER

Case Name: **Insurance Commissioner v. Golden State Mutual Life Insurance Co.**

No.:

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: 300 South Spring Street, Suite 1702, Los Angeles, CA 90013. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for overnight mail with the **FEDERAL EXPRESS** overnight mail 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 overnight courier that same day in the ordinary course of business.

On **September 28, 2009**, I served the attached **[PROPOSED] ORDER APPOINTING CONSERVATOR AND RESTRAINING ORDER** by transmitting a true copy via electronic mail. In addition, I placed a true copy thereof enclosed in a sealed envelope, in the internal mail system of the Office of the Attorney General, for overnight delivery, addressed as follows:

Michael L. Rosenfield, Esq.
Barger & Wolen LLP
633 W. 5th Street
Forty-Seventh Floor
Los Angeles, California 90071-2045
Phone: (213) 614-7321
Fax: (213) 614-7399
E-mail Address: mrosenfield@bargerwolen.com

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 **September 28, 2009**, at Los Angeles, California.

Veronica James
Declarant


Signature



I certify that this is a true and correct copy of the original of order on file in this office consisting of 9 pages. JOHN A. CLARKE, Executive Officer/Clerk of the Superior Court of California, County of Los Angeles.

Date: SEP 30 2009 By: Jessica Le, Deputy

Jessica Le

EXHIBIT 2

ORIGINAL FILED

JAN 28 2011

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LOS ANGELES
SUPERIOR COURT

DEC 21 2010

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15 Insurance Commissioner of the State of California

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

18 INSURANCE COMMISSIONER OF THE
19 STATE OF CALIFORNIA,

20 Applicant,

21 v.

22 GOLDEN STATE MUTUAL LIFE
23 INSURANCE COMPANY, a California
corporation,

24 Respondent.

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

~~PROPOSED~~ ORDER OF LIQUIDATION
AND ORDERS AND INJUNCTIONS IN
AID OF LIQUIDATION FOR GOLDEN
STATE MUTUAL LIFE INSURANCE
COMPANY

Date: January 28, 2011
Time: 9:30 a.m.
Dept: 86

1 On January 28, 2011, in Department 86 of the above-entitled Court, the Honorable Ann I.
2 Jones, Judge Presiding (the "Court"), the Court held the hearing on the Court's Order to Show
3 Cause and the Motion For Order Of Liquidation And Orders And Injunctions In Aid Of
4 Liquidation For Golden State Mutual Life Insurance Company, filed by Applicant Steve Poizner,
5 Insurance Commissioner of the State of California, in his capacity as Conservator ("Conservator")
6 of Golden State Mutual Life Insurance Company in Conservation ("Golden State"). Deputy
7 Attorney General Marta L. Smith and attorney Michael R. Weiss appeared on behalf of the
8 Conservator. Other appearances, if any, are noted in the record.

9 The Court, having read and considered the Conservator's Notice of Order to Show Cause
10 and Motion, Memorandum of Points and Authorities in support of the Motion, the Declarations of
11 David E. Wilson and Michael R. Weiss, and all documents and evidence submitted, and having
12 heard and considered the arguments presented to the Court, and upon good cause shown,

13 IT IS HEREBY ORDERED that the Conservator's Motion is granted and that:

14 **A. Liquidation, Administration and Operation**

15 1. As of September 30, 2010, Golden State is insolvent and remains insolvent today,
16 and it would be futile for the Commissioner to proceed as Conservator; and therefore, sufficient
17 grounds exist in accordance with Insurance Code § 1016 for entry of an order of liquidation of
18 Golden State. (Insurance Code § 1016.)

19 2. The Commissioner's status as Conservator is terminated, he is appointed
20 Liquidator of Golden State as set forth in Insurance Code § 1016, and he is directed as Liquidator
21 to liquidate and wind up the business of Golden State and to act in all ways and exercise all
22 powers necessary for the purpose of carrying out this Order. (Insurance Code § 1016.)

23 3. Title to all of the assets of Golden State, wheresoever situated, shall remain vested
24 in the Commissioner, now as Liquidator, or his successor in office, in his official capacity as
25 such, including without limitation real and personal property, deposits, certificates of deposit,
26 bank accounts, mutual funds, securities, contracts, rights of actions, books, records and other
27 assets of any and every type and nature, wheresoever situated, presently in Golden State's
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1 possession and/or those which may be discovered hereafter. (Insurance Code §§ 1011, 1016 and
2 1037 General Powers.)

3 4. All funds and assets, including without limitation deposits, certificates of deposit,
4 bank accounts, securities, and mutual fund shares of Golden State, in various financial depository
5 institutions, including without limitation banks, savings and loan associations, industrial loan
6 companies, mutual funds and/or stock brokerages, wheresoever situated, are subject to withdrawal
7 only upon direction or order by the Liquidator. (Insurance Code §§ 1011, 1016 and 1037 General
8 Powers.)

9 5. The Liquidator is authorized to collect all moneys due to Golden State, and to do
10 such other acts as are necessary or expedient to collect, conserve, protect and/or liquidate Golden
11 State's assets, property and business. (Insurance Code § 1037(a).)

12 6. The Conservator is authorized to collect all debts due and claims belonging to
13 Golden State and to have the authority to sell, compound, compromise, or assign, for the purpose
14 of collection upon such terms and conditions as the Liquidator deems best, any bad or doubtful
15 debts. (Insurance Code § 1037(b).)

16 7. The Liquidator is authorized to compound, compromise or in any other manner
17 negotiate settlements of claims against Golden State upon such terms and conditions as the
18 Liquidator shall deem to be most advantageous to the estate of Golden State. (Insurance Code §
19 1037(c).)

20 8. The Liquidator is authorized, without permission of the court and without notice,
21 to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of
22 or deal with, any real or personal property of Golden State at its reasonable market value, or, in
23 cases other than acquisition, sale, or transfer on the basis of reasonable market value, upon such
24 terms and conditions as the Liquidator may deem proper, provided the market value of the
25 property involved does not exceed the sum of twenty thousand dollars (\$20,000). (Insurance
26 Code § 1037(d).)

27 9. The Liquidator is authorized to transfer to a trustee or trustees, under a voting trust
28 agreement, the stock of Golden State heretofore or hereafter issued to the Liquidator in

1 connection with a rehabilitation or reinsurance agreement, or any other proceeding under
2 Insurance Code § 1010 *et seq.* (Insurance Code § 1037(e).)

3 10. The Liquidator is authorized, for the purpose of executing and performing any of
4 the powers and authority conferred upon the Liquidator under Insurance Code § 1010 *et seq.*, in
5 the name of Golden State or in the Liquidator's own name, to initiate, prosecute and/or defend any
6 and all suits and other legal proceedings, legal or equitable, and to execute, acknowledge and
7 deliver any and all deeds, assignments, releases and other instruments necessary and proper to
8 effectuate any sale of any real and personal property or other transaction in connection with the
9 administration, liquidation or other disposition of the assets of Golden State, in this or other states
10 as may appear to him necessary to carry out his functions as Liquidator. (Insurance Code §
11 1037(f) and 1037 General Powers.)

12 11. The Liquidator is authorized to divert, take possession of and secure all mail of
13 Golden State and to effect a change in the rights to use any and all post office boxes and other
14 mail collection facilities used by Golden State. (Insurance Code §§ 1011 and 1037 General
15 Powers.)

16 12. The Liquidator is authorized, without permission of the court and without notice,
17 to invest and reinvest, in such manner as the Liquidator may deem suitable for the best interests of
18 the policyholders and/or creditors of Golden State, such portions of the funds and assets of
19 Golden State in his possession as do not exceed the amount of the reserves required by law to be
20 maintained by Golden State as reserves for life insurance policies, annuity contracts,
21 supplementary agreements incidental to life business, and reserves for non-cancelable disability
22 policies, and which funds and assets are not immediately distributable to creditors, provided the
23 investment or reinvestment to be made does not exceed the sum of one hundred thousand dollars
24 (\$100,000), except that the Liquidator, without permission of the court and without notice, may
25 make investments or reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per
26 investment or reinvestment, if such investments or reinvestments are part of Golden State's
27 existing investments or are made pursuant to the investment guidelines of the Commissioner's
28 Conservation & Liquidation Office including investments and reinvestments through an

1 investment pool consisting exclusively of assets from conserved and/or liquidating estates.
2 (Insurance Code § 1037(g) and General Powers.)

3 13. The Liquidator is authorized, in his discretion, without permission of the court and
4 without notice, to pay or defer payment of some or all claims, expenses, liabilities and/or
5 obligations of Golden State, in whole or in part, accruing prior and/or subsequent to his
6 appointment as Liquidator. (Insurance Code §§ 1011 and 1037 General Powers.)

7 14. The Liquidator is authorized to appoint and employ under his hand and official
8 seal, special deputy commissioners and/or legal counsel, as his agents, and to employ clerks
9 and/or assistants, and to give to each of them those powers that the Liquidator deems necessary.
10 (Insurance Code §§ 1035(a) and 1036.)

11 15. The Liquidator is authorized to fix the costs of employing special deputy
12 commissioners, legal counsel, clerks, and/or assistants, and all expenses of taking possession of,
13 conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and
14 property of Golden State, subject to the approval of the court, and to pay such costs out of the
15 assets of Golden State to the Liquidator and others including without limitation expenses, expense
16 allocations, administrative costs, administrative overhead, and costs incurred and/or allocated by
17 the Conservation & Liquidation Office, and if there are insufficient funds to pay such costs, then
18 to pay such costs out of the Insurance Fund pursuant to Insurance Code § 1035. (Insurance Code
19 §§ 1035(a), 1036 and 1037 General Powers.)

20 16. The Liquidator is authorized to assume or reject, or to modify, any executory
21 contract, including without limitation, any lease, rental or utilization contract or agreement
22 (including any schedule to any such contract or agreement), and any license or other arrangement
23 for the use of computer software of business information systems, to which Golden State is a
24 party or as to which Golden State agrees to accept an assignment of such contract, not later than
25 120 days of the date of the Order Appointing Conservator, unless such date is extended by
26 application to and further order of this Court, and if not expressly assumed by the Conservator
27 within that time then such executory contract is deemed rejected. (Insurance Code § 1037
28 General Powers.)

1 17. The Liquidator is authorized to terminate compensation arrangements with
2 employees, to enter into new compensation arrangements with employees including arrangements
3 containing retention incentives, and to hire employees on such terms and conditions as he deems
4 reasonable. (Insurance Code § 1037 General Powers.)

5 18. The Liquidator is vested with all the powers of the directors, officers and managers
6 of Golden State, whose authorities are suspended except as such powers may be re-delegated by
7 the Liquidator. (Insurance Code § 1037 General Powers.)

8 **B. Injunctions and Other Orders**

9 19. Except upon the express authorization of the Liquidator, all persons are hereby
10 enjoined, including without limitation Golden State and its officers, directors, agents, servants,
11 and employees, from the transaction of Golden State's business or disposition of its property
12 including without limitation from disposing of, using, transferring, selling, assigning, canceling,
13 alienating, hypothecating or concealing in any manner or any way, or assisting any person in any
14 of the foregoing, of the property or assets of Golden State or property or assets in the possession
15 of Golden State, of any nature or kind, including without limitation claims or causes of action,
16 until further order of this Court and further, enjoining such persons from obstructing or interfering
17 with the Liquidator's conduct of his or her duties as Liquidator. (Insurance Code §§ 1011, 1020
18 and 1037.)

19 20. All persons are enjoined from instituting or prosecuting or maintaining any action
20 at law or suit in equity including without limitation actions or proceedings to compel discovery or
21 production of documents or testimony, and matters in arbitration, and from obtaining or
22 attempting to attain preferences, judgments, foreclosures, attachments or other liens of any kind
23 or nature, against Golden State, its assets, or the Liquidator, and from attaching, executing upon,
24 foreclosing upon, redeeming of, making levy upon, or taking any other legal proceedings against
25 any of the property and/or assets of Golden State, and from doing any act interfering with the
26 conduct of said business by the Liquidator, except after an order from this Court obtained after
27 reasonable notice to the Liquidator. (Insurance Code §§ 1011, 1020 and 1037 General Powers.)
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1 21. All persons are enjoined from the sale or deed for nonpayment of taxes or
2 assessments levied by any taxing agency of property and/or assets of Golden State. (Insurance
3 Code § 1020(f).)

4 22. Except with leave of court issued after a hearing in which the Liquidator has
5 received reasonable and statutory notice, all persons are enjoined from accelerating the due date
6 of any obligation or claimed obligation, exercising any right of set-off, taking, retaining, retaking
7 or attempting to retake possession of any real or personal property, withholding or diverting any
8 rent or other obligation, and doing any act or other thing whatsoever to interfere with the
9 possession of or management by the Liquidator of the property and assets, owned or controlled,
10 by Golden State or in the possession of Golden State or in any way interfering with the Liquidator
11 or interfering in any manner during the pendency of this proceeding with the exclusive
12 jurisdiction of this Court over Golden State. (Insurance Code §§ 1020 and 1037 General Powers.)

13 23. All persons are enjoined from the waste of the assets of Golden State. (Insurance
14 Code § 1020.)

15 24. Golden State and all officers, directors, agents and employees of Golden State are
16 ordered to deliver to, and immediately make available to, the Liquidator all assets, books,
17 accounts, records, information, computers, tapes, discs, writings, other recordings of information,
18 equipment and other property of Golden State, wheresoever situated, in said person's custody or
19 control and further, and are directed the aforesaid to disclose verbally, or in writing if requested
20 by the Liquidator, the exact whereabouts of the foregoing items if such items are not in the
21 possession, custody or control of said persons. (Insurance Code §§ 1011, 1016, 1020 and 1037
22 General Powers.)

23 25. Golden State and all officers, directors, trustees, employees or agents of Golden
24 State, or any other person, firm, association, partnership, corporate parent, holding company,
25 affiliate or other entity in charge of any aspect of Golden State's affairs, either in whole or in part,
26 and including but not limited to banks, savings and loan associations, financial or lending
27 institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or
28 affiliated corporation or any other representative acting in concert with Golden State, are ordered

1 to cooperate with the Liquidator in the performance of his or her duties. (Insurance Code § 1037
2 General Powers.)

3 26. All persons who maintain records for Golden State, pursuant to written contract or
4 any other agreement, are ordered to maintain such records and to deliver to the Liquidator such
5 records upon his request. (Insurance Code §§ 1020 and 1037 General Powers.)

6 27. All agents of Golden State, and all brokers who have done business with Golden
7 State, are ordered to make all remittances of all funds collected by them or in their hands directly
8 to the Liquidator. (Insurance Code §§ 1020 and 1037 General Powers.)

9 28. All persons having possession of any lists of policyholders, escrow holders,
10 mortgages or mortgagees of Golden State are ordered to deliver such lists to the Liquidator and all
11 persons are enjoined from using any such lists or any information contained therein without the
12 consent of the Liquidator. (Insurance Code §§ 1020 and 1037 General Powers.)

13 29. Golden State and its officers, directors, agents, servants, employees, successors,
14 assigns, affiliates, and other persons or entities under their control and all persons or entities in
15 concert or participation with Golden State, and each of them, are ordered to turn over to the
16 Liquidator all records, documentation, charts and/or descriptive materials of all funds, assets,
17 property (owned beneficially or otherwise), and all other assets of Golden State wherever situated,
18 and all books and records of accounts, title documents and other documents in their possession or
19 under their control, which relate, directly or indirectly, to assets or property owned or held by
20 Golden State or to the business or operations of Golden State. (Insurance Code §§ 1020 and 1037
21 General Powers.)

22 30. Any and all provisions of any agreement entered into by and between any third
23 party and Golden State, including by way of illustration, but not limited to, the following types of
24 agreements (as well as any amendments, assignments, or modifications thereto), are stayed, and
25 the assertion of any and all rights and remedies relating thereto are also stayed and barred, except
26 as otherwise ordered by this Court, and this Court shall retain jurisdiction over any cause of action
27 that has arisen or may otherwise arise under any such provision: financial guarantee bonds,
28 promissory notes, loan agreements, security agreements, deeds of trust, mortgages,

1 indemnification agreements, subrogation agreements, subordination agreements, pledge
2 agreements, assignments of rents or other collateral, financial statements, letters of credit, leases,
3 insurance policies, guaranties, escrow agreements, management agreements, real estate brokerage
4 and rental agreements, servicing agreements, attorney agreements, consulting agreements,
5 easement agreements, license agreements, franchise agreements, or employment contracts that
6 provide in any manner that selection, appointment or retention of a conservator, receiver or trustee
7 by any court, or entry of any order such as hereby made, shall be deemed to be, or otherwise
8 operate as, a breach, violation, event of default, termination, event of dissolution, event of
9 acceleration, insolvency, bankruptcy, or liquidation. (Insurance Code §§ 1020 and 1037 General
10 Powers).

11 C. Creditors and Setting of Claims Bar Date

12 31. The rights and liabilities of claimants, policyholders, shareholders, members and
13 all other persons interested in the assets of Golden State are fixed as of the date of entry of this
14 Order. (Insurance Code § 1019.)

15 32. Any and all claims against Golden State, including without limitation those claims
16 which in any way affect or seek to affect any of the assets of Golden State, wherever or however
17 such assets may be owned or held, must be filed no later than December 31, 2011 (the "Claims
18 Bar Date"), together with proper proofs thereof, in accordance with the provisions of Insurance
19 Code § 1010 *et seq.* including without limitation Insurance Code § 1023. The proof of claim must
20 be timely filed on the form provided by the Liquidator, together with proper proofs thereof, and
21 must be supplemented with such further information as the Liquidator requests, in accordance
22 with Insurance Code § 1023(f). Except for persons deemed to have filed claims against Golden
23 State in accordance with the provisions of Insurance Code § 1010 *et seq.* including without
24 limitation Insurance Code § 1024 and § 1025.5, any claims not filed by the Claims Bar Date shall
25 be conclusively deemed forever waived. (Insurance Code § 1024.)

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1 33. For such other and further relief as may be proper or necessary.

2 34. The Liquidator is authorized to take any and all action necessary to accomplish the
3 purposes of this Order and the Orders requested herein.

4 DATED: 1-28-11

ANN I. JONES

THE HONORABLE ANN I. JONES
Los Angeles Superior Court Judge

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