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EDMUND G. BROWN JR.  
Attorney General of the State of California  
W. DEAN FREEMAN  
Supervising Deputy Attorney General  
RAYMOND B. JUE, State Bar No. 61656  
Deputy Attorney General  
LISA W. CHAO, State Bar No. 198536  
Deputy Attorney General  
300 South Spring Street, Room 1702  
Los Angeles, California 90013  
Telephone: (213) 897-2480  
Fax: (213) 897-5775

**FILED**  
SUPERIOR COURT OF CALIFORNIA  
COUNTY OF ORANGE  
CENTRAL JUSTICE CENTER  
JUN 05 2008  
ALAN SLATER, Clerk of the Court  
*D. Honnichl*  
BY D. HONOMICHL

Attorneys for Applicant Insurance Commissioner  
of the State of California

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF ORANGE

INSURANCE COMMISSIONER OF THE  
STATE OF CALIFORNIA,  
  
Applicant,  
  
v.  
  
FREMONT LIFE INSURANCE COMPANY,  
a California corporation,  
  
Respondent.

**30-2008**  
CASE NO. **00107334**  
  
**ORDER APPOINTING CONSERVATOR  
AND RESTRAINING ORDERS**  
  
Date: June 3, 2008  
Time: 9:00 a.m.  
Place: Dept. C31  
  
[Assigned For All Purposes To the  
Honorable Frederick P. Horn]

RECEIVED  
SUPERIOR COURT OF CALIFORNIA  
CENTRAL JUSTICE CENTER  
JUN 02 2008  
BY: CE. HIRAKAWA

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 Fremont Life Insurance Company (“Fremont Life”) to be in such  
4 condition that its further transaction of business will be hazardous to its policyholders, creditors,  
5 and the public; and (2) found that said insurer does not comply with the requirements for the  
6 issuance to it of a certificate of authority,

7 IT IS HEREBY ORDERED that:

8 1. The Commissioner is hereby appointed as Conservator (hereinafter “Conservator”)  
9 of Fremont Life and directed to conduct the business of Fremont Life or so much thereof as he  
10 may deem appropriate; and the Conservator is authorized, in his discretion, to pay or defer  
11 payment of some or all proper claims, expenses, liabilities and obligations of Fremont Life, in  
12 whole or in part, accruing prior or subsequent to his appointment as Conservator;

13 2. The Conservator is authorized to assume or reject, or to modify, any executory  
14 contracts including without limitation, any lease, rental or utilization contract or agreement  
15 (including any schedule to any such contract or agreement), and any license or other arrangement  
16 for the use of computer software of business information systems, to which Respondent Fremont  
17 Life is a party or as to which Respondent agrees to accept an assignment of such contract; the  
18 Conservator is directed to effect any such assumption or rejection or modification of any  
19 executory contract not later than 120 days of the date of the Order Appointing Conservator,  
20 unless such date is extended by application to and further order of this Court; all executory  
21 contracts that are not expressly assumed by the Commissioner as Conservator shall be deemed  
22 rejected;

23 3. The Conservator is authorized to take possession of all of the assets of Fremont  
24 Life, including books, records and property, both real and personal, accounts, safe deposit boxes,  
25 rights of action, and all such assets as may be in the name of Fremont Life, wheresoever situated;

26 4. Title to all property and assets of Fremont Life, including deposits, securities,  
27 contracts, rights of actions, books, records and other assets of every type and nature, and  
28 including both those presently in Fremont Life’s possession and those which may be discovered

1 hereafter, wheresoever situated, is vested in the Conservator or his successor in office, in his  
2 official capacity as Conservator; the Conservator is authorized to deal with the same in his own  
3 name as Conservator or in the name of Fremont Life, and all persons are enjoined from  
4 interfering with Conservator's possession and title thereto;

5         5.         The Conservator shall have all the powers of the directors, officers and managers  
6 of Fremont Life, whose authorities are suspended except as such powers may be redelegated by  
7 the Conservator;

8         6.         The Conservator is authorized to terminate compensation arrangements with  
9 employees, to enter into new compensation arrangements with employees, including  
10 arrangements containing retention incentives, and the Conservator is authorized to hire employees  
11 on such terms and conditions as he deems reasonable;

12         7.         Except upon the express authorization of the Conservator, Fremont Life, its  
13 officers, directors, agents and employees are enjoined from transacting any of the business of  
14 Fremont Life, whether in the State of California or elsewhere, or from disposing of, using,  
15 transferring, selling, assigning, canceling, alienating, hypothecating or concealing in any manner  
16 or any way, or assisting any person in any of the foregoing, of the property or assets of Fremont  
17 Life or property or assets in the possession of Fremont Life, of any nature or kind, including  
18 claims or causes of action, until further order of this Court and further, such persons are enjoined  
19 from obstructing or interfering with the Conservator's conduct of his or her duties as Conservator;

20         8.         All persons are enjoined from instituting or prosecuting or maintaining any action  
21 at law or suit in equity, including but not limited to actions or proceedings to compel discovery or  
22 production of documents or testimony and matters in arbitration, except in matters before either  
23 the California Workers Compensation Appeals Board or equivalent administrative boards or  
24 organizations performing such functions in other states in which Fremont Life issued workers  
25 compensation policies, against Fremont Life, or against Conservator and from attaching,  
26 executing upon, redeeming of or taking any other legal proceedings against any of the property of  
27 Fremont Life, and from doing any act interfering with the conduct of said business by  
28 Conservator, except after an order from this Court obtained after reasonable notice to

1 Conservator;

2 9. Fremont Life and all officers, directors, agents and employees of Fremont Life  
3 shall deliver to, and immediately make available to, the Conservator all assets, books, records,  
4 accounts, records, information, computers, tapes, discs, writings, other recordings of information,  
5 equipment and other property of Fremont Life, wheresoever situated, in said persons custody or  
6 control and further, the aforesaid persons shall disclose verbally, or in writing if requested by the  
7 Conservator, the exact whereabouts of the foregoing items if such items are not in the possession  
8 custody or control of said persons;

9 10. All officers, directors, trustees, employees or agents of Fremont Life, or any other  
10 person, firm, association, partnership, corporate parent, holding company, affiliate or other entity  
11 in charge of any aspect of Fremont Life's affairs, either in whole or in part, and including but not  
12 limited to banks, savings and loan associations, financial or lending institutions, brokers, stock or  
13 mutual associations, or any parent, holding company, subsidiary or affiliated corporation or any  
14 other representative acting in concert with Fremont Life, shall cooperate with the Conservator in  
15 the performance of his or her duties.

16 11. The Conservator is authorized to pay all reasonable costs of taking possession of  
17 and conserving Fremont Life (including but not limited to the Conservator's pre-conservation  
18 costs in examining Fremont Life's financial condition, and preparing to take possession and  
19 conserve Fremont Life) out of the funds and assets of the Fremont Life;

20 12. The Conservator is authorized to pay all reasonable costs of operating Fremont  
21 Life as Conservator (including direct and allocated direct costs, direct and allocated general and  
22 administrative costs and overhead, and all other allocated costs) out of any and all funds and  
23 assets of Fremont Life; and if there are insufficient funds, to pay for the costs out of the Insurance  
24 Fund pursuant to Insurance Code section 1035;

25 13. All funds and assets, including certificates of deposit, bank accounts, and mutual  
26 fund shares of Fremont Life, in various financial depository institutions, including banks, savings  
27 and loan associations, industrial loan companies, mutual funds or stock brokerages, wheresoever  
28 situated, shall be vested in the Conservator and subject to withdrawal upon his order only;

1           14. All persons who maintain records for Fremont Life, pursuant to written contract or  
2 any other agreement, shall maintain such records and deliver to the Conservator such records  
3 upon his request;

4           15. All agents of Fremont Life, and all brokers who have done business with Fremont  
5 Life, shall make all remittances of all funds collected by them or in their hands directly to the  
6 Conservator;

7           16. All persons having possession of any lists of policyholders or escrow holders of  
8 Fremont Life shall deliver such lists to the Conservator; and that all persons are enjoined from  
9 using any such lists or any information contained therein without the consent of the Conservator;

10          17. The Conservator is authorized to initiate such equitable or legal actions or  
11 proceedings in this or other states as may appear to him necessary to carry out his functions as  
12 Conservator;

13          18. The Conservator is authorized to appoint and employ special deputies, estate  
14 officers and managers, other professionals, clerks and assistants and to give each of them such  
15 power and authority as may be deemed necessary by him and the Conservator is authorized to  
16 compensate these persons from the assets of Fremont Life as he shall deem appropriate;

17          19. The Conservator is authorized to divert, take possession of and secure all mail of  
18 Fremont Life, in order to screen such mail, and to effect a change in the rights to use any and all  
19 post office boxes and other mail collection facilities used by Fremont Life;

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

28          21. Except with leave of court issued after a hearing in which the Conservator has

1 received reasonable notice, all persons are enjoined from obtaining preferences, judgments,  
2 attachments or other liens, or making any levy against Fremont Life or its assets or property, and  
3 from executing or issuing or causing the execution or issuance of any court attachment, subpoena,  
4 replevin, execution or other process for the purpose of impounding or taking possession of or  
5 interfering with or creating or enforcing a lien upon any property or assets owned or in the  
6 possession of Fremont Life or Conservator, wheresoever situated, and from doing any act  
7 interfering with the conduct of said business by Conservator;

8         22. Except with leave of court issued after a hearing in which Conservator has  
9 received reasonable notice, all persons are enjoined from accelerating the due date of any  
10 obligation or claimed obligation; exercising any right of set-off; taking, retaining, retaking or  
11 attempting to retake possession of any real or personal property; withholding or diverting any rent  
12 or other obligation; doing any act or other thing whatsoever to interfere with the possession of or  
13 management by Conservator of the property and assets, owned or controlled by Fremont Life or  
14 in the possession of Fremont Life or in any way interfering with Conservator or interfering in any  
15 manner during the pendency of this proceeding with the exclusive jurisdiction of this Court over  
16 Fremont Life;

17         23. Any and all provisions of any agreement entered into by and between any third  
18 party and Fremont Life, including by way of illustration, but not limited to, the following types  
19 of agreements (as well as any amendments, assignments, or modifications thereto); financial  
20 guarantee bonds, promissory notes, loan agreements, security agreements, deeds of trust,  
21 mortgages, indemnification agreements, subrogation agreements, subordination agreements,  
22 pledge agreements, assignments of rents or other collateral, financial statements, letters of credit,  
23 leases, insurance policies, guaranties, escrow agreements, management agreements, real estate  
24 brokerage and rental agreements, servicing agreements, attorney agreements, consulting  
25 agreements, easement agreements, license agreements, franchise agreements, or employment  
26 contracts that provide in any manner that selection, appointment or retention of a conservator,  
27 receiver or trustee by any court, or entry of any order such as hereby made, shall be deemed to be,  
28 or otherwise operate as, a breach, violation, event of default, termination, event of dissolution,

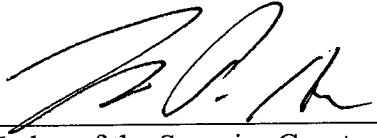
1 event of acceleration, insolvency, bankruptcy, or liquidation shall be stayed, and the assertion of  
2 any and all rights and remedies relating thereto shall also be stayed and barred, except as  
3 otherwise ordered by this Court, and this Court shall retain jurisdiction over any cause of action  
4 that has arisen or may otherwise arise under any such provision;

5 24. The Conservator is authorized to invest Fremont Life's assets and funds in such a  
6 manner as to him may seem suitable for the best interest of Fremont Life's creditors, which funds  
7 are not immediately distributable to. However, no investment or reinvestment shall be made  
8 exceeding the sum of \$100,000 without first obtaining permission of this Court, except the  
9 Conservator may make investments or reinvestments in excess of \$100,000 without prior  
10 approval if such investments or reinvestments are made pursuant to the investment guidelines of  
11 the Conservator's Conservation & Liquidation Office, a true and correct copy of which is  
12 attached hereto as Exhibit A and incorporated herein by this reference. The Conservator shall file  
13 quarterly reports of such investments in excess of \$100,000 with the Court, with notice to all  
14 persons on the service list, such reports to be filed within 60 days of the end of each quarter;

15 25. The Conservator is authorized to pay for his costs and fees in bringing and  
16 maintaining this action, and such other actions as are necessary to carry out his functions as  
17 Conservator, out of the funds and assets of Fremont Life; and

18 26. All persons are enjoined from the waste of the assets of Fremont Life.

19  
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22 Dated: 6/5/08

  
\_\_\_\_\_  
Judge of the Superior Court

**FREDERICK P. HORN**

INSURANCE COMMISSIONER of the

STATE of CALIFORNIA

CONSERVATION & LIQUIDATION OFFICE

INVESTMENT GUIDELINES

Objectives

To maintain safety of principal and to maximize available yield while assuming a minimum of risk through a balance of quality and diversification within the investment portfolio.

A. Safety

*Quality*

None of the Portfolio will be invested in fixed income securities rated below investment grade quality by Standard & Poor's, Moody's or by another nationally recognized statistical rating organization. Unrated securities may not be held. The minimum average market value weighted credit quality of securities in the Portfolio will be AA- by Standard & Poor's and Aa3 by Moody's or their equivalent.

Commercial Paper will be rated no less than A1 by Standard & Poor's or P1 by Moody's.

*Sectors*

Permitted investments for the Portfolio shall include:

1. Fixed income securities and other fixed income obligations of any type which may be issued or guaranteed by (i) the U.S. and the agencies, instrumentalities, and political sub-divisions of the U.S., and (ii) U.S. corporations, trusts and special purpose entities. Such securities must be traded on exchanges or in over the counter markets in the U.S.. No emerging markets' securities are allowed.
2. Repurchase agreements.



### *Restrictions on permitted investments*

None of the Portfolio may be invested in foreign securities and in securities not denominated in U.S. dollars. Manager may not elect to hedge currency and/or interest rate exposure. No speculative currency positions are permitted.

All repurchase agreements will be transacted with counterparties approved by the Manager in accordance with its policies and procedures and terms and conditions set forth in the applicable Investment Management Agreement and any applicable Master Repurchase Agreement(s).

No investment in interest only ("IO"), principal only ("PO"), or inverse floater CMOs are permitted. The manager should only accept reasonable prepayment risk, consistent with the stated objectives of their respective funds.

Derivatives, or financial investments containing derivatives, are not permitted, defined as options, forwards, futures and swaps.

Investment transactions (i) which result in leverage or short sales and/or (ii) with affiliates of the Manager, are not permitted.

### *Diversification*

No more than 5 % of the Portfolio will be invested in the securities of any one issuer, other than those securities issued or guaranteed by the U.S. government, its agencies, and instrumentalities and refunded municipal issues (all of which may be held without limit). For the purposes of this guideline, asset backed and mortgage-related securities (not issued by the U.S. Government, its agencies or instrumentalities), issued by trusts and other special purpose entities, will be limited to no more than 5 percent per issue, in addition to a common originator limit of no more than 20 percent.

## **B. Maturity**

Portfolio duration will be maintained within a range of (+/-) six months of the index under normal market conditions. There will be no restriction on the duration of any single security. Duration will be calculated adjusting for

any optionality in securities as well as adjusting for the expected prepayment level of mortgage-backed security pools.

### C. Calculation of Returns

Returns will be calculated in compliance with the Association for Investment Management and Research standards.

### D. General

ATTEST (DATE) \_\_\_\_\_  
ALAN SLATER, EXECUTIVE OFFICER AND CLERK OF THE  
SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE  
BY \_\_\_\_\_ DEPUTY



All percentage restrictions on Portfolio holdings will initially be evaluated at the time of purchase. At any time thereafter, concentrations in eligible portfolio investments will not exceed the prescribed limit by more than one percent.

Notwithstanding any provision to the contrary, Manager will not be required to sell any particular holding because a rating of a security is downgraded subsequent to purchase. However, Manager is required to notify the client in the event of a downgrade below investment grade. In the event a security is split rated, the lower rating will apply with respect to all portfolio percentage and quality restrictions.

Investment personnel who will have input into or control over any investment decision on behalf of the Commissioner are required, if they have a beneficial interest in that security, to disclose in writing their beneficial interest and receive written authority from the Commissioner before an investment decision is made.

### E. Benchmark

The benchmark for the Portfolio will be the Lehman 1-3 Gov/Credit A or better, (the "Index"). The objective of the Portfolio will be to maintain safety of principal and maximize available yield while assuming a minimum of risk through a balance of quality and diversification within the portfolio.