

IN THE CIRCUIT COURT
OF THE CITY OF RICHMOND
JOHN MARSHALL COURTS BUILDING

COMMONWEALTH OF VIRGINIA ex rel.)
STATE CORPORATION COMMISSION)
)
Applicant,)
)
v.)
)
SOUTHERN TITLE INSURANCE)
CORPORATION)
)
and)
)
MANJU S. GANERIWALA,)
TREASURER OF VIRGINIA)
)
Respondents.)

COURT FILE
NO. CL11-5660-ROT

**FINAL ORDER APPOINTING RECEIVER
FOR REHABILITATION OR LIQUIDATION**

WHEREAS, pursuant to Title 38.2, Chapters 10 and 15 of the Code of Virginia and other applicable Virginia law, an application has been filed with the Court for the entry of an Order Appointing the State Corporation Commission of the Commonwealth of Virginia ("Commission") as Receiver of Southern Title Insurance Corporation ("Southern") and for permanent injunctive relief and other relief authorized by Title 38.2, Chapters 10 and 15 of the Code of Virginia and other Virginia applicable law, for the reasons and purposes set forth in such application ("Application").

WHEREAS, this Court finds that it has subject matter jurisdiction over the facts, matters, and issues raised in the Application;

WHEREAS, Southern voluntarily consents to this delinquency proceeding as Southern's officers and directors have determined that this delinquency proceeding is in the best interests of

policyholders and creditors and have recommended to the Bureau of Insurance that the Commission commence this delinquency proceeding.

WHEREAS, Southern has been duly served and, along with the Treasurer of Virginia, have had notice of the Application, and the parties have appeared by counsel and have agreed to the entry of this Order;

WHEREAS, the relief granted in this Order is a valid and essential exercise of, and fully consonant with, the Commonwealth's police power to regulate the business of insurance for the protection of the public good;

WHEREAS, a hearing was set for December 20, 2011, concerning the aforesaid Application, at which time the Respondents had a full and fair opportunity to litigate, contest, argue, and object to the matters and issues presented in the Application and this Order, and thereupon consented to the entry of this Order;

WHEREUPON, the parties jointly proffered this Order to the Court, and the Court, being advised in the premises, makes the following findings:

1. For the purposes of this proceeding only, Southern is engaged in the business of making insurance contracts involving the issuance of title insurance contracts and is engaged in the business of insurance as defined in § 38.2-100 of the Code of Virginia, and as so engaged, Southern is in a hazardous financial condition such that any further transaction of its business will be hazardous to its insureds, policyholders, creditors, and the public unless the relief granted herein is provided.
2. The relief sought in the Application is in the best interest of Southern's insureds, policyholders, creditors, and the public, such that important public objectives

concerning the regulation of the business of insurance will be fulfilled by the granting of the relief sought in the Application.

3. Under the provisions of §§ 38.2-1505 and 38.2-1508 of the Code of Virginia, the Commission should be authorized to proceed with the rehabilitation or liquidation of Southern and to take whatever steps are reasonably necessary or advisable, consistent with the language of this Order, for the protection of Southern's insureds, policyholders, creditors, or the public.
4. The State Corporation Commission is within its rights to exercise its powers under Chapter 15 of Title 38.2 of the Code of Virginia to seek an order and injunction and the appointment of a receiver if Southern is in a hazardous financial condition or insolvent.

THEREFORE, IT IS ORDERED, ADJUDGED, AND DECREED that:

1. The Commission should be, and hereby is, appointed as Receiver of Southern ("Receiver") pursuant to Title 38.2; Chapter 15 of the Code of Virginia and is vested, in addition to the powers set forth herein, with all the powers and authority expressed or implied under the provisions of Title 38.2, Chapter 15, including, but not limited to, the appointment of a Deputy Receiver and Special Deputy Receiver. The Commission may do all acts necessary or appropriate for the rehabilitation or liquidation of Southern.
2. The officers, directors, trustees, partners, affiliates, agents, employees, creditors, and insureds of Southern, all persons acting in concert with them, and all other persons or entities of any nature including, but not limited to, third party beneficiaries of contracts or policies of insurance and any governmental agencies

who have claims of any nature against Southern, its assets or estate, the Receiver, the Deputy Receiver, or the Special Deputy Receiver, including crossclaims, counterclaims, and third party claims, are hereby permanently enjoined and restrained from doing or attempting to do any of the following except with leave of the Receiver or the Deputy Receiver:

- (a) conducting or attempting to conduct any portion or phase of the business of Southern, including, but not limited to, writing any new business on behalf of Southern or compromising, or attempting to compromise, any obligation of Southern, in any way legally binding or attempting to bind Southern;
- (b) commencing, bringing, maintaining, or further prosecuting any action at law, suit in equity, arbitration, or special or other proceeding against Southern or its estate, or the Receiver and his successors in office, as Receiver thereof, or the Deputy Receiver and his successors in office, as Deputy Receiver thereof, or the Special Deputy Receiver and his successors in office, as Special Deputy Receiver thereof;
- (c) making or executing any levy upon, selling, hypothecating, mortgaging, wasting, conveying, dissipating, concealing, or asserting control or dominion over the property or the estate of Southern;
- (d) seeking or obtaining any preferences, judgments, foreclosures, attachments, levies, or liens of any kind against the property or estate of Southern;
- (e) interfering in any way with these proceedings or with the Receiver, the Deputy Receiver, the Special Deputy Receiver, or any duly authorized representatives or successors in office, in their acquisition of possession of, the exercise of dominion or control over, or his title to the property or estate of Southern, or in the discharge of their duties as Receiver, Deputy Receiver, or Special Deputy Receiver thereof; or
- (f) commencing, maintaining, or further prosecuting any direct or indirect actions, arbitrations, or other proceedings against Southern for proceeds of any policy issued to or by Southern.

3. The Receiver is hereby authorized to take any and all actions that it deems advisable in connection with the liquidation or rehabilitation of Southern, and is

further authorized to act as the receivership court of record, to oversee the rehabilitation or liquidation of Southern, and to approve any other authorized steps that it considers advisable in connection with the affairs of Southern pursuant to § 38.2-1508 of the Code of Virginia and Article IX, Section 3 of the Constitution of Virginia, all without need for further Order of this Court.

4. The Receiver or Deputy Receiver is hereby authorized to adopt a Receivership Appeal Procedure to facilitate the orderly disposition or resolution of all claims or controversies involving the receivership or the receivership estate.
5. The Receiver, Deputy Receiver, and Special Deputy Receiver are hereby authorized to:
 - (a) collect all debts and monies due and claims belonging to Southern, wherever located, and for this purpose: (i) to institute and maintain timely actions in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts; (ii) to do such other acts as are necessary or expedient to marshal, collect, conserve, or protect Southern's assets or property, including the power to sell, compound, compromise, or assign debts for purposes of collection upon such terms and conditions as they deem appropriate, and to initiate and maintain or defend actions at law or equity or any other type of action or proceeding of any nature, in this and other jurisdictions; and (iii) to pursue any remedies available to enforce their claims;
 - (b) conduct public and private sales of the assets and property of Southern, including any real property;
 - (c) acquire, invest, deposit, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with any asset or property of Southern, and to sell, reinvest, trade, or otherwise dispose of any securities or bonds presently held by, or belonging to, Southern upon such terms and conditions as they deem to be fair and reasonable, irrespective of the value at which such property was last carried on the books of Southern, provided that they shall also have the power to execute, acknowledge, and deliver any and all deeds, assignments, releases, and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the receivership;

- (d) borrow money on the security of Southern's assets, with or without security, and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the receivership;
- (e) enter into such contracts as are necessary to carry out this Order and the rehabilitation or liquidation of Southern;
- (f) terminate or disavow the authority previously granted Southern's agents or marketing representatives to represent them in any respect, including the underlying agreements, and any continuing payment obligations created therein, as of the receivership date or such later date deemed by them in the best interest of the receivership, with reasonable notice to be provided and agent commissions accrued prior to any such termination or disavowal to be deemed a general creditor expense of the receivership's;
- (g) affirm, reject, or disavow any leases or executory contracts to which Southern is a party at such times and on such terms as they deem appropriate under the circumstances, provided they shall not be deemed to have affirmed or adopted any such contracts by any means other than express affirmation or adoption, and provided further that payment reasonably due for any goods or services received after appointment of the Commission as Receiver with its consent will be deemed to be an administrative expense of the receivership, and provided that a disavowed contract, that is unpaid solely because of such disavowal, will give rise to a general unsecured creditor claim in the Receivership proceeding;
- (h) institute and to prosecute, in the name of Southern or in their own names, or in the names of their deputies or designees, any and all suits and other legal proceedings, to defend suits in which Southern, the Receiver, the Deputy Receiver, or the Special Deputy Receiver is a party in Virginia or elsewhere, whether or not such suits are pending as of the date of the order sought therein, to abandon the prosecution or defense of suits, legal proceedings, and claims which they deem inappropriate to pursue further and to compromise suits, legal proceedings, and claims on such terms and conditions as they deem appropriate;
- (i) prosecute any action which may exist on behalf of the insureds, policyholders, or creditors of Southern against any officer or director of Shenandoah, or any other person;
- (j) remove any or all records and other property of Southern to the offices of the Receiver, Deputy Receiver, or Special Deputy Receiver or to such place as may be convenient for the purposes of efficient and orderly execution of the receivership, and to dispose of or destroy, in the usual and

ordinary course, of such records and property as they deem or determine to be unnecessary for the receivership;

- (k) file any necessary documents for recording in the office of any recorder of deeds or record office in this state or wherever the property of Southern is located;
- (l) intervene in any proceeding wherever instituted that might lead to the appointment of a conservator, receiver, or trustee of Southern or its affiliates or subsidiaries, and to act as the receiver or trustee whenever the appointment is offered;
- (m) enter into agreements with any ancillary conservator, receiver, liquidator, rehabilitators, Insurance Commissioner, or guaranty association of any state as the Commission may deem to be necessary or appropriate; and
- (n) perform such further and additional acts as they may deem necessary or appropriate for the accomplishment, or in aid of the purpose of the receivership, such that the aforesated enumeration of powers shall not be construed as a limitation upon the Receiver, the Deputy Receiver, or the Special Deputy Receiver.

6. The Receiver is hereby vested with exclusive title, both legal and equitable, to all of Southern's property, including its affairs, business, assets, books, records, property, real and personal, including all property or ownership rights, choate or inchoate, whether legal or equitable of any kind or nature, including, but not limited to, all causes of action, defenses, letters of credit relating to Southern or its business, all interests of any kind in affiliates and subsidiaries, all stocks (including the stock of Southern Title Services, Inc.), bonds, certificates of deposit, cash, cash equivalents, contract rights, reinsurance contracts and reinsurance recoverable, in force insurance contracts and business, deeds, mortgages, leases, book entry deposits, bank deposits, certificates of deposit, both tangible and intangible, including but without being limited to any special, statutory or other deposits or accounts made by or for Southern with any officer or

agency of any state government or the federal government, or with any banks, savings and loan associations, or other depositories and including such property of Southern which may be discovered hereafter, wherever the same may be located and in whatever name or capacity it may be held (all of the foregoing being hereinafter referred to as "Property"), directing the Receiver to take immediate and exclusive possession and control of the same, holding the Property in the *custodia legis* of the Commission, and subject to the Commission's authority, vesting the Receiver with the authority to assume and exercise sole and exclusive *in rem* jurisdiction over all the Property and any claims or rights respecting such Property to the exclusion of any other court or tribunal, other than the Commission, such exercise of sole and exclusive jurisdiction being essential to the safety of the public and of the claimants against Southern.

7. The officers, directors, trustees, affiliates, agents, employees, creditors, members, insureds, and policyholders of Southern, and all persons acting in concert with them, are hereby ordered to surrender custody and control of Southern's Property to the Receiver, Deputy Receiver, or Special Deputy Receiver, wherever held, including each of Southern's offices, places of business, warehouses, and other facilities or locations.
8. The Receiver and Deputy Receiver are hereby authorized to employ and to fix the compensation of such deputies, counsel, employees, accountants, actuaries, investment counselors, asset managers, consultants, assistants, and other personnel as they consider necessary, such compensation and expenses of such

persons and the expenses of taking possession of Southern and conducting this proceeding to be paid out of the funds and assets of Southern.

9. The Receiver and Deputy Receiver are hereby authorized to designate, from time to time, individuals to act as their representatives with respect to affairs of Southern for all purposes, including, but not limited to, signing checks and other documents required to effectuate the performance of the powers of the Receiver and further authorizing the Receiver to delegate to the Deputy Receiver and the Deputy Receiver to delegate to the Special Deputy Receiver any and all authority they deem appropriate in the best interest of the receivership.
10. All persons, corporations, associations, and all other entities wherever located, are hereby enjoined and restrained from interfering in any manner with the Receiver, the Deputy Receiver, or the Special Deputy Receiver's possession of the Property or their title to or right therein and from interfering in any manner with the conduct of the receivership of Southern.
11. The Receiver, the Deputy Receiver, or the Special Deputy Receiver are hereby authorized to change to their own name, the name of any of Southern's accounts, funds or other property or assets held with any bank, savings and loan association, or other financial institution, wherever located, and to withdraw such funds, accounts, and other assets from such institutions or take any other action necessary for the proper conduct of the receivership.
12. The Deputy Receiver, upon reasonable notice as determined at his discretion, shall have the power to cancel all agency or marketing agreements to which Southern is a party, whether or not the same are cancelable by their terms, and to

discontinue the payment of any commissions, renewal commissions, persistency bonuses, or similar payments.

13. All secured creditors or parties, pledge holders, lien holders, collateral holders or other persons claiming secured, priority or preferred interest in any property or assets of Southern including any governmental entity are hereby enjoined from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against the Property without the consent of the Receiver, the Deputy Receiver, or the Special Deputy Receiver.
14. All insurers, reinsurers, banks, savings and loan associations, or other financial institutions are hereby enjoined from exercising any form of set-off, lien, or other form of self-help whatsoever or refusing to transfer the Property to the Receiver's control, without first obtaining permission of the Receiver, the Deputy Receiver, or the Special Deputy Receiver.
15. Southern, its officers, directors, insureds, policyholders, agents, and employees, and all other persons, having any Property or records belonging to Southern, including data processing information and records of any kind such as, by way of example only, source documents, is directed to assign, transfer, and deliver to the Receiver, the Deputy Receiver, or the Special Deputy Receiver all of such Property in whatever name the same may be held, and any persons, firms, or corporations having any books, papers, or records relating to the business of Southern to preserve the same and submit these to the Receiver or its designees for examination at all reasonable times.

16. The Receiver, the Deputy Receiver, and the Special Deputy Receiver and their agents and employees, including all deputies, special deputies, attorneys, accountants, actuaries, investment counselors, asset managers, peace officers, and other consultants, are hereby deemed to be public officers acting in their official capacities on behalf of the Commonwealth and having no personal liability for or arising out of their acts or omissions performed in good faith in connection with their services performed in connection with these or related proceedings or pursuant to this or related orders except as regards claims by the Receiver.
17. No judgment, order, attachment, garnishment, sale, assignment, transfer, hypothecation, lien, security interest, or other legal process of any kind with respect to or affecting Southern or the Property shall be effective or enforceable or form the basis for a claim against Southern or the Property unless entered by the Commission, or unless the Commission has issued its specific order, upon good cause being shown and after due notice and hearing, permitting the same.
18. Except as provided herein, all rights and liabilities of Southern's members, insureds, policyholders, creditors, and other persons interested in the assets of Southern shall be fixed as of the date of the entry of an order to liquidate in the event of a liquidation as provided under § 38.2-1512 of the Code of Virginia, or in the event of a rehabilitation, that the rights and liabilities of Southern's insureds, policyholders, creditors, and other persons interested in the assets of Southern shall be fixed as of the date the Commission may deem appropriate under the circumstances.

19. It is hereby ordered that all costs, expenses, fees, or any other charges of the Receivership, including, but not limited to, fees and expenses of accountants, peace officers, actuaries, investment counselors, asset managers, attorneys, special deputies, and other assistants employed by the Receiver or Deputy Receiver, the giving of notice required herein, and other expenses incurred in connection herewith shall be paid from the assets of Southern, and providing further, that the Receiver or Deputy Receiver may, in their discretion, require third parties, if any, who propose rehabilitation plans with respect to Southern to reimburse the estate of Southern for the expenses; consulting or attorney fees, and other costs of evaluating and/or implementing any such plan.
21. If any provision of this Order is for any reason held to be invalid, the remainder of this Order and the Application therefor shall not be affected thereby.
22. The Receiver, Deputy Receiver, and the Special Deputy Receiver is authorized to deliver to any person or entity a certified copy of the Order sought herein, or of any subsequent order of the Commission, such a certified copy, when so delivered, being deemed sufficient notice to such person or entity of the terms of such order; providing that nothing in the Order shall relieve from liability nor exempt from punishment by contempt, any person or entity who, having actual notice of the terms of any such order, shall be found to have violated the same.
23. The Applicant is part of the government of the Commonwealth of Virginia, acting in its official capacities, and as such, pursuant to § 8.01-631 is hereby exempted from any bond requirement in connection with this order and the injunctions issued herein.

24. The Clerk of the Circuit Court of the City of Richmond is hereby directed to forward a certified copy of this Order to all parties.

Signed this the 20th day of December, 2011.



JUDGE PRESIDING

A copy,
Teste:

By _____ D.C.

A Copy,
Teste: BEVYLL M. JEAN, CLERK
BY: Amey Swain D.C.