

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, DECEMBER 20, 2011

CLERK'S OFFICE

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DOCUMENT CONTROL

COMMONWEALTH OF VIRGINIA
At the relation of the
STATE CORPORATION COMMISSION

v.

CASE NO. INS-2011-00239

SOUTHERN TITLE INSURANCE CORPORATION,
Defendant

ORDER APPOINTING DEPUTY RECEIVER
FOR CONSERVATION AND REHABILITATION

By order entered in the Circuit Court of the City of Richmond on December 20, 2011, in Case No. CL11-5660-RDT (the "Order of the Circuit Court"), the State Corporation Commission ("Commission") was appointed the Receiver of Southern Title Insurance Corporation ("Southern"). The Bureau of Insurance has recommended that a Deputy Receiver be appointed to conserve the assets of Southern and to determine whether Southern should be rehabilitated.

NOW THE COMMISSION, having considered the record herein, is of the opinion that Jacqueline K. Cunningham, the Commissioner of Insurance, State Corporation Commission, Bureau of Insurance, should be appointed Deputy Receiver to act on behalf of the Commission for the period the Commission is the Receiver of Defendant, whether it be Temporary Receiver or Permanent Receiver;

Accordingly, IT IS ORDERED THAT:

(1) Jacqueline K. Cunningham, Commissioner of Insurance, State Corporation Commission, Bureau of Insurance, and her successors in office, are hereby appointed Deputy Receiver of Southern to act on behalf of the Commission and are vested, in addition to the powers set forth herein, with all the powers and authority expressed or implied under the

provisions of §§ 38.2-1500 through 38.2-1521 of the Code of Virginia. The Deputy Receiver may do all acts necessary or appropriate for the conservation or rehabilitation of Southern.

(2) The Deputy Receiver is hereby vested with exclusive title both legal and equitable to all of Southern's 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 real and personal property, interests of any kind in subsidiaries and affiliates, causes of action, defenses, letters of credit relating to Southern or its business, all stocks, bonds, certificates of deposit, cash, cash equivalents, contract rights, reinsurance contracts and reinsurance recoverables, in force insurance contracts and business, deeds, mortgages, leases, book entry deposits, bank deposits, certificates of deposit, evidences of indebtedness, bank accounts, securities of any kind or nature, both tangible and intangible (including, but without being limited to, any contingent rights, hedges, warrants, and other potential recoveries), 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 the "Property"), and is hereby directed to take immediate and exclusive possession and control of same. In addition to vesting title to all of the Property in the Deputy Receiver or her successors, the said Property is hereby placed in the *custodia legis* of the Commission, and the Commission hereby assumes and exercises sole and exclusive jurisdiction over all the Property and any claims or rights respecting such Property to the exclusion of any other court or tribunal, such exercise of

sole and exclusive jurisdiction being hereby found to be essential to the safety of the public and of the claimants against Southern.

(3) The Deputy Receiver is 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 she considers necessary. All compensation and expenses of such persons and of taking possession of Southern and conducting this proceeding shall be paid out of the funds and assets of Southern in accordance with § 38.2-1510 of the Code of Virginia.

(4) Until further order of the Commission all persons, corporations, partnerships, associations, and all other entities wherever located, are hereby enjoined and restrained from interfering in any manner with the Deputy Receiver's possession of the property or her title to or right therein and from interfering in any manner with the conduct of the receivership of Southern. Said persons, corporations, partnerships, associations, and all other entities are hereby enjoined and restrained from wasting, transferring, selling, disbursing, disposing of, or assigning the Property and from attempting to do so.

(5) The Deputy Receiver may change to her 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 may withdraw such funds, accounts, and other assets from such institutions or take any lesser action necessary for the proper conduct of the receivership.

(6) 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.

(7) The officers, directors, trustees, partners, affiliates, agents, creditors, insureds, employees, and policyholders of Southern, and all other persons or entities of any nature including, but not limited to, claimants, plaintiffs, petitioners, and any governmental agencies who have claims of any nature against Southern, including crossclaims, counterclaims, and third party claims, are hereby permanently enjoined and restrained from doing or attempting to do any of the following except in accordance with the express instructions of the Deputy Receiver:

- a. conducting any portion or phase of the business of 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 Deputy Receiver and her successors in office, as Deputy Receiver thereof, or any person appointed to assist them in the discharge of their duties hereunder;
- c. making or executing any levy upon, selling, hypothecating, mortgaging, wasting, conveying, dissipating, 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;
- e. interfering in any way with these proceedings or with the Deputy Receiver, or any successor in office, in her acquisition of possession of, the exercise of dominion or control over, or her title to the Property, or in the discharge of her duties as Deputy Receiver thereof; or

f. commencing, maintaining, or further prosecuting any direct or indirect actions, arbitrations, or other proceedings against any insurer of Southern for proceeds of any policy issued to Southern.

(8) However, notwithstanding any other provision of this Order, the commencement of conservatorship, receivership, liquidation, or other delinquency proceedings against Southern in another jurisdiction by an official lawfully authorized to commence such proceeding shall not constitute a violation of this Order.

(9) No bank, savings and loan association, or other financial institution shall, without first obtaining permission of the Deputy Receiver, exercise any form of setoff, alleged setoff, lien, or other form of self-help whatsoever or refuse to transfer the Property to the Deputy Receiver's control.

(10) The Deputy Receiver shall have the power:

a. to 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 its assets or property, including the power to sell, compound, compromise, or assign debts for purposes of collection upon such terms and conditions as she deems appropriate, and the power to initiate and maintain actions at law or equity or any other type of action or proceeding of any nature, in this and other jurisdictions; (iii) to pursue any creditor's remedies available to enforce her claims;

b. to conduct public and private sales of the assets and property of Southern, including any real property;

c. to 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 she deems to be fair and reasonable, irrespective of the value at which such property was last carried on the books of Southern. She 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. to 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. to enter into such contracts as are necessary to carry out this Order and to affirm or disavow any contracts to which Southern is a party;

f. to institute and to prosecute, in the name of Southern or in her own name, any and all suits and other legal proceedings, to defend suits in which Southern or the Receiver is a party in this state or elsewhere, whether or not such suits are pending as of the date of this Order, to abandon the prosecution or defense of such suits, legal proceedings, and claims which she deems inappropriate, and to pursue further and to compromise suits, legal proceedings, or claims on such terms and conditions as she deems appropriate;

g. to prosecute any action which may exist on behalf of the policyholders, insureds or creditors of Southern, against any officer or director of Southern, or any other person;

h. to remove any or all records and other property of Southern to the offices of the Deputy Receiver or to such other place as may be convenient for the purposes of the efficient

and orderly execution of the receivership; and to dispose of or destroy, in the usual and ordinary course, such of those records and property as the Deputy Receiver may deem or determine to be unnecessary for the receivership;

i. to file any necessary documents for recording in the office of any recorder of deeds or record office in this Commonwealth or wherever the Property of Southern is located;

j. to intervene in any proceeding wherever instituted that might lead to the appointment of a conservator, receiver, or trustee of Southern, or its subsidiaries, and to act as the receiver or trustee whenever the appointment is offered;

k. to enter into agreements with any ancillary conservator, receiver, insurance commissioner, or guaranty association of any state as she may deem to be necessary or appropriate; and

l. to perform such further and additional acts as she may deem necessary or appropriate for the accomplishment of or in aid of the purpose of the receivership, including, but not limited to, the exercise of the full authority granted in the Order of the Circuit Court, it being the intention of this Order that the aforestated enumeration of powers shall not be construed as a limitation upon the Deputy Receiver.

(11) Southern, its officers, directors, partners, 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, are hereby directed to assign, transfer, and deliver to the 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 shall preserve the same and submit these to the Deputy Receiver for examination at all reasonable times;

(12) The Deputy Receiver and all deputies, special deputies, attorneys, accountants, actuaries, investment counselors, asset managers, peace officers, and other consultants are deemed to be public officers acting in their official capacities on behalf of the state and shall have 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 to claims by the Receiver or Deputy Receiver.

(13) 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 shown and after due notice and hearing, permitting same.

(14) 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 Deputy Receiver; the giving of the Notice required herein; and other expenses incurred in connection herewith shall be paid from the assets of Southern. Provided further, the Deputy Receiver may, in her sole 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's fees, and other costs of evaluating and/or implementing any such plan.

(15) If any provision of this Order or the application thereof is for any reason held to be invalid, the remainder of this Order and the application thereof to other persons or circumstances shall not be affected thereby.

(16) The Deputy Receiver may at any time make further application for such further and different relief as she sees fit.

(17) The Commission shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order.

(18) The Deputy Receiver is authorized to deliver to any person or entity a certified copy of this Order, or of any subsequent order of the Commission, such certified copy, when so delivered, being deemed sufficient notice to such person or entity of the terms of such Order. But nothing herein 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.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: John S. Barr, McGuire Woods, 901 East Cary Street, Richmond, Virginia 23219; Eugene R. McCullough, Southern Title Insurance Corporation, 1051 East Cary Street, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Bureau of Insurance, in care of Jacqueline K. Cunningham.

A True Copy
Teste:


Clerk of the
State Corporation Commission