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DEPUTY

1 EXPEDITE
2 No Hearing is Set
3 Hearing is Set
4 Date: May 6, 2005
5 Time: 9:00 A.M.
6 The Honorable Judge Gary Tabor

8 **STATE OF WASHINGTON**
9 **THURSTON COUNTY SUPERIOR COURT**

10 MIKE KREIDLER,
11 INSURANCE COMMISSIONER,

12 Petitioner,

13 v.

14 CASCADE NATIONAL
15 INSURANCE COMPANY,

16 Respondent.

NO. 04-2-02427-4

ORDER COMMENCING
REHABILITATION
PROCEEDINGS FOR THE
PURPOSE OF SELLING A
DOMESTIC INSURER

EX PARTE

17 THIS MATTER having come on regularly before the Court on the Verified
18 Petition to Commence Rehabilitation Proceedings for the Purpose of Selling a
19 Domestic Insurer ("Petition") filed by the Insurance Commissioner, and the Court
20 having determined that the statutory requirements and grounds for the requested relief
21 have been met, and that delay would endanger the interests of policyholders, creditors,
22 and the public, and the Court being otherwise fully advised in the premises, now
23 therefore

24 IT IS HEREBY ORDERED AS FOLLOWS:

25 1. Pursuant to Chapters 48.31 and 48.99 RCW, Insurance Commissioner
26 Mike Kreidler, and his successor(s), is hereby appointed Statutory Receiver of Cascade
National Insurance Company ("Cascade National" or "the Company"), Deputy

1 Insurance Commissioner James T. Odiorne is hereby appointed Receiver of Cascade
2 National, and Marshall McGinnis, Company Licensing Manager for the OIC, is hereby
3 appointed Deputy Receiver of Cascade National. As used herein, the term "Receiver"
4 includes the Statutory Receiver, the Receiver and the Deputy Receiver as appointed
5 herein.

6 2. Pursuant to RCW 48.31.040 and other provisions of the Insurance Code,
7 the Receiver shall forthwith take possession of all the assets, books, records, files, and
8 reinsurance recoverables, and all of the property, real and personal, contracts, and
9 rights of action of Cascade National located in the State of Washington or elsewhere
10 ("Assets"), and shall deal with the property and business of Cascade National in his
11 own name or in the name of Cascade National in receivership. The Receiver shall
12 conduct the business of Cascade National and shall take steps toward rehabilitation by
13 pursuing a sale of the Company; and the Receiver shall administer the Assets of
14 Cascade National under the general supervision of the Court.

15 3. The Receiver is authorized to sue or defend on behalf of Cascade
16 National, or to do so in the interest of Cascade National's policyholders, creditors, and
17 the public in the courts, tribunals, agencies, and arbitration panels of this State and any
18 other states, and to take such other actions as the nature of this cause and the interests
19 of the policyholders, creditors, and the public may require.

20 4. Cascade National, by and through its directors, trustees, officers,
21 members, employees, agents, attorneys, representatives, investors, creditors, and all
22 other persons shall surrender to the Receiver forthwith its premises, Assets, records,
23 and documents pertaining to the business and Assets of Cascade National. Cascade
24 National and its directors, trustees, officers, employees, members, agents, attorneys,
25 representatives, investors, creditors, and all other persons are commanded to
26 peacefully deliver up and surrender to the Receiver or the Receiver's agents or

1 attorneys, all the Assets and records of Cascade National, all keys to all Cascade
2 National premises and to safe deposit boxes, and to advise the Receiver of the
3 combinations to any safes, safe-keeping devices, or restricted access entries of Cascade
4 National.

5 5. Cascade National and its directors, trustees, officers, members,
6 employees, agents, attorneys, representatives, investors, creditors, and all other persons
7 are hereby enjoined and restrained from interfering with the Receiver's title,
8 possession, control, and use of any and all, or any portion thereof, of the Assets of
9 Cascade National; and from transferring, destroying, disposing of, removing, paying
10 out, parting with, withdrawing, alienating or encumbering any of the Assets of
11 Cascade National without the express written consent of the Receiver. Cascade
12 National and its directors, trustees, officers, members, employees, agents, attorneys,
13 representatives, investors, creditors, and all other persons are hereby enjoined and
14 restrained from conducting the business of the company, except as authorized by the
15 Receiver.

16 6. No bank, financial institution, or any other person having in their
17 possession Assets or records belonging to Cascade National, or holding funds or
18 deposits of Cascade National or any of its affiliates may offset said Assets, funds or
19 deposits against any amounts owing to such bank, financial institution, or any other
20 person without the express written consent of the Receiver.

21 7. The provisions of RCW 48.31.045 concerning legal actions in which
22 Cascade National is a party or obligated to defend shall apply to these proceedings,
23 including a stay of the action or proceeding for ninety (90) days and such additional
24 time as is necessary for the Receiver to obtain proper representation and prepare for
25 further proceedings. The Receiver is specifically authorized to pursue all claims
26 against third parties on behalf of the receivership estate of Cascade National, and to

1 take all action necessary to pursue such claims, including the hiring of outside counsel
2 or other necessary professionals.

3 8. The Receiver shall keep accountings of the receivership proceedings of
4 Cascade National, and render and file with the Court such accountings at such intervals
5 as are deemed reasonable and/or necessary by the Receiver, or as requested by the
6 Court.

7 9. Upon entry of this Order, title to all the Assets of Cascade National
8 hereby vests in the Receiver by operation of law.

9 10. The Receiver is authorized and directed to administer the Assets of
10 Cascade National and conduct the receivership proceedings under the provisions of
11 Title 48 RCW applicable to delinquency proceedings.

12 11. Pursuant to Chapters 48.31 and 48.99 RCW, absent further order of this
13 Court or the express written consent of the Receiver, all persons are enjoined and
14 restrained from:

15 a. Instituting or further prosecuting any action, at law or in equity, or
16 in other proceedings to determine, enforce, collect, or assert any claims against
17 Cascade National, its Assets, or the Receiver;

18 b. Asserting or obtaining preferences, judgments, attachments,
19 garnishments, or other liens or encumbrances, or making any levy against Cascade
20 National, its Assets, or the Receiver;

21 c. Taking any action or interfering in any way with the Receiver's
22 title, possession, or control of Cascade National, or its Assets;

23 d. Taking any other action that may lessen the value of Cascade
24 National's Assets or prejudice the rights of Cascade National's creditors as a whole, its
25 Assets, or the administration of the receivership proceeding; and
26

1 e. Taking any action that may waste, or wasting, Cascade National's
2 Assets, in whole or in part.

3 12. Any person who violates an injunction issued in this matter or this Order
4 may be liable to the Receiver and the estate of Cascade National for reasonable costs
5 and attorneys' fees incurred in enforcing the injunction or any costs related thereto and
6 any reasonably foreseeable damages.

7 13. Any attachments, garnishments, or other liens or encumbrances, or levies
8 made, created, or perfected against Cascade National, its Assets, or the Receiver on or
9 after the date of Cascade National being placed in receivership are set aside, voided,
10 expunged, and released. A copy of this Order, as determined to be appropriate by the
11 Receiver, may be recorded in state or local offices where instruments affecting title to
12 property are regularly filed.

13 14. To effectively and efficiently administer the Assets of Cascade National,
14 the Receiver may require that any claim against Cascade National, its Assets or the
15 Receiver must be raised or asserted within this receivership proceeding, and in such
16 instance, all persons are hereby enjoined and restrained from asserting such claim
17 against Cascade National, its Assets or the Receiver which arise out of or in
18 connection with or as a result of this receivership, except insofar as such claim is
19 brought in this proceeding.

20 15. By entry of this Rehabilitation Order, the Seizure Order entered on
21 November 30, 2004, is vacated pursuant to RCW 48.31.121.

22 16. The Receiver shall report the status of any negotiations for the sale of
23 Cascade National to the Court the thirty (30) days from the date of this Order.

24 17. The Clerk shall provide the Receiver with sixty (60) certified copies of
25 this Order and additional copies as are needed by the Receiver without charge as
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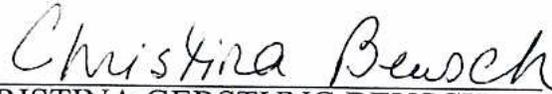
1 required under RCW 48.31.230. In addition, filing fees for this action are waived for
2 the Receiver pursuant to RCW 48.31.230.

3 18. This Court reserves jurisdiction to amend this Order or issue such further
4 orders as it deems just, necessary, and appropriate.

5 **IT IS SO ORDERED** this 6 day of May, 2005.

6
7 
8 JUDGE GARY R. TABOR

9 Presented by:
10 **ROB MCKENNA**
11 Attorney General

12 
13 CHRISTINA GERSTUNG BEUSCH
14 WSBA # 18226
15 Assistant Attorney General
16 Attorneys for Office of the Insurance Commissioner