

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN  
Insurance Commissioner of the  
Commonwealth of Pennsylvania,

Plaintiff,

v.

RELIANCE INSURANCE COMPANY,

Defendant.

DOCKET NO. 269 MD 2001

SEP 28 12 48 PM '01

RECEIVED AND FILED  
PHILADELPHIA  
COMMONWEALTH COURT  
OF PENNSYLVANIA

**EMERGENCY PETITION FOR APPROVAL OF SALE OF  
REAL ESTATE ASSETS AND SECURITIES**

Petitioner M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, as Rehabilitator for Reliance Insurance Company ("Rehabilitator"), respectfully requests that this Court enter an order, on an emergency basis, approving the sale of certain real estate assets and securities of Reliance Insurance Company ("Reliance"). In support of this Petition, the Rehabilitator avers the following:

1. By Order dated September 26, 2001, entered at approximately 3:26 p.m., this Court ordered that "Court approval shall be required prior to the sale and/or transfer of any and all assets of Reliance Insurance Company." The Order further states that the Rehabilitator must "seek Court approval prior to selling, transferring, or encumbering the title of any and all property of Reliance Insurance Company, including but not limited to the sale of real estate, sale of stock, the liquidation of bank accounts."

2. The September 26 Order was entered without prior notice to the Rehabilitator.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN  
Insurance Commissioner of the  
Commonwealth of Pennsylvania,

Plaintiff,

v.

RELiance INSURANCE COMPANY,

Defendant.

DOCKET NO. 269 MD 2001

**ORDER APPROVING OF SALE OF  
REAL ESTATE ASSETS AND SECURITIES**

AND NOW, this \_\_\_\_ day of September, 2001, upon consideration of the Emergency Petition of M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her capacity as Rehabilitator ("the Rehabilitator") of Reliance Insurance Company ("Reliance"), it is hereby ORDERED AND DECREED that the Emergency Petition is GRANTED. It is further ORDERED and DECREED that:

1. the completion of the closing of the sale of the Fort Worth, Texas shopping center property owned by Reliance to RPI Ridgmar Town Square, Ltd. is hereby APPROVED;
2. the sale or transfer of the United States Treasury securities purchased in contemplation of posting the Wherehouse Entertainment appeal bond is hereby APPROVED;

3. the sale of Symbol Technology common stock when and if, in the Rehabilitator's discretion, she determines the sales are required to meet policyholder claims, defense costs, operating expenses, is hereby APPROVED; and
4. the Rehabilitator need not petition the Court for permission to transfer money to pay the reasonable and necessary expenses of the Reliance Rehabilitation, including the payment of claims, payment of payroll and other reasonable and necessary operating expenses, payment of defense costs and appeal bonds.

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Colins, J.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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M. DIANE KOKEN	:	
Insurance Commissioner of the	:	
Commonwealth of Pennsylvania,	:	
	:	
Plaintiff,	:	
	:	
v.	:	DOCKET NO. 269 MD 2001
	:	
RELIANCE INSURANCE COMPANY,	:	
	:	
Defendant.	:	

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**EMERGENCY PETITION FOR APPROVAL OF SALE OF  
REAL ESTATE ASSETS AND SECURITIES**

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1. By Order dated September 26, 2001, entered at approximately 3:26 p.m., this Court ordered that "Court approval shall be required prior to the sale and/or transfer of any and all assets of Reliance Insurance Company." The Order further states that the Rehabilitator must "seek Court approval prior to selling, transferring, or encumbering the title of any and all property of Reliance Insurance Company, including but not limited to the sale of real estate, sale of stock, the liquidation of bank accounts."
2. The September 26 Order was entered without prior notice to the Rehabilitator.

3. This Petition addresses three urgent matters that were in progress at the time the Order was received:

#### **SALE OF FORT WORTH SHOPPING CENTER**

4. First, a closing was in process on September 26, 2001, for the sale of a shopping center owned by Reliance on 38.3 acres of land located in Fort Worth, Texas, comprised of approximately 317,000 square feet of retail stores. The closing was pursuant to agreements between Reliance and the buyer, RPI Ridgmar Town Square, Ltd. ("Ridgmar"), signed on January 1, 2001 (five months before the Order of Rehabilitation), with the last amendment extending the date of closing until September 28, 2001. At the closing, Ridgmar was to pay proceeds to Reliance in the amount of \$11.2 million. Given the very difficult cash position of Reliance, the receipt of the \$11.2 million is critical to the ongoing operations of Reliance, including its current administrative, payroll and claims administration process.

#### **WHEREHOUSE ENTERTAINMENT APPEAL BOND**

5. Second, Reliance was required to have filed on Friday, September 28, an application for approval of securities to be posted for an appeal bond ("the application") in a claims litigation matter, David L. Peterson, et al. v. Wherehouse Entertainment Inc., et al., pending in the Superior Court of California, County of Santa Clara. Judgment was rendered against Reliance's insured in the trial court, and the bond is in the amount of \$11.5 million. The insurance policy between Reliance and Wherehouse Entertainment obligates Reliance to post the bond. Court rules require filing of the application five days in advance of the

hearing to approve the bond and the hearing is scheduled for October 5, 2001. The statutory deadline for approval of the bond has twice been extended by agreement with the plaintiff. In order to be in a position to post that bond, Reliance purchased United States Treasury securities in the amount of \$11.5 million and was prepared to transfer those securities to the designated financial institution to be held in escrow, as collateral for the bond. Upon receipt of the September 26 Order, Reliance took no further action to proceed on perfecting the bond or transferring the securities. The Order appears to require Reliance to obtain this Court's approval prior to selling the securities to convert them to cash for use in its ongoing operations or to encumber these assets by using them to satisfy the insured's obligation to post an appeal bond.

#### SALE OF SYMBOL TECHNOLOGY STOCK

6. Third, because Bear Stearns and Reliance have not yet executed the final agreement for the credit facility secured by the Symbol Technology stock, and because Reliance was in immediate need of cash to fund its operations and claims payments, Reliance had determined to sell a portion of its holdings in Symbol Technology common stock. It had placed an order for the sale of shares which its broker, Bear Stearns, was in the process of executing. Upon receipt of the September 26 Order, Reliance instructed its broker to stop selling any additional shares. Proceeds from additional stock sales are urgently needed in order to assist in funding Reliance's operating expenses, claims payments and administrative expenses.

7. Reliance urgently needs the sale proceeds from the sale of the shopping center; the use of the cash that would be generated from the sale of the United States

Treasury securities for the posting of the bond in the Wherehouse Entertainment appeal bond or for operating expenses to the extent they are not used to pay the appeal bond; and the proceeds of the sale of Symbol Technology common stock to fund its daily operations, including meeting its immediate payroll expenses, its administrative expenses, its claims payment requirements and its defense cost obligations.

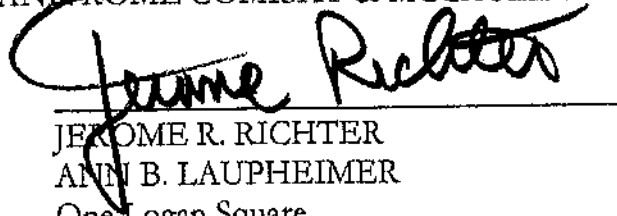
8. Finally, given that every payment of a policyholder claim (including payment of routine workers compensation claims, and ongoing defense costs and appeal bonds in the thousands of cases that Reliance is defending), every payroll payment, and every other administrative expenses could be said to be a "transfer of property of Reliance," the Rehabilitator requests relief from the scope of the September 26, 2001 Order.

WHEREFORE, the Rehabilitator requests that the Court enter an Order directing that, pursuant to the September 26, 2001 Order of this Court (1) the Rehabilitator and Reliance may complete the closing of the sale of the Fort Worth, Texas shopping center property owned by Reliance to RPI Ridgmar Town Square, Ltd. so as to realize the cash proceeds; (2) the Rehabilitator and Reliance may sell or transfer the United States Treasury securities purchased in contemplation of posting the Wherehouse Entertainment appeal bond; (3) the Rehabilitator and Reliance may continue to take all necessary steps to sell Symbol Technology common stock held by Reliance when and if, in the Rehabilitator's discretion, she determines that such sales are required to meet policyholder claims, operating expenses and administrative expenses; and (4) that the Rehabilitator need not seek prior Court approval in order to transfer money to pay the reasonable and necessary expenses of the Reliance Rehabilitation, including the payment of policyholder claims, payment of

payroll and other reasonable and necessary operating expenses, including the payment of defense costs and appeal bonds.

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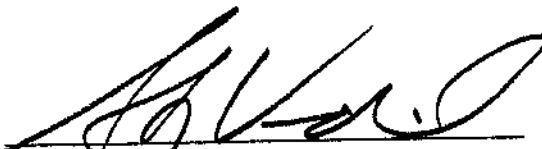
Dated: September 28, 2001



CERTIFICATE OF SERVICE

I, Anthony Vidovich, hereby certify that this day a true and correct copy of the foregoing Emergency Petition was served on all persons listed on the attached Master Service List by facsimile and U.S. Mail, postage prepaid.

Dated: September 28, 2001

  
Anthony Vidovich

## Master Service List

M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania

v.

Reliance Insurance Company

No. 269 M.D. 2001 (Commonwealth Court of Pennsylvania)

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VERIFICATION

I, Arthur Mullin, Reliance Insurance Company Rehabilitation Team Asset Consultant, am authorized by William S. Taylor, Deputy Insurance Commissioner of the Pennsylvania Insurance Department, Office of Liquidations, Rehabilitations and Special Funds, to verify the foregoing Emergency Petition. I hereby verify that the facts made in the foregoing Petition are true and correct to the best of my knowledge, information and belief.

I understand that this Verification is made subject to the penalties of 18 P.S. § 4904 relating to unsworn falsification to authorities.

Date: September 28, 2001

*Arthur W. Mullin*

Arthur Mullin  
Reliance Insurance Company  
Rehabilitation Asset Consultant