

MAY 31 2018 SH

At 2:11 P M.
Velva L. Price, District Clerk

Cause No. D-1-GN-18-001933

TEXAS DEPARTMENT OF INSURANCE,	§	IN THE DISTRICT COURT OF
Plaintiff	§	
	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
	§	
GRAND COURT ORDER OF CALANTHE,	§	250TH JUDICIAL DISTRICT
Defendant	§	

**AGREED ORDER APPOINTING REHABILITATOR,
PERMANENT INJUNCTION AND NOTICE OF AUTOMATIC STAY**

On this day the Court heard the *Verified Application for Order Appointing Rehabilitator and Request for Injunctive Relief* (Application) filed by the Texas Department of Insurance (Department), Plaintiff, against Grand Court Order of Calanthe, Defendant.

The Application requests an order pursuant to Tex. Ins. Code Chapter 443, the Insurer Receivership Act, placing Defendant into rehabilitation and appointing the Texas Commissioner of Insurance (Commissioner) as Rehabilitator for Defendant. The Application also requests a Permanent Injunction under Tex. Ins. Code § 443.008, restraining Defendant and its agents from conducting Defendant's business, and restraining other parties from taking any actions against Defendant or its property in violation of the Insurer Receivership Act.

Plaintiff appeared by and through the Office of the Attorney General. Defendant appeared by and through its counsel of record. Having considered the Plaintiff's verified petition, the evidence presented, the arguments of counsel, and the agreement of the parties, the Court finds that the Application should be GRANTED, and enters this Order.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED as follows:



the public health and safety,
and the general welfare of
the community.
It is the policy of the State
to protect the public health and safety,
and the general welfare of
the community.



I. FINDINGS OF FACT

- 1.1 Defendant is a "Covered Person" under Tex. Ins. Code § 443.003.
- 1.2 Plaintiff has demonstrated that one or more grounds for an order of rehabilitation provided in Tex. Ins. Code § 443.057 exist.
- 1.3 Defendant has consented to the entry of this order.

II. CONCLUSIONS OF LAW

- 2.1 This Court has jurisdiction over the parties and the subject matter of this action under Tex. Ins. Code § 443.005(c).
- 2.2 In accordance with Tex. Ins. Code § 443.058, an order of rehabilitation must be entered appointing the Commissioner as Rehabilitator under Tex. Ins. Code § 443.101.
- 2.3 A permanent injunction must be issued under Tex. Ins. Code § 443.008(a) to carry out the provisions of Tex. Ins. Code Chapter 443, and prevent irreparable injury, loss, and damage to the general public and Defendant's creditors. It is necessary to enjoin Defendant and Defendant's agents from conducting Defendant's business, except as specifically permitted by the Rehabilitator or his designees; to enjoin financial institutions or depositories from taking any actions in connection with Defendant's property, except as directed by the Rehabilitator or his designees; and to enjoin all claimants or creditors from asserting claims or causes of action against Defendant, except as permitted by the Insurer Receivership Act.
- 2.4 Under Tex. Ins. Code § 443.001(b), the Insurer Receivership Act may not be interpreted to limit the Commissioner's powers under other provisions of law. Accordingly, this Order shall not be construed as a limitation of the Commissioner's powers under such provisions.
- 2.5 Under Tex. Ins. Code § 443.008(c), an automatic stay is in effect with respect to actions against Defendant or its property.



III. APPOINTMENT OF REHABILITATOR

- 3.1 The Commissioner is appointed as Rehabilitator of Defendant (Rehabilitator). The Rehabilitator has all powers and authority granted by the Insurer Receivership Act, specifically, but not limited to, Tex. Ins. Code § 443.101 *et seq.*, and any and all other powers and authority under applicable statutes and the common law of this State.
- 3.2 Under Tex. Ins. Code § 443.101(a), title to all of Defendant's property as defined in Tex. Ins. Code § 443.004(a)(20) is vested in the Rehabilitator, including property of any kind or nature, whether real, personal, or mixed, including, but not limited to, money, funds, cash, stock, bonds, account deposits, statutory deposits, special deposits, contents of safe deposit boxes, funds held in shared, escrow or trust accounts, retainages and retainers, letters of credit, real estate, fixtures, furniture, equipment, books, records, documents and insurance policies, intellectual property, computer software and systems, information technology, internet domain names, patents and intangible assets, whether owned individually, jointly, or severally, wherever located, and all rights, claims or causes of action belonging to Defendant, whether asserted or not, including, but not limited to, accounts receivable, notes, premiums, subrogation, insurance and reinsurance proceeds, and all licenses held by Defendant (collectively, Defendant's Property). Defendant's Property does not include records or funds that are not related to Defendant's insurance business, and are held exclusively for other purposes authorized by Tex. Ins. Code § 885.155, including social membership fees held under Tex. Ins. Code § 885.102 and scholarship funds held under Tex. Ins. Code § 885.258(b) (collectively, Membership Property). The Rehabilitator shall determine if there is any identifiable Membership Property that is not inextricably commingled with Defendant's Property, and transfer any such Membership Property as directed by this Court.



- 3.3 In accordance with Tex. Ins. Code § 443.101(a), the Rehabilitator shall take control and possession of Defendant's Property, wherever located, and may remove such property from Defendant's premises. The Rehabilitator's title shall extend to Defendant's Property, regardless of the name in which such items are held.
- 3.4 Under Tex. Ins. Code § 443.102(b), the Rehabilitator is authorized to conduct Defendant's business. The Rehabilitator shall have all the powers of the directors, officers, managers, and representatives of Defendant, and its supreme governing body and lodges, and the authority of such persons is suspended except as specifically permitted by the Rehabilitator or his designees. The Rehabilitator may direct, manage, and supervise Defendant's directors, officers, managers, employees, or agents, and compensate them as he deems necessary from Defendant's funds, or suspend or discharge such persons at his discretion.
- 3.5 The Rehabilitator has all of Defendant's rights as the customer of a financial institution. ~~The Rehabilitator may withdraw Defendant's Property from any banks, financial institutions and other depositories, agencies of any state or the federal government, and any other entities, or continue the operation of any accounts of Defendant, at his discretion.~~
- 3.6 The Rehabilitator may file, prosecute, defend, or settle any action as he deems necessary, including any action to enforce this Order.
- 3.7 Under Tex. Ins. Code §443.102, the Rehabilitator may enter into contracts as necessary to perform his duties, and may assume or reject any executory contract or unexpired lease to which Defendant is a party at his discretion under Tex. Ins. Code § 443.013.
- 3.8 The Rehabilitator may change the locks on any property owned, leased, or occupied by Defendant, and may exclude any person from any such property, at his discretion.



- 3.9 The Rehabilitator may receive, collect, control, open, and review all mail addressed to or intended for Defendant, or arriving at Defendant's address.
- 3.10 The Rehabilitator may approve and pay claims, and implement procedures for handling claims consistent with the Insurer Receivership Act. The Rehabilitator may suspend the payment of obligations as he deems necessary, subject to Tex. Ins. Code § 443.104(b).
- 3.11 Under Tex. Ins. Code § 443.101(b), the Rehabilitator shall file an accounting with the court within six months of the entry of this Order, and shall file further accountings at intervals not exceeding six months thereafter.
- 3.12 Tex. Ins. Code § 443.102(a) authorizes the Rehabilitator to appoint a Special Deputy, and employ or contract with legal counsel and other personnel as he deems necessary. The Rehabilitator's designees and any Special Deputy appointed under Tex. Ins. Code § 443.102(a) shall have all the rights and powers of the Rehabilitator, subject to any limitations imposed by the Rehabilitator.
- ~~3.13 Under Tex. Ins. Code § 443.015(e), the Rehabilitator may set the compensation of any~~
Special Deputy or other persons as he deems necessary, and pay for such services from Defendant's funds.
- 3.14 Under Tex. Ins. Code § 443.008(m), the Commissioner is not required to file a bond in connection with this proceeding, in his capacity as Rehabilitator or otherwise.
- 3.15 In accordance with Tex. Ins. Code § 443.101(a), if a successor to the Commissioner is appointed, the successor Commissioner shall become the Rehabilitator upon his or her appointment as Commissioner, and the former Commissioner shall be discharged as Rehabilitator as a matter of law.
- 3.16 The enumeration of the Rehabilitator's powers and authority in this Order shall not be construed as a limitation on the Rehabilitator to take any other action authorized by the Insurer Receivership Act or other applicable law that is not specified in this Order.



IV. PERMANENT INJUNCTION

4.1 The Clerk of this Court shall issue a Permanent Injunction, as follows:

TO: Defendant and its agents, including but not limited to:

Defendant and its supreme governing body, lodges, owners, affiliates, current and former officers, trustees and directors (including, but not limited to, Laurice Brown, Bayonne Moody, Rita Baldwin, Pamela Watson, Pearlene Martin, Barbara Clemons, Linda Woods, and Beverly Jackson Brown), underwriters, members, employees, agents, servants, representatives, attorneys, adjusters and other persons or entities acting on behalf of Defendant;

Financial institutions, including but not limited to:

any and all banks, savings and loan associations; trust companies; credit unions; welfare trusts; or any other financial or depository institutions in the possession of any of Defendant's Property (including, but not limited to, Bank of America J.P. Morgan Chase, and Unity National Bank); and

All other parties, including but not limited to:

policyholders, creditors, claimants, reinsurers, insurers, intermediaries, attorneys and all other persons, associations, corporations, or any other legal entities asserting claims or causes of action against Defendant, or in possession of any of Defendant's Property, and the United States Postmaster.

Each of you are hereby RESTRAINED and ENJOINED from taking any and all of the following actions:

- a) Doing, operating, or conducting Defendant's business under any charter, certificate of authority, license, permit, power or privilege belonging to or issued to Defendant, or exercising any direction, control, or influence over Defendant's business, except through the authority of the Rehabilitator or his designees;
- b) Transacting any business of Defendant's in any manner except through the authority of the Rehabilitator or his designees;
- c) Wasting, disposing of, converting, dissipating, or concealing, in any manner, any of Defendant's Property;



- d) Using, releasing, transferring, selling, assigning, canceling, hypothecating, withdrawing, allowing to be withdrawn, offsetting, asserting ownership of, concealing, in any manner, or removing from this Court's jurisdiction or from Defendant's place of business, any of Defendant's Property, or any other items purchased by Defendant, or any items into which such property has been transferred, deposited or placed, or any other items owned by Defendant's, wherever located, except through the authority of the Rehabilitator or his designees;
- e) Releasing, transferring, selling, assigning or asserting ownership of, in any manner, any claims, accounts receivable, or causes of action belonging to Defendant, whether asserted or not, except through the authority of the Rehabilitator or his designees;
- f) Doing anything, directly or indirectly, to prevent the Rehabilitator or his designees from gaining access to, acquiring, examining, or investigating any of Defendant's Property or any other property, books, documents, records, or other materials concerning Defendant's business, under whatever name they may be found;
- g) Obstructing or interfering in any way with the conduct of this proceeding or any incidental investigation as prohibited by Tex. Ins. Code § 443.010(b);
- h) Intervening in this proceeding for the purpose of obtaining a payment from the receivership estate of Defendant as prohibited by Tex. Ins. Code §443.005(i);
- i) Making any claim, charge or offset, or commencing or prosecuting any action, appeal, or arbitration, including administrative proceedings, or obtaining any preference, judgment, attachment, garnishment, or other lien, or making any levy against Defendant, Defendant's Property, or the Rehabilitator, except as permitted by a rehabilitation plan approved under Tex. Ins. Code §443.103, or as otherwise permitted by the Insurer Receivership Act.



V. STAY OF PROCEEDINGS

- 5.1 An automatic stay is in effect with respect to actions against Defendant or its property as provided by Tex. Ins. Code § 443.008(c). In accordance with Tex. Ins. Code § 443.008(f), such stay of actions against Defendant is in effect for the duration of this proceeding, and the stay of actions against Defendant's property is in effect for as long as the property belongs to the receivership estate.

VI. OTHER ORDERS

- 6.1 Defendant and Defendant's agents shall cooperate with the Rehabilitator or his designees as required by Tex. Ins. Code § 443.010(a).
- 6.2 Any persons or entities in the possession of Defendant's Property shall make available and disclose to the Rehabilitator or his designees the nature, amount, and location of such property, and immediately surrender all such property to the Rehabilitator or his designees.
- 6.3 The United States Postmaster and any other delivery services shall deliver to the Rehabilitator any items addressed to or intended for Defendant.
- 6.4 The Texas Department of Insurance shall have a claim for reasonable attorneys' fees and court costs, and the amount and payment of such claim are subject to the provisions of Tex. Ins. Code Chapter 443.
- 6.5 In accordance with Tex. Ins. Code § 443.001(b), this Order does not limit the rights of the Commissioner or the Texas Department of Insurance to take any administrative action against Defendant under the Texas Insurance Code.
- 6.6 In accordance with Tex. Ins. Code § 443.007(d), the Rehabilitator may provide notice of any application by first class mail, electronic mail, or facsimile transmission, at his discretion.



- 6.7 Under Tex. Ins. Code § 443.101(a), this proceeding is exempt from any dormancy requirements.
- 6.8 Anyone over the age of 18 whom is not a party to nor interested in the outcome of this suit may serve all citations, writs and notices in this cause.
- 6.9 This Order shall issue and become effective immediately. Under Tex. Ins. Code § 443.055, this Order constitutes a final judgment, and this Court retains jurisdiction to issue further orders under the Insurer Receivership Act.
- 6.10 This Order does not prohibit Defendant's members from creating an organization to continue Defendant's purposes authorized by Tex. Ins. Code § 885.155 that are not related to Defendant's insurance business, including social, educational, or religious activities. Such organization may not use a name that refers to a fraternal benefit society or includes any terms in Tex. Ins. Code § 885.001(5) describing a subordinate member unit of a fraternal benefit society. Such organization may continue any social, educational, or religious activities planned by Defendant, including its 60th Biennial Session, provided that Defendant's Property is not used for such purposes, and that such organization does not conduct business in Defendant's name.

SIGNED at Austin, Travis County, Texas, on this the 31st day of MAY,
2018, at 2:10 o'clock P.m.


DISTRICT JUDGE PRESIDING

KARIN CRUMP

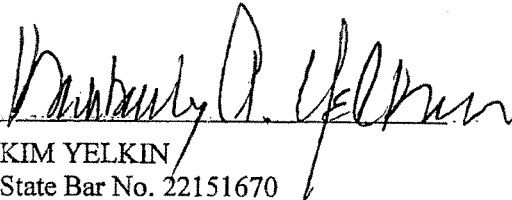


APPROVED AS TO FORM AND SUBSTANCE:



ANN HARTLEY
Assistant Attorney General
State Bar No. 09157700
Financial Litigation and Charitable Trusts Division
P.O. Box 12548
Austin, Texas 78711-2548
Phone: (512) 936.1313
Fax: (512) 477.2348
ann.hartley@oag.texas.gov

ATTORNEY FOR TEXAS DEPARTMENT OF INSURANCE



KIM YELKIN
State Bar No. 22151670
512-542-7001 (Phone)
512-542-7201 (Fax)
kyelkin@foley.com
Foley Gardere
600 Congress Avenue, Suite 3000
Austin, Texas 78701-2978

ATTORNEY FOR GRAND COURT ORDER OF CALANTHE

I, VELVA L. PRICE, District Clerk,
Travis County, Texas, do hereby certify that this is
a true and correct copy as same appears of
record in my office. Witness my hand and seal of
office on

9-31-18



VELVA L. PRICE
DISTRICT CLERK

By Deputy:

