

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
22 S. Clinton Ave., Bldg. 4, 2<sup>nd</sup> Floor  
P.O. Box 117  
Trenton, New Jersey 08628-0117  
Attorney for Plaintiff, Commissioner of  
Banking and Insurance, State of New Jersey

By: Emerald Erickson Kuepper  
Senior Deputy Attorney General  
(609) 984-8469

CLERK OF SUPERIOR COURT  
SUPERIOR COURT OF N.J.  
MERCER COUNTY  
RECEIVED AND FILED

FEB 11 2008

*Ann Regan*

CLERK OF SUPERIOR COURT

SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION,  
GENERAL EQUITY PART- MERCER COUNTY  
DOCKET NO.: MER-C-60-06

\_\_\_\_\_  
I/M/O THE REHABILITATION  
OF NJ EXCHANGE  
\_\_\_\_\_

Civil Action

ORDER OF LIQUIDATION

This matter having been opened to the Court by Anne Milgram, Attorney General of New Jersey, by Emerald Erickson Kuepper, Senior Deputy Attorney General, attorney for the Commissioner of Banking and Insurance ("Commissioner") upon application for an Order of Liquidation seeking the liquidation of NJ Exchange; and the Court having considered the Commissioner's application, the Court hereby finds that:

1. NJ Exchange is an insurance exchange domiciled in the State of New Jersey governed by the provisions of Title 17 of the Statutes of New Jersey, which was placed in rehabilitation pursuant

to N.J.S.A. 17:30C-1 et seq., by this Court's July 10, 2006 Order of Rehabilitation.

2. This Court has general jurisdiction, pursuant to N.J.S.A. 17:30C-1 et seq., over this proceeding.

3. The written and published notice of the Petition for Liquidation to interested persons evidenced by the Affidavit and Notice filed with the Court constitutes the best notice practicable under the circumstances, and meets the requirements of due process concerning such notice.

4. Pursuant to N.J.S.A. 17:30C-1, et seq., NJ Exchange is insolvent, and is in such a condition that its further transaction of business would be hazardous to its subscribers, its creditors and to the public.

5. Further efforts to rehabilitate NJ Exchange will be useless and will substantially increase the risk of loss to creditors, policyholders, and to the general public.

6. Sufficient grounds exist under N.J.S.A. 17:30C-7(b) and N.J.S.A. 17:30C-8 for the entry of an order of Liquidation, and such an Order of Liquidation should be entered pursuant to N.J.S.A. 17:30C-9; and no opposition having been filed;

It is therefore, on this 11th day of FEBRUARY, 2008;

ORDERED as follows:

1. The application of the Commissioner to liquidate NJ Exchange is hereby granted.

2. The rehabilitation phase of the within delinquency proceeding as set forth in the Order of Rehabilitation is hereby terminated.

3. Steven M. Goldman, Commissioner of the Department of Banking and Insurance, and his successors in office, is hereby appointed Liquidator of NJ Exchange and is vested, in addition to the powers set forth herein, with all the powers and authority expressed or implied under the provisions of N.J.S.A. 17:30C-1, et seq. The Liquidator may do all of the acts necessary and appropriate for the accomplishment of the liquidation of NJ Exchange.

4. The Liquidator may appoint a person to serve as Deputy Liquidator to assist him in accomplishing the directives of this order. The Deputy Liquidator shall, subject to the approval of the Liquidator, be entitled to exercise all of the above powers and authority vested in the Liquidator pursuant to this Order and applicable law, and shall serve at the pleasure of the Liquidator. Compensation of the Deputy Liquidator shall be set by the Liquidator, and paid out of the funds and assets of NJ Exchange. The Deputy Liquidator shall have no personal liability for her acts or omissions in connection with her duties as Deputy Liquidator provided that such acts or omissions are undertaken or committed in good faith and without willful misconduct, gross negligence or criminal intent. The Deputy Liquidator shall not be deemed to be

an employee of the State of New Jersey and thus, shall not be subject to the provisions of the New Jersey Tort Claims Act, N.J.S.A. 50:1-1 et seq. All expenses and costs incurred by the Deputy Liquidator in connection with law suits against her in her personal capacity, arising from her duties and acts as Deputy Liquidator of NJ Exchange shall, subject to the prior written approval of the Liquidator, be paid out of the funds and assets of NJ Exchange provided that such lawsuits are not the result of any bad faith, willful misconduct, gross negligence or criminal actions on the part of the Deputy Liquidator.

5. The Liquidator is hereby vested with title to all assets, contracts, causes of action, books, records, bank accounts, certificates of deposit, securities or other funds and all real or personal property of any nature of NJ Exchange, including furniture, fixtures and office supplies, wherever located, including such property of NJ Exchange which may be discovered hereafter, and is hereby directed to take immediate and exclusive possession and control of same. The filing or recording of this order with the Clerk of this Court and with the recorder of deeds of the jurisdiction in which NJ Exchange's corporate administrative offices are located or in the case of real estate, with the recorder of deeds of the jurisdictions where the properties are located, shall impart the same notice as would be imparted by the deed, bill of sale or other evidence of title filed or recorded.

Except as otherwise indicated elsewhere in this Order, and upon notice provided by the Liquidator, all agents and brokers and all other persons or entities holding funds, assets or property of or on behalf of, NJ Exchange, shall forthwith file an accounting of those funds, assets or property with the Liquidator and shall, within 10 days of the entry of this order turn said funds, assets or property over to the Liquidator.

6. Until further order of this Court, no obligation of NJ Exchange or any claim of any nature shall be paid, or distribution of NJ Exchange's assets made, except as, in the discretion of the Liquidator or his designee, may be necessary for the administration of the estate of NJ Exchange. The Liquidator shall use good faith efforts to give notice by first-class mail to all entities or persons which or who may have claims against NJ Exchange, contingent or otherwise, as disclosed by its books and records, and advising claimants to file with the Liquidator their claims together with proper proofs thereof on or before the filing bar date specified in Paragraph 18(a) of this Order. The Liquidator shall also cause a notice to be published in the appropriate edition of The Newark Star Ledger, The Trenton Times, The New Jersey Law Journal, The New Jersey Lawyer and The Courier-Post, (a) specifying the last day for the filing of claims; (b) advising all persons of the procedure by which all persons may present their claims to the Liquidator; (c) advising all persons of the address

to which they may send their claim; and (d) advising all such persons of their right to present their claim or claims to the Liquidator. Any and all persons, firms or corporations having or claiming to have any accounts, debts, claims or demands against NJ Exchange, contingent or otherwise or claiming any right, title or interest in any funds or property in the possession of the Liquidator, are required to file a properly completed proof of claim with the Liquidator at the location designated in the above-described notices, on or before the date specified by the Liquidator as the last date upon which to file a claim or be thereafter barred as claimants against any assets in the possession of the Liquidator, unless a late filing is permitted under N.J.S.A. 17:30C-30. No person or entity shall be eligible to participate in any distribution of the assets of NJ Exchange unless such claims are filed or presented in accordance with the within the time limit and procedures established by the Liquidator, subject to the provisions for the late filing of claims at N.J.S.A. 17:30C-30.

7. All persons, corporations, partnerships, and all other entities, wherever located, are hereby permanently enjoined and restrained from interfering in any manner with the Liquidator's possession, title and rights to the assets and property of NJ Exchange, and from interfering in any manner with the conduct of the liquidation of NJ Exchange. Those persons, corporations, partnerships and all other entities are hereby enjoined and

restrained from wasting, transferring, selling, concealing, destroying, disbursing, disposing of or assigning any assets, contracts, causes of action, funds or other property of any nature of NJ Exchange.

8. The Liquidator may change to his own name the name of any of NJ Exchange's accounts funds or other property or assets held with any bank, savings and loan associations 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 estate.

9. All secured creditors or parties, lien holders, collateral holders or other persons claiming secured, priority or preferred interests in any property or assets of NJ Exchange including any governmental entity, are hereby permanently enjoined from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against, any property or assets of NJ Exchange.

10. All officers directors, trustees, shareholders, policyholders, agents, and employees of NJ Exchange and all other persons or entities of any nature, including but not limited to claimants, reinsurers, plaintiffs, petitioners, physicians, hospitals or other medical or health care providers and any governmental agencies having claims of any nature against NJ Exchange, including cross claims, counterclaims and third party

claims, are hereby enjoined and restrained from:

(a) conducting any portion or phase of the business of NJ Exchange unless so authorized by the Liquidator or Deputy Liquidator;

(b) bringing, maintaining or further prosecuting any action at law, suit in equity, arbitration, special or other proceeding against NJ Exchange, its estate in liquidation or against the Liquidator and his successors in office, as Liquidator thereof, or against the Deputy Liquidator appointed pursuant to paragraph 4 above; relief sought in any such action against NJ Exchange shall be pursued by filing a proof of claim against the estate of NJ Exchange as set forth in paragraph 18;

(c) making or executing any levy upon the property or estate of NJ Exchange;

(d) instituting, maintaining or further presenting any suit at law or equity or any collection activity or any other proceeding of any nature against any member, policyholder or insured of NJ Exchange resulting from NJ Exchange's insolvency or the failure of NJ Exchange to pay any claim or to meet any of its contractual obligations due to its insolvency;

(e) further prosecuting any matter pending in a court of this State for a period of 120 days pursuant N.J.S.A. 17:30A-18. This stay is contingent upon the New Jersey Property and Liability Insurance Guaranty Association having the ability to waive any



portion of the time period;

(f) interfering in any way with the Liquidator or any of his successors in office, in his possession of or title to, the property and assets of NJ Exchange or in the discharge of his duties as Liquidator thereof, pursuant to this Order. All persons or entities of any nature, other than the Liquidator, are hereby restrained from commencing, maintaining or further prosecuting any direct or indirect actions against any reinsurer of NJ Exchange for proceeds of reinsurance policies, treaties or other agreements with NJ Exchange.

11. No bank, savings and loan association or other financial institution shall, without first obtaining permission of this Court, exercise any form of offset, alleged offset or lien against any fund held by or on behalf of NJ Exchange or refuse to transfer funds or assets of NJ Exchange to the Liquidator's control, unless subject to N.J.S.A. 17:30C-27.

12. (a) Any agent, broker, premium finance company or any other person, other than the insured, responsible for the payment of a premium, shall be obligated to pay to the Liquidator, within 30 days of this Order, any unpaid premiums, whether earned or unearned, as shown on the records of NJ Exchange as of the date of entry of this Order. The Liquidator shall also have the right to recover from such person any part of an unearned premium that represents a commission to such person;

(b) All policy holders of NJ Exchange shall be obligated to pay any unpaid earned premium due to NJ Exchange at any time, as shown on the records of NJ Exchange.

13. NJ Exchange its officers, directors, policyholders, agents and employees, and all other persons or entities of any nature, having any property or records belonging to NJ Exchange or pertaining to the business of NJ Exchange, including data processing information and records of any kind, are hereby directed to assign, transfer and deliver to the Liquidator all of such property in whatever name the same may be, and any persons, firms or corporations having any books, papers or records relating to the business of NJ Exchange shall preserve the same and submit these to the Liquidator for examination at all reasonable times.

14. Except as otherwise provided in this Order, rights and liabilities of NJ Exchange and of its creditors, policyholders, shareholders and all other persons interested in the estate shall be, and hereby are, fixed as of the date of entry of this Order.

15. The Liquidator shall have the power:

(a) to liquidate all property and assets of NJ Exchange, wherever located, and to wind up the affairs and business of NJ Exchange under the general supervision of the Court;

(b) to honor, as expenses of administration, all expenses heretofore incurred by the Commissioner as Rehabilitator or by his designees and appointees, which currently remain unpaid;

(c) to pay from the funds or assets of NJ Exchange or from such other funds that may become available to him, all expenses of marshaling, taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing, with the business and property of NJ Exchange;

(d) to hold hearings for the purpose of determining and evaluating claims submitted, to administer oaths, examine any person under oath and compel any person to subscribe to their testimony after it has been correctly reduced to writing, and in connection therewith to require the production of any books, papers, records or other documents which she deems relevant to the inquiry;

(e) to collect all debts and monies due and claims belonging to NJ Exchange, wherever located, where economically feasible, 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 NJ Exchange's assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as he 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 his claims;

(f) to conduct public and private sales of the assets and property of NJ Exchange, including any real property;

(g) to acquire, invest, deposit, hypothecate, encumber, lease, improve, sell, transfer, abandon or otherwise dispose of or deal with any asset or property of NJ Exchange, and to sell, reinvest, trade or otherwise dispose of any securities or bonds presently held by NJ Exchange, upon such terms and conditions as he deems to be fair and reasonable, irrespective of the value at which such property was last carried on the books of NJ Exchange. He 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 liquidation;

(h) to borrow money on the pledge of assets of NJ Exchange, with or without security, and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation. Neither the Commissioner nor his designees or appointees shall be held liable in their official or personal capacities for any loans made for such purposes;

(i) to enter into such contracts as are necessary to

carry out this order, and to affirm or disavow any contracts to which NJ Exchange or any affiliate of NJ Exchange is a party;

(j) to institute and to prosecute, in the name of NJ Exchange or in his own name, any and all suits and other legal proceedings, to defend suits to which NJ Exchange or the Liquidator is a party, in this State or elsewhere, commenced prior to or subsequent to this Order, to abandon the prosecution or defense of suits, legal proceedings and claims which he deems inappropriate to pursue further and to compromise suits, legal proceedings or claims on such terms and conditions as he deems appropriate;

(k) to prosecute in his discretion any action which may exist on behalf of the creditors, policyholders or shareholders of NJ Exchange against any officer or director of NJ Exchange Indemnity or any other person;

(l) to remove any or all records and other property of NJ Exchange to the offices of the Liquidator or to such other place as may be convenient for the purpose of efficient and orderly execution of the liquidation; and to dispose of or destroy in the usual and ordinary course, such of those records and property as the Liquidator may deem or determine to be unnecessary for the administration of the estate of NJ Exchange in receivership, provided that no records shall be destroyed except as set forth in N.J.S.A. 17:3A-1, et seq. Security funds, guaranty associations and ancillary receivers shall have such reasonable access to the

records of NJ Exchange as may be necessary for them to carry out their statutory obligations;

(m) to terminate the employment of any employee of NJ Exchange that he determines is not essential to the estate of NJ Exchange in liquidation, and make reasonable and necessary compensation arrangements to ensure the continued availability of such employee through the liquidation period, subject to N.J.S.A. 17:30C-17;

(o) to file any necessary documents for recording in the office of any recorder of deeds or record office in this state or elsewhere where property of NJ Exchange is located;

(p) to exercise and enforce all the rights, remedies and powers of any creditor, shareholder or policyholder, including any power that may be given by law or equity to avoid any transfer or lien;

(q) to intervene in any proceeding wherever instituted that might lead to the appointment of a receiver or trustee for NJ Exchange, and to act as the receiver or trustee whenever the appointment is offered;

(r) to enter into agreements with any ancillary receiver or Insurance Commissioner of any other state, the New Jersey Property Liability Insurance Guaranty Association ("PLIGA") or any similar organization of another state, relating to the liquidation,

conservation or dissolution of NJ Exchange as he may deem to be necessary or appropriate, subject to the approval of this Court;

(s) to perform such further and additional acts as he may deem necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation, it being the intention of this Order that the aforestated enumeration of powers shall not be construed as a limitation upon the Liquidator or Deputy Liquidator.

17. The Liquidator shall give or cause to be given notice of the entry of this Order as soon as possible:

(a) by first class mail to the Insurance Commissioner of each jurisdiction in which NJ Exchange is or was heretofore, doing business, either on an admitted or surplus lines basis;

(b) by first class mail to any security fund or guaranty association which is or may become obligated as a result of NJ Exchange's liquidation;

(c) by first class mail to all persons or entities having a claim against NJ Exchange, at their last known address, as indicated by the records of NJ Exchange.

(d) by publication in The Newark Star Ledger, The Trenton Times, the New Jersey Law Journal, the New Jersey Lawyer and The Courier-Post.

18. (a) The notice served under paragraph 17 shall require that any person seeking to receive distributions in liquidation as a claimant to file a proof of claim form with the Liquidator or his

designee, together with proper proof of loss, in such manner and form as the Liquidator or his designee may in his discretion require, at a place specified in such proof of claim form, on or before the date specified by the Liquidator (which date shall be not later than one year from the date of this Order). The Liquidator's notice may contain such other rules, regulations and information as he may deem necessary for the purpose of this proceeding in fixing and determining all lawful claims and demands against NJ Exchange.

(b) The Liquidator shall in his notice specify that the reasonable costs or expenses incurred by the insured in defending a claim which would, prior to entry of this Order, have been assumed by NJ Exchange, shall be part of and included in the amount of the claim, up to limits of the policy;

(c) The Liquidator shall in his notice require that such claimants make and submit any actual or potential claims which they may have with or against NJ Exchange, including both known claims and circumstances within the knowledge of such claimant which can reasonably be expected to give rise to claims;

(d) The Liquidator shall in his notice require that policyholders who do not know or have no reason to know, of the existence of actual or potential claims against them nonetheless submit a proof of claim form in accordance with subparagraph (a) hereof, in order to preserve their right to assert actual or



potential claims against NJ Exchange in the future. In the case of such policyholders, the proof of loss requirement shall be deemed satisfied if the policyholder states by way of proof that he intends to reserve his rights to assert all future claims against NJ Exchange. Such policyholders shall be required to update their proof of claim form with the Liquidator within 60 days of an actual claim asserted them;

(e) The Liquidator may, in his discretion, alter the notification and filing requirements of paragraph 17(a) and (b) hereof, by agreements made with ancillary receivers or with insurance commissioners of other states, PLIGA or with similar organizations of other states;

(f) Guaranty associations, for the purpose of procuring reimbursement from the Liquidator, shall file an initial single blanket proof of claim setting for the aggregate amount of underlying claims paid or to be paid, by said guaranty associations. Said blanket proof of claims shall be supplemented quarterly to set forth administrative expenses incurred, indemnity paid, including the details of each claims payment and such other information as may be required by the Liquidator.

19. If notice is given in accordance with paragraphs 17 and 18 above, the distribution of the assets of NJ Exchange shall be conclusive with respect to all policyholders and claimants, whether or not they receive actual notice.

20. No claim under a policy of insurance shall be allowed for an amount in excess of the applicable policy limits. If several claims founded upon one policy are filed, and the aggregate allowed amount of the claims to which the same limit of liability in the policy is applicable exceeds that limit, each claim as allowed shall be reduced in the same proportion so that the total equals the policy limit.

21. (a) No claim need be considered or allowed if it does not contain all the information reasonably required by the Liquidator;

(b) No judgment or order against an insured of NJ Exchange entered after the date of entry of the within Order and no judgment or order against an insured of NJ Exchange entered at any time by default or by collusion need be considered as evidence of liability or of the amount of damages payable under said judgment or order.

22. The purpose of paragraphs 20 and 21 hereof, the word "claim" is defined to include claims that are not "covered claims" as that term is defined in applicable guaranty association statutes.

23. The Liquidator may compound, compromise or in any other manner negotiate the amount for which claims will be recommended to this Court except where the Liquidator is required by law to accept

claims by any person or organization, including any guaranty association.

24. (a) When all assets justifying the expense of collection and distribution have been collected and distributed under this order, the Liquidator shall apply to the Court for discharge. The Court may grant the discharge and make any other orders, including an order to transfer any remaining assets that are uneconomic to distribute, as may be deemed appropriate;

(b) Any other person may apply to the Court at any time for an order under paragraph 24(a) hereof. If the application is denied, the applicant shall pay the costs and expenses of the Liquidator in resisting the application, including a reasonable attorney's fee.

25. All unclaimed funds subject to distribution remaining in the Liquidator's hands when he is ready to apply to the Court for discharge, including those amounts distributable to any creditor, shareholder, member or other person who is unknown or cannot be found, shall be deposited with the State Treasurer, and shall be paid without interest to the person entitled thereto or his legal representative upon proof satisfactory to the State Treasurer of his right thereto. Any amount on deposit not claimed within 3 years from the discharge of the Liquidator shall be deemed to have been abandoned and shall be escheated to the general fund of the State of New Jersey pursuant to N.J.S.A. 46:30B-7.

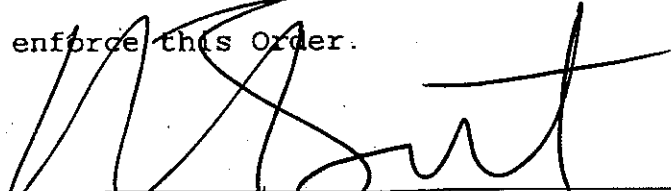
26. All further papers filed in these proceedings shall bear the caption and be entitled:

IN THE MATTER OF THE	)	SUPERIOR COURT OF NEW JERSEY
LIQUIDATION OF NJ	)	CHANCERY DIVISION, GENERAL
EXCHANGE	)	EQUITY PART - MERCER COUNTY
	)	DOCKET NO. MER-60-06

27. 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.


28. The Commissioner as Liquidator may at any time make further application for such additional and different relief as he sees fit.

29. This Court shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order.

  
\_\_\_\_\_  
Hon. Neil H. Shuster, P. J. Ch. Div.

30. A copy of this Order shall be forwarded to every Civil Presiding Judge and every Civil Division Manager.

31. The Court shall be provided with an up-dated list of pending cases within 10 days.

  
\_\_\_\_\_  
Hon. Neil H. Shuster, P.J. Ch.