

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Richard J. Hughes Justice Complex  
25 Market Street  
P.O. Box 117  
Trenton, New Jersey 08625  
Attorney for Plaintiff,  
Commissioner of the Department  
of Banking and Insurance

RECEIVED

DEC 07 2018

SUPERIOR COURT OF NJ  
MERCER VICINAGE  
CIVIL DIVISION

By: William B. Puskas, Jr.  
Deputy Attorney General  
NJ Attorney ID: 014901976  
(609) 376-2965  
William.Puskas@law.njoag.gov

SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION-MERCER COUNTY  
DOCKET NO. MER-C-

MARLENE CARIDE, )  
COMMISSIONER OF THE )  
DEPARTMENT OF BANKING AND )  
INSURANCE OF NEW JERSEY, )

Plaintiff, )

v. )

BROADWAY INSURANCE & )  
SURETY COMPANY INC., )

Defendant. )

Civil Action

VERIFIED COMPLAINT FOR AN  
ORDER TO SHOW CAUSE AS TO  
WHY AN ORDER OF  
REHABILITATION SHOULD NOT  
BE ENTERED WITH TEMPORARY  
RESTRAINTS PURSUANT TO  
RULE 4:52 AND N.J.S.A.  
17:30C-5

Plaintiff, Marlene Caride, Commissioner of the  
Department of Banking and Insurance of the State of New Jersey  
("Commissioner"), and her successors in office, with her principal

office at 20 West State Street, Trenton, Mercer County, New Jersey, complaining of defendant, says:

PARTIES

1. The Office of the Commissioner of the Department of Banking and Insurance (the "Department") was created and now exists pursuant to Title 17 of the Statutes of New Jersey.

2. The Commissioner is responsible for the regulation and control of, among others, property and casualty insurance companies domiciled in New Jersey.

3. Broadway is a New Jersey property and casualty insurer licensed to transact bail bond surety insurance business in New Jersey. Broadway was incorporated on April 29, 2013, and authorized to transact bail bond surety insurance business as of August 1, 2013.

4. Broadway's counsel (who also sits on Broadway's board of directors), has represented to the Department the last bond approved and written by Broadway was on November 17, 2017, and Broadway ceased transacting business effective December 24, 2017.

5. Based upon information contained in the most recent Corporate Bond Surety Report prepared by the Administrative Office of the Courts, as of November 30, 2018, Broadway had \$20,234,701 in posted bonds (501 total bonds); \$947,500 in forfeited bonds (32

total bonds); and \$222,500 in forfeited bonds reduced to judgment (9 total bonds); for a total of \$21,404,701 (542 total bonds).

#### JURISDICTION AND VENUE

6. The Commissioner has jurisdiction to institute and maintain this action pursuant to N.J.S.A. 17:30C-1 to -31.

7. Venue is properly laid in Mercer County because the cause of action arises by action of the Commissioner whose principal office is located in Mercer County.

#### LEGAL AUTHORITY

8. At all relevant times, Broadway was governed by the provisions of N.J.S.A. 17:30C-1 to -31.

9. Pursuant to N.J.S.A. 17:30C-6(f), the Commissioner is authorized to apply to this court for an Order directing her to rehabilitate an insurer that is in a hazardous financial condition. As shown below, Broadway is in a hazardous financial condition.

#### COUNT ONE

10. The provisions of N.J.A.C. 11:2-27, a subchapter entitled "DETERMINATION OF INSURERS IN A HAZARDOUS FINANCIAL CONDITION," provides a list of factors that the Commissioner shall consider in determining whether an insurer is in a hazardous financial condition.

11. N.J.A.C. 11:2-27.3(a) sets forth thirty-four factors that shall be considered "either singly or in a combination

of two or more, in determining whether an insurer is in a hazardous financial condition."

12. A determination that an insurer is in a hazardous financial condition constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

13. N.J.A.C. 11:2-27.3(a)(2) permits a determination that an insurer is in a hazardous financial condition based upon adverse findings from the Insurance Regulatory Information System ("IRIS") developed and maintained by the National Association of Insurance Commissioners ("NAIC").

14. IRIS is a collection of analytical solvency tools and databases designed to provide state insurance departments with an integrated approach to screening and analyzing the financial condition of insurers operating within their respective states.

15. IRIS contains a series of thirteen key financial ratio formulas and range comparisons, with respect to property and casualty insurers, that are automatically generated based on financial information obtained from insurers' statutory Annual Financial Statements.

16. The IRIS Ratio Application based on information from Broadway's 2017 Annual Financial Statement resulted in five ratios that fall outside allowable ranges, as follows:

(a) Ratio 3 - Change in Net Premiums Written From Prior Year. Allowable range of results: -33% to +33%. Broadway's result: -83%;

(b) Ratio 5 - Two Year Overall Operating Ratio. Allowable range of results: Equal to or Under 100%. Broadway's result: -277%;

(c) Ratio 6 - Investment Yield. Allowable range of results: +3% to +6.5%. Broadway's result: +0.1%;

(d) Ratio 7 - Gross Change in Policyholders' Surplus From Prior Year. Allowable range of results: -10% to +50%. Broadway's result: -64%; and

(e) Ratio 8 - Change in Adjusted Policyholders' Surplus From Prior Year. Allowable range of results: -10% to +25%. Broadway's result: -64%.

17. The above IRIS Ratio Application results based on Broadway's 2017 Annual Financial Statement are adverse and indicative of a hazardous financial condition.

18. Based on these adverse IRIS findings and the recommendation of the Office of Solvency Regulation in the Department, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(2).

19. Broadway's hazardous financial condition, as more specifically set forth above, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

COUNT TWO

20. Plaintiff incorporates the allegations of Count One by reference as if fully set forth herein.

21. N.J.A.C. 11:2-27.3(a)(6) permits a determination that an insurer is in a hazardous financial condition upon a finding by the Commissioner that the insurer's operating loss in the last twelve-month period or any shorter period of time, including, but not limited to, net capital gain or loss, change in non-admitted assets, and cash dividends paid to shareholders, is greater than fifty percent of such insurer's remaining surplus as regards policyholders in excess of the minimum required.

22. Based on the most recent Annual Financial Statement financial condition reports submitted to the Department, as of December 31, 2017, Broadway had negative net income of \$(1,638,757) for the twelve-month period ending December 31, 2017. Thus, Broadway experienced a net operating loss of \$(1,638,757) through December 31, 2017. This net operating loss is (267.3%) of Broadway's surplus as regards policyholders of \$613,116 as of December 31, 2017.

23. Thus, Broadway's operating loss for the last reported twelve-month period is greater than fifty percent of its remaining surplus.

24. Based on these findings as found by the Office of Solvency Regulation within the Department regarding Broadway's

operating loss and the recommendation of the Office of Solvency Regulation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(6).

25. Broadway's hazardous financial condition, as more specifically set forth above, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

COUNT THREE

26. Plaintiff incorporates the allegations of Counts One and Two by reference as if fully set forth herein.

27. N.J.A.C. 11:2-27.3(a)(7) permits the Commissioner to determine an insurer is in a hazardous financial condition upon a finding by the Commissioner that the insurer's operating loss in the last twelve-month period or any shorter period of time, excluding net capital gains, is greater than twenty percent of such insurer's remaining surplus as regards policyholders in excess of the minimum required.

28. Based on the most recent Annual Financial Statement submitted to the Department, as of December 31, 2017, Broadway had negative net income of \$(1,638,757) for the twelve-month period ending December 31, 2017. Thus, Broadway experienced a net operating loss of \$(1,638,757) through December 31, 2017. This net operating loss is (267.3%) of Broadway's surplus as regards policyholders of \$613,116 as of December 31, 2017.

29. Thus, Broadway's operating loss for the last reported twelve-month period is greater than twenty percent of its remaining surplus.

30. Based on these findings as found by the Office of Solvency Regulation within the Department regarding Broadway's operating loss, excluding net capital gains, and the recommendation of the Office of Solvency Regulation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(7).

31. Broadway's hazardous financial condition, as more specifically set forth above, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

#### COUNT FOUR

32. Plaintiff incorporates the allegations of Counts One through Three, inclusive, by reference as if fully set forth herein.

33. N.J.A.C. 11:2-27.3(a)(14) permits a determination that an insurer is in a hazardous financial condition upon a finding that the insurer has failed to meet financial filing requirements established by law in the absence of a reason satisfactory to the Commissioner.

34. N.J.S.A. 17:23-1 requires insurance companies transacting business in this state to file with the Department an Annual Financial Statement by March 1 each year, in the format

adopted by the NAIC, showing its financial condition as of December 31 of the previous year.

35. In response to Broadway's request, the Department granted Broadway an extension of time to May 31, 2018 to file the Annual Financial Statement for the period ending December 31, 2017. Broadway did not comply with the extension of time granted by the Department by filing its 2017 Annual Financial Statement until July 9, 2018, over a month after the due date.

36. N.J.S.A. 17:23-1 also requires insurance companies transacting business in this state to file with the Department Quarterly Financial Statements, in the format adopted by the NAIC, covering the periods ending on March 31, June 30, and September 30, which are to be filed within forty-five days after each such date.

37. Broadway's Quarterly Financial Statement for the period ending March 31, 2018, was due by May 15, 2018. In response to Broadway's request, the Department granted Broadway an extension of time to June 30, 2018 to file the Quarterly Financial Statement for the period ending March 31, 2018.

38. Broadway's Quarterly Financial Statement for the period ending June 30, 2018, was due by August 15, 2018. No extension of the time to file this Quarterly Financial Statement has been requested of, or granted by, the Department.

39. Broadway's Quarterly Financial Statement for the period ending September 30, 2018, was due by November 15, 2018. No extension of time to file this Quarterly Financial Statement has been requested of, or granted by, the Department.

40. The statutorily required Quarterly Financial Statements for the periods ending March 31, 2018, June 30, 2018, and September 30, 2018, have not been filed by Broadway with the Department, nor have any additional extensions of time to file these Statements been requested of, or granted by, the Department.

41. Broadway has not provided any satisfactory reasons that justify these failures to timely file Annual and Quarterly Financial Statement filings.

42. Based on these findings by the Office of Solvency Regulation within the Department as to Broadway's delinquent Financial Statement filings, and the recommendation of the Office of Solvency Regulation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(14).

43. Broadway's hazardous financial condition, as more specifically set forth above, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

COUNT FIVE

44. Plaintiff incorporates the allegations of Counts One through Four, inclusive, by reference as if fully set forth herein.

45. N.J.A.C. 11:2-27.3(a)(17) permits a determination that an insurer is in a hazardous financial condition upon a finding that the insurer has experienced or will experience in the foreseeable future cash flow or liquidity problems.

46. As a result of Broadway's 2017 operating loss as discussed above, Broadway's cash position has significantly deteriorated.

47. Broadway's Annual Financial Statement as of December 31, 2017, showed that it only had capital and surplus of \$613,116 as of that time. Broadway has advised that it has no income because writing bail bonds was its only business.

48. Broadway has failed to file any Quarterly Financial Statements showing its current capital and surplus, and upon the request of the Department, Broadway has failed to produce balance sheet or income statements, or statements of all investment and deposit accounts held by the company.

49. As of November 30, 2018, Broadway had \$20,234,701 in posted bonds (501 total bonds); \$947,500 in forfeited bonds (32 total bonds); and \$222,500 in forfeited bonds reduced to judgment (9 total bonds); for a total of \$21,404,701 (542 total bonds.)

The total amount of the forfeited bonds plus the forfeited bonds that have been reduced to judgment alone exceeds Broadway's capital and surplus as of year-end 2017 as follows: \$1,170,000 vs. \$613,116 (Capital and Surplus as of 12/31/17), and the capital and surplus has likely deteriorated further since that time. Moreover, it is unclear how much of the remaining \$20 million in posted bonds will result in judgments, but even if only 1% result in judgments, this will further increase Broadway's liabilities to the courts by approximately \$202,000.

50. Based on these findings by the Office of Solvency Regulation within the Department that demonstrate foreseeable future problems with Broadway's cash flow and liquidity, and the recommendation of the Office of Solvency Regulation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(17).

51. Broadway's hazardous financial condition, as more specifically set forth above, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

#### COUNT SIX

52. Plaintiff incorporates the allegations of Counts One through Five, inclusive, by reference as if fully set forth herein.

53. N.J.A.C. 11:2-27.3(a)(20) permits a determination that an insurer is in a hazardous financial condition upon a

finding that the insurer does not possess the minimum capital and surplus required to be maintained by law.

54. Under N.J.S.A. 17:17-6, Broadway is required to maintain a minimum capital and surplus of \$1,250,000.

55. Based on the most recent Annual Financial Statement submitted to the Department, as of December 31, 2017, Broadway had capital and surplus of \$613,116. Thus, Broadway's capital and surplus is \$(636,884) less than the minimum required by law.

56. Based on these findings by the Office of Solvency Regulation within the Department as to Broadway's deficient capital and surplus, and the recommendation of the Office of Solvency Regulation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(20).

57. Broadway's hazardous financial condition, as more specifically set forth above, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

#### COUNT SEVEN

58. Plaintiff incorporates the allegations of Counts One through Six, inclusive, by reference as if fully set forth herein.

59. In addition to the Commissioner's other powers under Titles 17 and 17B of the New Jersey Statutes relating to the examination of insurers, the Commissioner has the power under

N.J.S.A. 17:27A-5 "to order any insurer ... to produce such records, books, or other information papers in the possession of the insurer ... as shall be necessary to ascertain the financial condition of the insurer."

60. N.J.A.C. 11:2-27.3(a)(13) permits a determination that an insurer is in a hazardous financial condition upon a finding that the management of the insurer has failed to respond to inquiries from the Commissioner regarding the condition of the insurer or has furnished false and misleading information concerning such inquiries.

61. After the Department's review of Broadway's 2017 Annual Financial Statement (received by the Department on July 9, 2018, as set forth in Paragraph 32 above), and subsequent communications with Broadway, the Assistant Commissioner of the Office of Solvency Regulation wrote to Broadway's president and counsel on August 20, 2018, advising them of the anticipated need to take additional supervisory action regarding Broadway, "including but not limited to, the placement of Broadway under administrative supervision pursuant to N.J.S.A. 17:51A-1 [to - 10.]" (A copy of the Department's August 20, 2018 letter to Broadway is attached as Exhibit A.)

62. The August 20, 2018 letter also required Broadway to produce certain information and documents in connection with the examination of Broadway's financial condition to the

Department by the close of business on August 24, 2018, and certain additional information and documents by the close of business on August 31, 2018. (See Exhibit A.)

63. As discussed further below, Broadway responded to this request by e-mails on August 23, 2018, and on August 31, 2018, with some, but not all of the requested financial information, books and records. (Copies of Broadway's August 23, 2018 and August 31, 2018 e-mail responses are attached as Exhibit B.)

64. A review of Broadway's Annual Financial Statement as of December 31, 2017, showed a write-off of a "bad debt expense" totaling (\$1,905,847) and the notes to the Financial Statement indicated that this "bad debt" due to Broadway was from a related party, namely premium and collateral receivables totaling \$777,243 and \$4,636, respectively, from Aaron Bail Bonds- which is owned by the same parties as Broadway, and a "related party loan receivable of \$1,123,968." The Assistant Commissioner of the Office of Solvency Regulation requested additional information on the write-offs from Broadway via an e-mail to Broadway's counsel on August 28, 2018, to which Broadway's counsel provided a response via e-mail on August 31, 2018. (Copies of the August 28, 2018 Department's e-mail inquiry and Broadway's August 31, 2018 e-mail response regarding the "bad debt expense" are attached as Exhibit C.)

65. Broadway's August 31, 2018 response failed to respond to the specifics of the Department's "bad debt expense" inquiry, including but not limited to: why the amounts are no longer believed to be collectable, and to what "related party" the \$1,123,968 loan was made. (See Exhibit C.)

66. In a follow-up email dated September 14, 2018, the Assistant Commissioner of the Office of Solvency Regulation requested Broadway to provide the information missing from the response to the Department's August 20, 2018 letter, and additional related information. The deficiencies re-requested or augmented included the following: (a) Quarterly Financial Statements; (b) lists of all contracted agents, both current and expired, including any sub-agents; (c) a spreadsheet for all build-up funds (BUF) balances for two agencies, including Aaron's Bail Bonds for which the outstanding premium and collateral was written-off, collateral held by agencies, etc.; and (d) statements for all deposit and investment accounts held by Broadway for 2018 to date in lieu of balance sheet and income statements that were previously requested and for which Broadway stated that it did not maintain. (A copy of the Department's September 14, 2018 e-mail is attached as a part of Exhibit D.)

67. Broadway's counsel responded to the Department via e-mail on September 28, 2018, stating it was Broadway's position that (a) Broadway had "already provided" the requested information

and documents; (b) Broadway's financial position "has not significantly changed for some time, as no new business has been written for almost two years;" and (c) Broadway "cannot afford to keep paying an accountant to complete these financial forms." (A copy of Broadway's September 28, 2018 e-mail is attached as a part of Exhibit D.)

68. On November 21, 2018, the Assistant Commissioner of the Office of Solvency Regulation sent an additional letter to Broadway through its counsel via e-mail and to Broadway's President via overnight delivery at Broadway's home office address. This letter advised Broadway that it: a) has been found by the Department to be in a hazardous financial condition; b) has failed to comply with demands for books and records; c) has failed, without request for extension or satisfactory reason for the failure, to file required Quarterly Financial Statements; and d) has failed to cooperate with the Department to address Broadway's hazardous financial condition. Thus, the letter required the principals of Broadway to attend an in-person meeting with the Department one week later on November 28, 2018. (Copies of the Department's November 21, 2018 e-mail and letter are attached as a part of Exhibit E.)

69. In response, Broadway through its counsel on November 26, 2018, advised the Department that "my client's [sic] and I cannot meet on such short notice. Please contact my office

so we may arrange a convenient date." No reason for the inability to appear on the required date was provided, and no alternate dates were provided. (A copy of Broadway's November 26, 2018 e-mail is attached as a part of Exhibit E.)

70. Broadway's refusal to produce the requested information, including filing of the statutorily required Quarterly Financial Statements, and appear at the Department as requested constitute additional hazardous financial conditions pursuant to N.J.A.C. 11:2-27.3(a)(13) and directly and unreasonably interferes with the ability of the Commissioner and the Department to examine Broadway's most current financial condition.

71. Broadway's refusal to produce the requested information, including filing of the statutorily required Quarterly Financial Statements, and appear at the Department as requested, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

#### COUNT EIGHT

72. Plaintiff incorporates the allegations of Counts One through Seven, inclusive, by reference as if fully set forth herein.

73. The refusal of an insurer to submit its books, records, accounts or affairs to the reasonable examination of the

Commissioner constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(b).

74. Broadway's refusal to produce the requested information, including filing of the statutorily required Quarterly Financial Statements, and appear at the Department as requested, constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(b).

#### CONCLUSION

75. For the above reasons as found by the Office of Solvency Regulation, and in consideration of the recommendation of the Office of Solvency Regulation, the Commissioner has determined that it is necessary and appropriate to place Broadway into rehabilitation pursuant to N.J.S.A. 17:30C-1 to -31 in order to protect its bail bond policyholders, creditors, and the public at large.

76. Placement of Broadway into rehabilitation now will enable the Commissioner to protect its policyholders, creditors, and the public at large by taking control of the operations of the surety, marshalling its assets, reducing its costs and beginning the process of an orderly wind-down.

77. Placement of Broadway into rehabilitation now will enable the Commissioner to act expeditiously to provide notice to all Broadway's policyholders to make an orderly and informed

transition to alternate bail bond sureties, such as may prove necessary.

**WHEREFORE**, plaintiff demands an Order:

(a) declaring that Broadway is in a financial condition such that its further transaction of business will be hazardous to its policyholders, creditors, and the public pursuant to N.J.S.A. 17:30C-6(f); and further

(b) declaring that Broadway has refused to submit its books, records, accounts or affairs to the reasonable examination of the Commissioner in violation of N.J.S.A. 17:27A-5 and 17:30C-6(b); and further

(b) appointing the Commissioner and her successors in office as Rehabilitator of Broadway to rehabilitate Broadway in accordance with N.J.S.A. 17:30C-1 to -31, with all the powers and authority express or implied thereunder and as set forth in the Order of Rehabilitation that is being filed herewith; and further

(d) vesting the Rehabilitator with immediate title to, and exclusive possession of, and control over, the business and affairs of Broadway and all real and personal property, assets, funds, accounts, records, files or any other property, assets or possessions of any nature of Broadway, wherever situated or located; and further

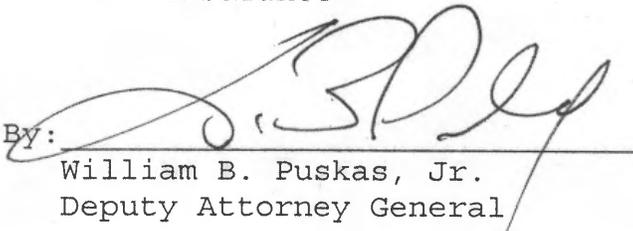
(e) directing the Rehabilitator to take immediate and exclusive possession and control of the businesses and affairs of

Broadway, as well as all of its real and personal property, assets, files, records, accounts and funds wherever located and to immediately begin removing the causes and conditions that have made rehabilitation necessary; and further

(f) restraining and enjoining all persons or entities, including but not limited to Freelancers, its officers, directors, or members, from further conducting the business of Broadway; and further

(g) granting such other relief as the Court may deem appropriate.

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Plaintiff,  
Commissioner of Banking and  
Insurance

By: 

William B. Puskas, Jr.  
Deputy Attorney General

Dated: December 7, 2018

DESIGNATION OF TRIAL COUNSEL

Deputy Attorney General William B. Puskas, Jr. is hereby designated as trial counsel in this matter.

CERTIFICATION PURSUANT TO R. 4:5-1

I certify, in accordance with R. 4:5-1, that I am not aware of any other civil proceedings either pending or contemplated with respect to the matter in controversy herein and no other parties who should be joined to this action. I further certify that confidential personal identifiers have been redacted from documents now submitted to the court, and will be redacted from all documents submitted in the future in accordance with Rule 1:38-7(b).

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Plaintiff,  
Commissioner of Banking and  
Insurance

By: \_\_\_\_\_

William B. Puskas, Jr.  
Deputy Attorney General

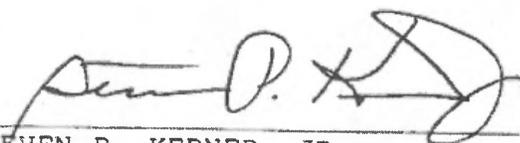
Dated: December 7, 2018

VERIFICATION

STEVEN P. KERNER, JR., of full age, hereby certifies:

I am the Assistant Commissioner in the Office of Solvency Regulation for the New Jersey Department of Banking and Insurance. My responsibilities include monitoring and overseeing the financial condition of all insurance entities transacting business in New Jersey. I have read the Complaint and certify that the allegations contained in the Complaint are true to the best of my knowledge and belief.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

  
STEVEN P. KERNER, JR.

Dated: December 7<sup>TH</sup>, 2018

**EXHIBIT A**

**AUGUST 20, 2018**

**NJDOB&I LETTER TO**

**BROADWAY**



**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF INSURANCE  
OFFICE OF SOLVENCY REGULATION  
PO BOX 325  
TRENTON, NJ 08625-0325

PHIL MURPHY  
*Governor*

SHEILA OLIVER  
*Lt. Governor*

MARLENE CARIDE  
*Commissioner*

PETER L. HARTT  
*Director*

TEL (609) 292-5350  
FAX (609) 292-6765

August 20, 2018

**\*CONFIDENTIAL\***

Via E-Mail and Overnight Delivery

Veton Binakaj, President  
Broadway Insurance and Surety Company, Inc.  
155 Passaic Avenue, Suite 150  
Fairfield, NJ 07004  
Via Mr. Richard P. Blender, Esq.

Richard P. Blender, Esq.  
100 Hamilton Plaza, Suite 1212  
Paterson, NJ 07505  
blenderlaw@verizon.net

Re: Broadway Action Items – Hazardous Financial Condition

Dear Sirs:

Broadway's 2017 Annual Financial Statement demonstrates that Broadway's reported Capital and Surplus is \$613,116, which is well-below the required statutory minimum Capital and Surplus of \$1,250,000. On this basis alone, the Department hereby finds that Broadway is in a Hazardous Financial Condition pursuant to N.J.A.C. 11:2-27.3(a). In addition, Broadway's Bail Bond Supplement and recent data from the Administrative Office of the Courts indicates that Broadway has significant potential liabilities in the form of posted bail bonds totaling approximately \$126.1 million and existing liabilities in judgments/forfeitures totaling approximately \$5.68 million. The Department has significant concerns regarding Broadway's viability given the market circumstances under the recent legislative changes along with the fact that Broadway is no longer actively writing, and its total adjusted capital has declined almost 64% from year-end 2016 to year-end 2017. The Department anticipates the need to take additional supervisory actions, including but not limited to, the placement of Broadway under administrative supervision pursuant to N.J.S.A. 17:51A-1 et seq.

As discussed with Mr. Blender, the Department is therefore requiring Broadway to produce the following books, records and information by the dates indicated below pursuant to N.J.S.A. 17:27A-5. No extensions of time shall be granted for these due dates absent good cause.

**Financial Condition Examination – PRODUCTION REQUIREMENTS**

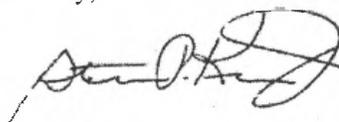
**A) Items due by close of business, Friday, 8/24/18:**

1. Confirmation in writing from Broadway that the company is not currently issuing bonds and provide the date when the last bond was posted;
2. List of the Names and Addresses of all contracted agents;
3. Spreadsheet of all current Build-Up Fund (BUF) balances maintained by Broadway and/or its agents by power number of the posted recognizance that indicates the following: Defendant name, County, Power #, Face Amount of Bail Bond, BUF held by Broadway, BUF held by Posting Agent, Collateral Held by Broadway, Collateral held by Posting Agent;
4. Spreadsheet with Itemization of Each and Totals for Each category of the following: All posted bail, All Forfeited bail, and All Judgments List of all currently posted bonds;
5. Quarterly Statement as of 6/30/18 (due to be filed on 8/15/18) with Bail Bond Supplement as of 6/30/18;
6. Copy of the most current Accounts Receivable Aging schedule for 2018; and
7. Balance Sheet and Income Statements for the past three months, May – July 2018, and statement of current balances in all depository and investment accounts.

**B) Items due by close of business, Friday, 8/31/18:**

1. Copy of All Agency Contracts;
2. Copies of any current reinsurance contracts;
3. Narrative description of current business plan, including current number of employees, their job duties, plans for ensuring continued capitalization to satisfy all liabilities; and
4. Copy of all Preclusion Letters issued by the AOC to Broadway since 1/1/18, accompanied by a spreadsheet indicating how each judgment was satisfied.

Sincerely,



Steven P. Kerner, Jr.  
Assistant Commissioner

c: Marlene Caride, Commissioner  
Peter L. Hartt, Director of Insurance  
Kristine A. Maurer, Assistant Director of Insurance  
Richard Schlesinger, Chief Insurance Examiner

John Sirovetz, Assistant Chief Insurance Examiner  
Diane Opuda, CPA, Rotenberg Meril (on behalf of Broadway Ins. and Surety Co., Inc.

**EXHIBIT B**  
**BROADWAY'S AUGUST 23,**  
**2018 AND AUGUST 31,**  
**RESPONSES TO**  
**AUGUST 20, 2018**  
**NJDOB&I LETTER**

**Kerner, Steve**

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**From:** Richard Blender <blenderlaw@verizon.net>  
**Sent:** Thursday, August 23, 2018 3:52 PM  
**To:** Kerner, Steve  
**Cc:** Caride, Marlene; Hartt, Peter; Maurer, Kristine; Schlesinger, Richard; Sirovetz, John  
**Subject:** Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

my mistake, I obviously meant 2017; does that clarify it for you?

Richard P. Blender, Esq.  
100 Hamilton Plaza, suite 1212  
Paterson, NJ 07505  
telephone: (973) 279-2227  
facsimile: (973) 279-3892

-----Original Message-----

**From:** Kerner, Steve <Steve.Kerner@dobi.nj.gov>  
**To:** Richard Blender <blenderlaw@verizon.net>  
**Cc:** Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>  
**Sent:** Thu, Aug 23, 2018 3:50 pm  
**Subject:** RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, first and foremost, I hereby acknowledge receipt of your email and attachments. I do have an initial question concerning item number 1 below. The date shown does not appear to be correct. Please confirm. We will review the information and attachments you provided and will let you know, as soon as practicable, if we have any additional follow-up questions. Thank you for your response.

Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance

**From:** Richard Blender <blenderlaw@verizon.net>  
**Sent:** Thursday, August 23, 2018 3:36 PM  
**To:** Kerner, Steve <Steve.Kerner@dobi.nj.gov>  
**Cc:** Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>  
**Subject:** [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

In response to your request:

1. BISC is no longer writing bonds; the last bond approved and written by them was 11/7/18;
2. the names and address of current agents/agencies is attached;
3. the company accountant who prepares the financial reports, Diane Opuda, is on vacation this week, returning Monday; we will forward the information you requested by next Friday, August 31, 2018;
4. the Clerk of the Superior Court maintains a current list of open forfeitures (although as I explained to you that is not an accurate list, and many of those cases have already been vacated or otherwise addressed); attached is a copy of their present preclusion/judgment list;
5. same as number 3;
6. same as number 3; and
7. same as number 3.

Kindly advise if you need any additional information at this time, thank you for your courtesies.

Richard P. Blender, Esq.  
100 Hamilton Plaza, suite 1212  
Paterson, NJ 07505  
telephone: (973) 279-2227  
facsimile: (973) 279-3892

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To: Richard Blender <[blenderlaw@verizon.net](mailto:blenderlaw@verizon.net)>

Cc: Caride, Marlene <[marlene.caride@dobi.nj.gov](mailto:marlene.caride@dobi.nj.gov)>; Hartt, Peter <[Peter.Hartt@dobi.nj.gov](mailto:Peter.Hartt@dobi.nj.gov)>; Maurer, Kristine <[Kristine.Maurer@dobi.nj.gov](mailto:Kristine.Maurer@dobi.nj.gov)>; Schlesinger, Richard <[Richard.Schlesinger@dobi.nj.gov](mailto:Richard.Schlesinger@dobi.nj.gov)>; Sirovetz, John <[John.Sirovetz@dobi.nj.gov](mailto:John.Sirovetz@dobi.nj.gov)>

Sent: Mon, Aug 20, 2018 11:18 am

Subject: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

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sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions. Sincerely,

Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance  
(609) 292-5350 Ext. 50205

**Kerner, Steve**

---

**From:** Richard Blender <blenderlaw@verizon.net>  
**Sent:** Friday, August 31, 2018 9:43 AM  
**To:** Kerner, Steve  
**Cc:** abinakaj@aaronbailbonds.net; vbinakaj@yahoo.com  
**Subject:** [EXTERNAL] BISC Contracts with Liable Agents  
**Attachments:** All Towne Bail Bonds Contract.pdf; Direct Bail Bonds Contract.pdf; Aaron Bail Bonds Contract.pdf; County Bail Bonds Contract.pdf

In accordance with your request attached are copies of the agency contracts presently in existence for Broadway.

Richard P. Blender, Esq.  
100 Hamilton Plaza, suite 1212  
Paterson, NJ 07505  
telephone: (973) 279-2227  
facsimile: (973) 279-3892

**Kerner, Steve**

---

**From:** Richard Blender <blenderlaw@verizon.net>  
**Sent:** Friday, August 31, 2018 2:32 PM  
**To:** Kerner, Steve  
**Cc:** Caride, Marlene; Hartt, Peter; Maurer, Kristine; Schlesinger, Richard; Sirovetz, John  
**Subject:** [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

In addition to the information already provided:

1. Broadway does not have any reinsurance;
2. unfortunately an accurate business plan cannot be provided at this time, until monetary bail is returned to New Jersey; writing bail was their only source of income;
3. my office is responsible for answering preclusion notices issued by the AOC; my office does not retain copies once the Clerk of the Superior Court closes a list; as you know once a judgment is satisfied it is taken off the list; I previously sent you the most recent list;
4. my client does not have, an "Accounts Receivables Aging schedule for 2018;" and
5. there is no balance sheet for May-July, 2018, as Broadway had no income.

Richard P. Blender, Esq.  
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**To:** Richard Blender <blenderlaw@verizon.net>  
**Cc:** Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>  
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Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance  
(609) 292-5350 Ext. 50205

EXHIBIT C  
NJDOB&I AUGUST 28,  
2018 E-MAIL TO  
BROADWAY AND  
BROADWAY'S AUGUST 31,  
2018 E-MAIL  
RESPONSE RE:  
"BAD DEBT"

**Kerner, Steve**

---

**From:** Richard Blender <blenderlaw@verizon.net>  
**Sent:** Friday, August 31, 2018 2:30 PM  
**To:** Kerner, Steve  
**Cc:** Caride, Marlene; Hartt, Peter; Maurer, Kristine; Schlesinger, Richard; Sirovetz, John  
**Subject:** Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

Below is the response we received from the company's accountant:

Regarding the bad debt expense, there was a bookkeeping entry recorded to establish a reserve on the Company's receivables. This offsets (reduces) the accounts receivable balance in an effort to be conservative and not misrepresent the company's assets to a financial statement user by including those receivables that are old and for which there is doubt about collection.

Richard P. Blender, Esq.  
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**Cc:** Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>  
**Sent:** Tue, Aug 28, 2018 10:55 am  
**Subject:** RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

Mr. Blender, during the Department's initial review of the recently submitted 2017 Annual Statement for Broadway Insurance and Surety Company, we have determined that additional information is required. Accordingly, we noted the significant Bad Debt expenses that were incurred during the 4<sup>th</sup> Qtr. of 2017 and the related Note to Financial Statements disclosure. I have attached a pdf copy of Pages 4 and 14.1 from the filed Annual Statement for your reference. The amounts in question are highlighted.

Given the material negative impact that this accounting entry had on Calendar Year 2017 operating results, the Department respectfully requests a detailed explanation of the facts involved in recording this entry.

This detailed explanation should include the following information:

1) For the related party loan receivable of \$1.1 million: a) the date the Debt was originated, b) the business purpose for the Debt, c) the name(s) and addresses of the Debt holders, d) the reason and the date that the Debt was declared doubtful and lastly, e) the likelihood of recovery of the full amount due.

2) For the \$777,243 of the premiums receivable from Aaron Bail bonds, an aging schedule of the premiums due and the likelihood of recovery of the full amount due.

Due to the significant impact of these amounts, the Department respectfully requests that the Company provide these details, together with the other previously requested and outstanding information, no later than the close of business on Friday, August 31, 2018.

Please acknowledge receipt of this email. Let me know if you have any questions concerning this additional information request.

Sincerely,

Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance  
(609) 292-5350 Ext. 50205

**From:** Richard Blender <[blenderlaw@verizon.net](mailto:blenderlaw@verizon.net)>  
**Sent:** Thursday, August 23, 2018 3:52 PM  
**To:** Kerner, Steve <[Steve.Kerner@dobi.nj.gov](mailto:Steve.Kerner@dobi.nj.gov)>  
**Cc:** Caride, Marlene <[marlene.caride@dobi.nj.gov](mailto:marlene.caride@dobi.nj.gov)>; Hartt, Peter <[Peter.Hartt@dobi.nj.gov](mailto:Peter.Hartt@dobi.nj.gov)>; Maurer, Kristine <[Kristine.Maurer@dobi.nj.gov](mailto:Kristine.Maurer@dobi.nj.gov)>; Schlesinger, Richard <[Richard.Schlesinger@dobi.nj.gov](mailto:Richard.Schlesinger@dobi.nj.gov)>; Sirovetz, John <[John.Sirovetz@dobi.nj.gov](mailto:John.Sirovetz@dobi.nj.gov)>  
**Subject:** Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

my mistake, I obviously meant 2017; does that clarify it for you?

Richard P. Blender, Esq.  
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Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance  
(609) 292-5350 Ext. 50205

## STATEMENT OF INCOME

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	474,717	745,012
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	(74,677)	(9,349)
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	(12,446)	(1,558)
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	296,032	378,297
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	208,909	367,390
7. Net income of protected cells	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	265,808	377,622
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,282	(53)
10. Net realized capital gains (losses) less capital gains tax of \$ (Exhibit of Capital Gains (Losses))	0	0
11. Net investment gain (loss) (Lines 9 + 10)	1,282	(53)
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ _____ amount charged off \$ _____)	0	0
13. Finance and service charges not included in premiums	0	0
14. Aggregate write-ins for miscellaneous income	(1,905,847)	0
15. Total other income (Lines 12 through 14)	(1,905,847)	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,638,757)	377,569
17. Dividends to policyholders	0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(1,638,757)	377,569
19. Federal and foreign income taxes incurred	46,702	129,873
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,685,459)	247,696
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,703,887	1,419,063
22. Net income (from Line 20)	(1,685,459)	247,696
23. Net transfers (to) from Protected Cell accounts	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	0	0
25. Change in net unrealized foreign exchange capital gain (loss)	0	0
26. Change in net deferred income tax	348,734	2,037
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	245,954	35,091
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	0	0
29. Change in surplus notes	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0
31. Cumulative effect of changes in accounting principles	0	0
32. Capital changes:		
32.1 Paid in	0	0
32.2 Transferred from surplus (Stock Dividend)	0	0
32.3 Transferred to surplus	0	0
33. Surplus adjustments:		
33.1 Paid in	0	0
33.2 Transferred to capital (Stock Dividend)	0	0
33.3 Transferred from capital	0	0
34. Net remittances from or (to) Home Office	0	0
35. Dividends to stockholders	0	0
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)	0	0
37. Aggregate write-ins for gains and losses in surplus	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(1,090,771)	284,824
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	613,116	1,703,887
<b>DETAILS OF WRITE-INS</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401. Income earned on tax overpayment	0	0
1402. Bad Debt Expense	(1,905,847)	0
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,905,847)	0
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0

STATEMENT AS OF DECEMBER 31, 2017 OF THE BROADWAY INSURANCE & SURETY COMPANY INC.

- I. Working Capital Finance Investments  
Not applicable.
- J. Offsetting and Netting of Assets and Liabilities  
Not applicable.
- K. Structured Notes  
Not applicable.
- 6. Joint Ventures, Partnerships and Limited Liability Companies  
Not applicable.
- 7. Investment Income  
Not applicable.
- 8. Derivative Instruments  
Not applicable.
- 9. Income Taxes
  - A. The components of the net deferred tax asset/(liability) are as follows:

1.

December 31, 2017		
(1)	(2)	(3)
Ordinary	Capital	(Col 1+2) Total
\$ 403,563	\$ -	\$ 403,563
\$ -	\$ -	\$ -
\$ 403,563	\$ -	\$ 403,563
\$ 403,563	\$ -	\$ 403,563
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -

- (a) Gross Deferred Tax Assets
- (b) Statutory Valuation Allowance Adjustments
- (c) Adjusted Gross Deferred Tax Assets (1a - 1b)
- (d) Deferred Tax Assets Nonadmitted
- (e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)
- (f) Deferred Tax Liabilities
- (g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)

December 31, 2016		
(4)	(5)	(6)
Ordinary	Capital	(Col 4+5) Total
\$ 54,829	\$ -	\$ 54,829
\$ -	\$ -	\$ -
\$ 54,829	\$ -	\$ 54,829
\$ 54,829	\$ -	\$ 54,829
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -

- (a) Gross Deferred Tax Assets
- (b) Statutory Valuation Allowance Adjustments
- (c) Adjusted Gross Deferred Tax Assets (1a - 1b)
- (d) Deferred Tax Assets Nonadmitted
- (e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)
- (f) Deferred Tax Liabilities
- (g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)

Change		
(7)	(8)	(9)
(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
\$ 348,734	\$ -	\$ 348,734
\$ -	\$ -	\$ -
\$ 348,734	\$ -	\$ 348,734
\$ 348,734	\$ -	\$ 348,734
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -

- (a) Gross Deferred Tax Assets
- (b) Statutory Valuation Allowance Adjustments
- (c) Adjusted Gross Deferred Tax Assets (1a - 1b)
- (d) Deferred Tax Assets Nonadmitted
- (e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)
- (f) Deferred Tax Liabilities
- (g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)

(1)	(2)	(3)
December 31, 2017	December 31, 2016	(Col 1-2) Change

2. Deferred Tax Assets:

(a) Ordinary

(1) Discounting of unpaid losses	\$ -	\$ -	\$ -
(2) Unearned premium reserve	\$ 1,982	\$ 26,688	\$ (24,716)
(3) Policyholder reserves	\$ 5,734	\$ 43,763	\$ (35,029)
(4) Investments	\$ -	\$ -	\$ -
(5) Deferred acquisition costs	\$ -	\$ -	\$ -
(6) Policyholder dividends accrual	\$ -	\$ -	\$ -
(7) Fixed assets	\$ (7,381)	\$ (15,632)	\$ 8,251
(8) Compensation and benefits accrual	\$ -	\$ -	\$ -
(9) Pension accrual	\$ -	\$ -	\$ -
(10) Receivables - nonadmitted	\$ -	\$ -	\$ -
(11) Net operating loss carry-forward	\$ -	\$ -	\$ -
(12) Tax credit carry-forward	\$ -	\$ -	\$ -
(13) Other (Bad Debt Allowance)	\$ 400,228	\$ -	\$ 400,228
(99) Subtotal	\$ 403,563	\$ 54,829	\$ 348,734

- (b) Statutory valuation allowance adjustment
- (c) Nonadmitted
- (d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)

B. Current income taxes incurred consist of the following major components:

(1)	(2)	(3)
December 31, 2017	December 31, 2016	(Col 1-2) Change

1. Current Income Tax:

(a) Federal	\$ 46,702	\$ 129,873	\$ (83,171)
(b) Foreign	\$ -	\$ -	\$ -
(c) Subtotal	\$ 46,702	\$ 129,873	\$ (83,171)
(d) Federal income tax on net capital gains	\$ -	\$ -	\$ -
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ 46,702	\$ 129,873	\$ (83,171)

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships

100% of Broadway Insurance & Surety Company Inc. stock is held by Binakaj Family Holding Company, Inc. Binakaj Family Holding Company is held 50% by Yeton Binakaj and 50% by Shpresa Binakaj. Aaron Bail Bonds, Inc. is a non-insurance affiliate of Broadway Insurance & Surety Company and with its subagents, is currently the Company's primary bail bond agent. Aaron Bail Bonds is owned 50% by Yeton Binakaj and 50% by Shpresa Binakaj. See Schedule Y for more information.

B. Detail of Transactions Greater than 0.5% of Admitted Assets

100% of the Company's direct premiums written and earned premiums are from its related party, Aaron Bail Bonds.

C. Change in Terms of Intercompany Arrangements

Not applicable.

D. Amounts due to / from Related Parties

At the financial statement date, gross receivables from Aaron Bail Bonds were \$777,243 for premiums and \$4,636 for collateral. In addition, the Company had a related party loan receivable of \$1,123,958. Those receivables were fully reserved due to the possibility that these amounts would not be collected.

**EXHIBIT D**

**NJDOB&I SEPTEMBER 14,**

**2018 E-MAIL TO**

**BROADWAY AND**

**BROADWAY'S SEPTEMBER**

**28, 2018 E-MAIL**

**RESPONSE**

**Kerner, Steve**

---

**From:** Richard Blender <blenderlaw@verizon.net>  
**Sent:** Friday, September 28, 2018 9:21 AM  
**To:** Kerner, Steve  
**Cc:** Caride, Marlene; Hartt, Peter; Maurer, Kristine; Zimmerman, Justin; Schlesinger, Richard; Sirovets, John  
**Subject:** Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017  
**Attachments:** preclusion.pdf

I have reviewed your request with my client. They believe they have already provided you with this information and documents. The financial position of the company has not significantly changed for some time, as no new business has been written for almost two years. At the present time my client cannot afford to keep paying an accountant to complete these financial forms. Attached is the latest preclusion notice we received dated September 17, 2018; the response is due October 2, 2018. Kindly advise if you need any additional information.

Richard P. Blender, Esq.  
100 Hamilton Plaza, suite 1212  
Paterson, NJ 07505  
telephone: (973) 279-2227  
facsimile: (973) 279-3892

-----Original Message-----

**From:** Kerner, Steve <Steve.Kerner@dobi.nj.gov>  
**To:** Richard Blender <blenderlaw@verizon.net>  
**Cc:** Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Zimmerman, Justin <justin.zimmerman@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovets, John <John.Sirovets@dobi.nj.gov>  
**Sent:** Fri, Sep 14, 2018 2:27 pm  
**Subject:** FW: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

Mr. Blender – We acknowledge partial receipt of the requested documentation in response to my letter dated, August 20, 2018, and the documentation requested in my supplemental email, dated August 28, 2018. We are reviewing the items submitted; however, it appears that some of the requested documentation is still outstanding. Please advise as to the status of the following items and note that we are also requesting provision of some additional follow-up. We

request receipt of these no later than Wednesday, September 26, 2018, or as indicated below. Thank you for your attention to this matter.

1. Quarterly Statement as of 6/30/18 (due to be filed on 8/15/18) with Bail Bond Supplement as of 6/30/18 – This item is significantly overdue.
2. List of the Names and Addresses of all contracted agents – Please advise if the list provided is for all currently contracted agents. If there are prior agencies that are no longer contracted with Broadway, please provide a list of those terminated/expired agencies. Also, please advise whether the list provided includes all agencies, whether directly contracted with Broadway or contracted as sub-agents through Aaron’s Bail bonds. If there are sub-agents contracted through Aaron’s (either current or historical) that were not provided on the list, please provide a supplemental list and contracts for those agents.
3. Spreadsheet of all current Build-Up Fund (BUF) balances - Spreadsheets were provided as follows for the BUF Account Summary by bail bond for 2 of 4 currently contracted agencies (Direct Bail Bonds and All-Towne Bail Bonds) and for the Collateral by bail bond as held by Aaron Bail Bonds. Please provide the following outstanding items, or statements as to why the following information is not available:
  - a) BUF Summary for County Bail or Aaron Bail;
  - b) Accounting of collateral held by agencies other than Aaron; and,
  - c) Accounting of BUF held by Broadway, which according to the 2017 Bail Bond Supplement filed with the Annual Statement in July 2018 contains \$66,295.
3. Balance Sheet and Income Statements for the past three months, May – July 2018, and statement of current balances in all depository and investment accounts. You have indicated that there is “no balance sheet for May - July 2018” and that there is no income for Broadway pending a change in NJ law. The Department is inquiring because, even if Broadway is not receiving premium or actively writing business, there should be activity or transactions that occurred since January 1, 2018, if only to record interest income earned or received, or incurred expenses – such as rent, utilities, payment of employees, satisfaction of judgments, etc. Please provide statements for all deposit and investment accounts held by Broadway for 2018 to date, in lieu of the balance sheet and income statements.
4. As to the receivables written off in the 2017 Annual Statement. Our review has indicated that Broadway’s response does not provide the necessary level of detail to perform an adequate review. Please respond to the following questions: A) For the loan of \$1.1 million - i) the date the Debt originated, ii) the business purpose for the Debt, iii) the name(s) and addresses of the Debt holders, and iv) the reason and the date that the Debt was declared doubtful; and B) For the Aaron’s premium receivable totaling \$777,243 – i) the reason for why recovery of the full amount was declared doubtful and the presence of any agreements between Aaron’s and Broadway in this regard, including copies of same.
5. A copy of the AOC’s next preclusion list and Broadway’s response expected by the end of September 2018.

Thank you for your attention to this matter.

Steve Kerner  
Assistant Commissioner  
NJDOBI  
(609) 292-5350 Ext. 50205

**From:** Kerner, Steve  
**Sent:** Tuesday, August 28, 2018 10:56 AM  
**To:** 'Richard Blender' <[blenderlaw@verizon.net](mailto:blenderlaw@verizon.net)>  
**Cc:** Caride, Marlene <[marlene.caride@dobi.nj.gov](mailto:marlene.caride@dobi.nj.gov)>; Hartt, Peter <[Peter.Hartt@dobi.nj.gov](mailto:Peter.Hartt@dobi.nj.gov)>; Maurer, Kristine <[Kristine.Maurer@dobi.nj.gov](mailto:Kristine.Maurer@dobi.nj.gov)>; Schlesinger, Richard <[Richard.Schlesinger@dobi.nj.gov](mailto:Richard.Schlesinger@dobi.nj.gov)>; Sirovetz, John

<John.Sirovetz@dobi.nj.gov>

**Subject:** RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

**Importance:** High

Mr. Blender, during the Department's initial review of the recently submitted 2017 Annual Statement for Broadway Insurance and Surety Company, we have determined that additional information is required. Accordingly, we noted the significant Bad Debt expenses that were incurred during the 4<sup>th</sup> Qtr. of 2017 and the related Note to Financial Statements disclosure. I have attached a pdf copy of Pages 4 and 14.1 from the filed Annual Statement for your reference. The amounts in question are highlighted.

Given the material negative impact that this accounting entry had on Calendar Year 2017 operating results, the Department respectfully requests a detailed explanation of the facts involved in recording this entry.

This detailed explanation should include the following information:

1) For the related party loan receivable of \$1.1 million: a) the date the Debt was originated, b) the business purpose for the Debt, c) the name(s) and addresses of the Debt holders, d) the reason and the date that the Debt was declared doubtful and lastly, e) the likelihood of recovery of the full amount due.

2) For the \$777,243 of the premiums receivable from Aaron Bail bonds, an aging schedule of the premiums due and the likelihood of recovery of the full amount due.

Due to the significant impact of these amounts, the Department respectfully requests that the Company provide these details, together with the other previously requested and outstanding information, **no later than the close of business on Friday, August 31, 2018.**

Please acknowledge receipt of this email. Let me know if you have any questions concerning this additional information request.

Sincerely,

Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance  
(609) 292-5350 Ext. 50205

**From:** Richard Blender <blenderlaw@verizon.net>

**Sent:** Thursday, August 23, 2018 3:52 PM

**To:** Kerner, Steve <Steve.Kerner@dobi.nj.gov>

**Cc:** Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>

**Subject:** Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

my mistake, I obviously meant 2017; does that clarify it for you?

Richard P. Blender, Esq.  
100 Hamilton Plaza, suite 1212

Paterson, NJ 07505  
telephone: (973) 279-2227  
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <[Steve.Kerner@dobi.nj.gov](mailto:Steve.Kerner@dobi.nj.gov)>  
To: Richard Blender <[blenderlaw@verizon.net](mailto:blenderlaw@verizon.net)>  
Cc: Caride, Marlene <[marlene.caride@dobi.nj.gov](mailto:marlene.caride@dobi.nj.gov)>; Hartt, Peter <[Peter.Hartt@dobi.nj.gov](mailto:Peter.Hartt@dobi.nj.gov)>; Maurer, Kristine <[Kristine.Maurer@dobi.nj.gov](mailto:Kristine.Maurer@dobi.nj.gov)>; Schlesinger, Richard <[Richard.Schlesinger@dobi.nj.gov](mailto:Richard.Schlesinger@dobi.nj.gov)>; Sirovetz, John <[John.Sirovetz@dobi.nj.gov](mailto:John.Sirovetz@dobi.nj.gov)>  
Sent: Thu, Aug 23, 2018 3:50 pm  
Subject: RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, first and foremost, I hereby acknowledge receipt of your email and attachments. I do have an initial question concerning item number 1 below. The date shown does not appear to be correct. Please confirm. We will review the information and attachments you provided and will let you know, as soon as practicable, if we have any additional follow-up questions. Thank you for your response.

Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance

From: Richard Blender <[blenderlaw@verizon.net](mailto:blenderlaw@verizon.net)>  
Sent: Thursday, August 23, 2018 3:36 PM  
To: Kerner, Steve <[Steve.Kerner@dobi.nj.gov](mailto:Steve.Kerner@dobi.nj.gov)>  
Cc: Caride, Marlene <[marlene.caride@dobi.nj.gov](mailto:marlene.caride@dobi.nj.gov)>; Hartt, Peter <[Peter.Hartt@dobi.nj.gov](mailto:Peter.Hartt@dobi.nj.gov)>; Maurer, Kristine <[Kristine.Maurer@dobi.nj.gov](mailto:Kristine.Maurer@dobi.nj.gov)>; Schlesinger, Richard <[Richard.Schlesinger@dobi.nj.gov](mailto:Richard.Schlesinger@dobi.nj.gov)>; Sirovetz, John <[John.Sirovetz@dobi.nj.gov](mailto:John.Sirovetz@dobi.nj.gov)>  
Subject: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

In response to your request:

1. BISC is no longer writing bonds; the last bond approved and written by them was 11/7/18;
2. the names and address of current agents/agencies is attached;
3. the company accountant who prepares the financial reports, Diane Opuda, is on vacation this week, returning Monday; we will forward the information you requested by next Friday, August 31, 2018;
4. the Clerk of the Superior Court maintains a current list of open forfeitures (although as I explained to you that is not an accurate list, and many of those cases have already been vacated or

otherwise addressed); attached is a copy of their present preclusion/judgment list;

5. same as number 3;

6. same as number 3; and

7. same as number 3.

Kindly advise if you need any additional information at this time, thank you for your courtesies.

Richard P. Blender, Esq.  
100 Hamilton Plaza, suite 1212  
Paterson, NJ 07505  
telephone: (973) 279-2227  
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <[Steve.Kerner@dobi.nj.gov](mailto:Steve.Kerner@dobi.nj.gov)>

To: Richard Blender <[blenderlaw@verizon.net](mailto:blenderlaw@verizon.net)>

Cc: Caride, Marlene <[marlene.caride@dobi.nj.gov](mailto:marlene.caride@dobi.nj.gov)>; Hartt, Peter <[Peter.Hartt@dobi.nj.gov](mailto:Peter.Hartt@dobi.nj.gov)>; Maurer, Kristine <[Kristine.Maurer@dobi.nj.gov](mailto:Kristine.Maurer@dobi.nj.gov)>; Schlesinger, Richard <[Richard.Schlesinger@dobi.nj.gov](mailto:Richard.Schlesinger@dobi.nj.gov)>; Sirovetz, John <[John.Sirovetz@dobi.nj.gov](mailto:John.Sirovetz@dobi.nj.gov)>

Sent: Mon, Aug 20, 2018 11:18 am

Subject: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, during the telephone conversation that took place on Friday, August 17, 2018, with Commissioner Caride, Assistant Director Kristine Maurer and myself, and as mentioned during that conversation, please find attached a pdf copy of the Department's letter. Please review the contents of the attached letter as soon as possible, and in particular, the list of requested items and related due dates. In addition, and as you suggested, please provide a copy of the attached letter to Mr. Binakaj, President of Broadway, at your earliest convenience. The Department will also be sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions. Sincerely,

Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance  
(609) 292-5350 Ext. 50205

**EXHIBIT E**

**NJDOB&I NOVEMBER 21,**

**2018 LETTER TO**

**BROADWAY AND**

**BROADWAY'S NOVEMBER**

**26, 2018 E-MAIL**

**RESPONSE**



**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF INSURANCE  
OFFICE OF SOLVENCY REGULATION  
PO BOX 325  
TRENTON, NJ 08625-0325  
TEL (609) 292-5350  
FAX (609) 292-6765

PHIL MURPHY  
*Governor*

SHEILA OLIVER  
*Lt. Governor*

MARLENE CARIDE  
*Commissioner*

November 21, 2018

**\*CONFIDENTIAL\***

Via E-Mail and Overnight Delivery

Veton Binakaj, President  
Broadway Insurance and Surety Company, Inc.  
155 Passaic Avenue, Suite 150  
Fairfield, NJ 07004  
Via Mr. Richard P. Blender, Esq.

Richard P. Blender, Esq.  
100 Hamilton Plaza, Suite 1212  
Paterson, NJ 07505  
blenderlaw@verizon.net

Re: **Broadway Insurance and Surety Company, Inc. - Hazardous Financial Condition**

Dear Sirs:

As previously communicated, the Department continues to have serious and significant concerns regarding Broadway Insurance and Surety Company's going concern capability. The Department has found Broadway to be a hazardous financial condition because Broadway has failed to maintain required minimum Capital and Surplus. Additionally, Broadway has failed to comply with demands for various books and records pursuant to N.J.S.A. 17:27A-5, including, but not limited to, its failure to provide the Department with details or copies of specifically requested documentation (for example, copies of Bank Statements, BUF account records, etc.) Moreover, Broadway has failed, without request for extension or satisfactory reason for the failure, to file its Quarterly Financial Statements as of June 30, 2018 and September 30, 2018. These subsequent events also constitute separate and distinct grounds for finding the company to be in a hazardous financial condition pursuant to N.J.A.C. 11:2-27.3. This continued failure to cooperate with the Department to address Broadway's hazardous financial condition is very concerning.

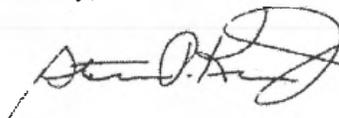
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Accordingly, the Department requires the principals of Broadway, and any other company representatives as appropriate, to attend a meeting with the Department, in person our offices in Trenton, New Jersey, on **Wednesday, November 28, 2018, at 3:30 p.m.**

Please acknowledge receipt of this letter as soon as possible, but no later than Monday, November 26, 2018, at 5:00 p.m. and provide a list of Broadway's attendees. Thank you for your immediate attention to this matter.

Sincerely,



Steven P. Kerner, Jr.  
Assistant Commissioner

All cc's via e-mail only.

- c: Marlene Caride, Commissioner
- Kristine A. Maurer, Assistant Director of Insurance
- Richard Schlesinger, Chief Insurance Examiner
- John Sirovetz, Assistant Chief Insurance Examiner
- Raymond R. Chance, III, Assistant Attorney General
- Nicholas Kant, Deputy Attorney General – Assistant Section Chief
- William B. Puskas, Jr., Deputy Attorney General
- Diane Opuda, CPA, Rotenberg Meril (on behalf of Broadway Ins. and Surety Co.)

**Kerner, Steve**

---

**From:** Richard Blender <blenderlaw@verizon.net>  
**Sent:** Monday, November 26, 2018 1:09 PM  
**To:** Kerner, Steve  
**Cc:** Caride, Marlene; Maurer, Kristine; Zimmerman, Justin; Schlesinger, Richard; Sirovetz, John; Brennan, Christopher; Raymond.Chance@law.njoag.gov; Nicholas.Kant@law.njoag.gov; dgiordano@rmsbg.com  
**Subject:** [EXTERNAL] Re: Broadway - Haz. Fin Condition - Meeting Request on 11/28/18

Unfortunately my client's and I cannot meet on such short notice. Please contact my office so we may arrange a convenient date. Thank you.

Richard P. Blender, Esq.  
100 Hamilton Plaza, suite 1212  
Paterson, NJ 07505  
telephone: (973) 279-2227  
facsimile: (973) 279-3892

-----Original Message-----

**From:** Kerner, Steve <Steve.Kerner@dobi.nj.gov>  
**To:** Richard Blender <blenderlaw@verizon.net>  
**Cc:** Caride, Marlene <marlene.caride@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Zimmerman, Justin <justin.zimmerman@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>; Brennan, Christopher <Christopher.Brennan@dobi.nj.gov>; Raymond Chance <Raymond.Chance@law.njoag.gov>; Nicholas Kant <Nicholas.Kant@law.njoag.gov>; 'dgiordano@rmsbg.com' <dgiordano@rmsbg.com>  
**Sent:** Wed, Nov 21, 2018 3:30 pm  
**Subject:** Broadway - Haz. Fin Condition - Meeting Request on 11/28/18

Dear Mr. Blender, I have attached a letter from the Department requesting a face to face meeting here in Trenton, on Wednesday, November 28, 2018 at 3:30 p.m., to meet with representatives of the Department to discuss the Hazardous Financial Condition of Broadway Insurance and Surety Company, Inc. Please provide a copy of the attached letter to Mr. Binakaj, President of Broadway, at your earliest convenience. The Department will also be sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions.

Sincerely,

Steve Kerner  
Assistant Commissioner  
New Jersey Department of Banking and Insurance  
(609) 292-5350 Ext. 50205