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SUPERIOR COURT OF NEW JERSEY
 CHANCERY DIVISION-MERCER COUNTY
 DOCKET NO. MER-C- *39-12*

KENNETH E. KOBYLOWSKI,)
 ACTING COMMISSIONER OF THE)
 DEPARTMENT OF BANKING AND)
 INSURANCE OF NEW JERSEY,)
)
 Plaintiff,)
)
 v.)
)
 GARDEN STATE INDEMNITY)
 COMPANY, INC.,)
)
 Defendant.)

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Civil Action

ORDER OF LIQUIDATION

This matter having been opened to the court by Jeffrey S. Chiesa, Attorney General of New Jersey, by William B. Puskas, Jr., Deputy Attorney General, as attorney for Kenneth E. Kobylowski, the Acting Commissioner of the Department of Banking and Insurance ("Commissioner"), on application for an Order to be entered: (a) declaring Garden State Indemnity

Company, Inc. ("GSIC") to be insolvent; (b) directing the Commissioner to liquidate GSIC; and (c) permanently enjoining all persons and entities from pursuing litigation against GSIC or from interfering with the Commissioner's efforts to liquidate GSIC, and the court having considered the Commissioner's application, the court hereby finds that:

1. GSIC is an insurance company domiciled in the State of New Jersey and governed by the provisions of Title 17 of the Statutes of New Jersey.

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. Sufficient grounds exist pursuant to N.J.S.A. 17:30C-6a, -6b, -6f, and -6g, and N.J.S.A. 17:30C-8 for entry of an Order of Liquidation and Declaration of Insolvency, and such Order of Liquidation should be entered pursuant to N.J.S.A. 17:30A-9.

It is, therefore, on this 22nd day of June, 2012, ORDERED:

1. Pursuant to N.J.S.A. 17:30C-1, et seq., GSIC is deemed to be insolvent and is in such a condition that its further transaction of business will be hazardous to its policyholders, to its creditors, and to the public.

2. The Commissioner is appointed as Liquidator of GSIC with all the power and authority expressed or implied by N.J.S.A. 17:30C-1, et seq., including the power to appoint and recompense a Deputy Liquidator pursuant to N.J.S.A. 17:30C-17. The Deputy Liquidator shall have no personal liability for his acts or omissions in connection with his duties as Deputy Liquidator provided that such acts or omissions are undertaken or committed in good faith and without willful misconduct, or willful, wanton, or gross negligence or criminal intent. The Deputy Liquidator shall not be deemed to be an employee of the State of New Jersey and accordingly shall not be subject to the provisions of the New Jersey Tort Claim Act, N.J.S.A. 59:1-1 et seq. All expenses and costs incurred by the Deputy Liquidator in connection with lawsuits against him in his personal capacity shall, subject to the prior written approval of the Commissioner and the court, be paid out of the funds and assets of GSIC, 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.

3. The Commissioner is hereby vested with title to all assets of GSIC, including but not limited to any of GSIC's contracts, causes of action, books, records, bank accounts, certificates of deposits, funds, securities or other funds and all real or personal property of any nature, including furniture, fixtures and office supplies, wherever located, including such property of GSIC 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 GSIC'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 a 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 GSIC shall forthwith file an accounting of those funds, assets or property with the Liquidator and shall, within 10 days of the service of this Order, turn said funds, assets, or property over to the Liquidator. The Liquidator shall take such actions as he

may deem necessary and appropriate to protect and preserve GSIC's assets.

4. The Commissioner is directed to liquidate GSIC.

5. The Commissioner shall deal with the property and business of GSIC in his own name as Commissioner or as Liquidator in the name of GSIC.

6. All persons and entities shall be permanently enjoined from pursuing litigation against GSIC or from interfering with the Commissioner's efforts to liquidate GSIC.

7. There shall be no further payments of claims by GSIC except at the directive of the Commissioner or of this court.

8. All claims against GSIC must be asserted not later than one year from the date of the Order of Liquidation, in the form established by the Commissioner, or such claims will be forever barred.

9. The Commissioner as Liquidator shall establish procedures governing the payment of claims by GSIC.

10. All secured creditors or parties, lienholders, collateral holders or other persons claiming secured, priority or preferred interests in any property or assets of GSIC, 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 GSIC.

11. All officers, directors, trustees, shareholders, policyholders, agents, and employees of GSIC and all other persons or entities of any nature, including but not limited to claimants, reinsurers, plaintiffs, petitioners and any governmental agencies having claims of any nature against GSIC, including crossclaims, counterclaims and third party claims, are hereby enjoined and restrained from:

(a) Conducting any portion or phase of the business of GSIC unless so authorized by the Liquidator or his designee;

(b) Pursuing litigation against GSIC, including bringing, maintaining or further prosecuting any action at law or equity, arbitration, special, or other proceeding against GSIC or against the Commissioner and his successors in office as Liquidator thereof, or against the Deputy Liquidator appointed pursuant to Paragraph 2 above;

(c) Making or executing any levy upon the property of GSIC;

(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 policyholder or insured of GSIC resulting from GSIC's insolvency or financial condition or the failure of GSIC to pay any claim or to meet any

of its contractual obligations due to its insolvency or financial impairment;

(e) Interfering in any way with the Liquidator, or any successors in office, in his possession of or title to the property and assets of GSIC, or in the discharge of his duties 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 GSIC or its direct and indirect insurance subsidiaries for proceeds of reinsurance policies issued to and treaties or other agreements with GSIC.

12. GSIC, its officers, directors, policyholders, agents and employees, and all other persons or entities of any nature, having any property or records belonging to GSIC, or pertaining to the business of GSIC, 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 GSIC or its direct and indirect insurance subsidiaries shall preserve the same and submit these to the Liquidator for examination at all reasonable times.

13. The Liquidator shall have the power:

(a) to conduct the business of GSIC under the general supervision of the Court;

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

(c) to pay from the funds or assets of GSIC 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 GSIC;

(d) to collect all debts and monies due and claims belonging to GSIC, 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 any of GSIC'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 the Liquidator's claims;

(e) to conduct public and private sales of the assets and property of GSIC, including any real property;

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

(g) upon approval of the Court, to borrow money on the pledge of assets of GSIC with or without security and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the rehabilitation. 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;

(h) to enter into such contracts as are necessary to carry out this Order and to affirm or disavow any contracts to which GSIC is a party;

(i) to institute and to prosecute, in the name of GSIC or in his own name, any and all suits and other legal proceedings, to defend suits to which GSIC or the Liquidator is a party, in this State or elsewhere, commenced prior 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;

(j) to prosecute any action which may exist on behalf of the creditors, policyholders, or shareholders of GSIC against any officer or director of GSIC or any other person or entity;

(k) 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 aforesaid enumeration of powers shall not be construed as a limitation upon the Liquidator or Deputy Liquidator.

14. The Liquidator may at his discretion as of the date of this Order discontinue the defense of claims, suits and other proceedings, in this State and elsewhere, in which the insureds of GSIC are parties, including those claims made and suits and proceedings undertaken prior to the date of this Order.

15. The Liquidator shall give or cause to be given notice of the entry of this Order as soon as possible by publication in a newspaper of general circulation in the county in which GSIC's corporate offices were previously located, specifically, The Newark Star Ledger, The Courier Post, and The New Jersey Law Journal. Such publication shall commence within 10 days of the date of this Order and shall be repeated once a week thereafter for two successive weeks.

16. The amounts recoverable by the Liquidator from any reinsurer of any of GSIC shall not be reduced as a result of this delinquency proceeding, or by reason of any partial payment or distribution on a reinsured policy, contract or claim. Setoffs shall be allowed between GSIC and its reinsurer only with the consent of the Liquidator. Unless either the insurance contract or an applicable statute provides to the contrary, payment made directly to an insured or other creditor shall not diminish the reinsurer's obligation to GSIC.

17. (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 any unpaid premiums, whether earned or unearned, as shown on the records of GSIC as of the date of entry of this Order. No credit or set-off shall be allowed in favor of such person against his account with GSIC for the unearned portion of the premium on any canceled contract or policy, unless (i) that contract or policy was canceled prior to the entry of this Order; and (ii) the unearned premium on the canceled contract or policy was in fact refunded or credited to the insured or his or her assigns prior to the 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 group and individual policyholders of GSIC shall be obligated to pay any unpaid earned premium due to GSIC at any time, as shown on the records of GSIC.

18. Existing contracts and other obligations by and between GSIC and any reinsurer may, at the discretion of the Liquidator, be terminated. Such termination shall be effected by written notice issued by the Liquidator addressed to the reinsurer.

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

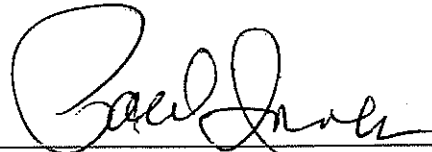
"I/M/O the Liquidation of Garden State Indemnity Company, Inc."

20. 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.

21. Any person, corporation or other entity having notice of this order who fails to abide by its terms shall be directed to appear before this Court to show good cause, if any they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.

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

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



Paul Innes, P.J.Ch.Div.