

A True Copy
Sue Regan

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SUE REGAN
Deputy Clerk of Superior Court

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

APR 30 2012

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DEPUTY CLERK OF SUPERIOR COURT**

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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION-MERCER COUNTY
DOCKET NO. MER-C- *3912*

KENNETH E. KOBYSLOWSKI,)
ACTING COMMISSIONER OF THE)
DEPARTMENT OF BANKING AND)
INSURANCE OF NEW JERSEY,)
Plaintiff,)

Civil Action

v.)

GARDEN STATE INDEMNITY)
COMPANY, INC.,)
Defendant.)

**ORDER TO SHOW CAUSE WITH
TEMPORARY RESTRAINTS
PURSUANT TO RULE 4:52 AS
TO WHY AN ORDER OF
LIQUIDATION AND DECLARATION
OF INSOLVENCY SHOULD
NOT BE ENTERED**

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 plaintiff, Kenneth E. Kobylowski, the Acting Commissioner of the Department of Banking and Insurance of the State of New Jersey ("Commissioner"), seeking relief by way of temporary restraints pursuant to R. 4:52, based on the facts set forth in the Verified Complaint filed herewith for an Order directing all persons having an interest in or claim against Garden State Indemnity Company, Inc. ("GSIC") to appear and show cause why an order should not be entered, pursuant to N.J.S.A. 17:30C-8 and -9, providing for the liquidation of GSIC, declaring GSIC to be insolvent, and imposing injunctive relief pursuant to N.J.S.A. 17:30C-5, and the Court having considered the Verified Complaint, Petition for Liquidation, Letter Brief, and the Certification of Raymond K. Conover, Chief Insurance Examiner of the Office of Solvency Regulation for the New Jersey Department of Banking and Insurance; and

IT APPEARING that GSIC is insolvent and in such financial condition that its further transaction of business will be hazardous to its policyholders, creditors, or the public; and

IT FURTHER APPEARING that GSIC's book of business is comprised of policies directly written in New Jersey; and

IT FURTHER APPEARING that GSIC has been under consensual administrative supervision pursuant to N.J.S.A. 17:51A-1, et seq., since June 29, 1998; and

IT FURTHER APPEARING that immediate and irreparable damage will probably result before notice can be given and a hearing held, and for good cause appearing therefrom;

IT IS on this 30th day of April, 2012,

ORDERED that:

(1) Defendant GSIC appear and show cause before the Honorable Paul Innes, Presiding Judge, Chancery Division, Superior Court of New Jersey, Mercer County Civil Courts Building, 175 South Broad Street, Trenton, New Jersey on June 22, 2012, at 9:00 A.m., or as soon thereafter as counsel may be heard, why an Order should not be entered:

(a) declaring GSIC to be insolvent;

(b) appointing the Commissioner as Liquidator of GSIC with all the powers and authority expressed or implied by N.J.S.A. 17:30C-1, et seq., and the implementing regulations for those statutes, and vesting him with immediate and exclusive possession and control of, and title to, the business of GSIC and all books, records, files, equipment, computer hardware and software, assets, and property of any nature of or relating to GSIC's operations, whether real or personal, including but not

limited to bank accounts, certificates of deposit, bonds, securities, or other financial instruments of GSIC, wherever such materials may be located or situated;

(c) directing the Commissioner to take immediate and exclusive possession of the business and property of GSIC, to exercise full and exclusive authority over the business and affairs of GSIC, and to liquidate GSIC;

(d) permanently enjoining all persons and entities from pursuing litigation against GSIC, or from interfering with the Commissioner's efforts to liquidate GSIC;

(e) halting further payment of claims by GSIC except with the express written consent or directive of the Liquidator or his designees or appointees;

(f) providing that all claims must be asserted against GSIC no 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;

(g) establishing procedures governing the run off and payment of claims by GSIC;

(h) granting the Commissioner such other injunctive and equitable relief as may be necessary to protect the policyholders and creditors of GSIC and the public from the effects of GSIC's insolvency. (A copy of the proposed form of Order of Liquidation is filed herewith.); and

(2) Effective immediately on entry of this Order, and until further Order of this court, GSIC is declared to be insolvent. This declaration of insolvency is without prejudice and shall preclude the shareholders of GSIC, if any, who deny that GSIC is insolvent from contesting the Commissioner's Petition for Liquidation or the Declaration of Insolvency on the return date of this Order to Show Cause, or at a subsequent hearing; and

And it is further ORDERED that pending the return date herein:

(1) Effective immediately upon entry of the within Order to Show Cause and pursuant to N.J.S.A. 17:30C-5, all persons, corporations, partnerships, associations, governmental entities, and all other entities of any nature wherever situated, including but not limited to those not within the jurisdiction of the Commissioner, and GSIC, its directors, officers, trustees, agents, employees, representatives and claimants, and creditors thereof, are hereby enjoined and restrained from:

- (a) Commencing, maintaining, or further prosecuting any action at law or equity, or any special proceeding or any other proceeding of any nature against GSIC, without leave of the Commissioner or this court;
- (b) Taking any action in violation of any administrative orders issued with

respect to either GSIC or Taxisure Exchange, which remain in full force and effect;

- (c) Undertaking any other threatened or contemplated action that might lessen the value of GSIC's assets, or prejudice the rights of the policyholders, creditors, stockholders or members in this proceeding except as permitted by the Commissioner;
- (d) Commencing, maintaining, or further prosecuting any action at law or in equity, or any special proceeding or any other proceeding of any nature against the policyholders of GSIC resulting from GSIC's insolvency or the failure of GSIC or any party contracted by GSIC to pay any of its contractual obligations; and
- (e) Except as otherwise provided herein, terminating or canceling without leave of Court, any lease, contract, license or other arrangement with GSIC for the provision or supply of any office space supplies, or equipment, including but not limited to, computer hardware and/or software or any other services or materials or equipment of any nature that are required to operate the business of GSIC; and

(2) All secured creditors or parties, lien holders, collateral holders or other persons claiming a secured, priority or preferred interest in any property or assets of GSIC are hereby enjoined and restrained 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; and

(3) Effective immediately upon execution of this Order to Show Cause, no bank, savings and loan association, or other financial institution, or any other entity of any nature holding property, assets, funds or accounts of, for, or on behalf of, GSIC, including any member, provider, subscriber, or creditor of GSIC, shall exercise any form of set-off, alleged set-off lien, or any form of self-help whatsoever with respect to said property, assets, funds or accounts without the prior approval of this court; and

(4) Effective immediately upon execution of this Order to Show Cause, the officers, directors, trustees, agents, representatives, and employees of GSIC, and, if appropriate, any entity that contracts with such party shall permit the Commissioner, his staff or designees to have access to any and all premises, and if requested, copies of all or parts of any and all accounts, records and files, relating to the operation of GSIC; and

(5) Effective immediately and pending the return date of this Order to Show Cause, all court actions, arbitrations and mediations currently or hereafter pending in which GSIC is a party in the State of New Jersey or elsewhere, are hereby stayed; and

(6) Effective immediately and pending the return date of this Order to Show Cause, there shall be no further payment

of claims by GSIC except at the directive of the Commissioner or of this court; and

It is further ORDERED that:

(1) The above restraints shall expire on June 22, 2012, unless on or before that date the said restraints shall be extended as provided by the Rules of Court, and GSIC may move to dissolve or modify the temporary restraints herein contained on two days' notice to Deputy Attorney General William B. Puskas, Jr.; and

(2) A copy of this Order to Show Cause, Verified Complaint, Petition for Liquidation, supporting Certification, and Letter Brief shall be served on GSIC and on all parties listed on the Petition for Liquidation or before May 31, 2012, in accordance with R. 4:4-3 and R. 4:4-4, this being original process; and

(3) The plaintiff must file with the court his proof of service of the pleadings on GSIC no later than three days before the return date; and

(4) Notice of this application to any other interested parties shall be accomplished by publishing a copy of this Order in a newspaper of general circulation in the county within which GSIC's corporate offices are located, specifically, The Newark Star Ledger, The Courier Post, and The New Jersey Law Journal on or before May 14, 2012, 2012, with such

publication to commence within 14 days of the date of this Order, or as soon as practicable thereafter, and to be repeated once a week thereafter for two successive weeks. Such notice shall constitute good and sufficient notice of this application to all persons having an interest in or claim against GSIC subject to the requirements of due process of law; and

(5) A copy of this Order to Show Cause and all supporting materials filed herewith shall be available for public inspection, subject to the provisions of the Protective Order entered contemporaneously herewith, on the Department's website (<http://www.state.nj.us/DoB&I/finesolv.htm>) and during regular business hours beginning two days after the date of this Order and until the return date of this Order to Show Cause at the following locations:

- (a) Garden State Indemnity Company, Inc.
4810 Belmar Boulevard, Suite 101
Wall, NJ 07753
- (b) N.J. Department of Banking and Insurance
Office of Solvency Regulation
20 West State Street, 8th Floor
Trenton, NJ 08625
- (c) Superior Court of New Jersey, Mercer County
Mercer County Civil Courts Building
175 South Broad Street
Trenton, NJ 08650-0068

(6) The Commissioner's representatives shall serve a copy of this Order by facsimile transmission upon all Civil

Presiding Judges and all Civil Case Managers upon receipt of an executed copy; and

(7) The plaintiff must file and serve any written reply to GSIC's order to show cause opposition by June 11, 2012. The original reply papers and one copy must be filed with the Honorable Paul Innes, P.J.Ch.Div., Superior Court of New Jersey, Mercer County Civil Courts Building, 175 South Broad Street, Trenton, New Jersey 08650; and

(8) If GSIC does not file and serve opposition to this order to show cause, the application will be decided on the papers on the return date and relief may be granted by default, provided that the plaintiff files a proof of service and a proposed form of order at least 10 days prior to the return date; and

(9) If the plaintiff has not already done so, a proposed form of order addressing the relief sought on the return date (along with a self-addressed return envelope with return address and postage) must be submitted to the court no later than five days before the return date; and

(10) Defendant take notice that the plaintiff has filed a lawsuit against you in the Superior Court of New Jersey. The verified complaint attached to this order to show cause states the basis of the lawsuit. If you dispute this complaint, you, or your attorney, must file a written answer to the

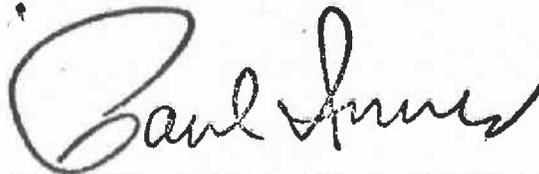
complaint and proof of service with 35 days from the date of service of this order to show cause; not counting the day you received it.

These documents must be filed with the Clerk of the Superior Court in the county listed above. A list of these offices is provided. Include a \$ 135 filing fee payable to the "Treasurer, State of New Jersey." You must also send a copy of your Answer to the plaintiff's attorney whose name and address appear above, or to the plaintiff, if no attorney is named above. A telephone call will not protect your rights; you must file and serve your Answer (with the fee) or judgment may be entered against you by default. Please note: Opposition to the Order to Show Cause is not an Answer and you must file both. Please note further: If you do not file and serve an Answer within 35 days of this Order, the court may enter a default against you for the relief plaintiff demands; and

(11) If you cannot afford an attorney, you may call the Legal Services office in the county in which you live. A list of these offices is provided. If you do not have an attorney and are not eligible for free legal assistance you may obtain a referral to an attorney by calling one of the Lawyer Referral Services. A list of these numbers is also provided; and

(12) If any interested party intends to file answering affidavits or briefs or seek other relief in the present matter, such papers shall be filed with the Court and served upon Deputy Attorney General William B. Puskas, Jr., Attorney for the Commissioner, on or before June 11, 2012; and

(13) The court will entertain argument, but not testimony, on the return date of the order to show cause, unless the court and parties are advised to the contrary no later than 7 days before the return date.

A handwritten signature in cursive script, reading "Paul Innes". The signature is written in dark ink and is positioned above a horizontal line.

Hon. Paul Innes, P.J. Ch. Div.