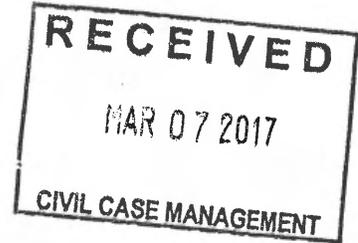


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SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION-MERCER COUNTY  
DOCKET NO. MER-C-

RICHARD J. BADOLATO, )  
COMMISSIONER OF THE )  
DEPARTMENT OF BANKING AND )  
INSURANCE OF NEW JERSEY, )

Plaintiff, )

v. )  
IFA INSURANCE COMPANY )

Defendant. )

Civil Action

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

This matter having been opened to the Court by Christopher S. Porrino, Attorney General of New Jersey, by William B. Puskas, Jr., Deputy Attorney General, as attorney for plaintiff, Richard J. Badolato, 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 IFA Insurance Company ("IFA") 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 IFA, declaring IFA 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 Steven P. Kerner, Jr., Assistant Commissioner, Office of Solvency Regulation for the New Jersey Department of Banking and Insurance; and

IT APPEARING that IFA 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 IFA's book of business has no policies in force in New Jersey, Pennsylvania, or Delaware,

and only a limited number of policies in force in Maryland that will expire on or before March 31, 2017; and

IT FURTHER APPEARING that the Court having considered the Letter Brief, Certification of Steven P. Kerner, Jr., Assistant Commission of the Office of Solvency Regulation, and found good cause appearing;

IT IS on this \_\_\_\_\_ day of \_\_\_\_\_, 2017,

ORDERED that:

(1) Any person having an interest in or claim against IFA 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 \_\_\_\_\_, 2017, at \_\_\_\_\_ .m., or as soon thereafter as counsel may be heard, why an Order should not be entered:

(a) declaring IFA to be insolvent;

(b) appointing the Commissioner as Liquidator of IFA 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 IFA and all books, records, files, equipment, computer hardware and software, assets, and property of any nature of or relating to IFA's operations, whether real or personal, including but not

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

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

(d) directing the Commissioner to liquidate IFA;

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

(f) halting further payment of claims by IFA except with the express written consent or directive of the Commissioner as Liquidator or his designees or appointees;

(g) providing that all claims must be asserted against IFA no later than 180 days from the date of the Order of Liquidation, in the form established by the Commissioner, or such claims will be forever barred;

(h) establishing procedures governing the run off and payment of claims by IFA;

(i) granting the Commissioner such other injunctive and equitable relief as may be necessary to protect the policyholders and creditors of IFA and the public from the

effects of IFA's insolvency. (A copy of the proposed form of Order of Liquidation is filed herewith.);

(j) dissolving the corporate existence of IFA; and

(2) Effective immediately on entry of this Order, and until further Order of this court, IFA is declared to be insolvent.

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 IFA, 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 IFA, without leave of the Commissioner or this court;

- (b) Taking any action in violation of any administrative orders issued with respect to IFA, which remain in full force and effect;
- (c) Undertaking any other threatened or contemplated action that might lessen the value of IFA'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 IFA resulting from IFA's insolvency or the failure of IFA or any party contracted by IFA 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 IFA 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 IFA; 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 IFA 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 IFA;  
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, IFA, including any member, provider, subscriber, or creditor of IFA, 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 IFA, 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 IFA; and

(5) Effective immediately and pending the return date of this Order to Show Cause, all court actions, arbitrations (including, but not limited to PIP arbitrations) and mediations currently or hereafter pending in which IFA is a party in the State of New Jersey or elsewhere, are hereby stayed; and

(6) Effective immediately, all court actions, arbitrations (including, but not limited to, PIP arbitrations) and mediations for which IFA is providing a defense to its insureds in the State of New Jersey or elsewhere are hereby stayed, and the Commissioner's representatives shall cause to be delivered by facsimile to all Civil Presiding Judges and Civil Case Managers a copy of this Order to Show Cause upon receipt of an executed copy; and

(7) Effective immediately and pending the return date of this Order to Show Cause, there shall be no further expenditures of monies, including the payment of claims, by IFA except at the directive of the Commissioner or at the directive of this court; and

It is further ORDERED that:

(1) The above restraints shall expire on \_\_\_\_\_, 2017, unless on or before that date the said restraints shall be extended as provided by the Rules of Court; and

(2) A copy of this Order to Show Cause, Verified Complaint, Petition for Liquidation, supporting Certification, and Letter Brief shall be served on IFA and on all parties listed on the Petition for Liquidation or before \_\_\_\_\_, 2017, in accordance with R. 4:4-3 and R. 4:4-4, this being original process; and

(3) Plaintiff must file with the court his proof of service of the pleadings on IFA 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 once in a newspaper of general circulation in the county within which IFA's corporate offices are located, specifically, The Newark Star Ledger; The Courier Post; any one of the following publications: The Wall Street Journal or The New York Times; and The New Jersey Law Journal, publication to occur as soon as practicable after the date of this Order. Such notice shall constitute good and sufficient notice of this application to all persons having an interest in or claim against IFA 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 on the Department's website (<http://www.state.nj.us/dobi/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) IFA Insurance Company  
35 Walnut Avenue  
Clark, NJ 07066

(b) New Jersey Department of Banking and  
Insurance  
Office of Solvency Regulation  
20 West State Street, 8<sup>th</sup> 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) If any interested party intends to file and serve a contesting or other response, including briefs or affidavits, to this order to show cause and the request for injunctive relief, that party shall file the same, together with a proof of service, by \_\_\_\_\_, 2017. The original documents must be filed with the Clerk of the Superior Court in the county listed above, whose address is: 175 South Broad Street, Trenton, NJ 08650. A copy must also be sent to the Hon. Paul Innes, P.J.Ch., 175 South Broad Street, Trenton, NJ 08650. You must also send a copy of your opposition papers to the plaintiff's attorney, who is Deputy Attorney General William B. Puskas, Jr., Attorney for the Commissioner, whose address appears above. A telephone call will not protect your rights; you must file your opposition and pay the required fee of \$ \_\_\_\_\_ and serve your opposition on your adversary, if you want the court to hear your opposition to the injunctive relief the plaintiff is seeking.

(7) The plaintiff must file and serve any written reply to any response by \_\_\_\_\_, 2017. 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 no person files a contesting response 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 in accordance with the proposed form of order submitted and served with the Petition for Liquidation and as it may be modified by this court; and

(9) Defendant(s) take notice that 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 within 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 \$\_\_\_\_\_ 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

(10) 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

(11) 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 \_\_\_\_\_ days before the return date.

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