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March 24, 2014

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VIA LAWYERS SERVICE

Honorable Robert C. Wilson, J.S.C.

Bergen County Superior Court

10 Main Street – Chambers 215

Hackensack, New Jersey 07601

Re: In the Matter of the Liquidation of Integrity Insurance Company
Docket No.: BER-C-7022-86

Dear Judge Wilson:

Please accept this letter brief in further support of the Liquidator's motion for an Order Approving the Final Distribution of Assets and Closing the Estate. As set forth in our moving papers, the Liquidator seeks leave to make a final distribution of the Estate's assets so that he may close these 27 year old proceedings. Out of the hundreds of claimants to the Integrity Estate, the only objection has been made by a class of plaintiffs who have claims against Robert A. Keasbey Company, a defunct corporation and an Integrity insured (the "Defendant Class"). The Defendant Class submitted a \$35 million proof of claim to the Integrity Estate which the

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March 24, 2014

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Liquidator rejected on the grounds that the claim was a contingent claim and thus, disallowable pursuant to N.J.S.A. 17:30C-28(b). Thereafter, the Defendant Class challenged the Liquidator's determination before the Court appointed special master who upheld the Liquidator's decision by decision dated March 7, 2011. The Defendant Class then appealed the special master's ruling to this Court and the Appellate Division both of which also affirmed the Liquidator's denial by decisions dated April 15, 2011 and April 18, 2012, respectively. The Defendant Class then moved for leave to appeal to the New Jersey Supreme Court which denied its motion by Order dated July 12, 2012.

Although the Liquidator's denial of the Defendant Class's claim has been upheld by every tribunal which has reviewed it, the Defendant Class contends that it will have a right to file a petition for certification to the New Jersey Supreme Court pursuant to R. 2:12-3 on the exact same issue once this Court enters a final order to close the Estate. As a result, the Defendant Class contends that the Liquidator should not be permitted to make a final distribution until it has exhausted all of its appellate rights so that there will be funds available to satisfy its claim in the unlikely event that its claim is ultimately upheld. However, the Defendant Class's position is completely without merit. As set forth above, the Defendant Class has had multiple opportunities to present its argument but has been rebuffed by every tribunal which has considered it. Furthermore, even if the Defendant Class would ultimately prevail, the Liquidator would be able to satisfy its claim. Before any claimant receives a distribution from the Estate, it is required to sign a refunding agreement which obligates it to return those distributions in the event that the Liquidator needs those funds to satisfy other obligations of the estate. Thus, in the unlikely event that the Defendant Class were to prevail, the Liquidator has the means to satisfy its claim. Nonetheless, purely as a matter of convenience to the Liquidator, the Liquidator has

Honorable Robert C. Wilson, J.S.C.

March 24, 2014

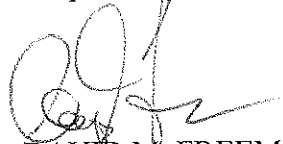
Page 3

agreed to set aside \$35 million (which is the full amount of the Defendant Class's claim) until the Defendant Class has had the opportunity to file a petition for certification to the New Jersey Supreme Court. Therefore, we are submitting a revised proposed form of Order which provides that the Liquidator will presently distribute \$157 million of the \$192 million available to approved claimants. The remaining \$35 million will be distributed once the Defendant Class's claim has been considered by the New Jersey Supreme Court. I have attached a revised Exhibit "B" to the Certification of Richard L. White dated March 4, 2014 which sets forth the Proposed Final Distribution Formula and provides that \$35 million will be held in reserve.

Accordingly, for the foregoing reasons, the Liquidator respectfully requests that the Court enter the revised proposed form of Order.

Thank you for your courtesies.

Respectfully,



DAVID M. FREEMAN

DMF/av

Enc.

cc: All Parties on the Service List

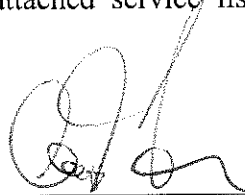
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IN THE MATTER OF THE
LIQUIDATION OF INTEGRITY
INSURANCE COMPANY

:SUPERIOR COURT OF NEW JERSEY
:CHANCERY DIVISION: BERGEN COUNTY
:GENERAL EQUITY PART
:DOCKET NO.: BER-C-7022-86
:
: CIVIL ACTION
:
:**CERTIFICATION OF SERVICE**
:
:
:
:
:

I hereby certify that original and one copy of the within letter brief in further support of the Liquidator's motion for an Order Approving the Final Distribution of Assets and Closing the Estate and the revised proposed Form of Order were filed via Lawyers Service with the Honorable Robert C. Wilson, J.S.C., Bergen County Superior Court, 10 Main Street, Chambers 215, Hackensack, New Jersey 07601.

I further certify that copies of the within letter brief were filed via first class mail on the following persons listed on the attached service list in accordance with the time presented by the Rules of Court.



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Dated: March 24, 2014

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IN THE MATTER OF THE
LIQUIDATION OF INTEGRITY
INSURANCE COMPANY

:SUPERIOR COURT OF NEW JERSEY
:CHANCERY DIVISION: BERGEN COUNTY
:GENERAL EQUITY PART
:DOCKET NO.: BER-C-7022-86
:
: CIVIL ACTION
:
:**ORDER APPROVING THE FINAL
DISTRIBUTION OF ASSETS AND
CLOSING THE ESTATE**
:

THIS MATTER HAVING BEEN opened to the Court upon the motion of Mazie Slater Katz & Freeman, LLC, attorneys for the Commissioner of Banking and Insurance of the State of New Jersey, in his capacity as liquidator (the "Liquidator") of the Estate (the "Estate") of Integrity Insurance Company ("Integrity") for an Order granting permission to make a final distribution of Integrity's assets and for other relief relating to the termination of the liquidation of the Estate, and the Court having considered the Certification of Deputy Liquidator Richard L. White submitted in support of this motion, any opposing papers, and the argument of counsel; and for good cause shown;

IT IS on this _____ day of _____, 2014;

ORDERED that:

1. The Amended Proposed Final Distribution Formula for Integrity dated March 21, 2014 as attached hereto as Exhibit "B" is hereby approved.
2. The Liquidator shall establish a reserve in the amount of \$456,000 net of

future receipts for the Estate's future administrative fees and expenses which will be incurred to complete the remainder of the liquidation of Integrity. The Estate also shall establish a reserve of \$35 million so that there are sufficient funds to satisfy the claim of a class of individuals who filed a proof of claim against Integrity based on claims against Robert A. Keasbey Company (the "Defendant Class") which is the sole objector to this application (the "Objector Reserve"). The Objector Reserve shall be the source of funds to satisfy the Defendant Class's claim in the event that the Liquidator's denial of its Proof of Claim is revised, reversed or overruled, in whole or in part, with any funds remaining to be distributed to allowed claimants, including the Defendant Class, on a pro rata basis as set forth in ¶5 below. In the event that the Liquidator's denial of the Defendant Class's Proof of Claim is upheld or the Defendant Class abandons its claim in whole or in part, the Objector Reserve shall be distributed to allowed claimants on a pro rata basis as set forth in ¶5 below.

3. The Liquidator shall distribute the sum of approximately \$1.2 million to the Priority One claimants, after which distribution, all allowed Priority One claims shall be paid in full.

4. The Liquidator shall distribute the sum of \$157 million to eligible allowed Priority Four claimants which will result in Priority Four allowed claimants having been paid approximately 88% of their claims.

5. Any surplus remaining in the Estate (after satisfaction of administrative fees and expenses and making the distributions set forth in ¶2, ¶3 and ¶4 above) shall be paid to the allowed claimants on a pro rata basis, if practical and economical.

6. Payment by the Liquidator shall be complete upon the mailing of the

Estate's check to the claimant at the claimant's last known address. If a payment is returned and, after reasonable inquiry, the whereabouts of said claimant are unknown, the cumulative total of such amounts will be remitted to the New Jersey Unclaimed Property Trust Fund and shall constitute complete payment to all such claimants.

7. The Liquidator is hereby authorized to transfer any unclaimed payments to the New Jersey Unclaimed Property Trust Fund. The Trustees of the New Jersey Unclaimed Property Trust Fund shall escheat all abandoned funds and other abandoned assets to the State, pursuant to the provisions of the New Jersey Uniform Unclaimed Property Act, N.J.S.A. 46:30:B-1, *et seq.*, and the comparable law of other applicable states.

8. If and in the event the Liquidator receives additional assets of the Estate after the date of the final distribution of the Estate's assets as provided for herein, or the Objector's Reserve is released in whole or in part, the Liquidator shall, distribute such assets on a pro rata basis to allowed claimants, including the Defendant Class if its claim has been allowed in whole or in part upon final resolution as set forth above, after the payment of any associated administrative expenses of the Estate. The Liquidator may establish a de minimus level of recovery to insure that the administrative costs associated with distribution are minimized while distributions to the claimants within the same priority level are maximized. If the Liquidator determines that the distribution of such assets would be uneconomic or otherwise impractical, the Liquidator shall escheat such assets to the New Jersey Unclaimed Property Trust Fund, after adjustment for any associated administrative expenses of the Estate.

9. Upon entry of this Order, the Liquidator is hereby authorized to destroy all

of the Estate's policy and claim files as well as the Estate's human resources, accounting and data processing records except those relating to the claim of the Defendant Class which may be destroyed after its claim is finally adjudicated or otherwise finally resolved.

10. Upon compliance with this Order, and the filing with this Court of a final accounting showing performance of same, the Liquidator, the Deputy Liquidator, and their agents, attorneys, employees and other representatives are discharged and released from any and all further liability arising out of the liquidation of Integrity, and this liquidation proceeding will be terminated without need of any further Court Order.

11. The New Jersey Commissioner of Banking and Insurance, or any successor in office as Commissioner as Liquidator of Integrity, may take any and all additional actions as he/she deems advisable for the administration and termination of the Integrity estate without need for further applications before this or any other Court.

12. A copy of this Order shall be added to the Estate's website within __ days of the date hereof.

HON. ROBERT C. WILSON, J.S.C.

_____ Opposed

_____ Unopposed

EXHIBIT B

