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July 21, 2008

VIA HAND DELIVERY

John M. Chacko
Clerk of the Appellate Division
Superior Court of New Jersey
Richard J. Hughes Justice Complex
25 West Market Street
P.O. Box 006
Trenton, New Jersey 08625-0006

**Re: In the Matter of the Liquidation of Integrity Insurance Company
Appellate Division Docket No. _____**

**Sat Below: Honorable Robert C. Wilson, J.S.C.
Hearing Before: Honorable William J. Meehan, J.S.C.
Docket No. Below: C-7022-86**

Dear Sir/Madam:

This office represents Appellants-Movants GLI-F, LLC, Liquidity Solutions, Inc., and Capital Investors LLC in the above entitled action. Enclosed please find an original and five copies of the following:

- 1) Notice of Motion for Leave to File an Interlocutory Appeal from the Order Approving the Liquidator's Motion for Approval of a Liquidation Closing Plan;
- 2) Letter Brief on behalf of Appellants-Movants GLI-F, LLC, Liquidity Solutions, Inc., and Capital Investors LLC;
- 3) Appendix on behalf of Appellants-Movants GLI-F, LLC, Liquidity Solutions, Inc., and Capital Investors LLC; and
- 4) Certificate of Service.

Please return a stamped "filed" copy of each document with the awaiting messenger.

John M. Chacko
Clerk of the Appellate Division
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Please charge our account number 62300 for the appropriate filing fees. Thank you for your attention to this matter.

Respectfully submitted,


Bernard J. Cooney

BJC:vrw
Enclosures

cc: Clerk's Office, Superior Court of New Jersey, Chancery Division, Bergen County,
General Equity Part (w/encl., via FedEx)
Service List attached to the Certificate of Service (w/encl. via first class mail)

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07/18/08 9257819.1

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July 21, 2008

VIA HAND DELIVERY

Honorable Judges
Superior Court of New Jersey, Appellate Division
R.J. Hughes Justice Complex
25 West Market Street
Trenton, New Jersey 08625

Re: In the Matter of the Liquidation of Integrity Insurance
Company

Superior Court of New Jersey, Appellate
Division, Docket No. _____

Sat Below: Honorable Robert C. Wilson, J.S.C.
Hearing Before: Honorable William J. Meehan, J.S.C.
Docket No. Below: C-7022-86

On Motion for Leave to File an Interlocutory Appeal from an
Order Dated June 20, 2008 from the Superior Court Of New
Jersey, Chancery Division, Approving the Liquidator's
Motion for Approval of a Liquidation Closing Plan

Letter Brief on Behalf of Appellants-Movants GLI-F, LLC,
Liquidity Solutions, Inc. and Capital Investors LLC In
Support of Motion for Leave to Appeal Order Approving the
Liquidator's Motion for Approval of a Liquidation Closing
Plan

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Reply: 65 Livingston Avenue Roseland, New Jersey 07068 Tel 973 597 2500 Fax 973 597 2400
1251 Avenue of the Americas New York, New York 10020 Tel 212 262 6700 Fax 212 262 7402

May It Please The Court:

Pursuant to Rules 2:8-1 and 2:6-2(b), Appellants GLI-F, LLC, Liquidity Solutions, Inc.¹ and Capital Investors LLC (collectively, "Appellants"²) respectfully submit this Letter Brief in lieu of a more formal brief in support of their Motion for Leave to File an Interlocutory Appeal to the June 20, 2008 Order of the Superior Court Of New Jersey, Chancery Division, Bergen County, General Equity Part, Approving the Liquidator's Motion for Approval of a Liquidation Closing Plan. In accordance with Rule 2:6-2(b), the following is the Table of Contents to this Letter Brief:

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¹ Liquidity Solutions, Inc. is in the process of substituting Lowenstein Sandler PC as its counsel in place of Riker Danzig Scherer Hyland & Perretti LLP.

² As a liquidation proceeding, the case at issue includes no plaintiff and defendant. Accordingly, the movants hereof will be referred to as Appellants herein rather than plaintiff or defendant.

LEGAL ARGUMENT

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PROCEDURAL HISTORY

Integrity Insurance Company ("Integrity") was a New Jersey stock insurance company that issued various types of insurance policies as well as surety bonds. 151Aa.³ By order of the Superior Court, on March 24, 1987 Integrity was declared insolvent and the New Jersey Commissioner of Insurance was appointed liquidator (the "Liquidator"). 151Aa. Pursuant to procedures established in N.J.S.A. 17:30C-20 and implemented by an order of the Superior Court dated July 8, 1987, approximately 26,000 claims were filed against the estate of Integrity (the "Estate"). 151Aa. Pursuant to the Liquidation Act the Liquidator was directed to "liquidate Integrity's liabilities, marshal its assets, and wind up its business and affairs." 151-52Aa.

³ For the case and appeal at issue, Appellants utilize the reference " Aa" for Appellants' appendix.

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By order dated June 20, 2008, the Honorable Robert C. Wilson, J.S.C., granted an application by the Liquidator for an Order approving the Liquidator's Motion for Approval of a Liquidation Closing Plan (the "Closing Plan") for the Estate. 177Aa. Appellants are the holders of substantial claims against the Estate and seek leave to appeal the approval of the Closing Plan only as it as it concerns the final date that a claim can be considered for allowance (the "Final Bar Date") of June 30, 2009 contained therein.

STATEMENT OF FACTS

On or about August 12, 2004, the Superior Court approved the Closing Plan's predecessor, the Fourth Amended Final Dividend Plan (the "Fourth Plan"), in all material respects. 1Aa. An important feature of the Fourth Plan was the establishment of a ^{September 30,} ~~December 31,~~ 2004 bar date (the "2004 Bar Date") which was designed to finalize the claims pool and to facilitate a final determination of the Estate's assets versus its liabilities, so that a calculation of a final dividend could be made and the Estate could be closed. 179Aa at ¶¶ 1.18, 1.8, 3.1, 3.2; 1Aa.

The Estate's constituencies were all duly noticed of the pendency of the Fourth Plan. More importantly, when the

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Fourth Plan was approved, all potential parties-in-interest were advised by letter dated October 12, 2004 of the 2004 Bar Date and the need to submit duly completed proof of claim forms and supporting documentation by that date. 3Aa. Although the New Jersey Supreme Court in late 2007 ultimately invalidated the Fourth Plan on other grounds, there was nothing in the Supreme Court's opinion, or in the underlying appeals of the Fourth Plan, that had anything to do with the integrity of the 2004 Bar Date itself or the Liquidator's authority to subsequently modify it. 4Aa.

The Final Bar Date in the current Closing Plan that is the subject of the current motion for leave to appeal, however, substantially deviates from the 2004 Bar Date that was noticed to all potential parties-in-interest. Rather than utilizing the previously established 2004 Bar Date, the current Closing Plan identifies a Final Bar Date of June 30, 2009, thereby extending the date by which claims may be considered by almost four and one-half years. 156Aa at ¶ 1.14.

The Estate has been in existence for twenty-one (21) years at a cost of more than \$151 million through December 31, 2007. 150Aa, 155Aa. To date, however, Appellants have only received payment of 65% of the value of their claims. 64Aa at ¶ 9.

LEGAL ARGUMENT

POINT I

THE INTEREST OF JUSTICE MANDATES
REVIEW IN ADVANCE OF FINAL JUDGMENT

Pursuant to Rule 2:2-4, the Appellate Division may grant leave to appeal from an interlocutory order "in the interest of justice." "Granting leave is within [the Court's] exclusive authority as an exercise of [the Court's] discretion 'in the interest of justice.'" Bass ex rel. Will of Bass v. DeVink, 336 N.J. Super. 450, 454 (App. Div.), certif. denied, 168 N.J. 292 (2001) (citing Rule 2:2-4). Here, absent the Court's hearing of this appeal in advance of final judgment, the Liquidator will issue payments from the Estate for claims that did not meet the 2004 Bar Date that was identified in the October 12, 2004 notice letter. After issuing such payments, the proverbial clock cannot be turned back and Court's ability to effectively hear the discrete issue of the modification of the final Bar Date will be lost. As such, given the particular character of this matter, interlocutory review is Appellants' only opportunity for obtaining appellate review and is fully warranted in the interest of justice.

In addition, one of the primary reasons this Court is generally reluctant to grant an interlocutory appeal is to prevent "[t]he interruption of litigation at the trial level" causing a "disrup[tion of] the entire process [which] is wasteful of judicial resources." CPC Int'l, Inc. v. Hartford Accident & Indem. Co., 316 N.J. Super. 351, 365 (App. Div. 1998), certif. denied, 158 N.J. 74 (1999). Rather than causing a waste of judicial resources, granting leave to appeal here to obtain resolution of the discrete issue of the June 30, 2009 Final Bar Date will serve to prevent the unnecessary expenditure of administrative and court resources. Allowing a multiyear extension of the bar date will further extend the Estate that has already been pending for the last twenty-one years as well as result in the need to address claims that were filed long after the 2004 Bar Date that was identified in the notice to all of the claimants. Thus, granting this appeal may very substantially conserve the time and expense of the litigants and the courts. See Romano v. Maglio, 41 N.J. Super. 561, 568 (App. Div.), certif. denied, 22 N.J. 574 (1956), cert. denied, 353 U.S. 923, 77 S. Ct. 682 (1957). Accordingly, interlocutory review is warranted in order to serve considerations of justice

and preserve both judicial resources and the resources of Estate.

POINT II

MODIFICATION OF THE ESTABLISHED FINAL BAR DATE
VIOLATED JUSTICE AND THE PUBLIC INTEREST

Like the vast majority of the innumerable other creditors of the Estate, Appellants fully support the idea of moving forward with a final Closing Plan and bringing Integrity's liquidation to conclusion after more than twenty-one years of administration at a cost to the Estate of more than \$151 million. However, establishing a new Final Bar Date of more than a year from now, and which provides almost a four and one-half year extension to the prior Final Bar Date is not consistent with that goal.

As our Supreme Court noted in its decision in In Re the Liquidation of Integrity Insurance Company, 193 N.J. 86 (2007), every liquidation reflects a balance between the interests of those holders of current, valid claims who need closure, and those holders of inchoate, potential claims who want the bar date extended for as long as possible, in the hope that if enough time passes, their claims will come to fruition.

"A receiver has broad discretion in conducting and managing the liquidation of an insolvent insurance company, so long as his or her acts are reasonably related to the public interest and are not arbitrary and capricious." 43 Am. Jur. 2d Insurance sec. 104.

In this case, extending the Final Bar Date almost four and one-half years from the date of the established 2004 Bar Date is an abuse of discretion and an arbitrary and capricious exercise of authority by the Liquidator. Appellants have had to wait years to receive payment of only 65% of the value of their claims. The 2004 Bar Date was established, noticed to the claimants and undisturbed on appeal to the New Jersey Supreme Court. "Under the law-of-the case doctrine, 'where there is an unreversed decision of a question of law or fact made during the course of litigation, such decision settles the question for all subsequent stages of the suit.'" Bahrle v. Exxon Corp., 279 N.J. Super. 5, 21 (App. Div. 1995), aff'd, 145 N.J. 144 (1996) (quoting Slowinski v. Valley National Bank, 264 N. J. Super. 172, 179 (App. Div. 1993)). As such, the Liquidation Closing Plan should adhere to the 2004 Bar Date and any modification thereof is improper.

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In addition, the multi-year extension of the Final Bar Date upsets the proper balance between potential new claims at the expense of those with current, valid claims. As the Deputy Liquidator informed the Court, "we don't know . . . if substantial [contingent] claims will ever occur or even emerge, and were they to emerge, we don't know when." 84-88Aa. Accordingly, there is no certainty that extending the 2004 Bar Date to the June 20, 2009 Final Bar Date will have any impact except to further delay claimants from receiving the money that they are owed. The speculative nature of any potential future claims needs to be balanced against the reality that approximately 26,000 claims have already been filed with the Liquidator. Forcing the Estate to sacrifice the rights of scores of existing claimants because of potential losses that may not have actually occurred and/or may never be reported is inherently unfair and an abuse of discretion. Further, requiring Appellants and the holders of the other approximately 26,000 claims to wait until after the June ³⁰~~20~~, 2009 Final Bar Date to obtain finality is an abuse of discretion considering the unprecedented amount of time that the Estate has already remained open.

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Appellants greatly appreciate the efforts of the Liquidator. However, the holders of claims against the Estate are entitled to resolution at this time, and not at some indefinite point in the future, when the Liquidator completes the additional administrative burden of evaluating whatever new claims may now be filed. Moreover, the longer that this proceeding remains open, rather than providing the many creditors of the Estate finality as to their distributions, the new Final Bar Date further extends the duration of uncertainty for the creditor body which has waited so many years for the conclusion of these proceedings. In addition, it inevitably results in greater delay and expense to the Estate, which will ultimately be borne by existing claimants.

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July 21, 2008

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CONCLUSION

For the reasons set forth in the foregoing, Appellants respectfully submit that any plan for the final liquidation of the Estate should be premised on the 2004 Bar Date of which the Estate's constituencies were adequately notified.

Respectfully submitted,



Robert D. Chesler

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Enclosure(s)

cc: Service List Attached to Certificate of Service of Bernard
J. Cooney

**Lowenstein
Sandler**
ATTORNEYS AT LAW

SUPERIOR COURT OF NEW JERSEY
APPELLATE DIVISION

Docket No. _____

On Motion for Leave to Appeal
from an Order Dated June 20, 2008
from

SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION: BERGEN COUNTY
Docket No. Below: C-7022-86

IN THE MATTER OF:

THE LIQUIDATION OF
INTEGRITY INSURANCE COMPANY

Sat Below:
Hon. Robert C. Wilson, J.S.C.

Hearing Before:
Hon. William J. Meehan, J.S.C.

Docket No. Below: C-7022-86

Civil Action

NOTICE OF MOTION

DEAR COUNSEL:

PLEASE TAKE NOTICE that on a date to be assigned by the Court, counsel for Appellants GLI-F, LLC, Liquidity Solutions, Inc. and Capital Investors LLC, will move before the Superior Court of New Jersey, Appellate Division, for an Order granting leave to appeal from the Chancery Division's Order dated June 20, 2008 approving the Liquidator's Motion for Approval of a Liquidation Closing Plan.

PLEASE TAKE FURTHER NOTICE that in support of the within motion, Appellants shall rely upon the enclosed Letter Brief and Appendix.

Respectfully submitted,

LOWENSTEIN SANDLER PC
Attorneys At Law
65 Livingston Avenue
Roseland, New Jersey 07068
973.597.2500

Attorneys for Appellants GLI-F,
LLC, Liquidity Solutions, Inc. and
Capital Investors LLC.

Dated: July 21, 2008

By: 
Robert D. Chesler

SUPERIOR COURT OF NEW JERSEY
APPELLATE DIVISION
Docket No. _____

On Motion for Leave to Appeal
from an Order Dated June 20, 2008
from

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION: BERGEN COUNTY
Docket No. C-7022-86

IN THE MATTER OF:

THE LIQUIDATION OF
INTEGRITY INSURANCE COMPANY

Sat Below:
Hon. Robert C. Wilson, J.S.C.

Hearing Before:
Hon. William J. Meehan, J.S.C.

Docket No. Below: C-7022-86

Civil Action

CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

BERNARD J. COONEY, of full age, hereby certifies:

1. I am an associate with the law firm of Lowenstein Sandler PC, attorneys for Appellants-Movants' GLI-F, LLC, Liquidity Solutions, Inc. and Capital Investors LLC.

2. On July 21, 2008, I directed that the following be filed with the Appellate Division Clerk's Office, Hughes Justice Complex, 25 W. Market St., Trenton, NJ 08625:

(i) One (1) original and five (5) copies of the Notice of Motion for Leave to File an Interlocutory Appeal from the Order Approving the Liquidator's Motion for Approval of a Liquidation Closing Plan; and

(ii) One (1) original and five (5) copies of the Letter Brief and Appendix on Behalf of Appellants-Movants GLI-F, LLC, Liquidity Solutions, Inc. and Capital Investors LLC.; and

(iii) One (1) original and five (5) copies of this Certificate of Service.

3. On July 21, 2008, I directed that the following be filed with the Clerk's Office, Superior Court of New Jersey, Chancery Division, Bergen County, General Equity Part, 10 Main Street, Hackensack, New Jersey 07601:

(i) Five (5) copies of the Notice of Motion for Leave to File an Interlocutory Appeal from the Order Approving the Liquidator's Motion for Approval of a Liquidation Closing Plan; and

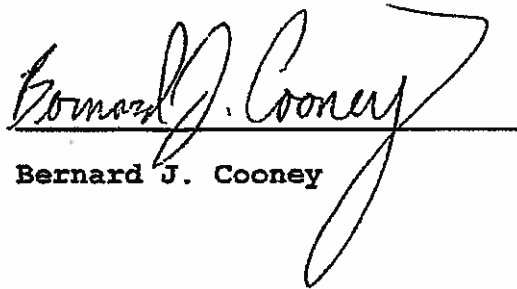
(ii) Five (5) copies of the Letter Brief and Appendix on Behalf of Appellants-Movants GLI-F, LLC, Liquidity Solutions, Inc. and Capital Investors LLC.; and

(iii) Five (5) copies of this Certificate of Service.

4. On July 21, 2008, two (2) copies of (i) the Letter Brief and Appendix on behalf of Appellants-Movants GLI-F, LLC,

Liquidity Solutions, Inc. and Capital Investors LLC, (ii) the Notice of Motion and (iii) this Certificate of Service were duly served via regular mail upon the counsel on the attached Service List.

I hereby 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.


Bernard J. Cooney

Dated: July 21, 2008