

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Richard J. Hughes Justice Complex
25 Market Street
P.O. Box 117
Trenton, New Jersey 08625
Attorney for Plaintiff,
Commissioner of the Department
of Banking and Insurance

RECEIVED

DEC 07 2018

SUPERIOR COURT OF NJ
MERCER VICINAGE
CIVIL DIVISION

By: William B. Puskas, Jr.
Deputy Attorney General
NJ Attorney ID: 014901976
(609) 376-2965
William.Puskas@law.njoag.gov

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

MARLENE CARIDE,)
COMMISSIONER OF THE)
DEPARTMENT OF BANKING AND)
INSURANCE OF NEW JERSEY,)
)
Plaintiff,)
)
v.)
)
BROADWAY INSURANCE &)
SURETY COMPANY INC.,)
)
)
Defendant.)

Civil Action

**CERTIFICATION OF STEVEN P.
KERNER, JR.**

STEVEN P. KERNER, JR., of full age, hereby certifies and
says:

1. I am the Assistant Commissioner in the Office of
Solvency Regulation for the New Jersey Department of Banking and
Insurance ("the Department"). My responsibilities include

monitoring and overseeing the financial condition of all insurance entities transacting business in New Jersey on behalf of the Commissioner and the Department. I make this certification in support of the Commissioner's application to place Broadway Insurance & Surety Company Inc. ("Broadway") into rehabilitation.

2. Broadway is a New Jersey property and casualty insurer licensed to transact bail bond surety insurance business in New Jersey. Broadway was incorporated on April 29, 2013, and authorized to transact bail bond surety insurance business as of August 1, 2013.

3. Broadway's counsel (who also sits on Broadway's board of directors), has represented to the Department that the last bond approved and written by Broadway was on November 17, 2017, and Broadway ceased transacting business effective December 24, 2017.

4. Based upon information contained in the most recent Corporate Bond Surety Report prepared by the Administrative Office of the Courts, as of November 30, 2018, Broadway had \$20,234,701 in posted bonds (501 total bonds); \$947,500 in forfeited bonds (32 total bonds); and \$222,500 in forfeited bonds reduced to judgment (9 total bonds); for a total of \$21,404,701 (542 total bonds).

5. During the past few months, I have personally requested information, books and records from Broadway, and its appearance at the Department for an in-person meeting, through its

counsel to monitor and oversee the financial condition of the company. Broadway has failed to cooperate with these requests and has hindered the Department's supervision of the company's financial condition. These communications will be discussed further throughout this Certification and attached hereto are true and exact copies as follows: a) Exhibit A - My August 20, 2018 letter to Broadway's President and counsel; b) Exhibit B - Broadway's responses to the August 20, 2018 letter, dated August 23, 2018, at 3:36 p.m. and 3:52 p.m., and August 31, 2018, at 9:43 a.m. and 2:32 p.m.; c) Exhibit C - My e-mail dated August 28, 2018, regarding a "bad debt" write-off on the 2017 Annual Financial Statement and Broadway's response dated August 31, 2018 at 2:30 p.m.; d) Exhibit D - My e-mail dated September 14, 2018, seeking Broadway to cure its deficiencies to the August 20th request for information, books and records, and Broadway's e-mail response dated September 28, 2018 at 9:21 a.m.; and, e) Exhibit E - My letter to Broadway dated November 21, 2018, and Broadway's e-mail response dated November 26, 2018 at 1:09 p.m.

6. For these reasons and all of the reasons that follow, as found by me and my staff in the Office of Solvency Regulation within the Department, Broadway's financial condition has deteriorated such that any further transaction of business by Broadway would be hazardous financially to its policyholders, creditors or the public. Based on this finding, Broadway's failure

to cooperate with the Department's continued monitoring of the company's financial condition, and our office's recommendation, the Commissioner has determined that it is necessary to place Broadway into rehabilitation through filing of the current petition.

BROADWAY IS IN A HAZARDOUS FINANCIAL CONDITION

7. The provisions of N.J.A.C. 11:2-27, a subchapter entitled "DETERMINATION OF INSURERS IN A HAZARDOUS FINANCIAL CONDITION," provides a list of factors to be considered in determining whether an insurer is in a hazardous financial condition.

8. N.J.A.C. 11:2-27.3(a) sets forth thirty-four factors that shall be considered "either singly or in a combination of two or more, in determining whether an insurer is in a hazardous financial condition."

9. A determination that an insurer is in a hazardous financial condition constitutes grounds for rehabilitation under N.J.S.A. 17:30C-6(f).

IRIS Results Outside Allowable Ranges

10. N.J.A.C. 11:2-27.3(a)(2) permits a determination that an insurer is in a hazardous financial condition based upon adverse findings from the Insurance Regulatory Information System ("IRIS") developed and maintained by the National Association of Insurance Commissioners ("NAIC").

11. IRIS is a collection of analytical solvency tools and databases designed to provide state insurance departments with an integrated approach to screening and analyzing the financial condition of insurers operating within their respective states.

12. IRIS contains a series of thirteen key financial ratio formulas and range comparisons, with respect to property and casualty insurers, that are automatically generated based on financial information obtained from insurers' statutory Annual Financial Statements.

13. The IRIS Ratio Application based on information from Broadway's 2017 Annual Financial Statement resulted in five ratios that fall outside allowable ranges, as follows:

(a) Ratio 3 - Change in Net Premiums Written From Prior Year. Allowable range of results: -33% to +33%.

Broadway's result: -83%;

(b) Ratio 5 - Two Year Overall Operating Ratio. Allowable range of results: Equal to or Under 100%.

Broadway's result: -277%;

(c) Ratio 6 - Investment Yield. Allowable range of results: +3% to +6.5%. Broadway's result: +0.1%;

(d) Ratio 7 - Gross Change in Policyholders' Surplus From Prior Year. Allowable range of results: -10% to +50%. Broadway's result: -64%; and

(e) Ratio 8 - Change in Adjusted Policyholders' Surplus From Prior Year. Allowable range of results: -10% to +25%. Broadway's result: -64%.

14. The above IRIS Ratio Application results based on Broadway's 2017 Annual Financial Statement are adverse and indicative of a hazardous financial condition.

15. Based on these adverse IRIS findings and our office's recommendation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(2).

Operating Losses

16. N.J.A.C. 11:2-27.3(a)(6) permits a determination that an insurer is in a hazardous financial condition upon a finding that the insurer's operating loss in the last twelve-month period or any shorter period of time, including, but not limited to, net capital gain or loss, change in non-admitted assets, and cash dividends paid to shareholders, is greater than fifty percent of such insurer's remaining surplus as regards policyholders in excess of the minimum required.

17. Based on the most recent Annual Financial Statement submitted to the Department, as of December 31, 2017, Broadway had negative net income of \$(1,638,757) for the twelve-month period ending December 31, 2017. Thus, Broadway experienced a net operating loss of \$(1,638,757) through December 31, 2017. This

net operating loss is (267.3%) of Broadway's surplus as regards policyholders of \$613,116 as of December 31, 2017.

18. Thus, Broadway's operating loss for the last reported twelve-month period is greater than fifty percent of its remaining surplus.

19. N.J.A.C. 11:2-27.3(a)(7) permits a determination that an insurer is in a hazardous financial condition upon a finding that the insurer's operating loss in the last twelve-month period or any shorter period of time, excluding net capital gains, is greater than twenty percent of such insurer's remaining surplus as regards policyholders in excess of the minimum required.

20. Based on the most recent Annual Financial Statement submitted to the Department, as of December 31, 2017, Broadway had negative net income of \$(1,638,757) for the twelve-month period ending December 31, 2017. Thus, Broadway experienced a net operating loss of \$(1,638,757) through December 31, 2017. This net operating loss is (267.3%) of Broadway's surplus as regards policyholders of \$613,116 as of December 31, 2017.

21. Thus, Broadway's operating loss for the last reported twelve-month period is greater than twenty percent of its remaining surplus.

22. Based on these findings as found by me and my staff in the Office of Solvency Regulation within the Department regarding Broadway's operating losses and our office's

recommendation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(6) and 11:2-27.3(a)(7).

On-Going Failures to Meet Financial Filing Requirements

23. N.J.A.C. 11:2-27.3(a)(14) permits a determination that an insurer is in a hazardous financial condition upon a finding that the insurer has failed to meet financial filing requirements established by law in the absence of a reason satisfactory to the Commissioner.

24. N.J.S.A. 17:23-1 requires insurance companies transacting business in this State to file with the Department an Annual Financial Statement by March 1 each year, in the format adopted by the NAIC, showing its financial condition as of December 31 of the previous year.

25. In response to Broadway's request, the Department granted Broadway an extension of time to May 31, 2018 to file the Annual Financial Statement for the period ending December 31, 2017. Broadway did not comply with the extension of time granted by the Department by filing its 2017 Annual Financial Statement on July 9, 2018 -- over a month after the due date.

26. N.J.S.A. 17:23-1 also requires insurance companies transacting business in this State to file with the Department Quarterly Financial Statements, in the format adopted by the NAIC, covering the periods ending on March 31, June 30, and September

30, which are to be filed within forty-five days after each such date.

27. Broadway's Quarterly Financial Statement for the period ending March 31, 2018, was due by May 15, 2018. In response to Broadway's request, the Department granted Broadway an extension of time to June 30, 2018 to file the Quarterly Financial Statement for the period ending March 31, 2018.

28. Broadway's Quarterly Financial Statement for the period ending June 30, 2018, was due by August 15, 2018. No extension of time to file this Quarterly Financial Statement has been requested of, or granted by, the Department.

29. Broadway's Quarterly Financial Statement for the period ending September 30, 2018, was due by November 15, 2018. No extension of time to file this Quarterly Financial Statement has been requested of, or granted by, the Department.

30. The statutorily required Quarterly Financial Statements for the periods ending March 31, 2018, June 30, 2018, and September 30, 2018, have not been filed by Broadway with the Department, nor have any additional extensions of time to file these Statements been requested of, or granted by, the Department.

31. Broadway has not provided any satisfactory reasons that justify these delinquent Annual and Quarterly Financial Statement filings.

32. Additionally, in response to the most recent request of the Department to file the outstanding Financial Statements, Broadway, through its counsel, has advised that the company "cannot afford to keep paying an accountant to compete [sic] these financial forms." (See Exhibit D, Blender E-mail on 9/28/18 at 9:21 a.m.)

33. Based on these findings as found by me and my staff in the Office of Solvency Regulation within the Department as to Broadway's delinquent Financial Statement filings, its representation that it has no intention to come into compliance with these requirements, and our office's recommendation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(14).

Foreseeable Future Cash Flow or Liquidity Problems

34. N.J.A.C. 11:2-27.3(a)(17) permits a determination that an insurer is in a hazardous financial condition upon a finding that the insurer has experienced or will experience in the foreseeable future cash flow or liquidity problems.

35. As a result of Broadway's 2017 operating loss as discussed above, Broadway's cash position has significantly deteriorated.

36. Broadway's Annual Financial Statement as of December 31, 2017, showed that it only had capital and surplus of \$613,116 as of that time, and Broadway has advised that it has no income

because writing bail bonds was its only business. (See Exhibit B, Blender E-mail dated 8/23/18 at 3:36 p.m. at Line #1; and Exhibit B, Blender E-mail dated 8/31/18 at 2:32 p.m. at Line #2.)

37. Broadway has failed to file any Quarterly Financial Statements showing its current capital and surplus, and upon the request of the Department, Broadway has failed to produce balance sheet or income statements, or statements of all investment and deposit accounts held by the company.

38. As of November 30, 2018, Broadway had \$20,234,701 in posted bonds (501 total bonds); \$947,500 in forfeited bonds (32 total bonds); and \$222,500 in forfeited bonds reduced to judgment (9 total bonds); for a total of \$21,404,701 (542 total bonds). The total amount of the forfeited bonds plus the forfeited bonds that have been reduced to judgment alone exceeds Broadway's capital and surplus as of year-end 2017 as follows: \$1,170,000 vs. \$613,116 (Capital and Surplus as of 12/31/17), and the capital and surplus has likely deteriorated further since that time. Moreover, it is unclear how much of the remaining \$20 million in posted bonds will result in judgments, but even if only 1% result in judgments, this will further increase Broadway's liabilities to the courts by approximately \$202,000.

39. Based on these findings as found by me and my staff in the Office of Solvency Regulation within the Department that demonstrate foreseeable future problems with Broadway's cash flow

and liquidity, and our office's recommendation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(17).

Below Minimum Required Capital and Surplus

40. N.J.A.C. 11:2-27.3(a)(20) permits a determination that that an insurer is in a hazardous financial condition upon a finding that the insurer does not possess the minimum capital and surplus required to be maintained by law.

41. Under N.J.S.A. 17:17-6, Broadway is required to maintain a minimum capital and surplus of \$1,250,000.

42. Based on the most recent Annual Financial Statement submitted to the Department, as of December 31, 2017, Broadway had capital and surplus of \$613,116. Thus, Broadway's capital and surplus is \$(636,884) less than the minimum required by law.

43. Based on these findings as found by me and my staff in the Office of Solvency Regulation within the Department as to Broadway's deficient capital and surplus, and our office's recommendation, the Commissioner has determined that Broadway is in a hazardous financial condition under N.J.A.C. 11:2-27.3(a)(20).

Failure To Submit Books and Records For Examination

44. In addition to the Commissioner's other powers under Titles 17 and 17B of the New Jersey Statutes relating to the examination of insurers, the Commissioner has the power under

N.J.S.A. 17:27A-5 "to order any insurer ... to produce such records, books, or other information papers in the possession of the insurer ... as shall be necessary to ascertain the financial condition of the insurer."

45. N.J.A.C. 11:2-27.3(a)(13) permits a determination that an insurer is in a hazardous financial condition upon a finding that the management of the insurer has failed to respond to inquiries from the Commissioner regarding the condition of the insurer or has furnished false and misleading information concerning such inquiries.

46. After the Department's review of Broadway's 2017 Annual Financial Statement (received by the Department on July 9, 2018, as set forth in Paragraph 25 above), and subsequent communications with Broadway, I wrote to Broadway's president and counsel on August 20, 2018, advising them of the anticipated need to take additional supervisory action regarding Broadway, "including but not limited to, the placement of Broadway under administrative supervision pursuant to N.J.S.A. 17:51A-1 [to - 10.]" (See Exhibit A.)

47. My August 20, 2018 letter also required Broadway to produce certain information and documents in connection with the examination of Broadway's financial condition to the Department by the close of business on August 24, 2018, and certain additional

information and documents by the close of business on August 31, 2018. (See Exhibit A.)

48. As discussed further below, Broadway responded to this request with some, but not all of the requested financial information, books and records. (See Exhibit B.)

49. A review of Broadway's Annual Financial Statement as of December 31, 2017, showed a write-off of a "bad debt expense" totaling (\$1,905,847) and the notes to the Financial Statement indicated that this "bad debt" due to Broadway was from a related party, namely premium and collateral receivables totaling \$777,243 and \$4,636 respectively from Aaron Bail Bonds- which is owned by the same parties as Broadway, and a "related party loan receivable of \$1,123,968." I requested additional information on the write-offs from Broadway via an e-mail to Broadway's counsel on August 28, 2018, to which Broadway's counsel provided a response via e-mail on August 31, 2018. (See Exhibit C, Kerner E-mail dated 8/28/18 at 10:55 a.m. with attachment.) This response failed to respond to the specifics of my inquiry, including but not limited to: why the amounts are no longer believed to be collectable, and to what "related party" was the \$1,123,968 loan made. (See Exhibit C, Blender E-mail dated 8/31/18 at 2:30 p.m.)

50. In a follow-up email dated September 14, 2018, I requested Broadway to provide the information missing from the response to my August 20, 2018 letter, and additional related

information. The deficiencies re-requested or augmented included the following: (a) Quarterly Financial Statements; (b) lists of all contracted agents, both current and expired, including any sub-agents; (c) a spreadsheet for all build-up funds (BUF) balances for two agencies, including Aaron's Bail Bonds for which the outstanding premium and collateral was written-off, collateral held by agencies, etc.; and (d) statements for all deposit and investment accounts held by Broadway for 2018 to date in lieu of balance sheet and income statements that were previously requested and for which Broadway stated that it did not maintain. (See Exhibit D, Kerner E-Mail dated 9/14/18 at 2:27 p.m.)

51. Broadway's counsel responded to the Department via e-mail on September 28, 2018, stating it was Broadway's position that (a) Broadway had "already provided" the requested information and documents; (b) Broadway's financial position "has not significantly changed for some time, as no new business has been written for almost two years;" and (c) Broadway "cannot afford to keep paying an accountant to compete [sic] these financial forms." (See Exhibit D, Blender E-mail dated 9/28/18 at 9:21 a.m.)

52. On November 21, 2018, I sent an additional letter to Broadway through its counsel via e-mail and to Broadway's President via overnight delivery at the company's home office address. (See Exhibit E, Kerner E-mail dated 9/21/18 at 3:30 p.m. with attached letter.) This letter advised that Broadway: a) has

been found by the Department to be in a hazardous financial condition; b) has failed to comply with demands for books and records; c) has failed, without request for extension or satisfactory reason for the failure, to file required Quarterly Financial Statements; and d) has failed to cooperate with the Department to address Broadway's hazardous financial condition. Ibid. Thus, the letter required the principals of Broadway to attend an in-person meeting with the Department one week later on November 28, 2018. Ibid.

53. On November 26, 2018, Broadway, by way of response through its counsel, advised the Department that "my client's [sic] and I cannot meet on such short notice. Please contact my office so we may arrange a convenient date." (See Exhibit E, Blender E-mail dated 9/26/18 at 1:09 p.m.) No reason for the inability to appear on the required date was provided, and no alternate dates to appear were suggested.

54. Broadway's refusal to produce the requested information, including filing of the statutorily required Quarterly Financial Statements, and to appear at the Department as requested, constitute additional hazardous financial conditions pursuant to N.J.A.C. 11:2-27.3(a)(13), and directly and unreasonably interferes with the ability of the Commissioner and the Department to examine Broadway's most current financial condition.

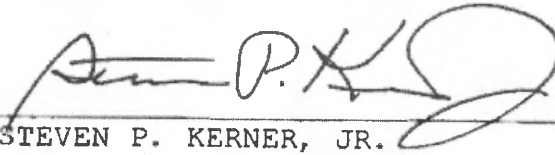
55. The refusal of an insurer to submit its books, records, accounts or affairs to the reasonable examination of the Commissioner constitutes separate and distinct grounds for rehabilitation under N.J.S.A. 17:30C-6(b).

THE NEED TO PLACE BROADWAY INTO REHABILITATION

56. For the above reasons as found by me and my staff in the Office of Solvency Regulation within the Department, and our office's recommendation, the Commissioner has determined that it is necessary and appropriate to place Broadway into rehabilitation pursuant to N.J.S.A. 17:30C-1 to -31 in order to protect its policyholders, creditors and the public at large.

57. Accordingly, the Commissioner has determined that Broadway must be placed into rehabilitation as soon as possible to limit the continuing deterioration of Broadway's financial condition and further depletion of its assets due to Broadway's hazardous financial condition. The necessity of Broadway's rehabilitation is exacerbated by Broadway's refusal to submit its books and records for examination and Broadway's admitted inability and refusal to comply with statutorily required Financial Statement filings.

I 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.



STEVEN P. KERNER, JR.
Assistant Commissioner
Office of Solvency Regulation

Dated: December 7th, 2018

EXHIBIT A
AUGUST 20, 2018
NJDOB&I LETTER TO
BROADWAY



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
OFFICE OF SOLVENCY REGULATION
PO BOX 325
TRENTON, NJ 08625-0325

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

PETER L. HARTT
Director

TEL (609) 292-5350
FAX (609) 292-6765

August 20, 2018

CONFIDENTIAL

Via E-Mail and Overnight Delivery

Veton Binakaj, President
Broadway Insurance and Surety Company, Inc.
155 Passaic Avenue, Suite 150
Fairfield, NJ 07004
Via Mr. Richard P. Blender, Esq.

Richard P. Blender, Esq.
100 Hamilton Plaza, Suite 1212
Paterson, NJ 07505
blenderlaw@verizon.net

Re: Broadway Action Items – Hazardous Financial Condition

Dear Sirs:

Broadway's 2017 Annual Financial Statement demonstrates that Broadway's reported Capital and Surplus is \$613,116, which is well-below the required statutory minimum Capital and Surplus of \$1,250,000. On this basis alone, the Department hereby finds that Broadway is in a Hazardous Financial Condition pursuant to N.J.A.C. 11:2-27.3(a). In addition, Broadway's Bail Bond Supplement and recent data from the Administrative Office of the Courts indicates that Broadway has significant potential liabilities in the form of posted bail bonds totaling approximately \$126.1 million and existing liabilities in judgments/forfeitures totaling approximately \$5.68 million. The Department has significant concerns regarding Broadway's viability given the market circumstances under the recent legislative changes along with the fact that Broadway is no longer actively writing, and its total adjusted capital has declined almost 64% from year-end 2016 to year-end 2017. The Department anticipates the need to take additional supervisory actions, including but not limited to, the placement of Broadway under administrative supervision pursuant to N.J.S.A. 17:51A-1 et seq.

As discussed with Mr. Blender, the Department is therefore requiring Broadway to produce the following books, records and information by the dates indicated below pursuant to N.J.S.A. 17:27A-5. No extensions of time shall be granted for these due dates absent good cause.

Financial Condition Examination – PRODUCTION REQUIREMENTS

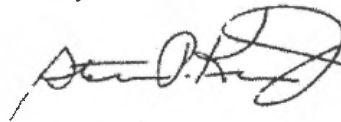
A) Items due by close of business, Friday, 8/24/18:

1. Confirmation in writing from Broadway that the company is not currently issuing bonds and provide the date when the last bond was posted;
2. List of the Names and Addresses of all contracted agents;
3. Spreadsheet of all current Build-Up Fund (BUF) balances maintained by Broadway and/or its agents by power number of the posted recognizance that indicates the following: Defendant name, County, Power #, Face Amount of Bail Bond, BUF held by Broadway, BUF held by Posting Agent, Collateral Held by Broadway, Collateral held by Posting Agent;
4. Spreadsheet with Itemization of Each and Totals for Each category of the following: All posted bail, All Forfeited bail, and All Judgments List of all currently posted bonds;
5. Quarterly Statement as of 6/30/18 (due to be filed on 8/15/18) with Bail Bond Supplement as of 6/30/18;
6. Copy of the most current Accounts Receivable Aging schedule for 2018; and
7. Balance Sheet and Income Statements for the past three months, May – July 2018, and statement of current balances in all depository and investment accounts.

B) Items due by close of business, Friday, 8/31/18:

1. Copy of All Agency Contracts;
2. Copies of any current reinsurance contracts;
3. Narrative description of current business plan, including current number of employees, their job duties, plans for ensuring continued capitalization to satisfy all liabilities; and
4. Copy of all Preclusion Letters issued by the AOC to Broadway since 1/1/18, accompanied by a spreadsheet indicating how each judgment was satisfied.

Sincerely,



Steven P. Kerner, Jr.
Assistant Commissioner

c: Marlene Caride, Commissioner
Peter L. Hartt, Director of Insurance
Kristine A. Maurer, Assistant Director of Insurance
Richard Schlesinger, Chief Insurance Examiner

John Sirovetz, Assistant Chief Insurance Examiner
Diane Opuda, CPA, Rotenberg Meril (on behalf of Broadway Ins. and Surety Co., Inc.

EXHIBIT B
BROADWAY'S AUGUST 23,
2018 AND AUGUST 31,
RESPONSES TO
AUGUST 20, 2018
NJDOB&I LETTER

Kerner, Steve

From: Richard Blender <blenderlaw@verizon.net>
Sent: Thursday, August 23, 2018 3:52 PM
To: Kerner, Steve
Cc: Caride, Marlene; Hartt, Peter; Maurer, Kristine; Schlesinger, Richard; Sirovetz, John
Subject: Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

my mistake, I obviously meant 2017; does that clarify it for you?

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
To: Richard Blender <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Sent: Thu, Aug 23, 2018 3:50 pm
Subject: RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, first and foremost, I hereby acknowledge receipt of your email and attachments. I do have an initial question concerning item number 1 below. The date shown does not appear to be correct. Please confirm. We will review the information and attachments you provided and will let you know, as soon as practicable, if we have any additional follow-up questions. Thank you for your response.

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance

From: Richard Blender <blenderlaw@verizon.net>
Sent: Thursday, August 23, 2018 3:36 PM
To: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Subject: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

In response to your request:

1. BISC is no longer writing bonds; the last bond approved and written by them was 11/7/18;
2. the names and address of current agents/agencies is attached;
3. the company accountant who prepares the financial reports, Diane Opuda, is on vacation this week, returning Monday; we will forward the information you requested by next Friday, August 31, 2018;
4. the Clerk of the Superior Court maintains a current list of open forfeitures (although as I explained to you that is not an accurate list, and many of those cases have already been vacated or otherwise addressed); attached is a copy of their present preclusion/judgment list;
5. same as number 3;
6. same as number 3; and
7. same as number 3.

Kindly advise if you need any additional information at this time, thank you for your courtesies.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>

To: Richard Blender <blenderlaw@verizon.net>

Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>

Sent: Mon, Aug 20, 2018 11:18 am

Subject: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, during the telephone conversation that took place on Friday, August 17, 2018, with Commissioner Caride, Assistant Director Kristine Maurer and myself, and as mentioned during that conversation, please find attached a pdf copy of the Department's letter. Please review the contents of the attached letter as soon as possible, and in particular, the list of requested items and related due dates. In addition, and as you suggested, please provide a copy of the attached letter to Mr. Binakaj, President of Broadway, at your earliest convenience. The Department will also be

sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions. Sincerely,

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance
(609) 292-5350 Ext. 50205

Kerner, Steve

From: Richard Blender <blenderlaw@verizon.net>
Sent: Friday, August 31, 2018 9:43 AM
To: Kerner, Steve
Cc: abinakaj@aaronbailbonds.net; vbinakaj@yahoo.com
Subject: [EXTERNAL] BISC Contracts with Liable Agents
Attachments: All Towne Bail Bonds Contract.pdf; Direct Bail Bonds Contract.pdf; Aaron Bail Bonds Contract.pdf; County Bail Bonds Contract.pdf

In accordance with your request attached are copies of the agency contracts presently in existence for Broadway.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

Kerner, Steve

From: Richard Blender <blenderlaw@verizon.net>
Sent: Friday, August 31, 2018 2:32 PM
To: Kerner, Steve
Cc: Caride, Marlene; Hartt, Peter; Maurer, Kristine; Schlesinger, Richard; Sirovetz, John
Subject: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

In addition to the information already provided:

1. Broadway does not have any reinsurance;
2. unfortunately an accurate business plan cannot be provided at this time, until monetary bail is returned to New Jersey; writing bail was their only source of income;
3. my office is responsible for answering preclusion notices issued by the AOC; my office does not retain copies once the Clerk of the Superior Court closes a list; as you know once a judgment is satisfied it is taken off the list; I previously sent you the most recent list;
4. my client does not have, an "Accounts Receivables Aging schedule for 2018;" and
5. there is no balance sheet for May-July, 2018, as Broadway had no income.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
To: Richard Blender <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Sent: Mon, Aug 20, 2018 11:18 am
Subject: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, during the telephone conversation that took place on Friday, August 17, 2018, with Commissioner Caride, Assistant Director Kristine Maurer and myself, and as mentioned during that conversation, please find attached a pdf copy of the Department's letter. Please review the contents of the attached letter as soon as possible, and in particular, the list of requested items and related due dates. In addition, and as you suggested, please provide a copy of the attached letter to Mr. Binakaj, President of Broadway, at your earliest convenience. The Department will also be sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions. Sincerely,

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance
(609) 292-5350 Ext. 50205

EXHIBIT C
NJDOB&I AUGUST 28,
2018 E-MAIL TO
BROADWAY AND
BROADWAY'S AUGUST 31,
2018 E-MAIL
RESPONSE RE:
"BAD DEBT"

Kerner, Steve

From: Richard Blender <blenderlaw@verizon.net>
Sent: Friday, August 31, 2018 2:30 PM
To: Kerner, Steve
Cc: Caride, Marlene; Hartt, Peter; Maurer, Kristine; Schlesinger, Richard; Sirovetz, John
Subject: Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

Below is the response we received from the company's accountant:

Regarding the bad debt expense, there was a bookkeeping entry recorded to establish a reserve on the Company's receivables. This offsets (reduces) the accounts receivable balance in an effort to be conservative and not misrepresent the company's assets to a financial statement user by including those receivables that are old and for which there is doubt about collection.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
To: Richard Blender <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Sent: Tue, Aug 28, 2018 10:55 am
Subject: RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

Mr. Blender, during the Department's initial review of the recently submitted 2017 Annual Statement for Broadway Insurance and Surety Company, we have determined that additional information is required. Accordingly, we noted the significant Bad Debt expenses that were incurred during the 4th Qtr. of 2017 and the related Note to Financial Statements disclosure. I have attached a pdf copy of Pages 4 and 14.1 from the filed Annual Statement for your reference. The amounts in question are highlighted.

Given the material negative impact that this accounting entry had on Calendar Year 2017 operating results, the Department respectfully requests a detailed explanation of the facts involved in recording this entry.

This detailed explanation should include the following information:

1) For the related party loan receivable of \$1.1 million: a) the date the Debt was originated, b) the business purpose for the Debt, c) the name(s) and addresses of the Debt holders, d) the reason and the date that the Debt was declared doubtful and lastly, e) the likelihood of recovery of the full amount due.

2) For the \$777,243 of the premiums receivable from Aaron Bail bonds, an aging schedule of the premiums due and the likelihood of recovery of the full amount due.

Due to the significant impact of these amounts, the Department respectfully requests that the Company provide these details, together with the other previously requested and outstanding information, **no later than the close of business on Friday, August 31, 2018.**

Please acknowledge receipt of this email. Let me know if you have any questions concerning this additional information request.

Sincerely,

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance
(609) 292-5350 Ext. 50205

From: Richard Blender <blenderlaw@verizon.net>
Sent: Thursday, August 23, 2018 3:52 PM
To: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Subject: Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

my mistake, I obviously meant 2017; does that clarify it for you?

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
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-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
To: Richard Blender <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Sent: Thu, Aug 23, 2018 3:50 pm
Subject: RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, first and foremost, I hereby acknowledge receipt of your email and attachments. I do have an initial question concerning item number 1 below. The date shown does not appear to be correct. Please confirm. We will review the information and attachments you provided and will let you know, as soon as practicable, if we have any additional follow-up questions. Thank you for your response.

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance

From: Richard Blender <blenderlaw@verizon.net>
Sent: Thursday, August 23, 2018 3:36 PM
To: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Subject: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

In response to your request:

1. BISC is no longer writing bonds; the last bond approved and written by them was 11/7/18;
2. the names and address of current agents/agencies is attached;
3. the company accountant who prepares the financial reports, Diane Opuda, is on vacation this week, returning Monday; we will forward the information you requested by next Friday, August 31, 2018;
4. the Clerk of the Superior Court maintains a current list of open forfeitures (although as I explained to you that is not an accurate list, and many of those cases have already been vacated or otherwise addressed); attached is a copy of their present preclusion/judgment list;
5. same as number 3;
6. same as number 3; and
7. same as number 3.

Kindly advise if you need any additional information at this time, thank you for your courtesies.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505

telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>

To: Richard Blender <blenderlaw@verizon.net>

Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>

Sent: Mon, Aug 20, 2018 11:18 am

Subject: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, during the telephone conversation that took place on Friday, August 17, 2018, with Commissioner Caride, Assistant Director Kristine Maurer and myself, and as mentioned during that conversation, please find attached a pdf copy of the Department's letter. Please review the contents of the attached letter as soon as possible, and in particular, the list of requested items and related due dates. In addition, and as you suggested, please provide a copy of the attached letter to Mr. Binakaj, President of Broadway, at your earliest convenience. The Department will also be sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions. Sincerely,

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance
(609) 292-5350 Ext. 50205

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	474,717	745,012
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	(74,677)	(9,349)
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	(12,446)	(1,558)
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	296,032	378,297
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	208,909	367,390
7. Net income of protected cells	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	265,808	377,622
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,282	(53)
10. Net realized capital gains (losses) less capital gains tax of \$ (Exhibit of Capital Gains (Losses))	0	0
11. Net investment gain (loss) (Lines 9 + 10)	1,282	(53)
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ charged off \$ amount)	0	0
13. Finance and service charges not included in premiums	0	0
14. Aggregate write-ins for miscellaneous income	(1,905,847)	0
15. Total other income (Lines 12 through 14)	(1,905,847)	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,638,757)	377,569
17. Dividends to policyholders	0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(1,638,757)	377,569
19. Federal and foreign income taxes incurred	46,702	129,873
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,685,459)	247,696
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,703,887	1,419,063
22. Net income (from Line 20)	(1,685,459)	247,696
23. Net transfers (to) from Protected Cell accounts	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	0	0
25. Change in net unrealized foreign exchange capital gain (loss)	0	0
26. Change in net deferred income tax	348,734	2,037
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	245,954	35,091
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	0	0
29. Change in surplus notes	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0
31. Cumulative effect of changes in accounting principles	0	0
32. Capital changes:		
32.1 Paid in	0	0
32.2 Transferred from surplus (Stock Dividend)	0	0
32.3 Transferred to surplus	0	0
33. Surplus adjustments:		
33.1 Paid in	0	0
33.2 Transferred to capital (Stock Dividend)	0	0
33.3 Transferred from capital	0	0
34. Net remittances from or (to) Home Office	0	0
35. Dividends to stockholders	0	0
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)	0	0
37. Aggregate write-ins for gains and losses in surplus	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(1,090,771)	284,824
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	613,116	1,703,887
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401. Income earned on tax overpayment	0	0
1402. Bad Debt Expense	(1,905,847)	0
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,905,847)	0
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0

STATEMENT AS OF DECEMBER 31, 2017 OF THE BROADWAY INSURANCE & SURETY COMPANY INC.

- I. Working Capital Finance Investments
Not applicable.
- J. Offsetting and Netting of Assets and Liabilities
Not applicable.
- K. Structured Notes
Not applicable.
- 6. Joint Ventures, Partnerships and Limited Liability Companies
Not applicable.
- 7. Investment Income
Not applicable.
- 8. Derivative Instruments
Not applicable.
- 9. Income Taxes

A. The components of the net deferred tax asset/(liability) are as follows:

	December 31, 2017		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 403,563	\$ -	\$ 403,563
(b) Statutory Valuation Allowance Adjustments	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ 403,563	\$ -	\$ 403,563
(d) Deferred Tax Assets Nonadmitted	\$ 403,563	\$ -	\$ 403,563
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ -	\$ -	\$ -
(f) Deferred Tax Liabilities	\$ -	\$ -	\$ -
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ -	\$ -	\$ -

	December 31, 2016		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 54,829	\$ -	\$ 54,829
(b) Statutory Valuation Allowance Adjustments	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ 54,829	\$ -	\$ 54,829
(d) Deferred Tax Assets Nonadmitted	\$ 54,829	\$ -	\$ 54,829
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ -	\$ -	\$ -
(f) Deferred Tax Liabilities	\$ -	\$ -	\$ -
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ -	\$ -	\$ -

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 348,734	\$ -	\$ 348,734
(b) Statutory Valuation Allowance Adjustments	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ 348,734	\$ -	\$ 348,734
(d) Deferred Tax Assets Nonadmitted	\$ 348,734	\$ -	\$ 348,734
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ -	\$ -	\$ -
(f) Deferred Tax Liabilities	\$ -	\$ -	\$ -
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ -	\$ -	\$ -

(1)	(2)	(3)
December 31, 2017	December 31, 2016	(Col 1-2) Change

2. Deferred Tax Assets:

(a) Ordinary			
(1) Discounting of unpaid losses	\$ -	\$ -	\$ (24,716)
(2) Unearned premium reserve	\$ 1,982	\$ 26,698	\$ (24,716)
(3) Policyholder reserves	\$ 8,734	\$ 43,763	\$ (35,029)
(4) Investments	\$ -	\$ -	\$ -
(5) Deferred acquisition costs	\$ -	\$ -	\$ -
(6) Policyholder dividends accrual	\$ -	\$ -	\$ -
(7) Fixed assets	\$ -	\$ -	\$ -
(8) Compensation and benefits accrual	\$ (7,381)	\$ (15,632)	\$ 8,251
(9) Pension accrual	\$ -	\$ -	\$ -
(10) Receivables - nonadmitted	\$ -	\$ -	\$ -
(11) Net operating loss carry-forward	\$ -	\$ -	\$ -
(12) Tax credit carry-forward	\$ -	\$ -	\$ -
(13) Other (Bad Debt Allowance)	\$ 400,228	\$ -	\$ 400,228
(99) Subtotal	\$ 403,563	\$ 54,829	\$ 348,734
(b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c) Nonadmitted	\$ 403,563	\$ 54,829	\$ 348,734
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ -	\$ -	\$ -

B. Current income taxes incurred consist of the following major components:

	Change		
	(1) December 31, 2017	(2) December 31, 2016	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ 46,702	\$ 129,873	\$ (83,171)
(b) Foreign	\$ -	\$ -	\$ -
(c) Subtotal	\$ 46,702	\$ 129,873	\$ (83,171)
(d) Federal income tax on net capital gains	\$ -	\$ -	\$ -
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ 46,702	\$ 129,873	\$ (83,171)

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships
100% of Broadway Insurance & Surety Company Inc. stock is held by Binakaj Family Holding Company, Inc. Binakaj Family Holding Company is held 50% by Veton Binakaj and 50% by Shpresa Binakaj. Aaron Bail Bonds, Inc. is a non-insurance affiliate of Broadway Insurance & Surety Company and with its subagents, is currently the Company's primary bail bond agent. Aaron Bail Bonds is owned 50% by Veton Binakaj and 50% by Shpresa Binakaj. See Schedule Y for more information.

B. Detail of Transactions Greater than 0.5% of Admitted Assets
100% of the Company's direct premiums written and earned premiums are from its related party, Aaron Bail Bonds.

C. Change in Terms of Intercompany Arrangements
Not applicable.

D. Amounts due to / from Related Parties
At the financial statement date, gross receivables from Aaron Bail Bonds were \$777,243 for premiums and \$4,636 for collateral. In addition, the Company had a related party loan receivable of \$1,123,968. These receivables were fully reserved due to the possibility that these amounts would not be collected.

EXHIBIT D
NJDOB&I SEPTEMBER 14,
2018 E-MAIL TO
BROADWAY AND
BROADWAY'S SEPTEMBER
28, 2018 E-MAIL
RESPONSE

Kerner, Steve

From: Richard Blender <blenderlaw@verizon.net>
Sent: Friday, September 28, 2018 9:21 AM
To: Kerner, Steve
Cc: Caride, Marlene; Hartt, Peter; Maurer, Kristine; Zimmerman, Justin; Schlesinger, Richard; Sirovetz, John
Subject: Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017
Attachments: preclusion.pdf

I have reviewed your request with my client. They believe they have already provided you with this information and documents. The financial position of the company has not significantly changed for some time, as no new business has been written for almost two years. At the present time my client cannot afford to keep paying an accountant to complete these financial forms. Attached is the latest preclusion notice we received dated September 17, 2018; the response is due October 2, 2018. Kindly advise if you need any additional information.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
To: Richard Blender <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Zimmerman, Justin <justin.zimmerman@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Sent: Fri, Sep 14, 2018 2:27 pm
Subject: FW: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

Mr. Blender – We acknowledge partial receipt of the requested documentation in response to my letter dated, August 20, 2018, and the documentation requested in my supplemental email, dated August 28, 2018. We are reviewing the items submitted; however, it appears that some of the requested documentation is still outstanding. Please advise as to the status of the following items and note that we are also requesting provision of some additional follow-up. We

request receipt of these no later than Wednesday, September 26, 2018, or as indicated below. Thank you for your attention to this matter.

1. Quarterly Statement as of 6/30/18 (due to be filed on 8/15/18) with Bail Bond Supplement as of 6/30/18 – This item is significantly overdue.
2. List of the Names and Addresses of all contracted agents – Please advise if the list provided is for all currently contracted agents. If there are prior agencies that are no longer contracted with Broadway, please provide a list of those terminated/expired agencies. Also, please advise whether the list provided includes all agencies, whether directly contracted with Broadway or contracted as sub-agents through Aaron’s Bail bonds. If there are sub-agents contracted through Aaron’s (either current or historical) that were not provided on the list, please provide a supplemental list and contracts for those agents.
3. Spreadsheet of all current Build-Up Fund (BUF) balances - Spreadsheets were provided as follows for the BUF Account Summary by bail bond for 2 of 4 currently contracted agencies (Direct Bail Bonds and All-Towne Bail Bonds) and for the Collateral by bail bond as held by Aaron Bail Bonds. Please provide the following outstanding items, or statements as to why the following information is not available:
 - a) BUF Summary for County Bail or Aaron Bail;
 - b) Accounting of collateral held by agencies other than Aaron; and,
 - c) Accounting of BUF held by Broadway, which according to the 2017 Bail Bond Supplement filed with the Annual Statement in July 2018 contains \$66,295.
3. Balance Sheet and Income Statements for the past three months, May – July 2018, and statement of current balances in all depository and investment accounts. You have indicated that there is “no balance sheet for May - July 2018” and that there is no income for Broadway pending a change in NJ law. The Department is inquiring because, even if Broadway is not receiving premium or actively writing business, there should be activity or transactions that occurred since January 1, 2018, if only to record interest income earned or received, or incurred expenses – such as rent, utilities, payment of employees, satisfaction of judgments, etc. Please provide statements for all deposit and investment accounts held by Broadway for 2018 to date, in lieu of the balance sheet and income statements.
4. As to the receivables written off in the 2017 Annual Statement. Our review has indicated that Broadway’s response does not provide the necessary level of detail to perform an adequate review. Please respond to the following questions: A) For the loan of \$1.1 million - i) the date the Debt originated, ii) the business purpose for the Debt, iii) the name(s) and addresses of the Debt holders, and iv) the reason and the date that the Debt was declared doubtful; and B) For the Aaron’s premium receivable totaling \$777,243 – i) the reason for why recovery of the full amount was declared doubtful and the presence of any agreements between Aaron’s and Broadway in this regard, including copies of same.
5. A copy of the AOC’s next preclusion list and Broadway’s response expected by the end of September 2018.

Thank you for your attention to this matter.

Steve Kerner
Assistant Commissioner
NJDOBI
(609) 292-5350 Ext. 50205

From: Kerner, Steve
Sent: Tuesday, August 28, 2018 10:56 AM
To: 'Richard Blender' <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John

<John.Sirovetz@dobi.nj.gov>

Subject: RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18 - Request for Additional Details concerning Bad Debt Expense reported for 2017

Importance: High

Mr. Blender, during the Department's initial review of the recently submitted 2017 Annual Statement for Broadway Insurance and Surety Company, we have determined that additional information is required. Accordingly, we noted the significant Bad Debt expenses that were incurred during the 4th Qtr. of 2017 and the related Note to Financial Statements disclosure. I have attached a pdf copy of Pages 4 and 14.1 from the filed Annual Statement for your reference. The amounts in question are highlighted.

Given the material negative impact that this accounting entry had on Calendar Year 2017 operating results, the Department respectfully requests a detailed explanation of the facts involved in recording this entry.

This detailed explanation should include the following information:

1) For the related party loan receivable of \$1.1 million: a) the date the Debt was originated, b) the business purpose for the Debt, c) the name(s) and addresses of the Debt holders, d) the reason and the date that the Debt was declared doubtful and lastly, e) the likelihood of recovery of the full amount due.

2) For the \$777,243 of the premiums receivable from Aaron Bail bonds, an aging schedule of the premiums due and the likelihood of recovery of the full amount due.

Due to the significant impact of these amounts, the Department respectfully requests that the Company provide these details, together with the other previously requested and outstanding information, **no later than the close of business on Friday, August 31, 2018.**

Please acknowledge receipt of this email. Let me know if you have any questions concerning this additional information request.

Sincerely,

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance
(609) 292-5350 Ext. 50205

From: Richard Blender <blenderlaw@verizon.net>

Sent: Thursday, August 23, 2018 3:52 PM

To: Kerner, Steve <Steve.Kerner@dobi.nj.gov>

Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>

Subject: Re: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

my mistake, I obviously meant 2017; does that clarify it for you?

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212

Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
To: Richard Blender <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Sent: Thu, Aug 23, 2018 3:50 pm
Subject: RE: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, first and foremost, I hereby acknowledge receipt of your email and attachments. I do have an initial question concerning item number 1 below. The date shown does not appear to be correct. Please confirm. We will review the information and attachments you provided and will let you know, as soon as practicable, if we have any additional follow-up questions. Thank you for your response.

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance

From: Richard Blender <blenderlaw@verizon.net>
Sent: Thursday, August 23, 2018 3:36 PM
To: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>
Subject: [EXTERNAL] Re: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

In response to your request:

1. BISC is no longer writing bonds; the last bond approved and written by them was 11/7/18;
2. the names and address of current agents/agencies is attached;
3. the company accountant who prepares the financial reports, Diane Opuda, is on vacation this week, returning Monday; we will forward the information you requested by next Friday, August 31, 2018;
4. the Clerk of the Superior Court maintains a current list of open forfeitures (although as I explained to you that is not an accurate list, and many of those cases have already been vacated or

otherwise addressed); attached is a copy of their present preclusion/judgment list;

5. same as number 3;

6. same as number 3; and

7. same as number 3.

Kindly advise if you need any additional information at this time, thank you for your courtesies.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>

To: Richard Blender <blenderlaw@verizon.net>

Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Hartt, Peter <Peter.Hartt@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>

Sent: Mon, Aug 20, 2018 11:18 am

Subject: Broadway - Haz. Fin Condition and Demand Ltr - 8-20-18

Dear Mr. Blender, during the telephone conversation that took place on Friday, August 17, 2018, with Commissioner Caride, Assistant Director Kristine Maurer and myself, and as mentioned during that conversation, please find attached a pdf copy of the Department's letter. Please review the contents of the attached letter as soon as possible, and in particular, the list of requested items and related due dates. In addition, and as you suggested, please provide a copy of the attached letter to Mr. Binakaj, President of Broadway, at your earliest convenience. The Department will also be sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions. Sincerely,

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance
(609) 292-5350 Ext. 50205

EXHIBIT E
NJDOB&I NOVEMBER 21,
2018 LETTER TO
BROADWAY AND
BROADWAY'S NOVEMBER
26, 2018 E-MAIL
RESPONSE



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

PO BOX 325

TRENTON, NJ 08625-0325

TEL (609) 292-5350

FAX (609) 292-6765

PHIL MURPHY

Governor

SHEILA OLIVER

Lt. Governor

MARLENE CARIDE

Commissioner

November 21, 2018

CONFIDENTIAL

Via E-Mail and Overnight Delivery

Veton Binakaj, President
Broadway Insurance and Surety Company, Inc.
155 Passaic Avenue, Suite 150
Fairfield, NJ 07004
Via Mr. Richard P. Blender, Esq.

Richard P. Blender, Esq.
100 Hamilton Plaza, Suite 1212
Paterson, NJ 07505
blenderlaw@verizon.net

Re: **Broadway Insurance and Surety Company, Inc. - Hazardous Financial Condition**

Dear Sirs:

As previously communicated, the Department continues to have serious and significant concerns regarding Broadway Insurance and Surety Company's going concern capability. The Department has found Broadway to be a hazardous financial condition because Broadway has failed to maintain required minimum Capital and Surplus. Additionally, Broadway has failed to comply with demands for various books and records pursuant to N.J.S.A. 17:27A-5, including, but not limited to, its failure to provide the Department with details or copies of specifically requested documentation (for example, copies of Bank Statements, BUF account records, etc.) Moreover, Broadway has failed, without request for extension or satisfactory reason for the failure, to file its Quarterly Financial Statements as of June 30, 2018 and September 30, 2018. These subsequent events also constitute separate and distinct grounds for finding the company to be in a hazardous financial condition pursuant to N.J.A.C. 11:2-27.3. This continued failure to cooperate with the Department to address Broadway's hazardous financial condition is very concerning.

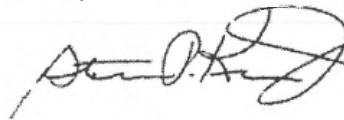
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Accordingly, the Department requires the principals of Broadway, and any other company representatives as appropriate, to attend a meeting with the Department, in person our offices in Trenton, New Jersey, on **Wednesday, November 28, 2018, at 3:30 p.m.**

Please acknowledge receipt of this letter as soon as possible, but no later than Monday, November 26, 2018, at 5:00 p.m. and provide a list of Broadway's attendees. Thank you for your immediate attention to this matter.

Sincerely,



Steven P. Kerner, Jr.
Assistant Commissioner

All cc's via e-mail only.

c: Marlene Caride, Commissioner
Kristine A. Maurer, Assistant Director of Insurance
Richard Schlesinger, Chief Insurance Examiner
John Sirovetz, Assistant Chief Insurance Examiner
Raymond R. Chance, III, Assistant Attorney General
Nicholas Kant, Deputy Attorney General – Assistant Section Chief
William B. Puskas, Jr., Deputy Attorney General
Diane Opuda, CPA, Rotenberg Meril (on behalf of Broadway Ins. and Surety Co.)

Kerner, Steve

From: Richard Blender <blenderlaw@verizon.net>
Sent: Monday, November 26, 2018 1:09 PM
To: Kerner, Steve
Cc: Caride, Marlene; Maurer, Kristine; Zimmerman, Justin; Schlesinger, Richard; Sirovetz, John; Brennan, Christopher; Raymond.Chance@law.njoag.gov; Nicholas.Kant@law.njoag.gov; dgiordano@rmsbg.com
Subject: [EXTERNAL] Re: Broadway - Haz. Fin Condition - Meeting Request on 11/28/18

Unfortunately my client's and I cannot meet on such short notice. Please contact my office so we may arrange a convenient date. Thank you.

Richard P. Blender, Esq.
100 Hamilton Plaza, suite 1212
Paterson, NJ 07505
telephone: (973) 279-2227
facsimile: (973) 279-3892

-----Original Message-----

From: Kerner, Steve <Steve.Kerner@dobi.nj.gov>
To: Richard Blender <blenderlaw@verizon.net>
Cc: Caride, Marlene <marlene.caride@dobi.nj.gov>; Maurer, Kristine <Kristine.Maurer@dobi.nj.gov>; Zimmerman, Justin <justin.zimmerman@dobi.nj.gov>; Schlesinger, Richard <Richard.Schlesinger@dobi.nj.gov>; Sirovetz, John <John.Sirovetz@dobi.nj.gov>; Brennan, Christopher <Christopher.Brennan@dobi.nj.gov>; Raymond Chance <Raymond.Chance@law.njoag.gov>; Nicholas Kant <Nicholas.Kant@law.njoag.gov>; 'dgiordano@rmsbg.com' <dgiordano@rmsbg.com>
Sent: Wed, Nov 21, 2018 3:30 pm
Subject: Broadway - Haz. Fin Condition - Meeting Request on 11/28/18

Dear Mr. Blender, I have attached a letter from the Department requesting a face to face meeting here in Trenton, on Wednesday, November 28, 2018 at 3:30 p.m., to meet with representatives of the Department to discuss the Hazardous Financial Condition of Broadway Insurance and Surety Company, Inc. Please provide a copy of the attached letter to Mr. Binakaj, President of Broadway, at your earliest convenience. The Department will also be sending a hard copy of the attached letter via overnight express to the Company's Home Office address, to the attention of Mr. Binakaj. Feel free to contact me if there are any questions.

Sincerely,

Steve Kerner
Assistant Commissioner
New Jersey Department of Banking and Insurance
(609) 292-5350 Ext. 50205