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FIRST SEALORD SURETY, INC.  
(In LIQUIDATION)

On February 8, 2012, the Commonwealth Court of Pennsylvania ordered First Sealord Surety, Inc. ("FSSI") into liquidation. The Court appointed Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, as the Statutory Liquidator and ordered the Liquidator to take possession of FSSI's property and liquidate its business. Deputy Insurance Commissioner, Joseph DiMemmo, oversees the liquidation on the Commissioner's behalf.

As part of FSSI's underwriting of certain surety bonds, FSSI required bonded Principals to execute Disbursing Agreements. In connection with each Disbursing Agreement, the Principal and the associated Obligee agreed to send the Principal's progress payments directly to FSSI for deposit into a separate bank account (the "Disbursing Account"), from which FSSI would disburse progress payments to the Principal and/or Project Creditors, in accordance with the Disbursing Agreement and related exhibits thereto. A significant number of these Disbursing Accounts currently have balances remaining and, of these, some have current, outstanding distribution requests for payments to the Principal and/or Project Creditors.

The Liquidator has determined that the FSSI estate does not have the staffing resources to continue the administration of the Disbursing Agreements and related Disbursing Accounts. Since these duties cannot be performed by the Liquidator itself, the Liquidator intends return to Obligees those project fund checks forwarded to FSSI but not yet negotiated, which are received on and after February 9, 2012. The process of returning these checks will be conducted as soon as practical and will be subject to a determination that, for each returned check: (1) the Principal entitled to payment owes FSSI no current obligations, and (2) no claims arising before the expected date of returning funds to the Obligee have been filed or are reasonably anticipated against FSSI under the bonds associated with the applicable Disbursing Agreement.

With regard to deposits made to the Disbursing Accounts before February 9, 2012, where open balances remain, it is the Liquidator's position that such funds are not general assets of the FSSI estate, except when the contractual or common law subrogation, indemnity or exoneration rights of FSSI may apply to such funds. The Liquidator is required to account for these assets in his possession and is developing a process to distribute funds to the associated Principals and Obligees and conclude the Disbursing Agreements, as appropriate. In addition to other requirements, the return of Disbursing Account funds to the associated Principals and Obligees will be conditioned upon the agreement from the Principal and Obligee that the returned funds will be applied to payment for the Principal and Project Creditors, as defined in the Disbursing Agreement, or otherwise applied for the reduction of liabilities which exist or may accrue under the bonds issued by FSSI.

Currently, the Liquidator is working to create a procedure to document and secure the proper disbursement of funds from the Disbursing Accounts, and to conclude the Disbursement Agreements. The Liquidator understands the urgent need for an appropriate procedure to conclude these agreements and, as appropriate, return project funds to Principals and Obligees, and is diligently working to finalize this procedure.

Update February 29, 2012:

The Liquidator has taken control of all Disbursing Accounts that are tied to bonds issued by FSSI. These accounts will be retained at Bancorp where they resided prior to the liquidation order. In addition, the Liquidator has initiated procedures for the closing of accounts and the return of any remaining balance.

Disbursing Accounts with balances of \$300 or under will be handled in an expeditious manner to save expense. These Disbursing Accounts will be closed out directly with the Principal who will receive a brief accounting of the closing and a check for any funds remaining.

On the remaining Disbursing Accounts, the Liquidator is seeking the submission of Affidavits from both the Principal and Oblige along with information on unpaid bills and other obligations that may be due on the bonded project. Letters from the Liquidator along with the Affidavits are being issued and forwarded to the Principal and Oblige. The issuance of these is ongoing but hoped to be completed in the coming week or two. The Liquidator requests your patience and asks that inquiries regarding non-receipt of this correspondence be held for two weeks. Inquiries should be made in writing or by email to:

Bureau of Liquidation Claims  
Pennsylvania Insurance Department  
Office of Liquidations, Rehabilitations and Special Funds  
901 N. 7<sup>th</sup> Street – Room 200  
Harrisburg, PA 17102

[Ra-In-Claims@pa.gov](mailto:Ra-In-Claims@pa.gov)

The final close out of accounts is anticipated to begin next week. The Liquidator has a significant number accounts to review and is diligently seeking to close as quickly as possible with the limited resources available. Your continued patience is appreciated and the Liquidator will endeavor to keep you posted on its progress though this webpage. /