

Collateral Release Update: October 23, 2012

With the passing of the claims filing deadline of October 5, 2012, the Liquidator has determined that an amendment to the process and requirements for release of collateral as published on the webpage under Collateral Release Information is warranted.

Prior to liquidation, First Sealord Surety, Inc., issued an addendum to its Collateral Agreements titled, Instructions for Return of Collateral. This document provided the guidelines the Company (FSSI) would use for consideration of the release of collateral. The Liquidator is adopting these guidelines into the procedure utilized to address requests to release collateral, which also includes considerations related to the liquidation process. A copy of the Instructions for Return of Collateral is posted on the Pennsylvania Insurance Department website.

1. The following elements are required to be met for each bond issued by First Sealord Surety, Inc.:  
The expiration of a minimum of ninety (90) days after the bonded Principal completes its responsibilities. This includes, but is not limited to all punch list items, under any and all bonded contracts to the 100% satisfaction of the bond Oblige(e)s).

Such final date of completion can be evidenced by:

- a. *General Status Inquiry signed by the Oblige(e) (form attached) and/or,*
- b. *Documentation of final payment—a final pay application and check from Oblige(e).*

2. The bonded Principal has been paid 100% for all work under any and all bonded contracts.

Such evidence of final payment should include:

- c. *a. Copy of the final pay application; and*
- d. *b. Copy of check from Oblige(e) which ties to the final pay application.*

3. The Liquidator has received written verification from the bond Oblige(e) that Nos. 1 and 2 above have been satisfied.

Such evidence from the Oblige(e) on the bonds shall include:

- e. *Status Inquiry signed by the Oblige(e) (includes statements as to 1 & 2) or*
- f. *Letter from the Oblige(e) confirming that 1 & 2 are completed*

4. The Liquidator receives a Contractor's Affidavit from the bonded Principal.

Such evidence should be provided on the form attached

- g. *Contractors Affidavit completed, executed and notarized (form attached)*

5. The Liquidator may also, at its discretion, demand verification of payment, as well as the full release of claims and liens, of all subcontractors, suppliers, vendors and the like from the bonded Principal

Such evidence could include:

- h. *Schedule of project accounts payable, and*
- i. *Full & final lien releases from each vendor and subcontractor*

6. Collateral for miscellaneous bonds will be held for a period of time extending beyond the effective date of the termination or cancellation of the bond, but not less than six months.

7. The Liquidator in its sole discretion has determined that there is no exposure whatsoever of any kind or nature with respect to any bond or instrument issued by the Company (FSSI) on behalf of or for the benefit of the bonded Principal. *The Liquidator will look to the whole packet and documents submitted and if there are items that seem to indicate potential problems we will hold collateral until resolved.*

In addition to the above the Liquidator will examine whether:

- a) Notice of the Liquidation of First Sealord Surety, Inc., was sent to appropriate parties;
- b) Whether any unresolved claims filed pre-liquidation petition still exist under the bond;
- c) Whether any Proofs of Claim have been filed against the estate of First Sealord Surety, Inc.;
- d) Whether any premium or other obligations are still owed to the estate of First Sealord Surety, Inc., by the Principal.

If the collateral is not released, further consideration of release will not be made by the Liquidator until after the passing of the Bar Date unless previously unsupplied information is provided to the Liquidator in support of a pending request to release collateral. A Bar Date has not been established at this time.