

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Michael F. Consedine,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
Plaintiff

v.

First Sealord Surety, Inc.
789 E. Lancaster Avenue
Suite 200
Villanova, PA 19085,

Defendant

Docket No. 1 FSS 2012

RECEIVED
COMMONWEALTH COURT OF PENNSYLVANIA
-6 FEB 2012 15 29

COMPLAINT
(PETITION FOR ORDER OF LIQUIDATION)

INTRODUCTION

1. By this action, Plaintiff, Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, seeks an order of liquidation of First Sealord Surety, Inc. (hereinafter "Defendant" or "First Sealord") and its business and affairs pursuant to Article V of the Insurance Department Act of 1921, Act of May 19, 1921, P.L. 789, as amended, 40 P.S. §§ 221.1-221.63 (the "Act"), on the grounds of First Sealord's consent to liquidation.

JURISDICTION

2. Jurisdiction over this case is founded upon 42 Pa.C.S. §761(a) and Section 504(d) of the Insurance Department Act of 1921, supra, 40 P.S. § 221.4(d).

PARTIES

3. Plaintiff is Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, acting in his official capacity (“Commissioner”). Plaintiff has his principal office at 1326 Strawberry Square, Harrisburg State Office Building No. 1, Harrisburg, Pennsylvania 17120.

4. Plaintiff is charged with the execution of the laws of the Commonwealth of Pennsylvania in relation to insurance for the protection of policyholders, creditors, and the public generally.

5. Defendant, First Sealord Surety, Inc., a domestic stock property and casualty insurance company, is organized pursuant to the laws of the Commonwealth of Pennsylvania, and has its principal place of business at 789 E. Lancaster Avenue, Suite 200, Villanova, Pennsylvania 19085.

6. First Sealord is authorized to write lines of business under the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, Section 202(c), 40 P.S. § 382(c)(1), fidelity and surety.

7. First Sealord is, and at all material times has been, engaged in the lines of insurance described in Paragraph 6, supra.

8. First Sealord is, and at all material times has been, subject to examination by and to the jurisdiction of the Commissioner.

GROUND FOR LIQUIDATION:

CONSENT

9. Under 40 P.S. §§ 221.14, 221.19 and 221.20(b), an order of liquidation may be entered upon written consent of the insurer if:

The board of directors of the holders of a majority of the shares entitled to vote, or a majority of those individuals entitled to the control of those entities specified in section 502 [40 P.S. § 221.2 (relating to Persons covered)], request or consent to rehabilitation under this article.

40 P.S. § 221.14(12) (order of rehabilitation may be issued based upon consent); 40 P.S. § 221.19 (order of liquidation may be issued on same grounds as order of rehabilitation); 40 P.S. § 221.20(b) (liquidation orders issued pursuant to a written consent of the insurer).

10. On February 4, 2012, the sole shareholder of First Sealord consented to the entry of an Order of Liquidation. A true and correct copy of the Certificate of the Secretary of First Sealord Surety, Inc. ("Certificate"), dated February 5, 2012, is attached to this petition as Exhibit A and incorporated herein by reference. A true and correct copy of the supporting Affidavit of Gary L. Bragg, Esq. ("Affidavit") is attached to this petition as Exhibit B and incorporated here by reference.

11. Similarly, on February 5, 2012, First Sealord's Board of Directors unanimously consented to the entry of an Order of Liquidation. *See* Certificate and Affidavit.

12. On February 5, 2012, pursuant to the unanimous consent of the Board of Directors and the consent of the Sole Shareholder of First Sealord, Gary Bragg Esq., Secretary of First Sealord, executed a Consent to Order of Liquidation waiving First Sealord's right to a hearing under 40 P.S. § 221.20(b). A true and correct copy of the

Consent to Order of Liquidation is attached to this petition as Exhibit C and incorporated herein by reference.

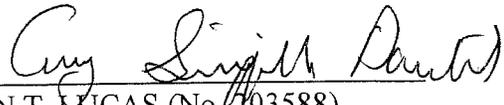
13. The consent of First Sealord's board of directors and sole shareholder provides independent and sufficient grounds for entry of an Order of Liquidation.

RELIEF

WHEREAS, Plaintiff Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, respectfully requests that this Honorable Court enter the attached Order of Liquidation.

Respectfully submitted,

DATED: 02/06/2012


YEN T. LUCAS (No. 203588)
Chief Counsel
AMY GRIFFITH DAUBERT (No. 62064)
Deputy Chief Counsel
JODI A. FRANTZ (No. 84727)
Department Counsel
Pennsylvania Insurance Department
1341 Strawberry Square
Harrisburg, PA 17120
(717) 787-2567

Counsel for Michael F. Consedine,
Insurance Commissioner of the
Commonwealth of Pennsylvania

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

MICHAEL F. CONSEDINE,
INSURANCE COMMISSIONER OF THE
COMMONWEALTH OF PENNSYLVANIA,

Plaintiff

v.

FIRST SEALORD SURETY, INC.,

Defendant

No. _____

ORDER OF LIQUIDATION

AND NOW, this ___ day of _____, upon consideration of the Petition for Liquidation of First Sealord Surety, Inc. ("First Sealord") filed by Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, on _____ and any responses thereto, it is hereby **ORDERED** that:

1. The Petition for Liquidation is **GRANTED**, and First Sealord is ordered to be **LIQUIDATED** pursuant to Article V of The Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, *as amended*, 40 P.S. §§221.1 – 221.63 ("Article V").
2. Insurance Commissioner Michael F. Consedine and his successors in office are hereby **APPOINTED** Statutory Liquidator of First Sealord and directed to take possession of First Sealord's property, business and affairs in accordance with Article V.
3. The Liquidator is hereby **VESTED** with all the powers, rights and duties authorized under Article V and other applicable statutes and regulations.

ASSETS OF THE ESTATE

4. The Liquidator is vested with title to all property, assets, contracts and rights of actions ("assets") of First Sealord of whatever nature and wherever located, as of the date of filing of the Petition for Liquidation. All assets of First Sealord are hereby found to be *in*

custodia legis of this Court and this Court asserts jurisdiction as follows: (a) *in rem* jurisdiction over all assets of First Sealord wherever they may be located and regardless of whether they are held in the name of First Sealord or in any other name; (b) exclusive jurisdiction over all determinations as to whether assets belong to First Sealord or to another party; (c) exclusive jurisdiction over all determinations of the validity and amounts of claims against First Sealord; and (d) exclusive jurisdiction over the determination of the priority of all claims against First Sealord.

5. The filing or recording of this Order with the Clerk of the Commonwealth Court or with the Recorder of Deeds of the county in which First Sealord's principal office or place of business is located (Delaware County), shall impart the same notice as is imparted by any deed, bill of sale or other evidence of title duly filed or recorded with that Recorder of Deeds.

6. The Liquidator is directed to take possession of all assets that are the property of First Sealord.

7. The Liquidator is directed to continue telephone, data-processing, water, electric, sewage, garbage, delivery, trash removal and utility services needed by the estate of First Sealord by establishing a new account for the Liquidator as of the date of this Order.

8. First Sealord's directors, officers and employees shall: (a) surrender peaceably to the Liquidator the premises where First Sealord conducts its business; (b) deliver all keys or access codes thereto and to any safe deposit boxes; (c) advise the Liquidator of the combinations and access codes of any safe or safekeeping devices of First Sealord or any password or authorization code or access code required for access to data processing equipment; and (d) deliver and surrender peaceably to the Liquidator all the assets, books, records, files, credit cards, and other property of First Sealord in their possession or control, wherever located,

and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

9. First Sealord's directors, officers and employees are enjoined from taking any action, without approval of the Liquidator, to transact further business on behalf of First Sealord. They are further enjoined from taking any action that would waste the assets of First Sealord or would interfere with the Liquidator's efforts to wind up the affairs of First Sealord.

10. Except as otherwise provided in this Order, executory contracts to which First Sealord is a party to as of the date of this Order may be affirmed or disavowed by the Liquidator.

11. All banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of First Sealord, shall, unless otherwise instructed by the Liquidator, deliver the possession of the same immediately to the Liquidator, and shall not disburse, convey, transfer, pledge, assign, hypothecate, encumber or in any manner dispose of the same without the prior written consent of, or unless directed in writing by, the Liquidator.

12. All persons and entities are enjoined from disposing of or destroying any records pertaining to any transactions between First Sealord and any party.

13. The amount recoverable by the Liquidator from any reinsurer shall not be reduced as a result of this Order of Liquidation, regardless of any provision in a reinsurance contract or other agreement. Payment made directly by the reinsurer to an insured or other creditor of First Sealord shall not diminish the reinsurer's obligation to First Sealord, except to the extent provided by law.

TERMINATION OF POLICIES

14. Any First Sealord surety bond, surety undertaking or policy still in force at the time of the Liquidation will continue only until the earlier of the following: (1) thirty (30) days after the entry of this order; (2) the expiration of the bond, undertaking or policy by its own terms; or (3) the date when the obligee or insured replaces the surety bond, surety undertaking or policy with equivalent coverage in another reinsurer or surety, or otherwise terminates the policy.

PROOF OF CLAIM FILING

15. All claims against the estate of First Sealord, together with proper proof thereof, shall be filed on or before _____. No person shall participate in any distribution of the assets of First Sealord unless his, her or its claim has been filed with the Liquidator in accordance with the time limit established by the Liquidator, subject to the provisions for the late filing of claims pursuant to Section 537 of Article V, 40 P.S. §221.37.

16. No judgment or order against First Sealord or its insureds entered after the date of filing of the Petition for Liquidation, and no judgment or order against First Sealord or its insureds entered at any time by default or by collusion, will be considered as evidence of liability or quantum of damages by the Liquidator in evaluating a claim against the estate of First Sealord.

17. In addition to the notice requirements of Section 524 of Article V, 40 P.S. §221.24, the Liquidator shall publish notice in newspapers of general circulation, where First Sealord has its principal places of business, and in the national edition of a national publication such as USA Today that: (a) specifies the last day for the filing of claims; (b) explains the procedure by which claims may be submitted to the Liquidator; (c) provides the address of the Liquidator's office for the submission of claims; and (d) notifies the public of the right to present a claim, or claims, to the Liquidator.

18. Within thirty (30) days of giving notice of the order of liquidation, as set forth in Section 524 of Article V, 40 P.S. §221.24, and of the procedures for filing claims against the estate of First Sealord, the Liquidator shall file a compliance report with the Court noting, in reasonable detail, the date that and manner by which these notices were given.

ADMINISTRATIVE EXPENSES

19. The Liquidator shall pay as costs and expenses of administration pursuant to Section 544 of Article V, 40 P.S. §221.44, the actual, reasonable and necessary costs of preserving or recovering the assets of First Sealord.

20. Distribution of the assets of First Sealord in payment of the costs and expenses of estate administration including, but not limited to, compensation for services of employees and professional consultants, such as attorneys, actuaries and accountants, shall be made under the direction and approval of the Court. This includes reimbursement to the Pennsylvania Insurance Department for expenses it has incurred in compensating professional consultants, attorneys and other persons it has engaged on behalf of First Sealord for the preservation of its assets.

STAY OF LITIGATION

21. Unless the Liquidator consents thereto in writing, no action at law or in equity, including, but not limited to, an arbitration or mediation, the filing of any judgment, attachment, garnishment, lien or levy of execution process against First Sealord or its assets, shall be brought against First Sealord or the Liquidator or against any of their employees, officers or liquidation officers for acts or omissions in their capacity as employees, officers or liquidation officers of First Sealord or the Liquidator, whether in this Commonwealth or elsewhere, nor shall any such existing action be maintained or further prosecuted after the effective date of this Order. All above-enumerated actions currently pending against First

Sealord in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed; relief sought in these actions shall be pursued by filing a proof of claim against the estate of First Sealord pursuant to Section 538 of Article V, 40 P.S. §221.38.

22. All secured creditors or parties, pledges, lienholders, collateral holders or other person claiming secured, priority or preferred interests in any property or assets of First Sealord are hereby enjoined from taking any steps whatsoever to transfer, sell, assign, encumber, attach, dispose of, or exercise, purported rights in or against any property or assets of First Sealord except as provided in 40 P.S. §221.43.

, Judge

EXHIBIT A

CERTIFICATE OF THE SECRETARY
OF
FIRST SEALORD SURETY, INC.

I, Gary L. Bragg, do certify as follows:

1. I am the duly elected, qualified and acting Secretary of First Sealord Surety, Inc., a Pennsylvania corporation (the "Corporation").

2. The following resolutions were adopted by the Board of Directors of the Corporation by unanimous written consent on February 5, 2012. Such resolutions have not been amended or repealed and remain in full force and effect.

RESOLVED, that the Board of Directors of First Sealord Surety, Inc., a Pennsylvania domiciled insurance company (the "Corporation"), based on the request of Deputy Commissioner Stephen J. Johnson, CPA of the Pennsylvania Insurance Department (the "PID"), and on advice of counsel to the Corporation, and as approved by Sealord Holdings, Inc. and Sealord LLC, the direct and indirect shareholders of the Corporation, has determined that it is in the best interest of the Corporation to consent to the PID's request for voluntary liquidation of the Corporation, and such consent is hereby given; and further

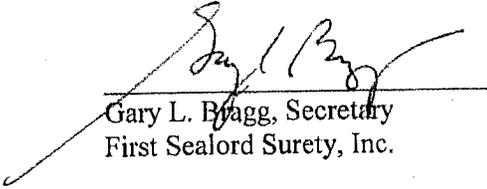
RESOLVED, that the corporate secretary, Gary L. Bragg, Esq., is authorized and directed to execute in the name and on behalf of the Corporation, the Consent to Entry of Order of Liquidation evidencing the foregoing resolution; and further

RESOLVED, that the corporate secretary and each other officer is authorized and directed to execute and deliver such other and further documents and to take such other and further action as may be necessary or desirable to carry out the foregoing resolutions.

3. The following resolutions were adopted by the sole shareholder of the Corporation by unanimous written consent on February 4, 2012. Such resolutions have not been amended or repealed and remain in full force and effect.

RESOLVED, that as the sole shareholder of First Sealord Surety, Inc. a Pennsylvania domiciled insurance company ("Surety"), the Board of Directors of Sealord Holdings, Inc. (the "Corporation"), based on the request of Deputy Commissioner Stephen J. Johnson, CPA of the Pennsylvania Insurance Department (the "PID"), and on advice of counsel to the Corporation, has determined that it is in the best interest of Surety to consent to the PID's request for voluntary liquidation of Surety, and such consent is hereby given.

IN WITNESS WHEREOF, I have set my hand on this 5th day of February, 2012.



Gary L. Bragg, Secretary
First Sealord Surety, Inc.

EXHIBIT B

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

**MICHAEL F. CONSEDINE,
INSURANCE COMMISSIONER
OF THE COMMONWEALTH OF
PENNSYLVANIA,**

Plaintiff

v.

FIRST SEALORD SURETY, INC.,

Defendant

AFFIDAVIT OF GARY L. BRAGG

COMMONWEALTH OF PENNSYLVANIA ;
; ss.
COUNTY OF BUCKS ;

Before the undersigned Notary Public did appear **Gary L. Bragg** who upon being duly sworn did depose and says as follows:

1. My name is Gary L. Bragg. I am over the age of 18 years and am competent to give this Affidavit. Each of the statements contained herein are of my own personal knowledge.

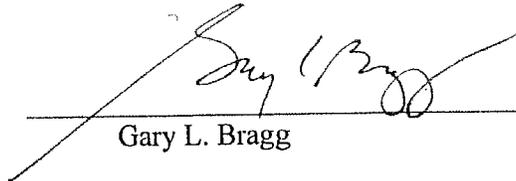
2. I am the Secretary of First Sealord Surety, Inc., a Pennsylvania domiciled insurance company ("First Sealord"), and have held such office since 1991. As Secretary, I am familiar with and have knowledge of the actions of the sole shareholder of First Sealord, Sealord Holdings, Inc. ("Holdings"), and of the Board of Directors of First Sealord. In addition, I am familiar with and have knowledge of the actions of the sole shareholder of Holdings, Sealord LLC ("LLC"), for which I also serve as Secretary.

3. The sole shareholder of First Sealord, acting through its sole director, the Board of Directors of First Sealord, and the Board of Managers and all of the Class A and Class B

members of LLC, unanimously approved the resolutions consenting to liquidation of First Sealord attached hereto as Exhibit A (the "Corporate Approvals").

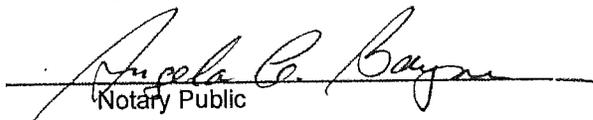
4. The Corporate Approvals were obtained via e-mails attached hereto as Exhibit B pursuant to the resolutions permitting execution in any number of counterparts by fax or electronic signature, each of which shall be an original and taken together shall constitute one and the same instrument.

FURTHER AFFIANT SAYETH NOT.



Gary L. Bragg

SWORN TO AND SUBSCRIBED BEFORE ME
this 6th day of February, 2012.



Notary Public

My Commission Expires: 6/7/15

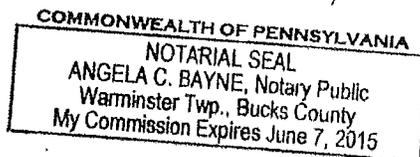


EXHIBIT A

Corporate Approvals
(3 pages)

SEALORD LLC

RESOLUTIONS OF THE BOARD OF MANAGERS AND MEMBERS

February 4, 2012

Class A Managers
& Members

Edmond Villani
Markus Rohrbasser
Nicholas Bratt

Class B
Managers

None

Class B
Members

Ken Brier
Ted Drauschak
Joel Cooperman

RESOLVED, that all of the members and managers of Sealord LLC (the "Company") which is the indirect owner of First Sealord Surety, Inc., a Pennsylvania domiciled insurance company ("Surety"), based on the request of Deputy Commissioner Stephen J. Johnson, CPA of the Pennsylvania Insurance Department (the "PID"), and on advice of counsel to the Company, has determined that it is in the best interest of Surety to consent to the PID's request for voluntary liquidation of Surety, and such consent is hereby authorized as required under the Amended and Restated Limited Liability Company Agreement of the Company dated April 4, 2003; and further

RESOLVED, that this Unanimous Consent of Managers and Members may be executed in any number of counterparts by fax or electronic signature, each of which shall be an original and taken together shall constitute one and the same instrument.

SEALORD HOLDINGS, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

February 4, 2012

Ted Drauschak

RESOLVED, that as the sole shareholder of First Sealord Surety, Inc. a Pennsylvania domiciled insurance company ("Surety"), the Board of Directors of Sealord Holdings, Inc. (the "Corporation"), based on the request of Deputy Commissioner Stephen J. Johnson, CPA of the Pennsylvania Insurance Department (the "PID"), and on advice of counsel to the Corporation, has determined that it is in the best interest of Surety to consent to the PID's request for voluntary liquidation of Surety, and such consent is hereby given; and further

RESOLVED, that this Unanimous Consent of Directors may be executed in any number of counterparts by fax or electronic signature, each of which shall be an original and taken together shall constitute one and the same instrument.

FIRST SEALORD SURETY, INC.
RESOLUTIONS OF THE BOARD OF DIRECTORS

February 4, 2012

Nicholas Bratt
Joel Cooperman

Markus Rohrbasser
Ted Drauschak

RESOLVED, that the Board of Directors of First Sealord Surety, Inc., a Pennsylvania domiciled insurance company (the "Corporation"), based on the request of Deputy Commissioner Stephen J. Johnson, CPA of the Pennsylvania Insurance Department (the "PID"), and on advice of counsel to the Corporation, and as approved by Sealord Holdings, Inc. and Sealord LLC, the direct and indirect shareholders of the Corporation, has determined that it is in the best interest of the Corporation to consent to the PID's request for voluntary liquidation of the Corporation, and such consent is hereby given; and further

RESOLVED, that the corporate secretary, Gary L. Bragg, Esq., is authorized and directed to execute in the name and on behalf of the Corporation, a Consent to Entry of Order of Liquidation evidencing the foregoing resolution; and further

RESOLVED, that the corporate secretary and each other officer is authorized and directed to execute and deliver such other and further documents and to take such other and further action as may be necessary or desirable to carry out the foregoing resolutions; and further

RESOLVED, that this Unanimous Consent of Directors may be executed in any number of counterparts by fax or electronic signature, each of which shall be an original and taken together shall constitute one and the same instrument.

EXHIBIT B

E-Mail Approvals

[See attached 6 pages]

Gary Bragg

From: Nicholas.Bratt@[REDACTED]
Sent: Saturday, February 04, 2012 7:51 PM
To: Gary Bragg; Edmond VILLANI; Markus ROHRBASSER; Ted DRAUSCHAK; Joel COOPERMAN; Ken Brier
Cc: [REDACTED]
Subject: Re: First Sealord Surety, Inc. - Consent to Liquidation (#1)

I accept and approve the two attached Unanimous Consents of Directors and Members.

Nicholas Bratt.

Sent from my BlackBerry Handheld.

From: "Gary Bragg" [gbragg@[REDACTED]]
Sent: 02/04/2012 04:43 PM EST
To: ed.villani@[REDACTED]; "Mr. Markus Rohrbasser"@[REDACTED]; Nicholas Bratt; "Ted Drauschak"@[REDACTED]; "Joel Cooperman"@[REDACTED]; "Ken Brier"@[REDACTED]
Cc: [REDACTED]
Subject: First Sealord Surety, Inc. - Consent to Liquidation (#1)

[REDACTED]

Gentlemen:

Consent to Liquidation of First Sealord Surety, Inc. (FSSI): Yesterday Deputy Commissioner Stephen Johnson of the Pennsylvania Insurance Department held a conference call to state his position and request that FSSI consent to liquidation. [REDACTED]

This action requires the approval of the Boards of Directors of FSSI and its sole shareholder, Sealord Holdings, Inc., and of the Board of Managers and Class A and Class B members of Sealord LLC, the resolutions for which are attached.

Please let us know if there are any questions.

Please signify your acceptance of the attached Unanimous Consents of Directors and Members by replying to this e-mail as soon as possible that you APPROVE.

As always, thanks.

Regards.

Gary

Gary Bragg

From: Joel Cooperman, [REDACTED]
Sent: Saturday, February 04, 2012 7:46 PM
To: Gary Bragg
Subject: Re: First Sealord Surety, Inc. - Consent to Liquidation (#1)

I approve.

Joel Cooperman
Sent from my iPhone

On Feb 4, 2012, at 4:43 PM, "Gary Bragg" [REDACTED] wrote:

[REDACTED]
[REDACTED]

Gentlemen:

Consent to Liquidation of First Sealord Surety, Inc. (FSSI): Yesterday Deputy Commissioner Stephen Johnson of the Pennsylvania Insurance Department held a conference call to state his position and request that FSSI consent to liquidation. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

This action requires the approval of the Boards of Directors of FSSI and its sole shareholder, Sealord Holdings, Inc., and of the Board of Managers and Class A and Class B members of Sealord LLC, the resolutions for which are attached.

Please let us know if there are any questions.

Please signify your acceptance of the attached Unanimous Consents of Directors and Members by replying to this e-mail as soon as possible that you APPROVE.

As always. thanks.

Regards.

Gary

Gary L. Bragg, Esq.
O'Neill, Bragg & Staffin, P.C.
Attorneys-at-Law
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

B-3

Gary Bragg

From: Ted Drauschak [REDACTED]
Sent: Saturday, February 04, 2012 5:06 PM
To: Gary Bragg
Subject: Re: First Sealord Surety, Inc. - Consent to Liquidation (#1)

I approve

Ted Drauschak

Ted

Sent from my iPhone

On Feb 4, 2012, at 4:43 PM, "Gary Bragg" [REDACTED] wrote:

[REDACTED]

Gentlemen:

Consent to Liquidation of First Sealord Surety, Inc. (FSSI): Yesterday Deputy Commissioner Stephen Johnson of the Pennsylvania Insurance Department held a conference call to state his position and request that FSSI consent to liquidation. [REDACTED]

[REDACTED]

This action requires the approval of the Boards of Directors of FSSI and its sole shareholder, Sealord Holdings, Inc., and of the Board of Managers and Class A and Class B members of Sealord LLC, the resolutions for which are attached.

Please let us know if there are any questions.

Please signify your acceptance of the attached Unanimous Consents of Directors and Members by replying to this e-mail as soon as possible that you APPROVE.

As always. thanks.

Regards.

Gary

Gary L. Bragg, Esq.
O'Neill, Bragg & Staffin, P.C.
Attorneys-at-Law

B-4

Gary Bragg

From: rohrbasser markus [REDACTED]
Sent: Sunday, February 05, 2012 12:58 PM
To: Gary Bragg
Cc: [REDACTED]
Subject: Re: First Sealord Surety, Inc. - Consent to Liquidation (#1)

Gary,

I herewith

Consent to Liquidation of First Sealord Surety, Inc. (FSSI)

as proposed in your e mails of yesterday.

Markus

On Feb 5, 2012, at 12:24 PM, Gary Bragg wrote:

Consent to Liquidation of First Sealord Surety, Inc. (FSSI)

Gary Bragg

From: edmond villani [REDACTED]
Sent: Sunday, February 05, 2012 8:45 AM
To: Gary Bragg
Cc: Mr. Markus Rohrbasser; Nicholas Bratt; Ted Drauschak; Joel Cooperman; Ken Brier;
Subject: Re: First Sealord Surety, Inc. - Consent to Liquidation (#1)

I approve.

Edmond D Villani

On Sat, Feb 4, 2012 at 10:43 PM, Gary Bragg [REDACTED] wrote:

[REDACTED]
[REDACTED]

Gentlemen:

Consent to Liquidation of First Sealord Surety, Inc. (FSSI): Yesterday Deputy Commissioner Stephen Johnson of the Pennsylvania Insurance Department held a conference call to state his position and request that FSSI consent to liquidation. [REDACTED]
[REDACTED]
[REDACTED]

This action requires the approval of the Boards of Directors of FSSI and its sole shareholder, Sealord Holdings, Inc., and of the Board of Managers and Class A and Class B members of Sealord LLC, the resolutions for which are attached.

Please let us know if there are any questions.

Please signify your acceptance of the attached Unanimous Consents of Directors and Members by replying to this e-mail as soon as possible that you APPROVE.

As always. thanks.

B-6

Gary Bragg

From: Ken Brier [REDACTED]
Sent: Sunday, February 05, 2012 3:26 PM
To: Gary Bragg
Subject: Consent

Gary, I as a class B member, approve the Resolution regarding the consent to liquidation of First Sealord Surety, Inc.

Warm Regards,
Ken

Sent from my iPad

B-7

EXHIBIT C

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Michael F. Consedine,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
Plaintiff

v.

First Sealord Surety, Inc.
789 E. Lancaster Avenue, Suite 200
Villanova, PA 19085,
Defendant

Docket No. _____

CONSENT TO ENTRY OF ORDER OF LIQUIDATION

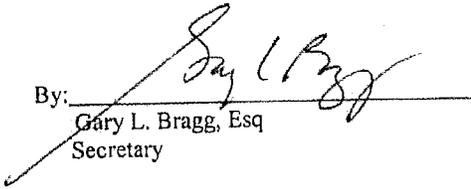
1. First Sealord Surety, Inc. ("First Sealord"), pursuant to the resolutions of its Board of Directors and Shareholder adopted February 4 and 5, 2012 (Exhibits A and B, respectively), hereby agrees and consents to the terms of the attached Order of Liquidation (Exhibit C), to be entered by the Commonwealth Court in accordance with the Insurance Department Act of 1921, P.L. 789, as amended, 40 P.S. § 221.1—221.63.

2. First Sealord consents to the entry of the Order of Liquidation on the terms contained in said Order, which are incorporated herein by reference.

3. First Sealord hereby waives its rights to service of the Petition for Liquidation and to any hearing before the Insurance Commissioner or the Commonwealth Court with respect to the Order of Liquidation as provided for in Section 520 of the Insurance Department Act of 1921, 40 P.S. § 221.20, or any other sections or acts.

4. First Sealord agrees that this consent is voluntary, made with advice of counsel, and with full knowledge and understanding of the consequences of the entry of the Order of Liquidation.

FIRST SEALORD SURETY, INC.

By: 
Gary L. Bragg, Esq
Secretary

DATED: February 5, 2012

EXHIBIT A

FIRST SEALORD SURETY, INC.

Resolutions of Board of Directors

RESOLVED, that the Board of Directors of First Sealord Surety, Inc., a Pennsylvania domiciled insurance company (the "Corporation"), based on the request of Deputy Commissioner Stephen J. Johnson, CPA of the Pennsylvania Insurance Department (the "PID"), and on advice of counsel to the Corporation, and as approved by Sealord Holdings, Inc. and Sealord LLC, the direct and indirect shareholders of the Corporation, has determined that it is in the best interest of the Corporation to consent to the PID's request for voluntary liquidation of the Corporation, and such consent is hereby given; and further

RESOLVED, that the corporate secretary, Gary L. Bragg, Esq., is authorized and directed to execute in the name and on behalf of the Corporation, a Consent to Entry of Order of Liquidation evidencing the foregoing resolution; and further

RESOLVED, that the corporate secretary and each other officer is authorized and directed to execute and deliver such other and further documents and to take such other and further action as may be necessary or desirable to carry out the foregoing resolutions.

EXHIBIT B

FIRST SEALORD SURETY, INC.

Resolutions of Sole Shareholder

RESOLVED, that as the sole shareholder of First Sealord Surety, Inc. a Pennsylvania domiciled insurance company ("Surety"), the Board of Directors of Sealord Holdings, Inc. (the "Corporation"), based on the request of Deputy Commissioner Stephen J. Johnson, CPA of the Pennsylvania Insurance Department (the "PID"), and on advice of counsel to the Corporation, has determined that it is in the best interest of Surety to consent to the PID's request for voluntary liquidation of Surety, and such consent is hereby given.

EXHIBIT C

Order of Liquidation

[See attached.]

of this Court and this Court asserts jurisdiction as follows: (a)*in rem* jurisdiction over all assets of FSS wherever they may be located and regardless of whether they are held in the name of FSS or in any other name; (b)exclusive jurisdiction over all determinations as to whether assets belong to FSS or to another party; (c)exclusive jurisdiction over all determinations of the validity and amounts of claims against FSS; and (d)exclusive jurisdiction over the determination of the priority of all claims against FSS.

5. The filing or recording of this Order with the Clerk of the Commonwealth Court or with the Recorder of Deeds of the county in which FSS's principal office or place of business is located (Delaware County), shall impart the same notice as is imparted by any deed, bill of sale or other evidence of title duly filed or recorded with that Recorder of Deeds.

6. The Liquidator is directed to take possession of all assets that are the property of FSS.

7. The Liquidator is directed to continue telephone, data-processing, water, electric, sewage, garbage, delivery, trash removal and utility services needed by the estate of FSS by establishing a new account for the Liquidator as of the date of this Order.

8. FSS's directors, officers and employees shall: (a) surrender peaceably to the Liquidator the premises where FSS conducts its business; (b) deliver all keys or access codes thereto and to any safe deposit boxes; (c) advise the Liquidator of the combinations and access codes of any safe or safekeeping devices of FSS or any password or authorization code or access code required for access to data processing equipment; and (d) deliver and surrender peaceably to the Liquidator all the assets, books, records, files, credit cards, and other property of FSS in their possession or control, wherever located, and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

9. FSS's directors, officers and employees are enjoined from taking any action, without approval of the Liquidator, to transact further business on behalf of FSS. They are further enjoined from taking any action that would waste the assets of FSS or would interfere with the Liquidator's efforts to wind up the affairs of FSS.

10. Except as otherwise provided in this Order, executory contracts to which FSS is a party to as of the date of this Order may be affirmed or disavowed by the Liquidator.

11. All banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of FSS, shall, unless otherwise instructed by the Liquidator, deliver the possession of the same immediately to the Liquidator, and shall not disburse, convey, transfer, pledge, assign, hypothecate, encumber or in any manner dispose of the same without the prior written consent of, or unless directed in writing by, the Liquidator.

12. All persons and entities are enjoined from disposing of or destroying any records pertaining to any transactions between FSS and any party.

13. The amount recoverable by the Liquidator from any reinsurer shall not be reduced as a result of this Order of Liquidation, regardless of any provision in a reinsurance contract or other agreement. Payment made directly by the reinsurer to an insured or other creditor of FSS shall not diminish the reinsurer's obligation to FSS, except to the extent provided by law.

TERMINATION OF POLICIES

14. Any FSS surety bond, surety undertaking or policy still in force at the time of the Liquidation will continue only until the earlier of the following: (1) thirty (30) days after the entry of this order; (2) the expiration of the bond, undertaking or policy by its own terms; or

(3) the date when the obligee or insured replaces the surety bond, surety undertaking or policy with equivalent coverage in another reinsurer or surety, or otherwise terminates the policy.

PROOF OF CLAIM FILING

15. All claims against the estate of FSS, together with proper proof thereof, shall be filed on or before _____. No person shall participate in any distribution of the assets of FSS unless his, her or its claim has been filed with the Liquidator in accordance with the time limit established by the Liquidator, subject to the provisions for the late filing of claims pursuant to Section 537 of Article V, 40 P.S. §221.37.

16. No judgment or order against FSS or its insureds entered after the date of filing of the Petition for Liquidation, and no judgment or order against FSS or its insureds entered at any time by default or by collusion, will be considered as evidence of liability or quantum of damages by the Liquidator in evaluating a claim against the estate of FSS.

17. In addition to the notice requirements of Section 524 of Article V, 40 P.S. §221.24, the Liquidator shall publish notice in newspapers of general circulation, where FSS has its principal places of business, and in the national edition of a national publication such as USA Today that: (a)specifies the last day for the filing of claims; (b)explains the procedure by which claims may be submitted to the Liquidator; (c)provides the address of the Liquidator's office for the submission of claims; and (d)notifies the public of the right to present a claim, or claims, to the Liquidator.

18. Within thirty (30) days of giving notice of the order of liquidation, as set forth in Section 524 of Article V, 40 P.S. §221.24, and of the procedures for filing claims against the estate of FSS, the Liquidator shall file a compliance report with the Court noting, in reasonable detail, the date that and manner by which these notices were given.

ADMINISTRATIVE EXPENSES

19. The Liquidator shall pay as costs and expenses of administration pursuant to Section 544 of Article V, 40 P.S. §221.44, the actual, reasonable and necessary costs of preserving or recovering the assets of FSS.

20. Distribution of the assets of FSS in payment of the costs and expenses of estate administration including, but not limited to, compensation for services of employees and professional consultants, such as attorneys, actuaries and accountants, shall be made under the direction and approval of the Court. This includes reimbursement to the Pennsylvania Insurance Department for expenses it has incurred in compensating professional consultants, attorneys and other persons it has engaged on behalf of FSS for the preservation of its assets.

STAY OF LITIGATION

21. Unless the Liquidator consents thereto in writing, no action at law or in equity, including, but not limited to, an arbitration or mediation, the filing of any judgment, attachment, garnishment, lien or levy of execution process against FSS or its assets, shall be brought against FSS or the Liquidator or against any of their employees, officers or liquidation officers for acts or omissions in their capacity as employees, officers or liquidation officers of FSS or the Liquidator, whether in this Commonwealth or elsewhere, nor shall any such existing action be maintained or further prosecuted after the effective date of this Order. All above-enumerated actions currently pending against FSS in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed; relief sought in these actions shall be pursued by filing a proof of claim against the estate of FSS pursuant to Section 538 of Article V, 40 P.S. §221.38.

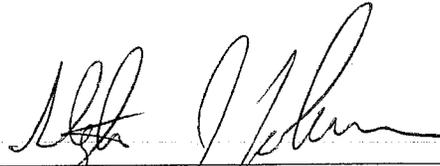
22. All secured creditors or parties, pledges, lienholders, collateral holders or other person claiming secured, priority or preferred interests in any property or assets of FSS are hereby enjoined from taking any steps whatsoever to transfer, sell, assign, encumber, attach,

dispose of, or exercise, purported rights in or against any property or assets of FSS except as provided in 40 P.S. §221.43.

, Judge

VERIFICATION

I verify that the statements made in the within Complaint (Petition for Liquidation) are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).



Stephen J. Johnson, C.P.A.
Deputy Insurance Commissioner