

**IN THE COMMONWEALTH COURT OF PENNSYLVANIA**

IN RE: First Sealord Surety, Inc., :  
In Liquidation : No. 1 FSS 2012

**REPORT OF THE LIQUIDATOR  
ON THE STATUS OF THE LIQUIDATION OF  
FIRST SEALORD SURETY, INC. AS OF DECEMBER 31, 2013**

**I. INTRODUCTION**

Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator (“Liquidator”) of First Sealord Surety, Inc. (“FSSI” or “Estate”), through his undersigned counsel, hereby submits this Report on the status of the liquidation of FSSI for the period from January 1, 2013 through December 31, 2013 (“Report”).

**II. REPORT**

**A. Financial Statements.**

FSSI has prepared Special Purpose Statements of: Assets, Liabilities and Deficit (Exhibit A); Reconciliation of Equity and Deficit (Exhibit B); and Cash Flows and Changes in Cash (Exhibit C); and Statement of Operations (Exhibit D), for the period from January 1, 2013 through December 31, 2013 and February 8, 2012 to December 31, 2013 (“Statements”). The Statements include estimates as noted below and may not fully reflect the effects of the

liquidation upon some assets and liabilities. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty as to the ultimate distribution that will be made from FSSI.

The Statements and Cash Flow Statement are addressed in more detail in sections 1 through 6 below.

**1. Special Purpose Assets, Liabilities and Deficit and Reconciliation of Equity and Deficit – EXHIBITS A – B.**

As of December 31, 2013, the attached Special Purpose Statements of Assets, Liabilities and Deficit shows estimated total assets were \$5,596,189.

**a. Cash and Cash Equivalents.**

FSSI had cash and cash equivalents of \$1,918,995 as of December 31, 2013. See Exhibit C — Statement of Cash Flows and Changes in Cash, for reconciliation between opening and ending cash and cash equivalent balances.

**b. Premium Receivable.**

As of December 31, 2013, approximately \$84,254 in premiums, net of allowance, remains outstanding from agents on bonds issued by the company prior to liquidation. At the time of liquidation, this balance was approximately \$2,232,000 million. During 2013, the Liquidator collected \$5,746 in agents' balances. The Liquidator continues to pursue the collection of these funds through internal efforts as well as coordinating collection through other third parties. However, because collection is considered uncertain at this time the Liquidator has established an allowance for doubtful accounts that reduces the amount estimated as collectable by \$850,160.

**c. Inter-company Receivables.**

FSSI was a wholly owned subsidiary of Sealord Holdings, Inc. FSSI holds a note from Sealord Holdings, Inc. with a remaining balance of \$4.275 million. The status of Sealord Holdings is unknown to the Liquidator at this time. Therefore, the Liquidator has established a valuation loss reserve amounting to 100% of the asset value. Also, FSSI recorded in December 2010 an intercompany balance related to Federal Income Taxes Recoverable from an affiliate in the amount of \$81,736. This amount has not been recovered and is part of another intercompany account balance totaling \$90,475 at the date of liquidation. A valuation loss reserve of 100% has also been established for this account. Accordingly, these inter-company receivable assets are not listed as of December 31, 2013.

**d. Reinsurance Recoverable.**

The company maintains reinsurance under several treaties with reinsurers. All of the affected reinsurers have agreed to rescind the treaty year effective on July 1, 2011, resulting in a return of premium to FSSI of approximately \$924,398. Other reinsurance recoverables in the amount of \$1,089,055 were billed to reinsurers on other, early treaty years.

**e. State Deposits.**

There is \$1,214,143 in state deposits.

**f. Salvage and Subrogation Recoveries.**

FSSI has entered into an agreement with Kazlow and Fields, LLC, a collections firm, to collect the available Salvage and Subrogation, on a contingent fee basis. In addition, FSSI has engaged a former employee of the company as a consultant and he is also collecting subrogation and salvage for the estate. The total gross amount for 2013 was \$647,315. Since inception of the

liquidation the estate has collected \$1,353,459. The estimated amount net of fees remaining to be collected is approximately \$151,237.

**2. Liabilities – EXHIBITS A.**

Total estimated liabilities at December 31, 2013, were \$46,168,687. FSSI liquidation expenses are class (a) first priority payments under the Insurance Department Act of 1921, 40 P.S. §221.1 et seq. (“Act”), as are certain guaranty association (“GA”) expenses, to the extent permitted by the Act. Both Liquidator and GA expenses will be paid before distributions to other lower class creditors. As of December 31, 2013, there was \$113,260 in reserves for unpaid Liquidator administrative expenses and \$211,886 GA administrative expenses.

However, the most significant liability is the \$45,611,644 assigned to priority class (e) claims. This category includes direct surety benefits reported by the GAs as paid \$701,667 and reserves of \$2,587,749. As of December 31, 2013, FSSI’s liability for non-guaranty fund NODs accepted was \$33,075,179. In addition, the Liquidator estimated other reserves of \$9,247,052 to include the value of POCs in excess of the GAs limits or uncovered by the GAs and for claims not yet fully developed. (Note: These POCs are treated at full value unless NODs are issued for lesser amounts.)

**a. Priority Class A.**

The Operating Statement Analysis, attached as Exhibit D, lists \$967,834 of Liquidator administrative operating expenses incurred by FSSI for 2013. Total administrative expenses since inception of the liquidation amounted to \$3,018,135.

**b. Priority Classes below Class E.**

Also included in total liabilities are estimated liabilities for proofs of claim (“POC”) assigned to priority classifications below class (e), which total \$231,893.

**3. Special Purpose Statement of Operations – EXHIBIT D.**

Attached is the Special Purpose Statement of Operations for the year 2013, which reports FSSI experienced an operating gain of \$31,531,488 due mainly to the release, or revision of Class (e) Liquidator reserves. Since the date of liquidation and through December 31, 2013 FSSI reflects a net loss of \$46,157,156.

**4. Operating Expense Analysis.**

The operating expenses of FSSI relate to efforts by the Liquidator to marshal and maximize the assets of the Estate for the benefit of all FSSI surety bond claimants and creditors, as well as to review and determine the ultimate liabilities of the Estate, to fulfill the public policies and purposes of the Act and the liquidation process, and to investigate and hold accountable those third parties alleged to have contributed to the insolvency of FSSI. Additional significant time was allocated to the disposition of managed escrow funds and collateral held as additional security in the form of cash and Irrevocable Letters of Credit as of the date of liquidation.

The attached Special Purpose Statement of Operations indicates the total dollar amount for each major expense category for the year 2013, as well as the inception of the liquidation. As detailed in the Statement of Operations and supporting schedules, the administrative expenses of FSSI for the period since inception of the liquidation totaled \$3,018,135. GA incurred operating expenses are reported cumulatively on Exhibit G.

**a. Legal Fees.**

Attached as Exhibit E is a schedule containing the legal expense detail by entity.

**b. Professional Services Expenses.**

Attached as Exhibit F is a schedule containing the professional service expense detail by vendor name for the period covered by the report. The individual entities listed in the schedule provided services including collateral review, reinsurance analysis and collection, salvage and subrogation collection and escrow disbursing account administration and disposition of assets.

**c. Real Estate Expenses.**

Until March 30, 2012, FSSI did business at its location in Villanova, Pennsylvania. Thereafter, operations were moved to the Pennsylvania Insurance Department.

**d. Guaranty Association Claims and Expense Information.**

GA coverage for surety claims is limited to six states: Arkansas, Kansas, Kentucky, Maryland, Michigan and New York. Claim and Expense information as reported by the GAs is reflected in Exhibit G.

**5. Claims Process.**

The deadline for filing POCs was October 5, 2012. As of December 31, 2013, FSSI had received a total of 1,003 POCs. Of those, 55 were received after the claim filing deadline.

**a. Proofs of Claim Statistics (Inception-to-Date).**

As of December 31, 2013, FSSI had issued Notices of Determination ("NODs") for 885 of the 1,003 POCs received. Of those NODs issued, 863 had been accepted for a total allowed amount of \$33,075,179.

Issued NODs accounted for 88% of the POCs filed with the Estate.

**b. Notice of Claim Evaluation Objection Statistics.**

As of December 31, 2013, the Liquidator had received a total of 64 objections to the 885 NODs issued. Of those 64 objections, the Liquidator has resolved 55 without the need to seek

the appointment of a referee and continues to work toward resolution of the remaining objections.

**c. Claims Bar Date.**

On November 4, 2013, the Liquidator applied to this Court to establish a claims bar date and approve the notice of a proposed estimated claim value process. By Order dated December 5, 2013, this Court granted the application and established February 7, 2014, as the claims bar date. This Court also approved the notice of the estimated claim value process, which was mailed on February 28, 2014.

**6. FSSI Operations Moved to PA Insurance Department.**

Effective April 2, 2012, FSSI operations were transferred “in house” to the Pennsylvania Insurance Department’s Office of Liquidations, Rehabilitations and Special Funds. FSSI staff trained Liquidator staff prior to the transfer and three former FSSI employees became consultants to assist with the Estate administration. As of December 31, 2013, one former FSSI employee remains on a part time consulting basis.

**7. Disposition of Escrowed Funds.**

At the time of liquidation, FSSI was under agreement to administer construction funds as a pass through entity receiving funds from the obligees identified on certain bonds and subsequently making payments to the principal. The primary purpose of funds control was to control job funds and to help minimize payment bond risk. These funds were maintained individually for each construction project within the construction escrowed funds program and were disbursed upon review of the project status. The Liquidator was involved in the eventual disposition of the escrowed funds. At the time of the liquidation there were approximately \$7 million in funds under administration, or about 250 individual escrow accounts. As of December

31, 2013, amounts remaining to distribute total approximately \$426,372, representing 31 accounts. These funds have never been treated as assets of the estate.

**8. Collateral.**

Under certain construction projects, FSSI required that principals provide collateral in the form of cash or an Irrevocable Letter of Credit (ILOC) to secure FSSI's interests in the bond in the event the principal failed to perform as required and to help offset the bond exposure to the company. Under the collateral arrangement, cash funds were set aside in separate bank accounts identified by principal while the ILOCs were secured in a local bank safe deposit box for safekeeping. The Liquidator has released some of the cash collateral to the principals, where there were funds remaining in the accounts as of the date of liquidation, as well as the ILOCs for principals with no claims, or where all claims have been settled. Before the date of liquidation, some of the cash collateral was commingled with operating funds and dissipated at the direction of certain former directors and/or officers of FSSI, and the Liquidator has endeavored to determine if any commingled collateral funds may be identified within the accounts of FSSI as of the date of Liquidation, pursuant to the "lowest intermediate balance" rule under Pennsylvania law. If so, the Liquidator intends to return such funds to the rightful collateral depositor(s).

**9. Federal Income Taxes.**

FSSI federal income taxes were filed as part of the consolidated group of affiliated companies with its parent company Sealord LLC. The Liquidator is not aware of any potential liabilities on Federal income taxes or of any tax benefit that will accrue from the tax losses created by FSSI. The company does have a tax sharing agreement with its parent entity whereby each company shares in proportion to amounts calculated as if they filed individual returns. A

federal return was prepared for FSSI for 2012 and submitted to the parent company for filing its consolidated return.

**10. Cash.**

Amounts classified as cash do not include certain bank account balances considered as inactive from pre-liquidation relationships with other entities. These inactive bank account balances amount to approximately \$157,846. The eventual disposition of these funds continues to remain uncertain at this time. The funds will either be retained by FSSI or returned to their rightful owner(s).

Respectfully submitted:

By: 

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Commissioner of the Commonwealth of  
Pennsylvania, in his official capacity as Statutory  
Liquidator of FSSI

Dated: 3/27/14

# **EXHIBIT A**

**First Sealord Surety, Inc. (In Liquidation)**

SPECIAL PURPOSE STATEMENT OF ASSETS, LIABILITIES AND DEFICIT - Unaudited  
As of December 31, 2013 and 2012

|   | <u>12/31/2013</u>      | <u>12/31/2012</u>      |
|---|------------------------|------------------------|
| <u>Assets</u>   |                        |                        |
| Cash and Cash Equivalents                             | \$ 1,918,995           | \$ 1,640,931           |
| Accounts Receivable, net of allowances                | 84,254                 | 90,000                 |
| Other Assets, principally Salvage and Subrogation (1) | 176,725                | 876,360                |
| Reinsurance (1)                                       | 2,012,256              | 54,231                 |
| Amounts due from escrow fund                          | 189,816                | 189,816                |
| State Deposits  | 1,214,143              | 1,451,170              |
| <b>Total Assets</b>                                   | <b>\$ 5,596,189</b>    | <b>\$ 4,302,507</b>    |
| <u>Liabilities</u>                                    |                        |                        |
| Class A Liquidator Administrative Expenses Unpaid     | \$ (113,260)           | \$ (280,322)           |
| Class A GA Administrative Expenses                    | (211,886)              | (48,128)               |
| Class E GA LAE and LAE Reserves                       | (253,781)              | (251,860)              |
| Class E GA Claims                                     | (628,791)              | (227,012)              |
| Class E GA Claim Reserves                             | (2,406,844)            | (1,545,689)            |
| Class E Claims - Liquidator                           | (33,075,179)           | (13,872,695)           |
| Class E Claims Reserve - Liquidator                   | (9,247,052)            | (60,370,417)           |
| Class F Claims - Liquidator                           | (214,195)              | (208,569)              |
| Class G Claims - Liquidator                           | (17,698)               | -                      |
| <b>Total Liabilities</b>                              | <b>\$ (46,168,686)</b> | <b>\$ (76,804,692)</b> |
| <u>Deficit</u>  |                        |                        |
| Beginning (Surplus) Deficit Amount                    | \$ 72,502,185          | \$ (5,186,459)         |
| 2013 Dormant Cash Account Adjustments                 | (398,200)              | -                      |
| (Gain) Loss from Operations                           | (31,531,488)           | 77,688,644             |
| <b>Total Deficit</b>                                  | <b>\$ 40,572,497</b>   | <b>\$ 72,502,185</b>   |
| <b>Total Liabilities and Deficit</b>                  | <b>\$ (5,596,189)</b>  | <b>\$ (4,302,507)</b>  |

(1) Certain amounts have been reclassified to conform to classifications adopted in 2013.

See accompanying report.

## **EXHIBIT B**

First Sealord Surety, Inc. (In Liquidation)

SPECIAL PURPOSE STATEMENT RECONCILIATION OF EQUITY AND DEFICIT - Unaudited  
 FOR THE PERIOD FEBRUARY 8, 2012 to DECEMBER 31, 2012 and  
 FOR THE PERIOD JANUARY 1, 2013 to DECEMBER 31, 2013

|   | <u>2013</u>   | <u>2012</u>     |
|---|---------------|-----------------|
| Beginning (Equity) Deficit - January 1, 2013 and February 8, 2012 | \$ 72,502,185 | \$ (14,592,984) |
| Asset Reserves  | -             | 9,055,062       |
| Dormant bank accounts   | (398,200)     |                 |
| Asset write-offs, net of proceeds                                 | -             | 351,464         |
| (Gain) Loss from Operations                                       | (31,531,488)  | 77,688,644      |
| Ending Deficit - December 31, 2013 and 2012                       | \$ 40,572,497 | \$ 72,502,185   |

See accompanying report.

# **EXHIBIT C**

**First Seaford Surety, Inc. (In Liquidation)**

SPECIAL PURPOSE STATEMENT OF CASH FLOWS AND CHANGES IN CASH - Unaudited  
 FOR THE PERIOD FEBRUARY 8, 2012 to DECEMBER 31, 2013 (ITD) and  
 FOR THE PERIOD JANUARY 1, 2013 to DECEMBER 31, 2013

|  | <u>2013</u>         | <u>ITD</u>          |
|--|---------------------|---------------------|
| Beginning Cash and Cash Equivalent Balance 1/1/13 and 2/8/12 | \$ 1,640,931        | \$ 296,535          |
| <b>Sources of Cash:</b>                                      |                     |                     |
| Premium payments   | \$ 5,746            | \$ 353,939          |
| Reinsurance recoveries                                       | -                   | 48,541              |
| State Deposits   | 789                 | 1,812,660           |
| Salvage & Subrogation Collections                            | 647,315             | 1,353,459           |
| State Premium Taxes Recovered                                | 2,549               | 35,011              |
| Commission Rights  | 73,798              | 155,322             |
| Other  | 680,235             | 766,759             |
| <b>Total Sources</b>   | <b>\$ 1,410,432</b> | <b>\$ 4,525,690</b> |
| <b>Uses of Cash:</b>   |                     |                     |
| Payroll, Taxes and Benefits                                  | \$ 367,455          | \$ 942,582          |
| Professional and Consulting Fees                             | 253,852             | 730,678             |
| Legal Expenses   | 290,333             | 690,834             |
| Asset Collection Fees  | 70,388              | 115,579             |
| Real Estate related  | 39,198              | 132,330             |
| Furniture and Equipment                                      | 3,425               | 6,805               |
| Postage, Telephone and Supplies                              | 10,751              | 32,765              |
| Data Processing and Software                                 | 35,982              | 86,281              |
| Other Operating  | 60,984              | 165,376             |
| <b>Total Uses</b>  | <b>\$ 1,132,367</b> | <b>\$ 2,903,230</b> |
| <b>Net Increase in Funds</b>                                 | <b>\$ 278,065</b>   | <b>\$ 1,622,461</b> |
| Ending Cash and Cash Equivalent Balance 12/31/13             | \$ 1,918,995        | \$ 1,918,995        |

See accompanying report.

# **EXHIBIT D**

**First Sealord Surety, Inc. (In Liquidation)**

SPECIAL PURPOSE STATEMENT OF OPERATIONS - Unaudited  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2013 and  
FOR THE PERIOD FEBRUARY 8, 2012 to DECEMBER 31, 2013 (ITD)

|                                     | <u>2013</u>            | <u>ITD</u>             |
|-------------------------------------|------------------------|------------------------|
| <b>Income</b>                       |                        |                        |
| Premiums cancellations              | \$ -                   | \$ (801,681)           |
| Salvage and Subrogation             | (33,641)               | 1,504,696              |
| Commission Rights earned            | 56,565                 | 161,911                |
| Reinsurance                         | 1,958,026              | 1,958,026              |
| Other Income                        | 282,397                | 326,423                |
| <b>Total Income</b>                 | <b>\$ 2,263,346</b>    | <b>\$ 3,149,375</b>    |
| <b>Claims</b>                       |                        |                        |
| Class A GA Administrative Expenses  | \$ 163,758             | \$ 211,886             |
| Class E GA LAE & LAE Reserves       | 1,921                  | 253,781                |
| Class E GA Claims                   | 401,779                | 628,791                |
| Class E GA Claim Reserves           | 861,155                | 2,406,844              |
| Class E NOD's Accepted - Liquidator | 19,202,483             | 33,075,179             |
| Class E Reserves - Liquidator       | (51,123,364)           | 9,247,053              |
| Class F NOD's Accepted - Liquidator | 5,626                  | 214,195                |
| Class G NOD's Accepted - Liquidator | 17,698                 | 17,698                 |
| Surety claims paid by Virginia      | 232,969                | 232,969                |
| <b>Total Claims</b>                 | <b>\$ (30,235,975)</b> | <b>\$ 46,288,396</b>   |
| <b>Expenses</b>                     |                        |                        |
| Payroll, Taxes and Benefits         | \$ 349,872             | \$ 1,019,022           |
| Professional and Consulting Fees    | 232,720                | 738,716                |
| Legal Fees                          | 271,233                | 698,769                |
| Asset Collection Fees               | (45,035)               | 115,579                |
| Real Estate related                 | 48,745                 | 141,971                |
| Furniture and Equipment             | 2,902                  | 7,253                  |
| Postage, Telephone and Supplies     | 8,724                  | 33,311                 |
| Data Processing and Software        | 37,121                 | 90,644                 |
| Other Operating Expenses            | 61,552                 | 172,868                |
| <b>Total Expenses</b>               | <b>\$ 967,834</b>      | <b>\$ 3,018,135</b>    |
| <b>Net (Loss) Gain</b>              | <b>\$ 31,531,488</b>   | <b>\$ (46,157,156)</b> |

See accompanying report.

Exhibit D

# **EXHIBIT E**

**FIRST SEALORD SURETY, INC. (IN LIQUIDATION)**

LEGAL FEE EXPENSES - Unaudited  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2013 and  
FOR THE PERIOD FEBRUARY 8, 2012 TO DECEMBER 31, 2013 (ITD)

| <u>VENDOR NAME</u>                   | 2013              | ITD               |
|--------------------------------------|-------------------|-------------------|
| Dreifuss Bonacci & Parker            | \$ 5,219          | \$ 10,035         |
| Eckert Seamans Cherin & Mellott, LLC | -                 | 3,250             |
| Kazlow & Fields, LLC                 | 9,608             | 17,840            |
| Statutory Liquidator                 | 202               | 313               |
| Stradley Ronon Stevens & Young LLP   | 256,204           | 667,332           |
| TOTAL                                | <u>\$ 271,233</u> | <u>\$ 698,769</u> |

See accompanying report.

# **EXHIBIT F**

**FIRST SEALORD SURETY, INC. (IN LIQUIDATION)**

PROFESSIONAL SERVICE EXPENSES - Unaudited  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2013 and  
FOR THE PERIOD FEBRUARY 8, 2012 TO DECEMBER 31, 2013 (ITD)

| <u>VENDOR NAME</u>          | <u>2013</u>       | <u>ITD</u>        |
|-----------------------------|-------------------|-------------------|
| Crowne Plaza - Harrisburg   | \$ -              | \$ 12,591         |
| DeVito Consulting, Inc.     | 21,038            | 58,663            |
| INS Regulatory Ins Services | -                 | 8,090             |
| Invotex Group               | 42,136            | 225,307           |
| James L Chokas              | -                 | 31,461            |
| Michael McNulty             | -                 | 20,738            |
| Morrone Technologies        | -                 | 9,000             |
| Nancy M. Mucchetti          | -                 | 46,655            |
| Salil P. Patel              | 161,406           | 310,856           |
| Barry S. Slosberg           | -                 | 429               |
| Statutory Liquidator        | 4,140             | 6,926             |
| WeisersMazars LLP           | 4,000             | 4,000             |
| Wm. F. Comly & Son, Inc     | -                 | 4,000             |
| TOTAL                       | <u>\$ 232,720</u> | <u>\$ 738,716</u> |

See accompanying report.

# **EXHIBIT G**

SECTION I - CLAIMS OVERVIEW 12/31/13

FIRST SEALORD SURTY, INC.

| GA ASSOC.     | NUMBER FILES |          |       | NUMBER FILES OUTSTANDING | CLAIMS PAID | CLAIMS RESERVE | TOTAL LIABILITY (INCURRED) | EXPENSES REPORTED |                |                  |
|---------------|--------------|----------|-------|--------------------------|-------------|----------------|----------------------------|-------------------|----------------|------------------|
|               | ASSIGNED     | COMPLETE | FILES |                          |             |                |                            | ADMIN. EXPENSE GA | LAE EXPENSE GA | TOTAL EXPENSE GA |
| Arkansas      | 27           | 11       | 16    | 255,445                  | 354,759     | 610,204        | 60,553                     | 10,866            | 71,419         | 11,748           |
| Kentucky      | 12           | 0        | 12    | 187,729                  | 407,531     | 595,260        | 8,886                      | 10,397            | 19,083         | 40,691           |
| Maryland      | 10           | 6        | 4     | 75,617                   | 85,500      | 161,117        | 10,256                     | 26,275            | 36,531         | 20,380           |
| Michigan      | 8            | 5        | 3     | 110,000                  | 382,804     | 492,804        | 23,960                     | 25,338            | 49,298         | 108,087          |
| New York      | 38           | 18       | 20    | 0                        | 1,176,250   | 1,176,250      | 108,431                    | 0                 | 108,431        | 0                |
| GA TOTALS (A) | 95           | 40       | 55    | 628,791                  | 2,406,844   | 3,035,635      | 211,886                    | 72,876            | 284,762        | 180,906          |

SECTION II - CLAIMS OVERVIEW 12/31/13

STATUTORY LIQUIDATOR

| CATEGORY   | NUMBER POC'S ASSIGNED | NOD'S ISSUED AND ACCEPTED | NOD'S STILL TO BE ISSUED | VALUE OF NODS ACCEPTED | CLAIMS RESERVES * | TOTAL LIABILITY \$ | UNALLOCATED ALLOCATED |            |            | TOTAL      |            |            |
|------------|-----------------------|---------------------------|--------------------------|------------------------|-------------------|--------------------|-----------------------|------------|------------|------------|------------|------------|
|            |                       |                           |                          |                        |                   |                    | EXPENSE SL            | EXPENSE SL | EXPENSE SL | EXPENSE SL | EXPENSE SL | EXPENSE SL |
| A          | 9                     | 3                         | 6                        | 0                      | 0                 | 0                  | 2,903,230             | 0          | 0          | 2,903,230  | 0          | 0          |
| B          | 0                     | 0                         | 0                        | 0                      | 0                 | 0                  |                       |            |            |            |            |            |
| C          | 0                     | 0                         | 0                        | 0                      | 0                 | 0                  |                       |            |            |            |            |            |
| D          | 0                     | 0                         | 0                        | 0                      | 0                 | 0                  |                       |            |            |            |            |            |
| E          | 967                   | 836                       | 131                      | 33,075,179             | 9,247,053         | 42,322,232         |                       |            |            |            |            |            |
| F          | 14                    | 14                        | 0                        | 214,195                | 0                 | 214,195            |                       |            |            |            |            |            |
| G          | 10                    | 9                         | 1                        | 17,698                 | 0                 | 17,698             |                       |            |            |            |            |            |
| H          | 0                     | 0                         | 0                        | 0                      | 0                 | 0                  |                       |            |            |            |            |            |
| I          | 3                     | 1                         | 2                        | 0                      | 0                 | 0                  |                       |            |            |            |            |            |
| TOTALS (B) | 1,003                 | 863                       | 140                      | 33,307,072             | 9,247,053         | 42,554,125         | 2,903,230             | 0          | 2,903,230  | 0          | 0          | 0          |

\*\*NOTE\*\*

\* Claim Reserves reflect amount claimed on POC's received where no NOD has been issued as yet, and the value of NOD's issued but not yet accepted.

PRIVILEGED & CONFIDENTIAL - NO PORTION IS TO BE REPRODUCED OR DISCLOSED WITHOUT PRIOR WRITTEN CONSENT OF THE LIQUIDATOR.

**CERTIFICATE OF SERVICE**

I hereby certify that I am this day serving the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 1 Pa. Code Chapter 33 in the following manner:

Service by first-class mail, addressed as follows:

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Counsel for the Statutory Liquidator of First  
Sealord Surety, Inc. (In Liquidation)

DATED: 3/27/14



COMMONWEALTH OF PENNSYLVANIA  
GOVERNOR'S OFFICE OF GENERAL COUNSEL

March 27, 2014

Michael F. Krimmel, Chief Clerk  
Commonwealth Court of Pennsylvania  
601 Commonwealth Avenue, Suite 2100  
P.O. Box 69185  
Harrisburg, PA 17120-9185

**Re: *In Re: First Sealord Surety, Inc. (In Liquidation)***  
***No. 1 FSS 2012***

Dear Mr. Krimmel:

Attached please find the Report of the Liquidator on the Status of the Liquidation of First Sealord Surety, Inc., as of December 31, 2013, with regard to the above-referenced liquidation.

Thank you for your assistance in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "P. M. Buckman".

Preston M. Buckman  
Insurance Department Counsel

PMB:drh

Enclosures