

## 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 for the Commonwealth of Pennsylvania, to serve as Statutory Liquidator, and ordered the Liquidator to take possession of FSSI's assets and to liquidate its business. Joseph DiMemmo, Deputy Insurance Commissioner, oversees the liquidation on his behalf.

Collateral currently in the possession of FSSI must be kept in place, in full force and effect. Collateral consisting of Irrevocable Letter of Credit (ILOC) from banks should be maintained, renewed and not terminated. To the extent an ILOC is threatened with termination, the Liquidator will issue a sight draft to convert the collateral to cash.

Cash collateral taken by the company is being located and accounted for by the Liquidator. Those who have provided FSSI with cash collateral will be contacted after the Liquidator confirms the status of their collateral.

We are currently reviewing the Liquidator's duties and developing procedures for the processing of collateral, including cash collateral. You may make a request for the return of collateral, giving us any information you have to support your claim. Such requests will be processed at such time as we have evaluated the overall claims against the estate.

## Update: March 7, 2012

The Liquidator's has confirmed that a substantial portion of the cash collateral given to FSSI was, at various dates, withdrawn and deposited into the operating account of FSSI. The Liquidator is in the process of examining the accounting records of the FSSI to determine which accounts were withdrawn from, the Principal related to the collateral account affected, whether such withdrawal related to loss or expense incurred by FSSI, the dates and amounts of these transactions and any other related information that can be drawn from the examination.

As reliable information on specific Principal accounts is developed, the Liquidator will provide a description of its findings to the individual Principal. The Liquidator does request that any Principal who provided cash collateral to FSSI forward copies of documentation which may include:

Checks or transmittals to or from FSSI
Bank statements provided by FSSI
Agreements related to the collateral and any addenda
Correspondence or emails
Any document that is deemed relevant

Although the Liquidator should already have possession of these records it is beneficial that they be sent so as to be certain we have a complete file. This request does not relate to collateral provided in the form of an Irrevocable Letter of Credit.

The Liquidator requests that any response to this update notice or general questions continue to be directed to:

Liquidation Claims
Pennsylvania Insurance Department
Office of Liquidations, Rehabilitations and Special Funds
Capitol Associates Building
901 N. 7<sup>th</sup> Street
Harrisburg, PA 17102
(717) 787-7823
Ra-in-claims@pa.gov