

STATE OF SOUTH DAKOTA) IN CIRCUIT COURT

) ss:

COUNTY OF HUGHES) SIXTH JUDICIAL CIRCUIT

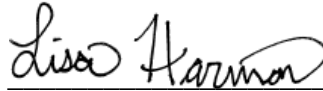
| | | |
|---------------------------------|---|-----------------------------|
| STATE OF SOUTH DAKOTA, EX REL. |) | 32CIV18-125 |
| LARRY DEITER, DIRECTOR OF |) | |
| INSURANCE OF THE STATE OF SOUTH |) | |
| DAKOTA, |) | APPLICATION NO. 25 |
| Petitioner, |) | FOR ORDER APPROVING |
| |) | FINANCIAL STATEMENTS |
| v. |) | |
| |) | |
| RELIAMAX SURETY COMPANY, |) | |
| Respondent. |) | |
| |) | |
| |) | |

COMES NOW Larry Deiter, Liquidator (“the Liquidator”) of ReliaMax Surety Company (“ReliaMax”), and hereby applies to the Court for an Order approving financial statements for ReliaMax pursuant to SDCL § 58-29B-46 and the Court’s Order of Liquidation on June 27, 2018 as follows:

1. Attached hereto as Exhibit A are financial statements of ReliaMax Surety Company in Liquidation, for the period ending June 30, 2022;
2. Exhibit A contains a Balance Sheet for ReliaMax as of June 30, 2022;
3. Exhibit A contains a schedule of all receipts and disbursements for ReliaMax for the period through June 30, 2022;
4. Exhibit A contains a schedule of all payments made to professionals pursuant to the Court’s approvals for compensation in previous applications for the period through June 30, 2022;
5. The Liquidator will submit a proposed order approving the financials submitted in this Application for the Court's consideration without necessity of a hearing unless the Court should require;

WHEREFORE the Liquidator respectfully requests, without the need for a hearing unless the Court determines otherwise, that the Court enter an order approving the financial statements contained in this Application.

Respectfully submitted this 23rd day of November, 2022.



Lisa M. Harmon
Attorney for Liquidator of ReliaMax Surety
124 S. Euclid Avenue, 2nd Floor
Pierre, SD 57501
(605) 773-3563

CERTIFICATE OF SERVICE

The undersigned hereby certifies that copy of the Liquidator's Application No. 25 was served upon ReliaMax Surety Company in Liquidation via regular U.S. Mail, postage prepaid, to the company's mailing address at 8701 E. Vista Bonita Dr., Ste. 200, Scottsdale, AZ 85255.

Dated this this 23rd day of November, 2022 in Pierre, South Dakota.



Lisa M. Harmon
Attorney for Liquidator of ReliaMax Surety
124 S. Euclid Avenue, 2nd Floor
Pierre, SD 57501
(605) 773-3563

ReliaMax Surety Company in Liquidation
Balance Sheet
December 31, 2021 and June 30, 2022

| | December 31, 2021 | June 30, 2022 |
|--|------------------------------|--------------------------|
| Assets | | |
| Cash and investments | | |
| Cash | 115,260 | 158,768 |
| Money markets | 16,612,763 | 16,018,369 |
| Total cash and investments | <u>16,728,023</u> | <u>16,177,137</u> |
| Premiums receivable | 18,562 | 18,562 |
| Investment income accrued | 297 | - |
| Other | 22,529 | - |
| Total assets | <u>16,769,411</u> | <u>16,195,699</u> |
| Liabilities | | |
| Loss and loss adjustment expense reserves | 797,424 | 797,424 |
| Premium refunds related to unearned premiums | 62,950,802 | 62,950,802 |
| Accounts payable and accrued expenses | 316,375 | 83,034 |
| Total liabilities | <u>64,064,601</u> | <u>63,831,260</u> |
| Total policyholders surplus (deficit) | (47,295,190) | (47,635,561) |
| Total liabilities and surplus | <u>16,769,411</u> | <u>16,195,699</u> |

Estimated subrogation recoveries on the defaulted loan portfolio of the Company were not recorded on the balance sheet. Actual subrogation receipts are reflected on the Statement of Cash Receipts and Disbursements. The loan portfolio was sold on October 31, 2021. Negative subrogation recoveries in 2022 reflect post sale adjustments.

Deloitte Consulting LLC ("Deloitte") was engaged to review and update the premium earnings methodology. Premium refunds related to unearned premiums were updated as of December 31, 2018 by applying Deloitte's updated earnings methodology and patterns.

ReliaMax Surety Company in Liquidation
Statement of Cash Receipts and Disbursements
June 27, 2018 to June 30, 2022

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>ITD</u> |
|--|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| Beginning cash and cash equivalents | 5,608,500 | 11,125,547 | 16,086,143 | 8,435,153 | 16,728,023 | 5,608,500 |
| Receipts | | | | | | |
| Premiums | 870,775 | 390,907 | 580,715 | 73,431 | - | 1,915,828 |
| Subrogation recoveries | 488,933 | 1,015,901 | 1,056,527 | 2,206,864 | (23,207) | 4,745,018 |
| Shared services from Lending | 205,888 | 24,191 | - | - | - | 230,079 |
| Investment income | 290,220 | 794,379 | 459,971 | 209,916 | 15,142 | 1,769,627 |
| Reinsurance recovery | 227,752 | - | - | - | - | 227,752 |
| Proceeds from investments, net | 6,042,144 | 1,014,000 | 7,254,678 | 9,181,825 | - | 23,492,647 |
| Premium tax and other state refunds | 34,821 | 614,171 | 361,472 | 97,167 | - | 1,107,631 |
| ReliaMax Properties distribution | - | 125,000 | - | 1,944,317 | - | 2,069,317 |
| Global commutation | - | 8,971,883 | - | - | - | 8,971,883 |
| LOC proceeds | - | 450,000 | - | - | - | 450,000 |
| Consulting | - | 13,613 | 29,494 | 19,968 | 19,039 | 82,114 |
| RSM | - | - | - | 3,000,000 | - | 3,000,000 |
| D&O - primary | - | - | - | 2,758,490 | - | 2,758,490 |
| Federal income tax refund | - | - | - | 2,559,682 | - | 2,559,682 |
| Other | 24,315 | 2,000 | 545 | 29,000 | 18 | 55,878 |
| Total receipts | <u>8,184,848</u> | <u>13,416,045</u> | <u>9,743,401</u> | <u>22,080,660</u> | <u>10,992</u> | <u>53,435,946</u> |
| Disbursements | | | | | | |
| Loss and loss adjustment expenses | 21,348 | 5,166,635 | 981,869 | 2,203 | - | 6,172,055 |
| Premium refunds related to unearned premiums | - | - | 13,496,272 | 11,496,272 | - | 24,992,544 |
| Claims of general creditors | - | - | 16,270 | 16,270 | - | 32,540 |
| Subrogation recovery fees | 85,064 | 227,424 | 150,558 | 125,656 | - | 588,702 |
| Salary and employee benefits | 1,450,506 | 1,732,915 | 1,646,961 | 1,463,615 | 417,816 | 6,711,812 |
| Professional fees | 220,817 | 348,475 | 217,393 | 21,794 | 19,174 | 827,653 |
| Legal fees | 37,718 | 109,619 | 161,513 | 120,933 | 2,875 | 432,657 |
| Special Deputy Liquidator | 242,881 | 280,982 | 209,528 | 292,317 | 61,916 | 1,087,624 |
| Rent, rent items and utilities | 199,312 | 115,692 | 112,859 | 80,932 | 2,904 | 511,699 |
| Moving expenses | 5,936 | - | - | - | - | 5,936 |
| EDP equipment, software and consulting | 227,208 | 270,373 | 233,530 | 70,236 | 18,008 | 819,355 |
| Offices supplies, postage and printing | 28,451 | 9,959 | 12,045 | 9,266 | 5,293 | 65,013 |
| Telephone and internet | 54,115 | 32,995 | 34,358 | 20,471 | 2,579 | 144,518 |
| Insurance | 3,299 | 115,358 | 58,425 | 24,727 | 17,717 | 219,526 |
| Investment and bank charges | 20,746 | 32,988 | 34,909 | 28,092 | 9,524 | 126,259 |
| Publication costs | 24,216 | - | - | - | - | 24,216 |
| Other | 46,185 | 12,035 | 27,902 | 15,006 | 4,072 | 105,200 |
| Total disbursements | <u>2,667,800</u> | <u>8,455,449</u> | <u>17,394,391</u> | <u>13,787,790</u> | <u>561,878</u> | <u>42,867,309</u> |
| Net cash flows | <u>5,517,048</u> | <u>4,960,596</u> | <u>(7,650,990)</u> | <u>8,292,870</u> | <u>(550,886)</u> | <u>10,568,637</u> |
| Ending cash and cash equivalents | <u>11,125,547</u> | <u>16,086,143</u> | <u>8,435,153</u> | <u>16,728,023</u> | <u>16,177,137</u> | <u>16,177,137</u> |

ReliaMax Surety Company in Liquidation
Payment to Consultants and Other Professionals
June 27, 2018 to June 30, 2022

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>ITD</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-------------------------|
| Subrogation recovery fees (a): | | | | | | |
| Weltman, Weinberg & Reis Co., LPA | 20,000 | 58,894 | 21,048 | 6,586 | - | 106,527 |
| Professional fees: | | | | | | |
| Eide Bailly LLP | 22,764 | 11,928 | 44,991 | 10,603 | 9,585 | 99,871 |
| Daron Ailts | 43,665 | 89,194 | - | - | - | 132,859 |
| Luke Schwingler | 9,159 | 1,065 | - | - | - | 10,224 |
| Deloitte Consulting LLP | 145,229 | 152,907 | - | - | - | 298,136 |
| Veris Consulting | - | 93,381 | 171,839 | - | - | 265,220 |
| Darin DeBoer | - | - | 563 | - | - | 563 |
| Austin Cutright | - | - | - | 11,191 | - | 11,191 |
| Joshua Andersen | - | - | - | - | 2,962 | 2,962 |
| Anita Randall | - | - | - | - | 1,031 | 1,031 |
| Kathy Schroeder | - | - | - | - | 5,151 | 5,151 |
| Bryan Thill | - | - | - | - | 445 | 445 |
| Legal fees: | | | | | | |
| Gray Plant Mooty | 138 | - | - | - | - | 138 |
| Rembolt Ludtke LLP | 6,930 | - | 1,050 | - | - | 7,980 |
| Hudson Cook LLP | 10,000 | 30,976 | - | - | - | 40,976 |
| Cadwell Sanford Deibert & Garry LLP | 20,650 | 75,991 | 143,889 | 120,933 | 2,875 | 364,338 |
| May, Adam, Gerdes & Thompson LLP | - | 2,652 | 831 | - | - | 3,483 |
| Stradley Ronon Stevens & Young LLP | - | - | 15,742 | - | - | 15,742 |
| Special Deputy Liquidator: | | | | | | |
| FitzGibbons & Company | 242,881 | 280,982 | 209,528 | 292,317 | 61,916 | 1,087,624 |
| Total | <u><u>521,416</u></u> | <u><u>797,969</u></u> | <u><u>609,481</u></u> | <u><u>441,630</u></u> | <u><u>83,965</u></u> | <u><u>2,454,461</u></u> |

(a) - Does not include third-party recoveries expenses.