

REPORT ON ORGANIZATION
OF THE
ST. CLAIR INSURANCE COMPANY
AS OF
JULY 20, 2006

DATE OF REPORT

JULY 20, 2006

EXAMINER

JAMES MURPHY

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

July 20, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the instructions contained in Appointment Number 22533 dated July 18, 2006 attached hereto, I have made an examination on organization of the St. Clair Insurance Company and respectfully submit the following report thereon.

Whenever the terms "Company" or "SCIC" appear herein without qualification, they should be understood to indicate the St. Clair Insurance Company.

Whenever the term "Department" appears herein without qualification, it should be understood to indicate the New York Insurance Department.

The examination was conducted at the offices of the Company located at 730 Fifth Avenue, New York, NY 10019.

1. SCOPE OF EXAMINATION

The examination comprised a verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the assets and liabilities. The records examined included the declaration of intention and charter, the certificate of incorporation, the by-laws, the corporate minutes book, and the stock register. Additionally, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were lawful and bona fide.

2. INCORPORATION

The Company was incorporated as the Scholastic Insurance Company on April 1, 2004. The declaration of intention and charter were filed and approved by this Department on April 1, 2004. The name of the Company was changed to the St. Clair Insurance Company on February 1, 2006. The Company's office is located at 730 Fifth Avenue, New York, New York 10019.

The Company's board of directors is comprised of the following thirteen directors:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Dr. Barbara E. Black Roslyn, NY	Executive Director, Hudson Valley Consortium of Catholic Colleges
Peter C. Brink East Northport, NY	Senior Financial Analyst, Weiss Ratings
Daniel G. Brown New York, NY	Attorney and Partner, Frommer, Lawrence and Haug LLP
John M. Hickey Rye, NY	Senior Vice President, Benfield Group

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Walter McCarthy	Consultant,

Sandy Point, NY	Retired, Former Chief Financial Officer of College of New Rochelle
John O'Brien Huntington, NY	Vice President, Joseph P. O'Brien Agency
Gary L. Poole Denver, CO	Accounting Manager, Apartment Housing Management Group
Gregory R. Swenson Chicago, IL	Vice President, Cantor Fitzgerald
Randal E. Temple West Chester, PA	Senior Vice President, AON Re
Christopher V. Waldorf Huntington, NY	Consultant, Prospect Street Administrators
Stephen M. Waldorf Huntington, NY	Vice President, Prospect Street Administrators
Thane A. Wyman Houston, TX	Senior Vice President, Willis Group
Christopher V. Waldorf, Jr. New York, NY	Chief Financial Officer, Prospect Street Administrators

The principal officers of the Company as are follows:

<u>Name</u>	<u>Title</u>
Christopher V. Waldorf, Jr.	President and Treasurer
Peter Brink	Vice President
Thane Wyman	Secretary

3. CAPITALIZATION AND SUBSCRIPTION

St. Clair Insurance Company is wholly-owned by Brightwork Holdings, Inc. The Company has authorized capital of \$700,000 consisting of 140,000 shares of common stock at \$5 par value per share. On July 19, 2006, the Company issued 140,000 shares of common stock to Brightwork Holdings, Inc for

a consideration of \$2,000,000, of which \$700,000 was allocated to common stock and \$1,300,000 was paid in and contributed surplus.

The Company's paid-in-capital and contributed surplus are held in bonds and cash at JP Morgan Chase Bank, located at 4 New York Plaza, New York, New York 10004.

4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders determined by this examination as of July 25, 2006 and as reported by the Company:

Assets

Bonds	\$ 797,219
Cash	<u>1,215,108</u>

Total Assets	<u>\$2,012,327</u>
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Liabilities

Total liabilities	\$ <u>0</u>
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Capital and Surplus

Common capital stock	\$ 700,000
Gross paid in and contributed surplus	1,300,000
Unassigned funds	<u>12,327</u>

Total liabilities and surplus as regards policyholders	<u>\$2,012,327</u>
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Total surplus as regards Policyholders	<u>\$2,012,327</u>
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5. CUSTODIAN AGREEMENT

Pursuant to Section 1314 of the New York Insurance Law, the Company has placed securities on deposit in a custodial account in the name of the Superintendent of Insurance of the State of New York in trust for the policyholders of Scholastic Insurance Company within the United States, its territories and possessions. As noted in Section 2 of this report the Company changed its name to the St. Clair Insurance Company. Therefore, it is recommended that the Company amend its custodial agreement to reflect the name change from Scholastic Insurance Company to St. Clair Insurance Company.

6. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

The Company is authorized by its declaration of intention and charter to transact the kinds of insurance described in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Lines of Business</u>
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage

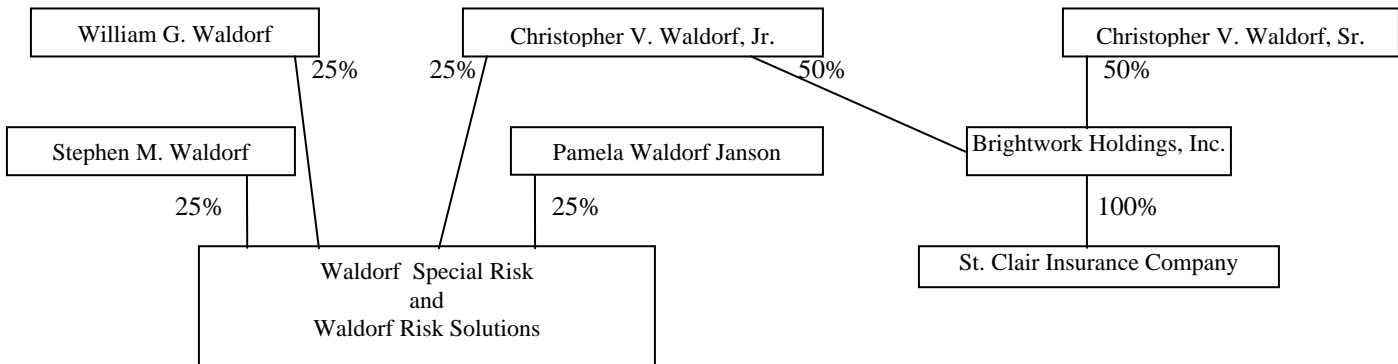
Based on the lines of business for which the Company is licensed and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$700,000.

7. HOLDING COMPANY SYSTEM

The Company is wholly owned by Brightwork Holdings, Inc., which is 50% owned by Christopher V. Waldorf, Sr. and 50% owned by Christopher V. Waldorf, Jr. Christopher V. Waldorf, Jr.,

William G. Waldorf, Stephen M. Waldorf and Pamela Waldorf Janson each own 25% of Waldorf Special Risk and Waldorf Risk Solutions.

The holding company chart is as follows:



The Company is a party to the following agreements with members of the holding company system:

Expense Sharing Agreement with Brightwork Holdings, Inc.

Effective May 18, 2006, the Company entered into an expense sharing agreement with Brightwork Holdings, Inc. (“Brightwork”). Pursuant to the terms of the agreement Brightwork will provide SCIC with office space and management services including financial, legal and other miscellaneous services. The agreement also stipulates that the costs and expenses for the services, facilities and equipment provided to SCIC shall be allocated in accordance with the applicable statutes and regulations of the New York Insurance Law, including, without limitation, Department Regulation 30.

The agreement was approved by the Company's board of directors and non-disapproved by the New York Insurance Department.

Program Manager Agreement with Waldorf Risk Solutions

Effective May 18, 2006 the Company entered into a program manager agreement with Waldorf Risk Solutions, LLC (“WRS”). Pursuant to the terms of the agreement WRS will solicit and evaluate applications for insurance policies, determine premiums for insurance policies, quote and deliver insurance policies that have been executed by the Company, make endorsements and modifications to policies as authorized by the Company and perform other functions relevant to underwriting.

The agreement was approved by the Company's board of directors and non-disapproved by the New York Insurance Department.

8. CONCLUSION

Based on the foregoing examination, it is concluded that the Company sold 140,000 shares of common stock with a par value of \$5 per share. These shares represent the total authorized and issued stock for which the Company received a consideration of \$2,000,000 of which \$700,000 represents capital paid in and \$1,300,000 represents gross paid in and contributed surplus.

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Custodial Agreement</u>	
	It is recommended that the Company amend its custodial agreement to reflect the name change from Scholastic Insurance Company to St. Clair Insurance Company.	5

Respectfully submitted,

_____/S/_____
James Murphy
Associate Insurance Examiner

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

JAMES MURPHY, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

_____/S_____
JAMES MURPHY

Subscribed and sworn to before me

this _____ day of _____ 2006

St. Clair Insurance Company

730 Fifth Avenue

Suite 914

New York, NY 10019

212-672-8113

212-672-8103 (fax)

cvwjr@scholasticstclair.com

We, the undersigned each an executive officer of St. Clair Insurance Company (the "Company") duly sworn, depose and say under oath that, on the date of the examination of organization by New York State Department of Insurance, July 20, 2006 that:

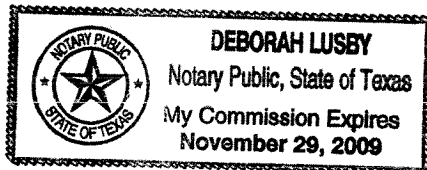
1. The paid-in-capital and surplus of the Company of \$2,000,000, is not withdrawn, pledged or in anyway impaired;
2. The paid-in-capital and surplus of the Company of \$2,000,000, is not to be invested or otherwise legitimately used or appropriated to except for the sole and exclusive use and benefit of the Company;
3. There is no agreement or understanding, expressed or implied, made or existing between the Company or its officers, or any or either of them, or any person or persons, to the effect or import that the money paid in by any stockholder shall be loaned or returned to him;
4. That neither the Company nor any of its officers is in any way, manner or form pledged or committed to make any investment, loan or disposition of said paid-in-capital and surplus, or any part or portion thereof, which is not in strict conformity in all respects with the provisions of the Insurance Law of the State of New York;
5. That the said capital and surplus are the property of the Company and possessed by it in its corporate name and capacity for the benefit of the policyholders.

Thane A. Wyman 07/19/06
 Thane A. Wyman (date)
 Secretary

Christopher V Waldorf, Jr. 7/19/06
 Christopher V Waldorf, Jr. (date)
 President

Subscribed and sworn to before me
 this 19th day of JULY, 2006.

Deborah Lusby (Signature)
 Notary



LISA VERNO
 Notary Public, State of New York
 No. 01VE6134140
 Qualified in Suffolk County
 Commission Expires Sept. 26, 2009

Lisa Vernos

Appointment No 22533

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

James Murphy

as proper person to examine into the affairs of the

ST. CLAIR INSURANCE COMPANY

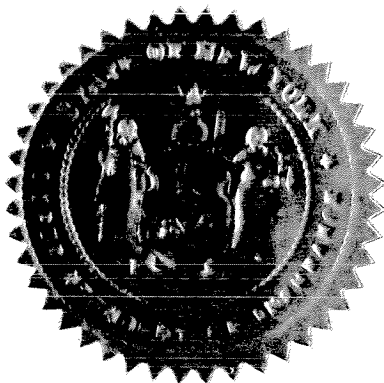
and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 18th day of July, 2006



A handwritten signature in black ink, appearing to read "Howard Mills", written over a horizontal line.

HOWARD MILLS
Superintendent of Insurance