

REPORT ON ORGANIZATION

OF THE

EMPIRE BONDING & INSURANCE COMPANY

AS OF

JANUARY 18, 2011

DATE OF REPORT

JANUARY 18, 2011

EXAMINER

IAN MARTIN, CFE

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Incorporation	2
3.	Capitalization and subscription	3
4.	Balance sheet	4
5.	Authorization powers and minimum capital required	4
6.	Affiliated group	5
7.	Conclusion	7
	Affidavit	



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

January 18, 2011

Mr. James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30619 dated November 16, 2010, attached hereto, I have made an examination on organization of Empire Bonding & Insurance Company, as of January 18, 2011, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Empire Bonding & Insurance Company.

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

The examination was conducted at the office of the Company located at 62 Nichols Court, Hempstead, NY 11550.

1. SCOPE OF EXAMINATION

The examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the declaration of intention and charter, the by-laws, the certificate of incorporation, the corporate minutes, the stock register and the inter-company and custodial agreements entered into by the Company as of the examination date. In addition, 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

Empire Bonding & Insurance Company was incorporated under the laws of the State of New York on February 25, 2008. The Department approved the Company's declaration of intention and charter on March 26, 2008. The Company's main administrative office is intended to be located in the Town of Hempstead, County of Nassau, State of New York, and the Company will maintain offices, depositories and agencies elsewhere in the United States or in the world for transaction of its business.

As of the examination date, the Company's board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael Esquenazi Marlboro, NJ	Real Estate Broker, Brickman & Company
Michelle Esquenazi Oceanside, NY	Owner, Empire Bail Bonds
Mario Esquenazi Oceanside, NY	Retired
Ilana Esquenazi Marlboro, NJ	Full Time College Student
Shayna Esquenazi Oceanside, NY	Full Time College Student
Sheila Esquenazi Oceanside, NY	Retired

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jason Fordin Bellmore, NY	Owner, Empire Bail Bonds
Wendy Fordin North Massapequa, NY	Owner, Empire Bail Bonds
Eileen Goldberg Old Bridge, NJ	Retired
Robert Goldberg Old Bridge, NJ	Retired
Rose Goldberg Flushing, NY	Retired
Robert Hazzard Mineola, NY	Owner, Hazzard & Associates P.C.
Russell Lusterman Flushing, NY	Owner, Lusterman, Penn & Co.

As of January 18, 2011, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Michelle Esquenazi	President & Chief Executive Officer
Wendy Fordin	Secretary
Jason Fordin	Treasurer
Robert Hazzard	Vice President, General Counsel & Assistant Secretary

3. CAPITALIZATION AND SUBSCRIPTION

Empire Bonding & Insurance Company is a stock company owned by Empire Surety Holdings, Inc. The Company has an authorized capital of \$1,000,000, consisting of 100 shares of common stock at \$10,000 par value per share. On July 7, 2009, the Company issued 100 shares of common stock to Empire Surety Holdings, Inc. for a consideration of \$1,500,000, of which \$1,000,000 represents common stock and \$500,000 represents gross paid in and contributed surplus. In 2010, Empire Surety Holdings, Inc. contributed an additional \$13,600 of gross paid in and contributed surplus in order to cover certain operating expenses prior to licensing.

4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of January 18, 2011 and as reported by the Company:

Assets

Bonds – US Treasury Notes	\$ 499,145
Short Term Investments - Money Market	1,004,339
Cash on Deposit	<u>6,163</u>
Total admitted assets	<u>\$1,509,647</u>

Liabilities

Total liabilities	\$ 0
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Capital and Surplus

Common capital stock	\$1,000,000	
Gross paid in and contributed surplus	513,600	
Unassigned funds (surplus)	<u>(3,953)</u>	
Total surplus as regards policyholders		<u>1,509,647</u>
Total liabilities and surplus as regards policyholders		<u>\$1,509,647</u>

5. AUTHORIZATION POWERS AND MINIMUM CAPITAL REQUIRED

The Company is authorized to transact the kind of insurance as defined in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

Paragraph

16

Line of Business

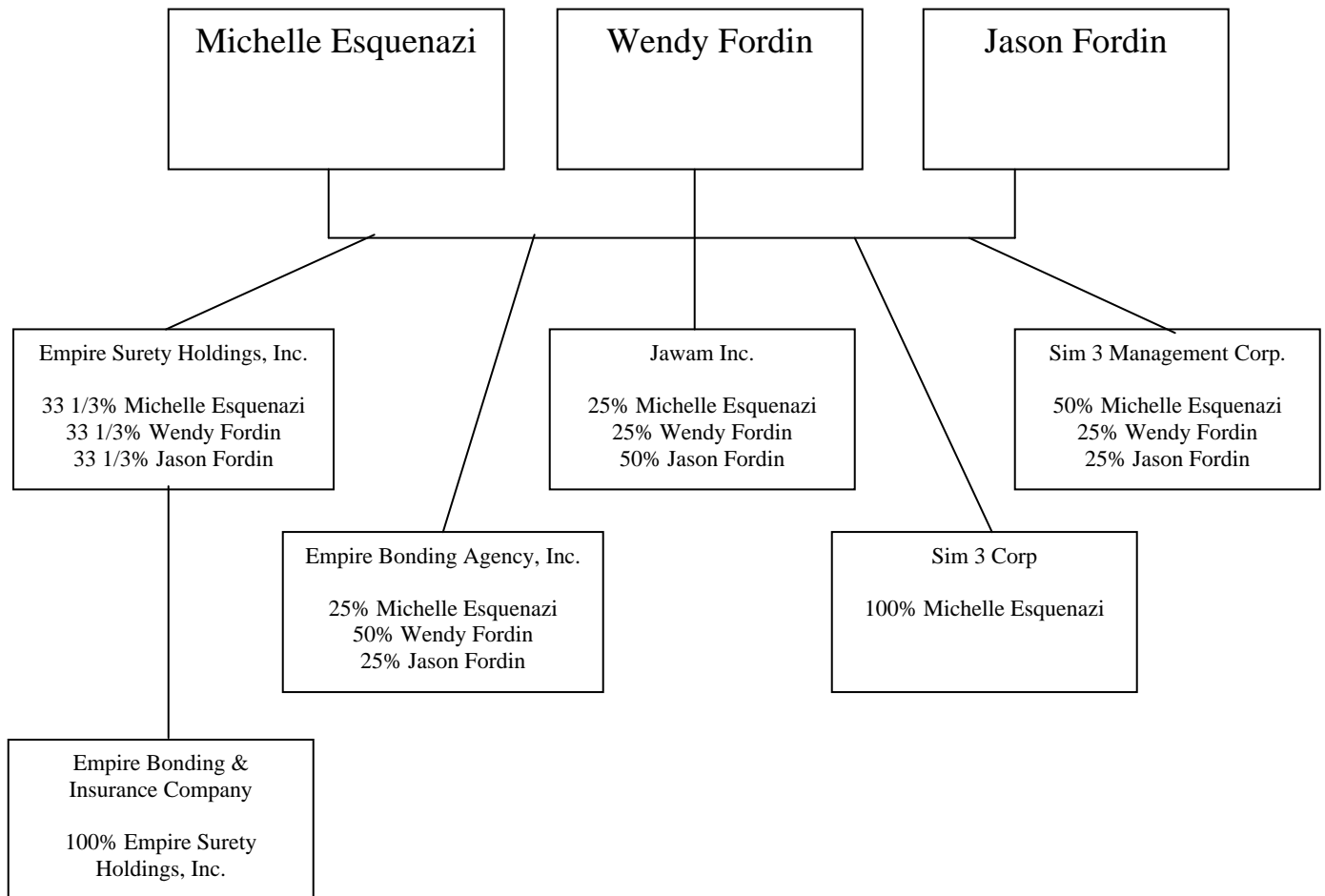
Fidelity and surety insurance

Based on the line of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to have an initial surplus to policyholders of \$1,500,000 and thereafter maintain a minimum surplus to policyholders in the amount of \$1,000,000. The Company meets these requirements.

6. AFFILIATED GROUP

Empire Bonding & Insurance Company is a stock insurance company and is wholly-owned by Empire Surety Holdings, Inc., which is in turn owned by Michelle Esquenazi, Wendy Fordin and Jason Fordin. The two companies are governed by same set of directors and officers. Empire Bonding Agency, Inc., Jawan Inc., Sim 3 Corporation, and Sim 3 Management Corp., are all producer agencies that are owned by the Michelle Esquenazi, Wendy Fordin and Jason Fordin in varying percentages as shown in the chart below.

The following is the organization chart of the affiliated group at January 18, 2011:



Pursuant to Article 15 of the New York Insurance Law, the Company filed with the Department the agreements noted below:

Service Agreement

Effective February 10, 2010, the Company entered into a service agreement with Empire Bonding Agency, Inc. (“Empire”). The agreement sets forth the terms and conditions whereby Empire agrees to provide administrative, investment and legal services to the Company. Pursuant to the agreement, the Company agrees to reimburse Empire for such services and in accordance with the requirements of the Department Regulation 30 and to any extent practicable to reflect actual costs.

The agreement was submitted to the Department and non-disapproved pursuant to Section 1505(d)(3) of the New York Insurance Law.

Producer Agreement

Effective February 1, 2010, the Company entered into separate producer’s agreement with Empire Bonding Agency, Inc., Jawan Inc., Sim 3 Corporation, and Sim 3 Management Corp. The Company and the producers are members of the same holding company system as defined in Article 15 of the New York Insurance Law. The producer’s agreement set forth the terms and conditions whereby the Company appoints the producers as agencies of the Company, for the purposes of soliciting and writing of bail bonds. The producers agreed that the premiums to be charged and collected on behalf of the Company shall be at the rates as may be approved by the Superintendent of Insurance of the State of New York, and shall not exceed those permitted by Article 68 of the New York Insurance Law.

The agreement was submitted to the Department and non-disapproved pursuant to Section 1505(d)(3) of the New York Insurance Law.

Tax Allocation Agreement

Effective January 1, 2011, the Company entered into a tax allocation agreement with Empire Surety Holdings, Inc. The agreement sets forth the terms and conditions whereby the parties, which constitute a “Consolidated Group” pursuant to the Internal Revenue Code, agree to the filing of consolidated tax returns and payment of consolidated tax liability. The agreement is on file with the Department.

7. CONCLUSION

Based on the foregoing examination, it is concluded that the Company sold 100 shares of common stock with a par value of \$10,000 per share. These shares represented the total authorized and issued stock for which the Company received a consideration of \$1,513,600 of which \$1,000,000 represents capital paid in and \$513,600 represents gross paid in and contributed surplus.

Respectfully submitted,

_____/s/
Ian Martin
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

IAN MARTIN, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.


_____/s/
Ian Martin

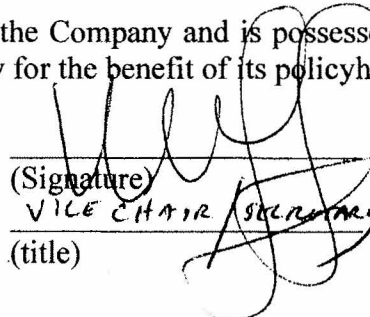
Subscribed and sworn to before me
this _____ day of _____, 2011.

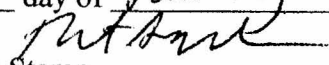
STATE OF NEW YORK,)
) SS.:
COUNTY OF NASSAU)

The undersigned each an executive officer of EMPIRE BONDING & INSURANCE COMPANY) (the "Company") duly sworn, depose and say under oath that, on the date of 1/18/2011:

- (1) Each of the undersigned is an officer of the Company.
- (2) The Company's capital and surplus equals ONE MILLION FIVE HUNDRED THIRTEEN THOUSAND SIX HUNDRED DOLLARS (\$1,513,600), consisting of paid in capital of ONE MILLION DOLLARS (\$1,000,000) and contributed surplus of FIVE HUNDRED THIRTEEN THOUSAND SIX HUNDRED DOLLARS (\$513,600) (the "Capital and Surplus"). The capital is on deposit with NEW YORK COMMERCIAL BANK and surplus is on deposit with MANUFACTURERS AND TRADERS TRUST COMPANY, N.A. and NEW YORK COMMERCIAL BANK.
- (3) No part of the Capital and Surplus has been withdrawn, pledged, or in any way impaired.
- (4) No part of the Capital and Surplus is to be invested or otherwise legitimately used or appropriated except for the sole and exclusive use and benefit of the Company.
- (5) There is no agreement or understanding, express or implied, made or existing between the Company and 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 it.
- (6) 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 the 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.
- (7) The Capital and Surplus is the property of the Company and is possessed by the Company in its corporate name and capacity for the benefit of its policyholders.


(Signature) _____ 2/15/11
(Date)
PRESIDENT / CEO
(title)


(Signature) _____ 2/15/11
(Date)
VICE CHAIR / SECRETARY
(title)

Subscribed and sworn to before me
this 15th day of FEBRUARY, 2011
(Signature) 
Notary Public Stamp.

ROBERT S. HAZZARD
Notary Public, State of New York
No. 02HA6036414
Qualified in ~~Queens County~~ NASSAU COUNTY
Commission Expires January 24, 20 14

Appointment No. 30619

*STATE OF NEW YORK
INSURANCE DEPARTMENT*

*I, James J. Wrynn Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:*

Ian Martin

as proper person to examine into the affairs of the

EMPIRE BONDING & 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 16th day of November 2010



James J. Wrynn

JAMES J. WRYNN

Superintendent of Insurance