

Liquidation. The Liquidator appointed me to serve as Special Deputy Liquidator on June 9, 2020.

2. On November 12, 2020, the Liquidator filed his First Status Report that described, among other things: the establishment of a claim filing deadline (December 8, 2021); the cancellation of active policies; the provision of notice to known and potential creditors of Global Hawk RRG; the Company's current and historical financial condition; and, the facts and circumstances that led the Liquidator to file a racketeer and corrupt organization act lawsuit ("RICO Lawsuit") against the Company's former president (Jasbir S. Thandi), managing general agent (Global Century Insurance Brokers, Inc., "GCIB") and financial advisor (Jaspreet S. Padda and QuantBridge Capital, LLC, "QuantBridge"). The Court held a hearing regarding the First Status Report on December 17, 2020. The Liquidator filed his Second Status Report (and annual accounting) on July 21, 2021, which provided an update on the RICO lawsuit, the Company's financial condition, and the filing of claims with the liquidator. On February 2, 2022, the Liquidator filed his Third Status Report which offered further updates on Global Hawk RRG's financial condition, administrative issues, and the RICO Lawsuit while also advising that the Liquidator had filed a lawsuit against Crowe LLP ("Crowe") alleging breach of the duty of professional care, negligence, negligent misrepresentation, and breach of contract ("Auditor Lawsuit"). The Liquidator has posted all Status Reports, along with other key liquidation documents, on the website of the Vermont Department of Financial Regulation – www.dfr.vermont.gov/global-hawk.

ANNUAL ACCOUNTING

3. The insurer insolvency statutes require that the Liquidator produce annual accountings that "include (at a minimum) the assets and liabilities of the insurer and all funds received or disbursed by the liquidator during the current period." 8 V.S.A. § 7057(e). An

accounting, including a report of receipts and disbursements, was included in the Second Status Report. An update -- carrying the report of receipts and disbursements through August 31, 2022 -- is attached as Exhibit A while the assets and liabilities of the Company are described below.

STATUS UPDATE

4. Estate Assets. As of August 31, 2022, Global Hawk RRG's assets were as follows:

Cash & Invested Assets	\$ 3,324,272
Reinsurance Return Premium ¹	408,313
Total	\$ 3,732,585

Reinsurance receivable may also be a material estate assets but one reinsurer has taken steps that may impair its value (see, *infra*, ¶ 13) and, in any event, the asset is too contingent to quantify at this time. Similarly, though the Liquidator believes causes of action against Thandi, GCIB, and others are a significant asset of the Global Hawk RRG estate (see, *infra*, ¶ 12-17), they remain speculative and uncertain.

5. Estate Liabilities. As noted in the Commissioner's Petition for Order of Liquidation, Global Hawk RRG projected \$23.75 million in ultimate loss and loss adjustment expenses in its 2019 Annual Statement. The Liquidator has reason to believe that this figure substantially understated the Company's liabilities given that it was produced by GCIB for management and does not reflect any liability for "ghost policies" – that is, policies that were issued by GCIB (and for which GCIB presumably collected premium) but which GCIB and management did not record in the Company's books and records. See First Status Report, ¶¶ 11-13. There remains no better source of data at this time so \$23.75 million should be seen as a "ballpark" estimate of Global Hawk RRG's policy-related liabilities.

¹ These funds, the final installment of return premium due to Global Hawk RRG from one of its reinsurers, were received on September 6, 2022. See, *infra*, ¶ 11.

6. Receipt of Proofs of Claim. As of August 31, 2022, the Liquidator had received a total of 639 proofs of claim (“POCs”). Many of these POCs are “nested” (i.e. a single POC form is submitted with multiple attachments) such that the Liquidator has, to date, assigned a total of 652 claim numbers. Preliminary review indicates that 175 of these claims seek return of unearned premium, 425 seek defense/indemnity payments, 50 seek payment of pre-liquidation loss adjustment expenses, and 2 either do not fall in the preceding categories or do not contain sufficient information to be classified. This analysis suggests that more than 90% of the proofs of claim received are likely to constitute policy-related claims falling in priority class 3. See 8 V.S.A. § 7081.

7. The Liquidator has attempted to correlate all POCs with Global Hawk RRG policy numbers. This process was necessary to respond to data requests from one of the Company’s reinsurers and has helped the Liquidator to better understand the Company’s potential liabilities. Notably, it appears that at least 5% of the proofs of claim received to-date were submitted in error (e.g. the referenced policy appears to have been issued by another carrier). Further, it appears that approximately 17% of the proofs of claim received to date relate to “ghost policies” – that is, policies that were issued by GCIB for the Company (and for which GCIB collected premium) but which GCIB and management did not record in the Company’s books and records. See First Status Report ¶¶ 11-13.

8. Investigation of POCs. Early in the proceeding, the Liquidator determined that the interests of members, policyholders, other creditors and the public generally would be best served by focusing efforts and resources on collections efforts with the objective of increasing the assets available for distribution. Accordingly, in most instances investigation of claims has been deferred unless there is a matter of particular urgency or investigation would further asset collection activity (e.g. recovery of reinsurance). At this point, however, the Liquidator has

marshalled assets sufficient to both undertake further collections activity -- in particular, the cost of seeking recovery in the Auditor Lawsuit and resolving any disputes with one of the Company's reinsurers (see, infra, ¶¶ 13 and 17) – and permit the investigation of claims. Over the coming months, therefore, the Liquidator will begin to contact creditors, investigate their claims, and prepare to issue notices of determination. The Liquidator expects to submit his first report of claims to the Court within the next twelve months.

9. Coordination with Other Public Officials. Global Hawk RRG affiliates controlled by Thandi are domiciled in California (GCIB), Delaware (Global Hawk Property Casualty Insurance Company), and Texas (Houston General Insurance Exchange). The California Insurance Department has terminated the authority of GCIB to do business, the Delaware Insurance Commissioner has been appointed liquidator of Global Hawk Property Casualty Insurance Company, and the Texas Insurance Commissioner has been appointed liquidator of Houston General Insurance Exchange. The Liquidator is coordinating with other insurance regulatory officials and rehabilitators/liquidators in these jurisdictions.

10. Reinsurance. Global Hawk RRG had two separate reinsurance programs. One program (with a Lloyd's syndicate) provided excess of loss coverage while a second program (with Maiden Reinsurance North America, now known as Fletcher Reinsurance Company, "FletcherRe") provides 50% quota share coverage.

11. The Liquidator has reviewed the structure of the Lloyd's program and determined that it will produce a net reinsurance receivable only in the event of extremely adverse loss experience. In addition, however, the Liquidator concluded that Global Hawk RRG was entitled to substantial return premium (approximately \$3.7 million) under the program. The Liquidator worked with the broker to establish the value of the return premium owed and secure its receipt in the Company's accounts.

12. The Liquidator has also reviewed the structure of the FletcherRe program and determined that significant reinsurance benefits are owed under that program due to large losses on covered claims that have been filed in this proceeding. FletcherRe requested information about these claims and, in conformity with Global Hawk RRG's duties to the reinsurer, the Liquidator devoted significant effort to identifying them and producing periodic updates. FletcherRe representatives proposed that agents of the reinsurer might attempt to "remove" such claims from the Global Hawk RRG proceeding by purchasing them from creditors and withdrawing the POC from the liquidation proceeding. FletcherRe presented this as a benefit to the Global Hawk RRG estate. The Liquidator noted that such a program would not benefit the estate (it would deprive the estate of assets and reduce the overall distribution that could be made to creditors) and that it should not be pursued because it was inconsistent with the liquidation statutes, the liquidation order, and the reinsurance agreements.

13. FletcherRe recently informed the Liquidator that, despite his objections, it had proceeded with its plan. It appears that FletcherRe's actions – if not reversed – may impair the value of Global Hawk RRG's reinsurance asset, reducing total recoveries by more than \$1 million. The Liquidator is evaluating the estate's options and will pursue such efforts as may be necessary to restore the value of the reinsurance asset.

COLLECTION ACTIONS

14. RICO Lawsuit Update. As discussed in the First Status Report, the Liquidator filed a complaint against Thandi, GCIB, Padda, and QuantBridge in the United States District Court for the District of Vermont on October 30, 2020 (Docket No. 2:20-cv-173). Allegations in the complaint include violation of the RICO statute, breach of fiduciary duties, conversion, fraud, and breach of contract. The Liquidator has also requested that GCIB be required to provide an accounting.

15. Though his sole proprietorship, Quantbridge, defaulted, Mr. Padda responded to the Complaint in his personal capacity and filed an answer. The Liquidator has since entered into a settlement agreement with Mr. Padda and Quantbridge, which was approved by the Court.

16. GCIB defaulted, but Mr. Thandi responded to the Complaint in his personal capacity, broadly invoked the right against self-incrimination under the Fifth Amendment, and failed to comply with the Federal District Court's order compelling production of certain responsive records, including GCIB records. The Liquidator then file a motion for sanctions against Mr. Thandi, seeking entry of a default. Mr. Thandi did not oppose the motion which was granted by the Federal District Court on June 30, 2022. The Liquidator has now made a filing in support of damages against GCIB and Mr. Thandi which Mr. Thandi will apparently oppose.

17. Auditor Lawsuit Filed. During his investigation of Global Hawk RRG's condition following entry of the Liquidation Order, the Liquidator discovered accounting irregularities that should have been uncovered by the former auditors, Crowe LLP ("Crowe"). The Liquidator brought these concerns to Crowe's attention and the parties entered into a tolling agreement to facilitate discussions and mediation. Mediation was unsuccessful so on October 26, 2021, the Liquidator filed a lawsuit in Vermont Superior Court against Crowe, alleging breach of the duty of professional care, negligence, negligent misrepresentation, and breach of contract (Docket no. 21-cv-03350). Crowe removed the action to the United States District Court for the District of Vermont on November 22, 2021 (Docket no. 5:21-cv-273). Crowe subsequently filed a motion to dismiss which the Liquidator has opposed. The District Court heard argument on the motion to dismiss on June 30, 2022.

18. With regard to both the RICO Lawsuit and the Auditor Lawsuit, the Liquidator is unable to provide detailed analysis in this public filing but, if requested, can prepare a confidential report to the Court for filing under seal.

19. Next Steps. The Liquidator will continue to focus on marshalling estate assets, receiving and processing proof of claim forms as they are submitted in the coming months, and beginning the investigation of POCs already received. The Liquidator proposes making his next status report in six months



J. David Leslie
Special Deputy Liquidator

Subscribed and sworn before me
this 23rd day of September, 2022



Notary Public

My commission expires: Feb. 3, 2028

EXHIBIT A

Estate Collections/Disbursements – Inception to August 31, 2022

Date	Payee/Payor	Description	Transaction
6/23/20	Western Alliance Bank	Consolidation of Estate Assets	\$ 299,241.77
6/25/20	Interactive Brokers	Consolidation of Estate Assets	353,233.76
6/26/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(21,650.00)
7/15/20	Enstar/Fletcher Re	Assets Collected	133,409.00
7/16/20	People's United Bank	Administrative Expense	(30.00)
7/21/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(89,916.50)
7/24/20	Primmer Piper Eggleston & Cramer	Administrative Expense	(5,857.50)
8/7/20	Mechanics Bank	Consolidation of Estate Assets	21,148.65
8/7/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(75,359.58)
8/18/20	People's United Bank	Administrative Expense	(30.00)
8/21/20	Interactive Brokers	Consolidation of Estate Assets	65,275.53
8/21/20	Interactive Brokers	Consolidation of Estate Assets	147,851.53
9/2/20	Harland Clarke Checks	Administrative Expense	(141.50)
9/10/20	Primmer Piper Eggleston & Cramer	Administrative Expense	(945.00)
9/15/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(64,192.50)
9/16/20	People's United Bank	Administrative Expense	(45.00)
10/13/20	Plunkett, Griesenbeck & Mimari IOLTA Account	Assets Collected	1,000.00
10/14/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(39,928.50)
10/20/20	Oregon Department of Revenue	Assets Collected	5,383.00
Balance at 10/31/20 (First Status Report)			\$ 728,447.16
11/6/2020	United States District Court -- D. Vt.	Administrative Expense	(400.00)
11/10/2020	Rackemann, Sawyer & Brewster PC	Administrative Expense	(50,313.73)
12/11/2020	Rackemann, Sawyer & Brewster PC	Administrative Expense	(30,742.00)
1/15/2021	Veris Consulting	Litigation Support	(11,825.00)
1/15/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(29,120.50)
2/11/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(24,157.35)
2/17/2021	People's United Bank	Administrative Expense	(15.00)
2/25/2021	Veris Consulting	Litigation Support	(14,800.00)
3/11/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(19,784.08)
4/1/2021	Veris Consulting	Litigation Support	(49,547.50)
4/22/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(25,379.08)
5/18/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(38,698.50)
6/16/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(20,241.00)
6/21/2021	Veris Consulting	Litigation Support	(35,150.00)
Balance at 6/30/21 (Second Status Report)			\$ 378,273.42

Date	Payee/Payor	Description	Transaction
7/6/2021	JAMS, Inc.	Litigation Expense	\$ (7,500)
7/13/2021	JAMS, Inc.	Litigation Expense	(275.00)
7/14/2021	Hudson Intelligence	Litigation Expense	(5,000.00)
7/14/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(35,698.57)
7/15/2021	USCIPP Ins. Services	Assets Collected	2,852.26
8/12/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(54,475.88)
8/30/2021	Bank of the West	Litigation Expense	(24.00)
8/31/2021	Mechanics Bank	Litigation Expense	(95.20)
9/2/2021	Hudson Intelligence	Litigation Expense	(1,000.00)
9/14/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(50,984.23)
10/7/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(53,940.19)
11/9/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(30,314.50)
11/23/2021	Jaspreet Singh Padda	Assets Collected	25,000.00
11/24/2021	Jaspreet Singh Padda	Assets Collected	25,000.00
11/26/2021	Jaspreet Singh Padda	Assets Collected	5,000.00
12/15/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(11,646.65)
12/16/2021	People's United Bank	Administrative Expense	(45.00)
Balance at 12/31/21 (Third Status Report)			\$ 185,126.46
1/20/2022	Rackemann, Sawyer & Brewster PC	Administrative Expense	(11,584.50)
2/14/2022	Rackemann, Sawyer & Brewster PC	Administrative Expense ¹	885.00
2/15/2022	Verrill Dana, LLP	Administrative Expense	(52,623.14)
3/15/2022	Verrill Dana, LLP	Administrative Expense	(20,154.71)
4/12/2022	Verrill Dana, LLP	Administrative Expense	(18,982.00)
5/6/2022	Endeavour Insurance Services	Assets Collected	1,023,920.80
5/13/2022	Verrill Dana, LLP	Administrative Expense	(8,020.42)
6/8/2022	Verrill Dana, LLP	Administrative Expense	(22,447.42)
6/16/2022	People's United Bank	Administrative Expense	(15.00)
7/11/2022	Endeavour Insurance Services	Assets Collected	2,313,775.85
7/19/2022	Verrill Dana, LLP	Administrative Expense	(21,477.42)
8/12/2022	Verrill Dana, LLP	Administrative Expense	(36,041.91)
8/16/2022	People's United Bank	Administrative Expense	(15.00)
8/17/2022	Veris Consulting	Litigation Expense	(8,075.00)
Balance at 8/31/22 (Fourth Status Report)			\$ 3,324,271.59

¹ This payment reflects return of the unused portion of a deposit paid to the mediator in Global Hawk RRG's dispute with Crowe LLP.