State of Minnesota | **District Court**

County of Ramsey | **Second Judicial District**

62-CV-11-9400

In Re: The Matter of the Liquidation of Minnesota Surety and Trust Company

QUARTERLY REPORT
MINN. STAT. § 60B.25

REPORT ON PROGRESS OF LIQUIDATION PROCEEDINGS

July 1, 2016

NOW COMES Mike Rothman, Commissioner of Commerce of the State of Minnesota, in his capacity as the statutory and court-appointed liquidator of Minnesota Surety and Trust Company, ("MSTC") and for his summary of progress and current status of the MSTC liquidation proceedings, states as follows:

1. The court placed MSTC in liquidation on November 22, 2011.
2. The court appointed the Commissioner of the Minnesota Department of Commerce (hereinafter "Commerce") as liquidator of MSTC.
3. MSTC, a Minnesota insurance company, was also licensed as a trust company and actively administered a number of trusts.

REPORT

I. Financial Statements

4. The Liquidator attaches hereto as Exhibit A the financial statement for MTSC as of March 31, 2016.

II. Notice and Claims

5. The Liquidator is reviewing information submitted by some of the former agents of MSTC for the release of the agent's build-up-fund accounts.

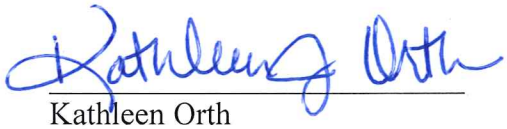
III. Operations

6. On August 14, 2015 the Liquidator filed an application with the U.S. Department of Justice for a limited release of federal claims in the liquidation of Minnesota Surety and Trust Company. As of the date of this report the application was still pending.

Respectfully submitted,

MIKE ROTHMAN
Commissioner
Minnesota Department of Commerce

By his Special Deputy Liquidator



Kathleen Orth

6/14/16

Date

Property and Casualty Companies

QUARTERLY STATEMENT

AS OF MARCH 31, 2016

OF THE CONDITION AND AFFAIRS OF THE

MINNESOTA SURETY AND TRUST COMPANY

NAIC Group Code NAIC Co. Code 30996 Employer's ID Number 41-0665921

Organized under the Laws of Minnesota State of Domicile Minnesota

Country of domicile United States

Incorporated/Organized: August 28, 1945 Commenced Business: August 28, 1945

Statutory Home Office	85 7th Place East, Suite 500, St. Paul, MN 55101-2198
Main Administrative Office	85 7th Place East, Suite 500, St. Paul, MN 55101-2198
Mail Address	P.O. Box 133, Farmington, CT 06034
Primary Location of Books and Records	85 7th Place East, Suite 500, St. Paul, MN 55101-2198
Internet Web Site Address	http://mn.gov/commerce/topics/enforcement/liquidations.jsp
Statutory Statement Contact	Kathleen Orth (651) 539-1763

OFFICERS

None-Company in Liquidation

OTHER OFFICERS

None - Company in Liquidation

DIRECTORS OR TRUSTEES

None - Company in Liquidation

State of Minnesota
County of Ramsey } SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officer of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions there from for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that:: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

5/15/16

Kathleen J. Orth

Kathleen Orth
Chief Examiner

ASSETS

	Current Year			
	Assets	Nonadmitted Assets	Net Admitted Assets (Column 1 minus Column 2)	December 31 Prior Year Net Admitted Assets
1 Bonds	580,300		580,300	704,789
2 Stocks:				
2.1 Preferred stocks				
2.2 Common Stocks				
3 Mortgage loans on real estate:				
3.1 First Liens				
3.2 Other than first liens				
4 Real estate				
4.1 Properties occupied by the company				
4.2 Properties held for the production of income (less $ encumbrances)				
4.3 Properties held for sale (less $ encumbrances)				
5 Cash ($462,510, Schedule E -Part 1), cash equivalents ($0, Schedule E- Part 2)	454,675		454,675	346,276
6 Contract loans				
7 Derivatives				
8 Other invested assets				
9 Receivable for securities				
10 Securities lending reinvested collateral assets (Schedule DL)				
11 Aggregate write-ins for invested assets				
12 Subtotals, cash and invested assets (Line 1 through Line11)	1,034,975	-	1,034,975	1,051,065
13 Title plants less$ charged off (for Title insurers only)				
14 Investment income due and accrued	3,491		3,491	7,392
15 Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	88,133	88,133	-	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)				
16 Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Accrued retrospective premiums				
17 Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19 Guaranty funds receivable or on deposit				
20 Electronic data processing equipment and software				
21 Furniture and equipment, including health care delivery assets ($)				
22 Net adjustment in assets and liabilities due to foreign exchange rates				
23 Receivables from parent, subsidiaries and affiliates				
24 Health care ($) and other amounts receivable				
25 Aggregate write-ins for other than invested assets	100		100	100
26 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	1,126,699	88,133	1,038,566	1,058,557
27 From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28 Total (Line 26 and Line 27)	1,126,699	88,133	1,038,566	1,058,557
DETAILS OF WRITE-INS				
1101				
1102				
1103				
1198 Summary of remaining write-ins for Line 11 from overflow page				
1199 Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)				
2501 Assets reserved for the account of others	100		100	100
2502				
2503				
2598 Summary of remaining write-ins for Line 25 from overflow page				
2599 Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	100		100	100

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1 Losses	5,000	5,000
2 Reinsurance payable on paid losses and loss adjustment expenses		
3 Loss adjustment expenses	-	
4 Commissions payable, contingent commissions and other similar charges	1,630	1,630
5 Other expenses (excluding taxes, licenses and fees)	117,679	124,268
6 Taxes, licenses and fees (excluding federal and foreign income taxes)	27,635	27,635
7 .1 Current federal and foreign income taxes (including $ on realized capital gains (losses)		
7 .2 Net deferred tax liability		
8 Borrowed money	310,660	310,660
9 Unearned premiums	4,295	4,295
10 Advanced premium		
11 Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12 Ceded reinsurance premiums payable (net of ceding commissions)		
13 Funds held by company under reinsurance treaties		
14 Amounts withheld or retained by company for account of others	84,914	95,034
15 Remittances and items not allocated		
16 Provision for reinsurance		
17 Net adjustments in assets and liabilities due to foreign exchange rates		
18 Drafts outstanding		
19 Payable to parent, subsidiaries and affiliates		
20 Derivatives		
21 Payable for securities		
22 Payable for securities lending		
23 Liability for amounts held under uninsured plans		
24 Capital notes $ and interest thereon $		
25 Aggregate write-ins for liabilities		
26 Total liabilities excluding protected cell liabilities (Line 1 through Line 25)	551,812	568,522
27 Protected cell liabilities		
28 Total liabilities (Line 26 and Line 27)	551,812	568,522
29 Aggregate write-ins for special surplus funds		
30 Common capital stock	500,000	500,000
31 Preferred capital stock		
32 Aggregate write-ins for other than special surplus funds		
33 Surplus notes	1,212,000	1,212,000
34 Gross paid in and contributed surplus	100,000	100,000
35 Unassigned funds (surplus)	(1,325,246)	(1,321,965)
36 Less treasury stock, at cost:		
36.1 Shares common (value included in Line 30 $)		
36.2 Shares preferred (value included in Line 31 $)		
37 Surplus as regards policyholders (Line 29 to Line 35, less Line 36) Page 4, Line 39	486,754	490,035
38 Totals (Page 2, Line 28, Column 3)	1,038,566	1,058,557
DETAILS OF WRITE-INS		
2501		
2502		
2503		
2598 Summary of remaining write-ins for Line 25 from overflow page		
2599 Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		
2901		
2902		
2903		
2998 Summary of remaining write-ins for Line 29 from overflow page		
2999 Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201		
3202		
3203		
3298 Summary of remaining write-ins for Line 32 from overflow page		
3299 Totals (Line 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	Prior Year Ended December 31
UNDERWRITING INCOME			
1 Premiums earned:			
1.1 Direct (Written $)	-		-
1.2 Assumed (Written $)			
1.3 Ceded (Written $)			
1.4 Net (Written $)			
	-	-	-
DEDUCTIONS:			
2 Losses Incurred (Current accident year $):			
2.1 Direct	-	(200)	(900)
2.2 Assumed			
2.3 Ceded			
2.4 Net	-	(200)	(900)
3 Loss adjustment expenses incurred	-	-	-
4 Other underwriting expenses incurred	9,556	25,169	74,398
5 Aggregate write-ins for underwriting deductions			
6 Total underwriting deductions (Lines 2 through 5)	9,556	24,969	73,498
7 Net income of protected cells			
8 Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(9,556)	(24,969)	(73,498)
INVESTMENT INCOME			
9 Net investment income earned	6,275	6,037	25,013
10 Net realized capital gains (losses) less capital gains tax of $			-
11 Net investment gain (loss) (Lines 9 + 10)	6,275	6,037	25,013
OTHER INCOME			
12 Net gain or (loss) from agents' or premium balances charged off (amount received $ amount charged off $)			
13 Finance and service charges not included in premiums			
14 Aggregate write-ins for miscellaneous income	-	797	
15 Total other income (Lines 12 through 14)	-	-	-
16 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 plus Line 11+ 15)	(3,281)	(18,135)	(48,485)
17 Dividends to policyholders			
18 Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(3,281)	(18,135)	(48,485)
19 Federal and foreign income taxes incurred			
20 Net income (Line 18 minus Line 19) (to Line 22)	(3,281)	(18,135)	(48,485)
CAPITAL AND SURPLUS ACCOUNT			
21 Surplus as regards policyholders, December 31 prior year	490,035	538,520	538,520
22 Net income (from Line 20)	(3,281)	(18,135)	(48,485)
23 Net transfers (to) from Protected Cell accounts			
24 Change in net unrealized capital gains or (losses) less capital gains tax of $			
25 Change in net unrealized foreign exchange capital gain (loss)			
26 Change in net deferred income tax			
27 Change in nonadmitted assets			
28 Change in provision for reinsurance			
29 Change in surplus notes			
30 Surplus (contributed to) withdrawn from protected cells			
31 Cumulative effect of changes in accounting principles			
32 Capital changes			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33 Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock dividend)			
33.3 Transferred from capital			
34 Net remittances from or (to) Home Office			
35 Dividends to stockholders			
36 Change in treasury stock (Page 3, Line 36.1 and Line 36.2, Column 2 minus Column1)			
37 Aggregate write-ins for gains and losses in surplus	-		
38 Change in surplus as regards policyholders for the year (Line 22 through Line 37)	(3,281)	(18,135)	(48,485)
39 Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	486,754	520,385	490,035
DETAILS OF WRITE-INS			
501			
502			
503			
598 Summary of remaining write-ins for Line 5 from overflow page			
599 Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)	-	-	-
1401 Other miscellaneous income - Wells Fargo	-		
1402 Adjustment to beginning cash balance		797	-
1402a			
1403			
1498 Summary of remaining write-ins for Line 14 from overflow page			
1499 Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	-	797	-
3701	-		
3702			
3703			
3798 Summary of remaining write-ins for Line 37 from overflow page			
3799 Totals (line 3701 through Line 3703 plus Line 3798) (Line 37 above)	-	-	-

STATEMENT AS OF MARCH 31, 2016 OF THE MINNESOTA SURETY & TRUST COMPANY

CASH FLOW

		1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
	Cash from Operations			
1	Premiums collected net of reinsurance	-	-	-
2	Net investment income	6,275	6,037	25,013
3	Miscellaneous income	-	797	
4	Total (Lines 1 to 3)	6,275	6,834	25,013
5	Benefit and loss related payments			-
6	Net transfers to Separate Account, Segregated Accounts and Protected Cell Accounts			
7	Commissions, expenses paid and aggregate write-ins for deductions	12,756	28,400	81,175
8	Dividends paid to policyholders			
9	Federal and foreign income taxes paid (recovered net of $.....tax on capital gains (losses)			
10	Total (Lines 5 through 9)	12,756	28,400	81,175
11	Net cash from operations (Line 4 minus Line 10)	(6,481)	(21,566)	(56,162)
	Cash from Investments			
12	Proceeds from investments sold, matured or repaid:			
	12.1 Bonds	125,000	3,000	3,000
	12.2 Stocks			
	12.3 Mortgage loans			
	12.4 Real estate			
	12.5 Other invested assets			
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments			
	12.7 Miscellaneous proceeds			
	12.8 Total investment proceeds (Lines 12 to 12.7)	125,000	3,000	3,000
13	Cost of investment acquired (long-term only):			
	13.1 Bonds			
	13.2 Stocks			
	13.3 Mortgage loans			
	13.4 Real estate			
	13.5 Other invested assets			
	13.6 Miscellaneous application			
	13.7 Total investments acquired (Lines 13.1 to 13.6)	-	-	-
14	Net increase (or decrease) in contract loans and premium notes			
15	Net cash from investments (Line 12.,8 minus Line 13.7 and Line 14)	125,000	3,000	3,000
	Cash from Financing and Miscellaneous Sources			
16	Cash provided (applied)			
	16.1 Surplus notes, capital notes			
	16.2 Capital and paid in surplus, less treasury stock			
	16.3 Borrowed funds			
	16.4 Net deposits on deposit-type contracts and other insurance liabilities			
	16.5 Dividends to stockholders			
	16.6 Other cash provided (applied)	(10,120)	-	(50,000)
17	Net cash from financing and miscellaneous sources (Lines 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(10,120)	-	(50,000)
	RECONCILIATION OF CASH, CASH EQUILVALENTS AND SHORT-TERM INVESTMENTS			
18	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	108,399	(18,566)	(103,162)
19	Cash, cash equivalents and short-term investments:			
	19.1 Beginning of year	346,276	449,438	449,438
	19.2 End of period (Line 18 plus Line 19.1)	454,675	430,872	346,276

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

Organization

Minnesota Surety and Trust Company (the "Company") was incorporated and commenced operations on August 28, 1945, under the Statutes of the State of Minnesota. The Company was a licensed property and casualty insurer under Minnesota Statutes Section 60A.06. Effective November 17, 2011, the Company's Minnesota Certificate of Authority to operate as an insurer was revoked. Effective November 22, 2011, the Company was ordered into liquidation.

The Company is a majority owned subsidiary of First Heartland Surety and Casualty Services Company ("First Heartland"). The Company was engaged in underwriting surety and bail bonds in the states of Minnesota, North Dakota, Montana, Utah, South Dakota and Colorado. The coverage on the surety and bail bonds was marketed to customers though a network of independent insurance agents and brokers. The Company also provided trust services primarily to individuals in Minnesota.

The financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the Minnesota Department of Commerce.

The financial statements are prepared by the Receiver from information available to, known or estimated by the Receiver as of the date of the Quarterly Statement. The Receiver makes no warranty as to the accuracy of the information or of the opinions or evaluations contained in the Quarterly Statement and expressly disclaims any liability arising from the statements of fact, evaluation or opinion contained in the Quarterly Statement. Assets reported in the Quarterly Statement do not include all possible recoveries that may result from various legal and/or collection efforts. Fidelity/surety loss reserves are the Receivers best estimates of outstanding losses and loss adjustment expenses as of March 31, 2016. These estimates will continue to be updated from time to time.

B. Use of estimates in the Preparation of the Financial Statements & Accounting Policy

The Company records bail bond premiums on the net remittances method. As such, the difference between the fee, generally 10% of the bond, and the premium has not been recorded in these financial statements.

Premiums written are recorded on an annual basis to match the billing to the policyholder. Premiums on other than bail bonds are earned on a pro rata basis over the life of the insurance policy. Audit adjustments to premiums are recognized in the period that the adjustment becomes known. Unearned premium reserves are established for the portion of premiums billed applicable to the unexpired term of the premium.

Certain costs of acquiring new business, principally commissions, premium taxes and other variable policy issuance and underwriting expenses, are expensed when due.

Unpaid claim and settlement expenses are based on estimates of reported and unreported claims and related settlement expenses. The Company does not discount the reserve liability for future policy claims settlement expenses.

Investments in fixed maturity bonds are recorded at amortized cost under the valuation standards of the National Association of Insurance Commissioners. No provision is made for temporary declines in fair values below amortized cost, as the Company generally intends to hold these investments until maturity and does not expect to realize any significant losses. If, however, a permanent impairment occurs in a security, the Company writes the security down to the new value. Short-term investments are recorded at cost, which approximates fair value. Investments in common and preferred stocks are carried at estimated fair values based on published market quotations.

Realized gains and losses are computed based on specific identification of the cost of the securities sold. Unrealized gains and losses of common and preferred stock are included in surplus.

Cash and short-term investments include demand and savings deposits at several financial institutions. At times cash on deposit may exceed federally insured limits. For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of one year or less, when purchased, to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS
None.

3. BUSINESS COMBINATIONS AND GOODWILL
The Company was not involved in any business combinations during the period covered by these financial statements.

4. DISCONTINUED OPERATIONS
The Company was ordered into liquidation by the State of Minnesota on November 22, 2011.

5. INVESTMENTS
During the period covered by these financial statements, the Company had no mortgage loans, real estate loans, debt restructuring, reverse mortgages, loan backed securities or repurchase agreements.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES
The Company had no investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its admitted assets, during the period covered by these financial statements.

7. INVESTMENT INCOME
The Company did not exclude any investment income due and accrued as of March 31, 2016.

8. DERIVATIVE INSTRUMENTS
The Company had no derivative financial instruments during the period covered by these financial statements.

9. INCOME TAXES
There were no income taxes incurred and all deferred tax assets were non-admitted as of March 31, 2016.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES
First Heartland owns 380,099 of the 500,000 issued and outstanding shares of Company capital common stock. First Heartland also holds surplus notes in the Company in the amount of $215,000. The Company had no written agreements for rental of office space or services provided. There were no intercompany transactions in the first quarter of 2016.

11.DEBT
As of March 31, 2016, the Company had the following secured and unsecured notes payable:
1) Promissory notes payable to First Heartland Surety & Casualty Insurance Service Company in the amount of $193,516.
2) Demand note payable to Warren Plunkett in the amount of $117,144.

12. RETIREMENT, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS
The Company was not a party to any retirement, deferred compensation, postemployment benefits or other postretirement plans at March 31, 2016.

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUAI-REORGANIZATION
The Company had 500,000 issued and outstanding shares of $1 par value capital common stock. The Company has no authorized capital prefered stock.

The Company has $1,212,000 of outstanding surplus notes payable only with the written approval of the Minnesota Commissioner of Commerce.

14. CONTINGENCIES
The Company had no known contingent commitments, outside the normal course of business, as of March 31, 2016, except potential contingencies arising from the liquidation proceeding of the Company.

15. LEASES
The Company is not a party to any leases.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK
The Company had no financial instruments with off-balance sheet risk as of March 31, 2016.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES
None.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS
The Company has no interests in uninsured plans.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/ADMINISTRATORS
No premiums were written in the first quarter of 2016.

20. FAIR VALUE MEASUREMENTS
Bonds: Fair values for bonds are determined using quoted market prices from an orderly market at the reporting date for those or similar investments.

	2016 Statement Value	2016 Fair Value
Bonds:	$580,300	$700,504

NOTES TO FINANCIAL STATEMENTS

21. OTHER ITEMS
C. Other Disclosures

Atached at the end of the March 31, 2016 Statement is an exhibit titled "Restatement of Liabilities by Priority". This exhibit is for information purposes only and has been prepared by the Liquidator and has not been approved by the Court.

22. EVENTS SUBSEQUENT
None.

23. REINSURANCE
None.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION
Not applicable.

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES
Reported Loss Reserves as of December 31, 2015, were $5,000. As of March 31, 2016, reported Loss Reserves remained at $5,000, reflecting the estimated value based on the proof-of-claim forms filed in the liquidation. Additional adjustments to Loss Reserves are possible prior to the closure of the liquidation.

Reported Loss Adjustment Expense (LAE) reserves as of March 31, 2016, were $0.
Additional adjustments to LAE Reserves are possible prior to the closure of the liquidation.

26. INTERCOMPANY POOLING ARRANGEMENTS
Not applicable.

27. STRUCTURED SETTLEMENTS
Not applicable.

28. HEALTH CARE RECEIVABLES
Not applicable.

29. PARTICIPATING POLICIES
Not applicable.

30. PREMIUM DEFICIENCY RESERVES
Not applicable.

31. HIGH DEDUCTIBLES
Not applicable.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES
Not applicable.

33. ASBESTOS/ENVIRONMENTAL RESERVE
Not applicable.

34. SUBSCRIBER SAVINGS ACCOUNTS
Not applicable.

35. MULTIPLE PERIL CROP INSURANCE
Not applicable.

36. FINANCIAL GUARANTY INSURANCE
Not applicable.

GENERAL INTERROGATORIES

Part 1 - COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?		Yes ( )	No (X)
1.2 If yes, has the report been filed with the domiciliary state?		Yes ( )	No ( )
2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?		Yes ()	No (X)
2.2 If yes, date of change:			
3 Have there been any substantial changes in the organizational chart since the prior quarter end? If yes, complete the Schedule Y- Part 1- organizational chart.		Yes ( )	No (X)
4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?		Yes ( )	No (X)
4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as result of the merger or consolidation.			
5 If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in fact, or similar agreement, have there been any significant changes regarding the terms of the agreement of principals involved?	Yes ()	No ()	NA (X)
6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.		12/31/2009	
6.2 State the as of date that the latest financial examination report become available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.		12/31/2009	
6.3 State as of what date the latest financial examination report become available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).		7/15/2010	
6.4 By what department or departments? Minnesota Department of Commerce			
6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?	Yes ()	No ()	NA (X)
6.6 Have all of the recommendations within the latest financial examination report been complied with?	Yes ()	No ()	NA (X)
7.1 Has the reporting entity had any Certificate of Authority, licenses or registration (including corporate registration, if applicable) suspended?		Yes (X)	No ()
7.2 If yes, give full information: The Company ceased writing all business in 2011. See Note 1A.			
8.1 Is the Company a subsidiary of a bank holding company regulated by the Federal Reserve Board?		Yes ()	No (X)
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.			
8.3 Is the Company affiliated with one or more banks, thrifts or securities firms?		Yes ()	No (X)
8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]			
9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing: (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships: (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity; (c) Compliance with applicable governmental law, rules and regulations; (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and (e) Accountability for adherence to the code.		Yes (X)	No ()
9.11 If the response to 9.1 is No, please explain:			
9.2 Has the code of ethics for senior management been amended?		Yes ()	No (X)
9.21 If the response to 9.2 is Yes, provide the nature of any waiver(s).			

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?		Yes ()	No (X)
10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:			

GENERAL INTERROGATORIES

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements) Yes () No (X)

11.2 If yes, give full and complete information relating thereto:

12 Amount of real estate and mortgages held in other invested assets in Schedule BA: $0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes () No (X)

14.2 If Yes, please complete the following:

14.21 Bonds

14.22 Preferred Stock

14.23 Common Stock

14.24 Short-Term Investments

14.25 Mortgage Loans on Real Estate

14.26 All Other

14.27 Total Investment in Parent, Subsidiaries and Affiliates

14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes () No (X)

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes () No ()

16 Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks,bonds, and other securities owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1.III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes (X) No ()

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Name of Custodian(s)	Custodian Address
Wells Fargo Bank NA	Minneapolis, MN

16.2 following:

Name of Custodian(s)	Custodian Address

16.3 Has there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes () No (X)

16.4 If yes, give full and complete information relating thereto:

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes (X) No ()

17.2 If no, list exceptions:

STATEMENT AS OF MARCH 31, 2016 OF THE MINNESOTA SURETY & TRUST COMPANY

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise note.)

Part 2

PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes () No () NA (X)
   If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part from any loss that may occur on the risk, or portion thereof, reinsured? Yes ( ) No (X)
   If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been cancelled? Yes ( ) No (X)
3.2 If yes, give full and complete information thereto

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes ( ) No (X)

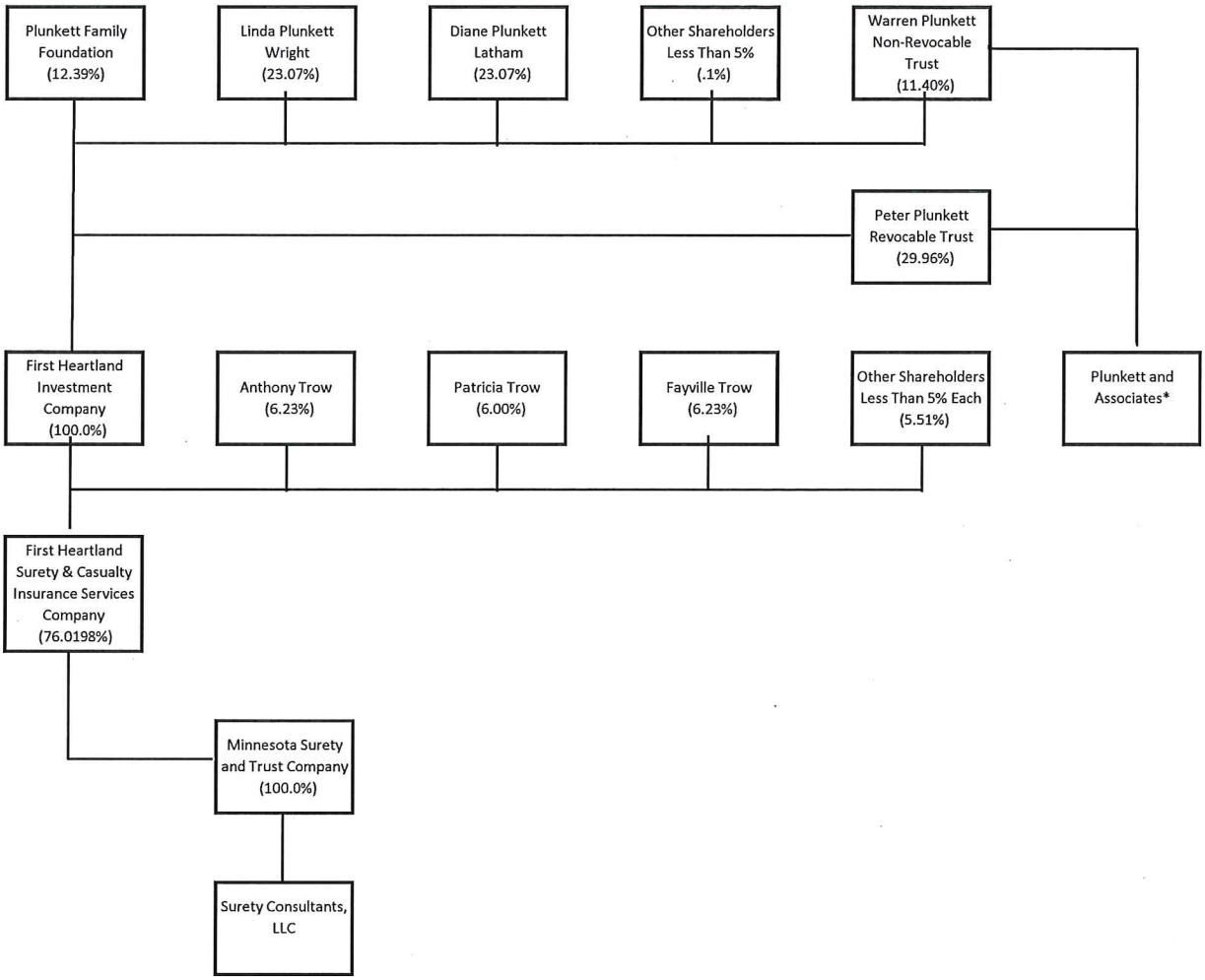
4.2 If yes complete the following schedule:

			Total Discount				Discount taken During Period			
1	2	3	4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Discount Rate	Unpaid Losses	Unpaid LAE	IBNR	TOTAL	Unpaid Losses	Unpaid LAE	IBNR	TOTAL

5. Operating Percentages
   5.1 A&H loss percent %
   5.2 A&H cost containment percent %
   5.3 A&H expense percent excluding cost containment expense %

6.1 Do you act as a custodian for health savings accounts? Yes ( ) No (X)
6.2 If yes, please provide the amount of custodial funds held as of the reporting date $
6.3 Do you act as an administrator for health savings accounts? Yes ( ) No (X)
6.4 If yes, please provide the balance of the funds administered as of the reporting date. $

Schedule Y


Plunkett Family Foundation (12.39%)
Linda Plunkett Wright (23.07%)
Diane Plunkett Latham (23.07%)
Other Shareholders Less Than 5% (.1%)
Warren Plunkett Non-Revocable Trust (11.40%)
Peter Plunkett Revocable Trust (29.96%)
First Heartland Investment Company (100.0%)
Anthony Trow (6.23%)
Patricia Trow (6.00%)
Fayville Trow (6.23%)
Other Shareholders Less Than 5% Each (5.51%)
Plunkett and Associates*
First Heartland Surety & Casualty Insurance Services Company (76.0198%)
Minnesota Surety and Trust Company (100.0%)
Surety Consultants, LLC

PART 1 - LOSS EXPERIENCE

	Lines of Business	1 Current Year to Date Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1	Fire	0	0	0.0	0.0
2	Allied lines	0	0	0.0	0.0
3	Farmowners multiple peril	0	0	0.0	0.0
4	Homeowners multiple peril	0	0	0.0	0.0
5	Commercial multiple peril	0	0	0.0	0.0
6	Mortgage guaranty	0	0	0.0	0.0
8	Ocean marine	0	0	0.0	0.0
9	Inland marine	0	0	0.0	0.0
10	Financial guaranty	0	0	0.0	0.0
11.1	Medical professional liability -occurrence	0	0	0.0	0.0
11.2	Medical professional liability -claims made	0	0	0.0	0.0
12	Earthquake	0	0	0.0	0.0
13	Group accident and health	0	0	0.0	0.0
14	Credit accident and health	0	0	0.0	0.0
15	Other accident and health	0	0	0.0	0.0
16	Workers' compensation	0	0	0.0	0.0
17.1	Other liability occurrence	0	0	0.0	0.0
17.2	Other liability-claims made	0	0	0.0	0.0
17.3	Excess Workers' Compensation	0	0	0.0	0.0
18.1	Products liability-occurrence	0	0	0.0	0.0
18.2	Products liability-claims made	0	0	0.0	0.0
19.1,19.2	Private passenger auto liability	0	0	0.0	0.0
19.3,19.4	Commercial auto liability	0	0	0.0	0.0
21	Auto physical damage	0	0	0.0	0.0
22	Aircraft (all perils)	0	0	0.0	0.0
23	Fidelity	0	0	0.0	0.0
24	Surety	0	0	0.0	0.0
26	Burglary and theft	0	0	0.0	0.0
27	Boiler and machinery	0	0	0.0	0.0
28	Credit	0	0	0.0	0.0
29	International	0	0	0.0	0.0
30	Warranty	0	0	0.0	0.0
31	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34	Aggregate write-ins for other lines of business	0	0	0.0	0.0
35	TOTALS	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

	Lines of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1	Fire	0	0	0
2	Allied lines	0	0	0
3	Farmowners multiple peril	0	0	0
4	Homeowners multiple peril	0	0	0
5	Commercial multiple peril	0	0	0
6	Mortgage guaranty	0	0	0
8	Ocean marine	0	0	0
9	Inland marine	0	0	0
10	Financial guaranty	0	0	0
11.1	Medical professional liability -occurrence	0	0	0
11.2	Medical professional liability -claims made	0	0	0
12	Earthquake	0	0	0
13	Group accident and health	0	0	0
14	Credit accident and health	0	0	0
15	Other accident and health	0	0	0
16	Workers' compensation	0	0	0
17.1	Other liability occurrence	0	0	0
17.2	Other liability-claims made	0	0	0
17.3	Excess Workers' Compensation	0	0	0
18.1	Products liability-occurrence	0	0	0
18.2	Products liability-claims made	0	0	0
19.1,19.2	Private passenger auto liability	0	0	0
19.3,19.4	Commercial auto liability	0	0	0
21	Auto physical damage	0	0	0
22	Aircraft (all perils)	0	0	0
23	Fidelity	0	0	0
24	Surety	0	0	0
26	Burglary and theft	0	0	0
27	Boiler and machinery	0	0	0
28	Credit	0	0	0
29	International	0	0	0
30	Warranty	0	0	0
31	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34	Aggregate write-ins for other lines of business	0	0	0
35	TOTALS	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1+2)	4 Current Year Loss and LAE Payments on Claims Reported as of Prior Year-End	5 Current Year Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total Current Year Loss and LAE Payments (Cols. 4+5)	7 Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	8 Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 QS Date IBNR Loss and LAE Reserves	10 Total QS Loss and LAE Reserves (Cols.7+8+9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4+7 minus Col. 1)	12 End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col.	13 Prior Year-End Total Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 11+12)
1	2013 + Prior	124	0	124	0	0	0	27	0	0	27	0	0	0
2	2014	5	0	5	0	0	0	0	0	0	0	(97)	0	(97)
3	Subtotals 2014 + Prior	5	0	5	0	0	0	0	0	0	0	0	0	0
4	2015	5	0	5	0	0	0	0	0	0	0	(5)	0	(5)
5	Subtotals 2015 + Prior	5	0	5	0	0	0	0	0	0	0	(5)	0	(5)
6	2016	XXX	XXX	XXX	XXX	0	0	XXX	0	0	0	XXX	XXX	XXX
7	Totals	5	0	5	0	0	0	0	0	0	0	(5)	0	(5)
8	Prior Year-End Surplus As Regards Policy-holders	490,035										Col.11, Line 7 As % of Col. 1, Line 7 -100.0%	Col. 12, Line 7 As % of Col. 2, Line 7 0%	Col. 13, Line 7 As % of Col. 3, Line 7 -100.0%
														Col.13, Line 7 As a % of Col. 1 Line 8 0.0%

SCHEDULE F-CEDED REINSURANCE

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

NONE

SCHEULE A - VERIFICATION

NONE

SCHEDULE B - VERIFICATION

NONE

SCHEDULE BA - VERIFICATION

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	704,789	705,745
2. Cost of bonds and stocks acquired		
3. Accrual of discount	511	2,044
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	0	0
6. Deduct consideration for bonds and stocks disposed of	125,000	3,000
7. Deduct amortization of premium		0
8. Total foreign exchange change in book/adjusted carrying vallue		
9, Deduct current year's other than temporary impairment recognizaed		
10. Book/adjusted carrying value at eand of current period (Lines 1+2+3+4+5-6-7+8-9)	580,300	704,789
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	580,300	704,789

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	704,789		125,000	511	580,300	0	0	704,789
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	704,789	0	125,000	511	580,300	0	0	704,789
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	704,789	0	125,000	511	580,300	0	0	704,789

STATEMENT AS OF MARCH 31, 2016 OF THE MINNESOTA SURETY & TRUST COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	reement, or otherwise	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B/A.C.V (11+12-13)	Total Foreign Exchange Change in B/A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During the Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator
912828KT6	US T-Note, 2.375%		3/31/2016	Matured		125,000	125,000	122,461	125,000	0	0	0	0	0	125,000	0	2,539	2,539	0	3/31/2016	1
0599999	Bonds - U.S. Governments					125,000	125,000	122,461	125,000						125,000		2,539	2,539	0	xxx	xxx
3199999	Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...										NONE										
3899999	Bonds - Industrial and Miscellaneous																				
8399997	Total - Bonds - Part 4					125,000	125,000	122,461	125,000	0	0	0	0	0	125,000	0	2,539	2,539	0	xxx	xxx
8399999	Total - Bonds					125,000	125,000	122,461	125,000	0	0	0	0	0	125,000	0	2,539	2,539	0	xxx	xxx
8999999	Total - Preferred Stocks																				
9799999	Total - Common Stocks																				
9899999	Total - Preferred and Common Stocks																				
99999999	Totals					125,000	125,000	122,461	125,000	0	0	0	0	0	125,000	0	2,539	2,539	0	xxx	xxx

Schedule DA - Part 1
NONE

Schedule DA - Verification
NONE

Schedule DB - Part A Verification
NONE

Schedule DB - Part B Verification
NONE

Schedule DB - Part C - Section 1
NONE

Schedule DB - Part C - Section 2
NONE

Schedule DB - Verification
NONE

Schedule E - Verification
NONE

Schedule A -Part 2
NONE

Schedule A - Part 3
NONE

Schedule B -Part 2 & Part 3
NONE

Schedule BA - Part 2
NONE

Schedule BA - Part 3
NONE

Schedule D - Part 3
NONE

Schedule DB - Part A - Section 1
NONE

Schedule DB - Pt. A - Sn. 1 - Footnote (a)
NONE

Schedule DB - Pt. B - Section 1
NONE

Schedule DB - Pt. B - Sn. 1 - Footnotes
NONE

Schedule DB - Part D, Section 1 & Section 2
NONE

Schedule DL - Part 1
NONE

Schedule DL - Part 2
NONE

Schedule E - Part 2 - CASH EQUIVALENTS
NONE

SCHEDULE E - PART 1- CASH

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Location	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	
Sterling State Bank	Austin, Minnesota				81,098	78,498	66,182	xxx
Wells Fargo Bank NA	Minneapolis, Minnesota				136,769	144,917	271,423	xxx
Sterling State Bank	Austin, Minnesota				127,037	127,037	116,917	xxx
0199999 Totals - Open Depositories					344,904	350,452	454,522	xxx
0499999 Cash in Company's Office					153	153	153	xxx
0599999 Total					345,057	350,605	454,675	xxx

NOTE 21C Exhibit:

Restatement of Liabilities by Priority

	March 31, 2016 Page 3	Build-Up Fund Accounts	Priority 2 Admin. Costs	Priority 4 Loss Claims	Priority 4a Unearned Premiums	Priority 4b Federal Gov't.	Priority 4c Wages	Priority 6 Residual Classif.	Priority 7 Judgements	Priority 8 Interest on Claims Paid	Priority 9 Misc. Subordinated Claims	Priority 10 Preferred Ownership Claims
Losses	5,000			5,000								
Loss adjustment expenses	-			-								
Commissions payable, contingent commissions and other similar charges	1,630							1,630				
Other expenses (excluding taxes, licenses and fees)	133,348		26,445				3,176	103,727				
Taxes, licenses and fees (excluding federal and foreign income taxes)	27,635							27,187			448	
Borrowed money	310,660							310,660				
Unearned premiums	4,295				4,295							
Amounts withheld or retained by company for account of others	84,914	84,914										
Total Liabilities	567,482	84,914	26,445	5,000	4,295	-	3,176	443,204	-	-	448	-
Surplus Notes	1,212,000	-	-	-	-	-	-	-	-	-	-	1,212,000