



# QUARTERLY STATEMENT

AS OF JUNE 30, 2010  
OF THE CONDITION AND AFFAIRS OF THE

## ACA Financial Guaranty Corporation

NAIC Group Code 0000 , 0000 NAIC Company Code 22896 Employer's ID Number 52-1474358  
(Current Period) (Prior Period)

Organized under the Laws of Maryland , State of Domicile or Port of Entry Maryland  
Country of Domicile United States

Incorporated/Organized 06/25/1986 Commenced Business 10/31/1986

Statutory Home Office 7 Saint Paul Street, Suite 1660 , Baltimore, MD 21202  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 600 Fifth Avenue, 2nd Floor New York, NY 10020 212-375-2000  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 600 Fifth Avenue, 2nd Floor , New York, NY 10020-2302  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 600 Fifth Avenue, 2nd Floor New York, NY 10020-2302 212-375-2041  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address http://www.aca.com

Statutory Statement Contact Eugene Thomas Carew 212-375-2041  
(Name) (Area Code) (Telephone Number) (Extension)  
ecarew@aca.com 212-375-2100  
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### OFFICERS

Name	Title	Name	Title
<u>Raymond John Brooks Jr</u>	<u>President and CEO</u>	<u>Steven Joseph Berkowitz</u>	<u>Secretary and General Counsel</u>

### OTHER OFFICERS

### DIRECTORS OR TRUSTEES

<u>Raymond John Brooks Jr</u>	<u>Richard Joseph Caplan</u>	<u>Roger Dale Cunningham</u>	<u>Bradley Irving Dietz</u>
<u>Willis Thomas King Jr</u>	<u>Dwight Edward Lacey</u>	<u>Paul Douglas McFarlane</u>	<u>Andrew Nathan Rothseid</u>
<u>John Bruce Sprung</u>			

State of .....New York.....

ss

County of .....New York.....

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property 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 therefrom 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.

Raymond John Brooks, Jr.  
President and CEO

Steven Joseph Berkowitz  
Secretary and General Counsel

a. Is this an original filing? Yes [ X ] No [ ]

b. If no,  
1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

Subscribed and sworn to before me this  
27th day of July, 2010

Kathryn Ann Bloomfield,  
June 15, 2013

**STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation**

**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	376,663,428		376,663,428	369,446,765
2. Stocks:				
2.1 Preferred stocks .....				
2.2 Common stocks .....	769,815	769,815		
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 (less \$ ..... encumbrances) .....				
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....				
4.3 Properties held for sale (less \$ ..... encumbrances) .....				
5. Cash (\$ .....5,115,592 ), cash equivalents (\$ ..... ) and short-term investments (\$ .....72,224,203 ) .....	77,339,795		77,339,795	37,630,585
6. Contract loans (including \$ .....premium notes)				
7. Derivatives .....				
8. Other invested assets .....	1,090,353		1,090,353	1,090,255
9. Receivables for securities .....				
10. Aggregate write-ins for invested assets .....				
11. Subtotals, cash and invested assets (Lines 1 to 10) .....	455,863,391	769,815	455,093,576	408,167,605
12. Title plants less \$ ..... charged off (for Title insurers only)				
13. Investment income due and accrued .....	3,788,667		3,788,667	3,792,609
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection .....				
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....				
14.3 Accrued retrospective premiums .....				
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers .....				
15.2 Funds held by or deposited with reinsured companies .....				
15.3 Other amounts receivable under reinsurance contracts .....				
16. Amounts receivable relating to uninsured plans .....				
17.1 Current federal and foreign income tax recoverable and interest thereon .....	10,000		10,000	51,373,276
17.2 Net deferred tax asset .....	47,593,069	47,593,069		
18. Guaranty funds receivable or on deposit .....				
19. Electronic data processing equipment and software .....	58,774	18,929	39,845	116,297
20. Furniture and equipment, including health care delivery assets (\$ .....)				
21. Net adjustment in assets and liabilities due to foreign exchange rates .....				
22. Receivables from parent, subsidiaries and affiliates .....				
23. Health care (\$ .....) and other amounts receivable .....				
24. Aggregate write-ins for other than invested assets .....	528,647	98,893	429,754	14,150
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	507,842,548	48,480,706	459,361,842	463,463,937
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
27. Total (Lines 25 and 26)	507,842,548	48,480,706	459,361,842	463,463,937
<b>DETAILS OF WRITE-INS</b>				
1001. ....				
1002. ....				
1003. ....				
1098. Summary of remaining write-ins for Line 10 from overflow page .....				
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)				
2401. Security Deposit .....	57,067	57,067		
2402. Prepaid Expenses .....	41,826	41,826		
2403. Other Assets .....	12,353		12,353	14,150
2498. Summary of remaining write-ins for Line 24 from overflow page .....	417,401		417,401	
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	528,647	98,893	429,754	14,150

STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ .....17,447,875 ) .....	45,118,775	29,269,309
2. Reinsurance payable on paid losses and loss adjustment expenses .....		
3. Loss adjustment expenses .....	1,365,599	1,960,489
4. Commissions payable, contingent commissions and other similar charges .....		
5. Other expenses (excluding taxes, licenses and fees) .....	2,627,056	3,330,127
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	103,301	186,625
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) .....		
7.2 Net deferred tax liability .....		
8. Borrowed money \$ ..... and interest thereon \$ .....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ .....403,641 and including warranty reserves of \$ ..... ) .....	199,324,182	205,167,794
10. Advance 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 .....		
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 .....	429,096	416,870
20. Derivatives .....		
21. Payable for securities .....		
22. Liability for amounts held under uninsured plans .....		
23. Capital notes \$ ..... and interest thereon \$ .....		
24. Aggregate write-ins for liabilities .....	91,195,432	85,676,336
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24) .....	340,163,441	326,007,550
26. Protected cell liabilities .....		
27. Total liabilities (Lines 25 and 26) .....	340,163,441	326,007,550
28. Aggregate write-ins for special surplus funds .....		
29. Common capital stock .....	15,000,000	15,000,000
30. Preferred capital stock .....		
31. Aggregate write-ins for other than special surplus funds .....		
32. Surplus notes .....		
33. Gross paid in and contributed surplus .....	363,974,000	363,974,000
34. Unassigned funds (surplus) .....	(259,775,599)	(241,517,613)
35. Less treasury stock, at cost:		
35.1 ..... shares common (value included in Line 29 \$ ..... ) .....		
35.2 ..... shares preferred (value included in Line 30 \$ ..... ) .....		
36. Surplus as regards policyholders (Lines 28 to 34, less 35) .....	119,198,401	137,456,387
37. Totals	459,361,842	463,463,937
<b>DETAILS OF WRITE-INS</b>		
2401. Contingency Reserve .....	91,187,936	85,638,680
2402. Other Payables .....	7,496	37,656
2403. ....		
2498. Summary of remaining write-ins for Line 24 from overflow page .....		
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	91,195,432	85,676,336
2801. ....		
2802. ....		
2803. ....		
2898. Summary of remaining write-ins for Line 28 from overflow page .....		
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)		
3101. ....		
3102. ....		
3103. ....		
3198. Summary of remaining write-ins for Line 31 from overflow page .....		
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above)		

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 260,461 )	6,017,883	7,220,206	15,276,687
1.2 Assumed (written \$ )	103,450	104,334	255,969
1.3 Ceded (written \$ )	17,260	18,217	86,667
1.4 Net (written \$ 260,461 )	6,104,073	7,306,323	15,445,989
<b>DEDUCTIONS:</b>			
2. Losses incurred (current accident year \$ 17,530,431 ):			
2.1 Direct	16,458,786	5,402,609	10,422,105
2.2 Assumed			
2.3 Ceded			
2.4 Net	16,458,786	5,402,609	10,422,105
3. Loss adjustment expenses incurred	583,992	3,455,859	4,741,747
4. Other underwriting expenses incurred	8,155,284	8,708,999	17,290,540
5. Aggregate write-ins for underwriting deductions	12,986,882		
6. Total underwriting deductions (Lines 2 through 5)	38,184,944	17,567,467	32,454,392
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(32,080,871)	(10,261,144)	(17,008,403)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	8,756,956	8,854,141	16,756,238
10. Net realized capital gains (losses) less capital gains tax of \$ 0	1,406,256	(3,287,321)	(15,008,600)
11. Net investment gain (loss) (Lines 9 + 10)	10,163,212	5,566,820	1,747,638
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$ )			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income	5,119,206	4,754,495	8,781,995
15. Total other income (Lines 12 through 14)	5,119,206	4,754,495	8,781,995
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(16,798,453)	60,171	(6,478,769)
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)	(16,798,453)	60,171	(6,478,769)
19. Federal and foreign income taxes incurred		(3,862,428)	(55,235,704)
20. Net income (Line 18 minus Line 19)(to Line 22)	(16,798,453)	3,922,599	48,756,935
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	137,456,386	101,286,388	101,286,387
22. Net income (from Line 20)	(16,798,453)	3,922,599	48,756,935
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	31,679	(1,454,733)	598,349
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	7,829,396	(22,760,220)	(91,233,102)
27. Change in nonadmitted assets	(3,771,353)	19,296,213	89,238,299
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		(8,659,700)	(8,659,700)
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			
37. Aggregate write-ins for gains and losses in surplus	(5,549,256)	3,110,444	(2,530,782)
38. Change in surplus as regards policyholders (Lines 22 through 37)	(18,257,986)	(6,545,397)	36,169,999
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	119,198,401	94,740,991	137,456,386
<b>DETAILS OF WRITE-INS</b>			
0501. Lease Termination Costs	11,636,032		
0502. Write-off of Fixed Asset Related to Lease Termination	1,350,850		
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	12,986,882		
1401. Other Income	197,385	314,495	324,495
1402. Equity Earnings in Affiliates	4,803,000	4,400,000	8,364,500
1403. Surveillance Consent Fees	118,821	40,000	93,000
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	5,119,206	4,754,495	8,781,995
3701. Change In Contingency Reserve	(5,549,256)	(5,549,256)	(11,190,489)
3702. Reclass Adjustment		8,659,700	8,659,707
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(5,549,256)	3,110,444	(2,530,782)

STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance.....	260,461	395,485	864,387
2. Net investment income .....	9,653,014	9,264,355	17,076,465
3. Miscellaneous income .....	5,119,206	4,754,495	8,781,995
4. Total (Lines 1 to 3) .....	15,032,681	14,414,335	26,722,847
5. Benefit and loss related payments .....	609,320	(309,731)	934,031
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions .....	21,684,074	11,260,204	20,117,238
8. Dividends paid to policyholders .....			
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	(51,363,276)	(3,862,428)	(3,862,428)
10. Total (Lines 5 through 9) .....	(29,069,883)	7,088,045	17,188,841
11. Net cash from operations (Line 4 minus Line 10) .....	44,102,564	7,326,290	9,534,006
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	22,338,722	53,989,058	90,849,372
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 .....	0		
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	22,338,722	53,989,058	90,849,372
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	29,000,415	34,760,331	106,796,030
13.2 Stocks .....			
13.3 Mortgage loans .....			
13.4 Real estate .....			
13.5 Other invested assets .....			
13.6 Miscellaneous applications .....		21,831,119	20,679,862
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	29,000,415	56,591,451	127,475,892
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) .....	(6,661,693)	(2,602,393)	(36,626,520)
<b>Cash from Financing and Miscellaneous Sources</b>			
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).....	2,268,340	(791,990)	864,289
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	2,268,340	(791,990)	864,289
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	39,709,211	3,931,908	(26,228,225)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	37,630,584	63,858,810	63,858,809
19.2 End of period (Line 18 plus Line 19.1) .....	77,339,795	67,790,718	37,630,584

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Accounting Practices

The accompanying financial statements have been completed in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual which have been adopted by the Maryland Insurance Administration ("MIA").

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

#### C. Accounting Policy

##### Premium revenue recognition

Installment premiums are earned over each installment period, which is generally one year or less. Up-front premiums are earned in proportion to the expiration of risk. Unearned premiums represent that portion of premiums which is applicable to coverage of risk to be provided in the future on policies in force. When an insured issue is retired or defeased prior to the end of the expected period or coverage, the remaining unearned premiums, less any amount credited to a refunding issue insured by the Company, are recognized as earned premium.

##### Premium written allocation

Written premium is allocated to states and other jurisdictions by using the state of the obligor. In the case of a secondary market deal it is allocated to the state where the trustee is located.

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost using the effective interest rate method.
- (3) The Company has no common stock other than the common stock of an offshore subsidiary, ACA Capital (Singapore) Pte. Ltd. ("ACA Singapore") which is carried as a non-admitted asset. For additional information please see (7) below.
- (4) The Company has no preferred stocks.
- (5) The Company has no mortgage loans.
- (6) Loan-backed securities are stated at amortized cost or the lower of amortized cost or fair market value, using the effective interest rate method. The retrospective adjustment method is used to value all securities.
- (7) In June 2006, the Company established a wholly-owned subsidiary, ACA Singapore, for the purpose of expanding the Company's structured credit business into the Asian markets. However, this business was discontinued in 2007 and the Company is currently undertaking the necessary steps to conclude ACA Singapore's business operations. The Company expects to complete the un-wind of ACA Singapore in 2010. As of June 30, 2010 and December 31, 2009, the Company contributed approximately \$632 thousand of capital into ACA Singapore and did not admit its interest in the amount of \$770 thousand.
- (8) The Company has no joint ventures.
- (9) The Company has no derivatives.
- (10) The Company has no premium deficiencies.
- (11) A loss reserve is established when an insured obligation defaults in payment and the Company makes a payment to cover the debt service obligations. Such liabilities are necessarily based on assumptions and estimates and while management believes these amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. Loss reserves are recorded at the net present value of expected payments. The Company has unpaid losses of \$45.1 million at June 30, 2010 consisting of six case reserves. At December 2009, the Company had five case reserves totaling \$29.3 million. Loss adjustment expense reserves are established for obligations that are either in default or in which defaults are probable. The Company does not discount loss adjustment expense reserves. Total unpaid losses and loss adjustment expenses at June 30, 2010 and December 31, 2009 were \$46.5 million and \$31.2 million, respectively.

In the first six months of 2010, the Company paid a claim of \$83 thousand and established a loss reserve of \$17.4 million for the Connector 2000 Association (Connector), a toll road credit, with par outstanding of \$19.6 million.

During the fourth quarter of 2008, COPIA: The American Center for Wine, Food and the Arts ("COPIA") filed for bankruptcy. The Company insures bonds issued by COPIA with an accreted value of approximately \$85.4 million and expects to pay claims on this credit. However, because SSAP 60 does not allow for establishment of a loss reserve until a default in payment occurs, the Company has not accrued this loss in its 2008, 2009 or 2010 financial statements. COPIA currently has a debt service reserve of approximately \$4.1 million. This cash reserve has been and is expected to continue to make scheduled payments in respect of the insured bonds. Upon the depletion of the debt service reserve, the Company will begin making claim payments and at that time will establish a loss reserve. The Company expects that this will occur in 2012. The bankruptcy process was concluded in January 2010 and legal ownership of the underlying property has been transferred to a trust and will be liquidated under the direction and control of ACA. Proceeds from the sale of the property are expected to reimburse the Company for its loss adjustment expenses and then to pay down the outstanding bonds on a pro-rata basis. It is estimated the sale may take some time to consummate given the current real estate environment and local entitlement issues. In the interim, the Company is incurring costs to maintain the property, including employment of essential personnel and property taxes, as well as legal costs in connection with this credit's legal activities. During the first six months of 2010, the Company paid LAE for COPIA of \$1.0 million and had a reserve balance of \$0.4 million at June 30, 2010. Based on the Company's current estimates, the claim reserve may be in the range of \$60 to \$70 million on a present value basis.

The Company ultimately expects to pay claims on additional insured bonds classified in credit quality category 4. In addition to COPIA and credits on which a loss has been recognized, credits with par outstanding of \$203.1 million have experienced a material decline in creditworthiness and will probably be unable to make all principal and interest payments on the insured bonds. However, because SSAP 60 does not allow for establishment of loss reserves until a default in payment occurs, the Company has not accrued any losses on these insured bonds. Where possible, the Company has taken action and is attempting to either minimize potential loss payments or eliminate the probability of default.

## NOTES TO FINANCIAL STATEMENTS

(12) There has been no change to the Company's capitalization policy.

(13) The Company has no pharmaceutical rebate receivables.

### 2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

A. Not applicable.

### 3. BUSINESS COMBINATION AND GOODWILL

The Company was not party to any business combinations and does not hold goodwill.

### 4. DISCONTINUED OPERATIONS

The Company had no discontinued operations.

### 5. INVESTMENTS

#### A. Mortgage Loans

The Company has no mortgage loans.

#### B. Debt Restructuring

The Company has no debt restructuring.

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan-Backed Securities

(1) N/A.

(2) Prepayment assumptions are derived from an average of those forecast by a number of Wall Street dealers as tabulated by Bloomberg L.P. and referred to as Bloomberg consensus estimates.

(3) N/A

(4) During 2010, the Company did not recognize any other than temporary impairment of loan-backed securities based upon the projected cash flows of the underlying loans being less than the amortized cost basis of the security.

(5) None

(6) The fair value and gross unrealized losses related to loan-backed and structured securities, where impairments have not been recognized, that have been in a continuous unrealized loss position for 12 months or longer at June 30, 2010 is \$2.1 million and \$0.2 million, respectively. The fair value and gross unrealized losses related to loan-backed and structured securities, where impairments have not been recognized, that have been in a continuous unrealized loss position for less than 12 months is \$1.1 million and \$0.3 million, respectively.

(7) All of the securities discussed in (6) above with the exception of two, with a fair value of \$1.1 million and gross unrealized loss of \$0.3 million, are rated investment grade by a nationally recognized security rating organization. The price depreciation is attributable to the widening of credit spreads. As stated above all the securities discussed in (6) with the exception of two, have excess credit coverage within each structure and cash flows of the underlying collateral are expected to be sufficient to pay principal and interest.

(8) N/A.

#### E. Repurchase Agreements

The Company has not used repurchase agreements.

F. The Company has no real estate investments.

G. The Company has no low-income housing tax credit investment.

### 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Company has an investment in ACA Service L.L.C., ("ACA Service") at June 30, 2010, which is non-admitted for statutory reporting purposes.

The Company has a \$770 thousand investment in ACA Singapore (see Note 1C (7) above) at June 30, 2010. This investment is also non-admitted for statutory reporting purposes.

### 7. INVESTMENT INCOME

All investment income due and accrued with amounts that are over 90 days past due are considered a non-admitted asset. The Company has no past due investment income.

### 8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

## NOTES TO FINANCIAL STATEMENTS

## 9. INCOME TAXES

## A. The components of the net deferred tax assets are as follows:

	<u>Ordinary</u>	<u>Capital</u>	<u>2010 Total</u>	<u>2009 Total</u>	<u>Change</u>
Total of all deferred tax assets (admitted and non-admitted)	\$ 56,196,424	\$ 27,235,782	\$ 83,432,206	\$ 39,766,671	\$ 43,665,535
Statutory valuation allowance adjustment	(8,799,106)	(27,040,032)	(35,839,138)	-	(35,839,138)
Adjusted gross deferred tax assets	47,397,318	195,750	47,593,068	39,766,671	7,826,397
Total of all deferred tax liabilities	-	-	-	2,998	(2,998)
Net deferred tax assets	47,397,318	195,750	47,593,068	39,763,673	7,829,395
Deferred tax assets non-admitted	47,397,318	195,750	47,593,068	39,763,673	7,829,395
Net admitted deferred tax assets	\$ -	\$ -	\$ -	\$ -	\$ -

The Company has not elected to admit deferred tax assets pursuant to paragraph 10.e. for the current reporting period.

	<u>2010</u>	<u>2009</u>
10.a. Federal Income Taxes recoverable through loss carryback	\$ -	\$ -
10.b.i. Adjusted Gross DTA expected to be realized in one year	-	-
10.b.ii. 10% adjusted statutory capital and surplus limit	11,832,801	9,398,833
Admitted pursuant to 10.b. (lesser of i. or ii.)	-	-
10.c. Admitted pursuant to 10.c.	-	-
10.e.i. Additional admitted pursuant to 10.e.i.	-	-
10.e.ii.a. Adjusted gross DTA expected to be realized in three years	-	-
10.e.ii.b. 15% adjusted statutory capital and surplus limit	17,749,202	14,098,250
Additional admitted pursuant to 10.e.ii. (lesser of a or b)	-	-
10.e.iii. Additional admitted pursuant to 10.e.iii.	-	-
Total admitted adjusted gross deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

The following table provides the Company's assets, capital and surplus with the DTA calculated under SSAP No. 10R paragraph 10(a) to (c) and the additional DTA determined under SSAP No. 10R paragraph 10.e. as of June 30, 2010:

	<u>SSAP 10R 10.a.-c.</u>	<u>SSAP 10R 10.e.</u>
Admitted deferred tax assets	\$ -	\$ -
Admitted assets	457,255,465	457,255,465
Statutory surplus	118,367,856	118,367,856
Total adjusted capital	-	-
Authorized control level used in 10.d.		

## B. Deferred tax liabilities are not recognized for the following amounts:

There are no temporary differences for which deferred tax liabilities are not recognized.

## C. Current income taxes incurred consist of the following major components:

	<u>2010</u>	<u>2009</u>
Federal income taxes	\$ -	\$ (51,373,276)
Federal income tax on net capital gains	-	-
Prior year adjustment	-	(3,862,429)
Total	<u>\$ -</u>	<u>\$ (55,235,705)</u>

On November 6, 2009, the "Worker, Homeownership, and Business Assistance Act of 2009" was enacted that, in addition to other provisions, extended the carryback period from two years to up to five years for net operating losses ("NOLs") incurred in 2008 or 2009.

In January 2010, the Company filed an NOL carryback claim and recouped approximately \$51.5 million during the first quarter 2010 stemming from the loss generated in the restructuring.

Fifth preceding year (9/15/04 - 12/31/04)	\$ 204,344
Fourth preceding year (1/1/05 - 12/31/05)	9,327,332
Third preceding year (1/1/06 - 12/31/06)	25,966,077
Second preceding year (1/1/07 - 11/21/07)	16,025,523
First preceding year (11/22/07 - 12/31/07)	-
Total taxes recouped	<u>\$ 51,523,276</u>

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

## NOTES TO FINANCIAL STATEMENTS

Deferred tax assets	2010	2009	Change
Contingency reserve	\$ 31,915,778	\$ 29,973,540	\$ 1,942,238
Capital loss carryforward	27,040,034	-	27,040,034
Net operating loss carryforward	16,738,413	3,228,927	13,509,486
Unearned premiums reserve	5,680,441	5,884,967	(204,526)
Discounted loss reserves	791,249	12,421	778,828
Alternative minimum tax credit	364,344	-	364,344
Other temporary differences	422,699	113,481	309,218
Unamortized licenses	283,500	346,500	(63,000)
Unrealized loss on investments	195,748	206,835	(11,087)
Gross deferred tax assets	83,432,206	39,766,671	43,665,535
Statutory valuation allowance	(35,839,138)	-	(35,839,138)
Gross deferred tax assets net of valuation allowance	47,593,068	39,766,671	7,826,397
Non-admitted deferred tax asset	(47,593,068)	(39,766,671)	(7,826,397)
Gross admitted deferred tax asset	\$ -	\$ -	\$ -

**Deferred tax liabilities**

Investments	\$ -	\$ -
Gross deferred tax liabilities	-	-
Net admitted deferred tax asset / (liability)	\$ -	\$ -

The change in net deferred taxes is composed of the following :

	2010	2009	Change
Total deferred tax assets	\$ 83,432,206	\$ 39,766,671	\$ 43,665,535
Total deferred tax liabilities	\$ -	\$ -	\$ -
Net deferred tax asset	\$ 83,432,206	\$ 39,766,671	\$ 43,665,535
Tax effect of unrealized (gains)/losses			\$ 11,088
Change in net deferred income tax (expense)/benefit			\$ 43,676,623

- D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for the period ended June 30, 2010 are as follows:

Description	Amount	Tax Effect	Effective Tax Rate
Income before federal income taxes	\$ (16,798,451)	(5,879,458)	35.00%
Change in valuation allowances	(102,397,538)	(35,839,138)	213.35%
Change in contingency reserve	\$ (5,549,256)	(1,942,240)	11.56%
Non-taxable investment income	(49,982)	(17,494)	0.10%
Non-deductible expenses	4,885	1,710	-0.01%
Total statutory income taxes	\$ (107,991,891)	\$ (43,676,623)	260.00%
Federal income tax expense incurred		-	-
(Increase)/Decrease in net deferred income taxes		(43,676,623)	260.00%
Total statutory income taxes		\$ (43,676,623)	260.00%

- E.

The company had net operating loss carryforwards expiring through the year of 2029 of:	\$ 23,724,721
The company had net capital loss carryforwards expiring through the year of 2014 of:	-
The company had an AMT credit carryforward, which does not expire, in the amount of	-

2. The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

	Ordinary	Capital	Total
2009	\$ -	\$ -	\$ -
2008	-	-	-
2007	-	-	-
	\$ -	\$ -	\$ -

- F. The Company's federal income tax return is not included in a consolidated return.

## 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

A&B. There were no material transactions with parent, affiliates or other related parties in 2010 or 2009.

C. Not applicable.

## NOTES TO FINANCIAL STATEMENTS

- D. The Company has \$429 thousand payable to subsidiaries at June 30, 2010 and \$417 thousand at December 31, 2009.
- E. The Company has no guarantees or undertakings for the benefit of an affiliate or related party.
- F. The Company has no material management or service contract with any related parties.
- G. At June 30, 2010, the majority common shareholder, ACA Holding, L.L.C. (“ACAH”), a Delaware holding company, held a 76.6% share in the common shares of the Company. The minority shareholder, KPR Ltd. (“KPR”), a Cayman Island company and a wholly-owned subsidiary of ACAH, held the remaining 23.4% share in the common shares of the Company. Each of ACAH and KPR are wholly-owned by ACACH Effective at the closing of the restructuring transaction entered into on August 8, 2008, ACACH disclaimed control over the Company. This disclaimer of control was approved by the MIA. See Note 20(C) for a discussion of the restructuring transaction.
- H. The Company's majority common shareholder and ultimate parent, ACAH and ACACH, respectively, are not owned directly or indirectly via any of the Company's downstream subsidiaries or controlled or affiliated entities. See Note 20(C) for information regarding the ownership structure of the Company following the closing of its restructuring transaction that took place on August 8, 2008.
- I. The Company holds no investment in any SCA entity that exceeds 10% of admitted assets.
- J. The Company did not impair any SCA in 2010 or 2009.
- K. Not applicable.
- L. The Company does not hold an investment in a downstream noninsurance holding company.

### 11. DEBT

The Company has no debt.

### 12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- A. The Company has no Defined Benefit Plan.
- B. The Company sponsors a defined contribution plan, which covers all full-time employees of the Company as of their start date with the Company. Eligible participants may contribute a percentage of their salary, subject to IRS limitations. The Company's contributions are based on a fixed percentage of employees' contributions subject to IRS limitations. At June 30, 2010 and December 31, 2009, the fair values of plan assets were \$5.8 and \$6.6 million, respectively. For the period ended June 30, 2010 and December 31, 2009 the Company recognized expense in the amount of \$152 thousand and \$165 thousand for the defined contribution plan, respectively.
- C. The Company has no Multi-employer Plan.
- D. The Company has no Consolidated/Holding Company Plan.

E&F. The Company has no Post-employment Benefits and Compensated Absences.

### 13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATION

- (1) The Company has 1,000,000 shares of common stocks authorized, issued and outstanding with a par value of \$15.00 per share.
- (2) The Company has no preferred stock outstanding.
- (3) Under Maryland insurance law, the Company may pay a dividend without the prior approval of the Commissioner of the MIA from earned surplus, as defined, subject to the maintenance of a minimum-capital requirement, and the dividend, which together with all dividends declared or distributed by it during the preceding twelve months, may not exceed the lesser 10% of its policyholder surplus shown on its last filed statement, or net income, as defined, for such twelve-month period. In addition, as part of the Company's restructuring discussed in Note 20(C) below, the surplus notes restrict the Company from paying dividends without the prior approval of the surplus note holders.
- (4) No dividends were paid in 2010 or 2009.
- (5) The Company had negative earned surplus at June 30, 2010 and December 31, 2009 therefore no dividends can be paid in 2010.
- (6) There are no restrictions on unassigned surplus.
- (7) The Company is not a mutual company.
- (8) The Company holds no stock for special purpose.
- (9) The Company holds no special surplus funds.
- (10) The portion of unassigned surplus represented by cumulative unrealized losses is \$559 thousand.
- (11)

Date Issued	Interest Rate	Par Value (Face Value of Notes)	Carrying Value of Note	Principal And/or Interest Paid Current Year	Total Principal And/or Interest Paid	Unapproved Principal And/or Interest	Date of maturity
08/08/2008	no stated rate	1,000,000,000	-	-	-	-	Within 30 days after the expiration, commutation or bulk reinsurance of the last insurance policy issued by the Company

As part of the restructuring transaction which took place on August 8, 2008, surplus notes with a face amount of \$1 billion were issued to former structured credit counterparties. See Note 20(C) for a description of the notes. These notes were recorded in the surplus notes section of the balance sheet with an offsetting \$1 billion contra account since no cash was received from the former counterparties at note issuance and all payments to the former counterparties under the note require MIA's advance approval. Upon the MIA's approval of payment, the approved portion will reduce the unassigned surplus and contra account. The actual payments will reduce the surplus notes directly.

A surplus note in the amount of \$10,000,000 was issued to ACACH on December 29, 2004 in exchange for \$10,000,000 in cash and had a maturity

## NOTES TO FINANCIAL STATEMENTS

date of December 29, 2034. As part of the Company's restructuring which occurred on August 8, 2008, this surplus note was cancelled. The \$10 million principal balance on the note was reclassified to gross paid in and contributed capital and interest payable under the note in the amount of \$629,465 was written off. See Note 20(C).

(12&13) The Company has not gone through any quasi-reorganization.

### 14. CONTINGENCIES

- A. The Company has no contingent commitments.
- B. The Company has no assessments other than those arising in the normal course of business. Such assessments are not material.
- C. The Company has no gain contingencies.
- D. The Company is one of a number of defendants in a lawsuit in the Superior Court of the State of California (Los Angeles County) brought by Retirement Housing Foundation and several affiliates relating to the plaintiffs' issuance of auction-rate securities insured by the Company. The plaintiffs allege that the Company's insurance of securities backed by sub-prime mortgages was not financially responsible and was contrary to the Company's statement about its investment practices, and that when the Company's credit rating was downgraded from "A" to "CCC" after the collapse of the sub-prime market, the plaintiffs were forced to refinance their securities. While this action is in the preliminary stages, the Company believes it has substantial defenses to the claims against it. Accordingly, on October 22, 2009, the Company filed a demurrer seeking to have the case dismissed. In response, plaintiffs filed a second amended complaint. The Company filed a demurrer to dismiss that complaint on June 25, 2010.

The Company (specifically, ACA Management, LLC) was one of a large number of defendants in an action pending in the First Judicial District Court for the State of New Mexico (Santa Fe) brought by an individual claiming to sue in the name of the State of New Mexico. The complaint generally alleged that Vanderbilt Capital Advisors (and certain of its affiliates) engaged in an unlawful "pay to play" scheme with various New Mexico State officials, causing New Mexico to overpay for certain CDO investments, including some with which the Company was — in an unspecified way — connected. The complaint sought damages in excess of \$90 million and various civil penalties although it did not clearly allege what relief was sought against the Company. Since no allegations of wrongdoing were specified against the Company in the complaint, the Company intended — at the first appropriate procedural time — to move to dismiss the complaint on the grounds that it failed to state any legally cognizable claim. In the meantime, the Company moved to dismiss the case on the procedural grounds that it is not subject to jurisdiction in the New Mexico courts. While that motion was pending, on April 28, the Court issued an order dismissing all claims brought in the original complaint. The Court dismissed the claims brought under the New Mexico qui tam statute ("FATA") because applying FATA retroactively would have violated constitutional prohibitions against ex post facto laws, and dismissed the claims brought under the state Unfair Practices Act ("UPA") because those claims were based on securities transactions not within the scope of the protections offered by the UPA.

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position or the results of operations of the Company.

### 15. LEASES

- A. In March 2010, ACA finalized negotiations with a new tenant for all of its office space at 140 Broadway. Under the terms of the transaction, ACA was released from its obligations under the lease, its security deposit of \$2.7 million was returned and it made cash payments of \$11.6 million. ACA recognized a loss of \$13.0 million on the lease termination, which included the carrying value of leasehold improvements and furniture and fixtures related to this space. The Company's rental expense for the period ended June 30, 2010 and December 31, 2009 were \$0.7 million and \$2.4 million, respectively.

ACA finalized a sublease of new office space running through September 30, 2016. Minimum lease payments under the lease are: 2010- \$0.1 million; 2011- \$0.5 million; 2012- \$0.5 million; 2013- \$0.5 million; 2014- \$0.6 million; 2015- \$0.6 million; and 2016- \$0.5 million. The Company has taken possession of this space in July.

- B. Not applicable.

### 16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENT WITH CONCENTRATION OF CREDIT RISK

The Company has no financial instrument with off-balance sheet risk.

### 17. SALES, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

- A. The Company had no transfer of receivables reported as sales.
- B. The Company had no transfer and servicing of financial assets.
- C. The Company had no wash sales.

### 18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS.

- A. The Company has no Administrative Services Only (ASO) plan.
- B. The Company has no Administrative Services Contract (ASC) plan.
- C. The Company has no Medicare or other similarly structured cost based retirement contract.

### 19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATION

The Company has no direct premium written or produced by managing general agents or third party administration.

### 20. OTHER ITEMS

## NOTES TO FINANCIAL STATEMENTS

- A. The Company had no extraordinary items during 2010 and 2009.
- B. The Company had no troubled debt restructuring during 2010 and 2009.
- C. Assets in the amount of \$4,726,108 and \$4,733,219 at June 30, 2010 and at December 31, 2009 respectively, were on deposit with state authorities or trustees as required by state licensing regulations.

As discussed in Note 15 – Leases. The Company’s security deposit was returned as part of the lease termination. The Company currently has \$57 thousand in security deposits outstanding for lease obligations. This collateral deposit is treated as a non-admitted asset as of June 30, 2010 and December 31, 2009.

On November 9, 2007, Standard & Poor’s Ratings Services (“S&P”) placed its “A” financial strength rating of the Company on “Credit Watch with negative implications”. S&P based its rating action on its opinion that the (\$1.7) billion unrealized mark to market loss recorded by ACACH on GAAP basis for the nine months ended September 30, 2007 would likely impair the Company’s ability to generate a satisfactory level of new business. Amongst other things, S&P also cited ACACH’s inability to access its credit facility under its revised terms as a relevant factor in its rating action. See Note 10(A).

The substantial unrealized mark-to-market loss was caused by the devaluation of mortgage securities, including sub-prime mortgages and securitizations comprised of sub-prime mortgages, which occurred in the credit markets in 2007. This market stress began in the first half of 2007 and continued to deepen throughout 2007 as many financial institutions recorded significant write-downs in connection with their exposure to mortgage related securities. Mortgage defaults levels in 2007 reached historically high levels. These defaults in 2007, coupled with market predictions of additional defaults, negatively impacted mortgage related securitizations, resulting in realized losses in these securities and large declines in unrealized market valuations. The value of the insured credit swaps issued by insured affiliates of ACACH continued to experience declines during 2008, which resulted in additional unrealized valuation losses based on accounting principles generally accepted in the United States of America (“GAAP”).

Based on these negative developments, on December 19, 2007, S&P downgraded the financial strength and financial enhancement ratings of the Company to “CCC” (Developing Outlook) from “A” (CreditWatch Negative). Under the terms of the Company’s insured credit swap transactions, the Company’s downgrade to a level below “A-” resulted in an obligation for the Company’s insured affiliates to post collateral based on the fair value of the insured credit swaps. Under the terms of the swaps, a failure to post collateral would have represented an event of default under the insured credit swaps, or if collateral was not posted, a mandatory termination payment in an amount approximately equal to the collateral call. This termination payment would give rise to a claim of the counterparties under the related insurance policy. Based on the fair values of the Company’s affiliates’ insured credit swap transactions, ACACH did not have the ability to post such collateral or make such termination payments.

In light of the insured affiliates’ inability to post collateral or make these termination payments, and in order to avoid a regulatory proceeding, the Company and its affiliates entered into multiple forbearance agreements in which their counterparties agreed not to exercise remedies and ultimately a restructuring transaction (the “Restructuring Transaction”) with its structured credit and other similarly situated counterparties. The Restructuring Transaction was consummated following a period of claim forbearance by the swap counterparties that began on December 19, 2007, culminating in a Restructuring Transaction completed on August 8, 2008.

On August 8, 2008, the Company completed its Restructuring Transaction in order to settle potential claims arising out of Company’s insured credit swap policies and certain medium term note obligations issued by a subsidiary of the Company and guaranteed by the Company. Certain other parties to which the Company had obligations were also settled. The Restructuring Transaction included three main components.

The first of the three components of the Restructuring Transaction consisted of a Global Settlement Agreement whereby insured credit swap counterparties’ claims were settled by the payment in cash of an aggregate loss amount of approximately \$209 million. In addition, the counterparties received an aggregate 95% voting interest in newly created surplus notes (the “Surplus Notes”) with a total face amount of \$1 billion. The remaining 5% or \$50 million is non-voting and was issued to ACACH.

The second component of the Restructuring Transaction involved a Medium Term Note (“MTN”) Restructuring Agreement which provided for the settlement of a \$100 million medium term note guaranteed by the Company. This obligation was settled by a cash payment of approximately \$48 million to the note holders in 2008 and the relinquishment by the Company of investments in CDO equity with an estimated value of \$2.5 million, also for the benefit of Surplus Note holders. Of the total cash settlement, approximately \$32 million was paid out of a cash collateral account supporting the issued note held by the subsidiary while the remaining amount of approximately \$16 million was funded by cash from the Company and its other subsidiaries.

The third component of the Restructuring Transaction centered on the Intercompany Agreement which treated ACACH and its non-ACA FG subsidiaries as one sub-group and ACA FG and its subsidiary as a separate sub-group. By its terms, the Intercompany Agreement provided for the cancellation of a previously issued intercompany surplus note as well as intercompany balances between the Company’s sub-group and the ACACH sub-group. It also provided for a global release of liability among the two sub-groups. In general, the release discharges the entities from any and all actions, cause of action, suits, debts, liens, contracts, rights and other legal obligations against each other, except those provided for in the Intercompany Agreement. ACACH has provided an indemnification for claims against ACA FG and its subsidiaries, including employee claims, up to a maximum of \$10 million for claims made prior to August 8, 2010.

As provided for by the Restructuring Transaction, subsequent to the closing, the Company is required to conduct its ongoing operations on a run-off basis. As such, the Company will not write any new insurance policies unless it is approved by its board of directors and the MIA.

Subsequent to the closing of the Restructuring Transaction, the Company is required to and has operated under an order issued by the MIA, Case No.: MIA: 2008-08-011 dated August 7, 2008 (the “Order”). The Order provides, among other things, that the Company operate as a run-off company. In connection with the Order, following the Restructuring Transaction, the Company wound down all subsidiaries no longer necessary for the conduct of its ongoing business, including 73 special purpose entities created for the insured credit swap and CDO asset management businesses.

In addition, following the closing of the Restructuring Transaction, the Company submitted a formal request to the MIA seeking approval for the release of that portion of its contingency reserve related to insurance contracts terminated as part of the restructuring as well as certain non-municipal contracts for which the exposure has expired. The request for release was approved by the MIA on October 15, 2008 and is effective for the September 30, 2008 financial statements. The total amount of contingency reserve released at September 30, 2008 based on MIA approval was \$155.1 million.

- D. The Company had no uncollectible balances.
- E. Not applicable.
- F. The Company had no state transferable credits.
- G. Subprime Exposure Related Risk Exposure
  - (1) The Company no longer has risk in its insured exposures to subprime mortgages, except for one insured securitization of manufactured housing mortgages. Other previously insured subprime mortgage exposure was included in the Global Settlement Agreement described in Note 20(C). The one remaining exposure has a par amount of \$5.7 million at June 30, 2010 and the Company has an outstanding loss reserve against this exposure in the amount of \$2.5 million.

## NOTES TO FINANCIAL STATEMENTS

- (2) The Company has no investments consisting of direct exposure to subprime-mortgages.
- (3) The Company has the following indirect exposures to sub-prime mortgages included in its investment portfolio at June 30, 2010:

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	5,448,341	5,389,674	5,796,420	-
b. Commercial mortgage backed securities				
c. Collateralized debt obligations	5	-	-	-
d. Structured securities				
e. Equity investment in SCAs				
f. Other assets				
g. Total	5,448,346	5,389,674	5,796,420	-

- (4) As stated in G (1) above, the Company has an outstanding loss reserve in the amount of \$2.5 million.

## 21. EVENTS SUBSEQUENT

None

## 22. REINSURANCE

## A. Unsecured Reinsurance Recoverables

The Company does not have an unsecured aggregate recoverable for losses paid and unpaid, including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceed 3% of the Company's policyholder surplus.

## B. Reinsurance Recoverable in Dispute

The Company has no reinsurance recoverable in dispute.

## C. Reinsurance Assumed and Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
All other	6,707,479	-0-	403,641	-0-	6,303,838	-0-
Total	\$ 6,707,479	\$ -0-	\$ 406,641	\$ -0-	\$ 6,303,838	\$ -0-

Direct Unearned Premium Reserve \$193,020,344

There are no contingent commission or profit sharing arrangements.

## D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balances.

## E. Commutation of Ceded Reinsurance

The Company had no commutations in 2010.

## F. Retroactive Reinsurance

The Company has no retroactive reinsurance contracts.

## G. Reinsurance Accounted for as a Deposit

The Company did not account for any reinsurance as deposits.

## 23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Company has not entered into any retrospectively rated contracts or contracts subject to redetermination.

## 24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During 2010, the Company incurred losses and LAE of \$17.0 million consisting of \$17.9 million for current accident year claims and \$(0.9) million relating to prior accident years. Substantially all of the current year loss activity related to The Connector 2000 Association ("Connector"), a toll road credit, with par outstanding of \$19.6 million. The Company made a debt service payment on this credit in January 2010 and accordingly recognized the loss. The Company disclosed this default in the Annual Statement Notes but did not accrue a loss on this bond as SSAP 60 does not allow for establishment of a loss reserve until the default in payment occurs. In addition, the Company reduced its reserve for Indymac, an insured securitization of installment sales contracts on manufactured housing, by \$2.0 million, to reflect the expected clean-up call on this obligation.

## 25. INTERCOMPANY POOLING ARRANGEMENTS

The Company has no intercompany pooling arrangements.

## 26. STRUCTURED SETTLEMENTS

The Company has no structured settlements.

## NOTES TO FINANCIAL STATEMENTS

## 27. HEALTH CARE RECEIVABLE

The Company has no health care receivable.

## 28. PARTICIPATING POLICIES

The Company does not write participating policy business.

## 29. PREMIUM DEFICIENCY RESERVE

The Company has no premium deficiency reserve.

## 30. HIGH DEDUCTIBLES ON UNPAID CLAIMS

The Company has no high deductibles on unpaid claims.

## 31. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

The Company discounts unpaid losses using the rate that approximates yield on its investment portfolio. At June 30, 2010 and December 2009 the discount rate used was 4.5 %. The amount of discount associated with the Company's loss reserves at June 30, 2010 and December 2009 was \$25.5 million and \$ 18.7 million, respectively. Loss adjustment expenses are not discounted.

## 32. ASBESTOS/ENVIRONMENTAL RESERVES

The Company does not write this line of business and therefore has no asbestos/environmental reserves.

## 33. SUBSCRIBER SAVINGS ACCOUNTS

The Company has no subscriber savings accounts.

## 34. MULTIPLE PERIL CROP INSURANCE

The Company does not write this line of business.

## 35. FINANCIAL GUARANTY INSURANCE

A.

(1) a. The Company has not recorded unearned premiums related to installment payments.

b+c. The Company has not recorded premiums receivable on installment contracts.

(2) a. The amount of premium revenue that has been accelerated in the first six months of 2010 and the full year 2009 was \$1.2 million and \$4.1 million, respectively. The acceleration was due to the prepayment or advance refunding of credits.

b. Schedule of the future expected earned premium revenue on non-installment contracts as of June 30, 2010:

1.	3 <sup>rd</sup> Quarter 2010	3,156,858
	4 <sup>th</sup> Quarter 2010	2,645,152
	Year 2011	10,101,264
	Year 2012	9,466,731
	Year 2013	9,461,729
	Year 2014	9,559,235
2.	2015 through 2019	45,516,314
	2020 through 2024	42,554,115
	2025 through 2029	34,970,400
	2030 through 2034	24,813,677
	2035 through 2039	6,751,028
	2040 through 2044	277,656
	Year 2045	<u>50,023</u>
	Total	\$199,324,182

(3) Claim liability:

a. The Company used a rate of 4.5% to discount the claim liability. This rate approximates the yield on its investment portfolio at December 31, 2009.

b. Significant components of the change in the claim liability for the period:

Components	Amounts
Losses and LAE Reserve Prior Year	\$31,229,797
Accretion of the discount	756,230
Change in timing	0
New reserves for defaults of insured contracts	17,447,875
Change in deficiency reserves	(2,949,529)
Change in incurred but not reported claims	<u>0</u>
Losses and LAE Reserve Current Year	\$46,484,373

The Company's credit quality classifications are:

- (4) a. Category 1: Fully Performing  
Covenants have been met and there have been no significant negative deviations from expected performance.  
Category 2: Watch  
Performing below expected levels but current and projected revenues are adequate to service debt.



# 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? ..... Yes [ ] No [X]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 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 a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

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 or principals involved? ..... Yes [ ] No [X] NA [ ]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2007
- 6.2 State the as of date that the latest financial examination report became 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. .... 12/31/2007
- 6.3 State as of what date the latest financial examination report became 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). .... 05/07/2009
- 6.4 By what department or departments?  
Maryland Insurance Administration.....
- 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 [X] No [ ] NA [ ]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [X] No [ ] NA [ ]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [X]
- 7.2 If yes, give full information:  
.....
- 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 Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

## GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes  No
- (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 laws, 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.

9.11 If the response to 9.1 is No, please explain:  
.....

9.2 Has the code of ethics for senior managers been amended?..... Yes  No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).  
.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes  No

9.31 If the response to 9.3 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

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:..... \$ .....

### 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

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

13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....0

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

14.2 If yes, please complete the following:

	1		2	
	Prior Year-End Book/Adjusted Carrying Value		Current Quarter Book/Adjusted Carrying Value	
14.21 Bonds .....	\$ .....		\$ .....	
14.22 Preferred Stock .....	\$ .....		\$ .....	
14.23 Common Stock .....	\$ .....769,815		\$ .....769,815	
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 (Subtotal Lines 14.21 to 14.26).....	\$ .....769,815		\$ .....769,815	
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

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes  No   
If no, attach a description with this statement.

## GENERAL INTERROGATORIES

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  No

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

1 Name of Custodian(s)	2 Custodian Address
US Bank, National Association.....	1025 Connecticut Avenue, Suite 517, Washington, DC 20036.....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? .....

Yes  No

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/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:

1 Central Registration Depository	2 Name(s)	3 Address
107038.....	JP. Morgan. Asset. Management.....	245. Park. Avenue. New. York. NY. 10167.....

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? .....

Yes  No

17.2 If no, list exceptions:

.....



Schedule F  
**NONE**

STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama	AL						
2. Alaska	AK						
3. Arizona	AZ						
4. Arkansas	AR						
5. California	CA			36,563		699,818	
6. Colorado	CO						
7. Connecticut	CT						
8. Delaware	DE						
9. District of Columbia	DC						
10. Florida	FL	99,450	101,460				
11. Georgia	GA						
12. Hawaii	HI						
13. Idaho	ID						
14. Illinois	IL						
15. Indiana	IN						
16. Iowa	IA						
17. Kansas	KS						
18. Kentucky	KY						
19. Louisiana	LA	9,188	5,161			4,182,102	
20. Maine	ME						
21. Maryland	MD						
22. Massachusetts	MA						
23. Michigan	MI						
24. Minnesota	MN	1,446	1,732		(751,734)	2,512,717	4,617,019
25. Mississippi	MS		142	443,558	438,098	18,057,524	18,690,082
26. Missouri	MO	9,590	9,690				
27. Montana	MT						
28. Nebraska	NE						
29. Nevada	NV						
30. New Hampshire	NH		16,200				
31. New Jersey	NJ						
32. New Mexico	NM						
33. New York	NY						
34. North Carolina	NC						
35. North Dakota	ND						
36. Ohio	OH						
37. Oklahoma	OK						
38. Oregon	OR						
39. Pennsylvania	PA	46,400	47,600				
40. Rhode Island	RI						
41. South Carolina	SC			82,556		17,447,875	
42. South Dakota	SD						
43. Tennessee	TN						
44. Texas	TX			46,644	3,906	2,218,739	2,186,475
45. Utah	UT						
46. Vermont	VT						
47. Virginia	VA	94,388					
48. Washington	WA						
49. West Virginia	WV						
50. Wisconsin	WI						
51. Wyoming	WY						
52. American Samoa	AS						
53. Guam	GU						
54. Puerto Rico	PR						
55. U.S. Virgin Islands	VI						
56. Northern Mariana Islands	MP						
57. Canada	CN						
58. Aggregate Other Alien	OT	XXX	213,500				
59. Totals	(a)	260,462	395,485	609,321	(309,730)	45,118,775	25,493,576
<b>DETAILS OF WRITE-INS</b>							
5801. Foreign	XXX		213,500				
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX						
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		213,500				

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

**NONE**

**PART 1 - LOSS EXPERIENCE**

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire .....				
2. Allied lines .....				
3. Farmowners multiple peril .....				
4. Homeowners multiple peril .....				
5. Commercial multiple peril .....				
6. Mortgage guaranty .....				
8. Ocean marine .....				
9. Inland marine .....				
10. Financial guaranty .....	6,017,883	16,458,786	273.5	74.8
11.1 Medical professional liability - occurrence .....				
11.2 Medical professional liability – claims made .....				
12. Earthquake .....				
13. Group accident and health .....				
14. Credit accident and health .....				
15. Other accident and health .....				
16. Workers' compensation .....				
17.1 Other liability occurrence .....				
17.2 Other liability – claims made .....				
17.3 Excess Workers' Compensation .....				
18.1 Products liability - occurrence .....				
18.2 Products liability – claims made .....				
19.1,19.2 Private passenger auto liability .....				
19.3,19.4 Commercial auto liability .....				
21. Auto physical damage .....				
22. Aircraft (all perils) .....				
23. Fidelity .....				
24. Surety .....				
26. Burglary and theft .....				
27. Boiler and machinery .....				
28. Credit .....				
29. International .....				
30. Warranty .....				
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 .....				
35. TOTALS .....	6,017,883	16,458,786	273.5	74.8
<b>DETAILS OF WRITE-INS</b>				
3401. ....				
3402. ....				
3403. ....				
3498. Sum. of remaining write-ins for Line 34 from overflow page .....				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34) .....				

**PART 2 - DIRECT PREMIUMS WRITTEN**

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire .....			
2. Allied Lines .....			
3. Farmowners multiple peril .....			
4. Homeowners multiple peril .....			
5. Commercial multiple peril .....			
6. Mortgage guaranty .....			
8. Ocean marine .....			
9. Inland marine .....			
10. Financial guaranty .....		255,157	260,461
11.1 Medical professional liability - occurrence .....			395,485
11.2 Medical professional liability – claims made .....			
12. Earthquake .....			
13. Group accident and health .....			
14. Credit accident and health .....			
15. Other accident and health .....			
16. Workers' compensation .....			
17.1 Other liability occurrence .....			
17.2 Other liability – claims made .....			
17.3 Excess Workers' Compensation .....			
18.1 Products liability - occurrence .....			
18.2 Products liability – claims made .....			
19.1,19.2 Private passenger auto liability .....			
19.3,19.4 Commercial auto liability .....			
21. Auto physical damage .....			
22. Aircraft (all perils) .....			
23. Fidelity .....			
24. Surety .....			
26. Burglary and theft .....			
27. Boiler and machinery .....			
28. Credit .....			
29. International .....			
30. Warranty .....			
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 .....			
35. TOTALS .....	255,157	260,461	395,485
<b>DETAILS OF WRITE-INS</b>			
3401. ....			
3402. ....			
3403. ....			
3498. Sum. of remaining write-ins for Line 34 from overflow page .....			
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34) .....			

STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2010 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2007 + Prior .....	5,763		5,763	1,012		1,012	3,028			3,028	(1,723)		(1,723)
2. 2008 .....	18,270		18,270	507		507	18,302			18,302	539		539
3. Subtotals 2008 + Prior .....	24,033		24,033	1,519		1,519	21,330			21,330	(1,184)		(1,184)
4. 2009 .....	7,197		7,197	116	18	134	7,394			7,394	313	18	331
5. Subtotals 2009 + Prior .....	31,230		31,230	1,635	18	1,653	28,724			28,724	(871)	18	(853)
6. 2010 .....	XXX	XXX	XXX	XXX	135	135	XXX	17,760		17,760	XXX	XXX	XXX
7. Totals .....	31,230		31,230	1,635	153	1,788	28,724	17,760		46,484	(871)	18	(853)
8. Prior Year-End's Surplus As Regards Policyholders	137,456										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. (2.8)	2.	3. (2.7)
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. (0.6)

## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory question.

	<u>RESPONSE</u>
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	.....NO.....
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	.....NO.....
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....NO.....

**Explanation:**

- 1.
- 2.
- 3.

**Bar Code:**

1.	 2 2 8 9 6 2 0 1 0 4 9 0 0 0 0 0 2
2.	 2 2 8 9 6 2 0 1 0 4 5 5 0 0 0 0 2
3.	 2 2 8 9 6 2 0 1 0 3 6 5 0 0 0 0 2

**OVERFLOW PAGE FOR WRITE-INS**

PQ002 Additional Aggregate Lines for Page 02 Line 24.

\*ASSETS

	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
2404. Other Receivable.....	417,401		417,401	
2405. ....				
2498. Summary of remaining write-ins for Line 24 from Page 02	417,401		417,401	

**SCHEDULE A - VERIFICATION**

**Real Estate**

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

**SCHEDULE B – VERIFICATION**

**Mortgage Loans**

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

**SCHEDULE BA – VERIFICATION**

**Other Long-Term Invested Assets**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,090,255	1,090,068
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount	98	187
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	1,090,353	1,090,255
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)	1,090,353	1,090,255

**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	370,216,580	369,568,588
2. Cost of bonds and stocks acquired	29,000,415	106,796,030
3. Accrual of discount	195,585	450,951
4. Unrealized valuation increase (decrease)	31,678	598,349
5. Total gain (loss) on disposals	1,406,256	(4,270,555)
6. Deduct consideration for bonds and stocks disposed of	22,338,722	90,849,372
7. Deduct amortization of premium	1,078,549	1,339,367
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		10,738,044
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	377,433,243	370,216,580
11. Deduct total nonadmitted amounts	769,815	769,815
12. Statement value at end of current period (Line 10 minus Line 11)	376,663,428	369,446,765

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**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 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a).....	382,578,854	39,272,693	33,744,636	(256,206)	382,578,854	387,850,705		340,126,204
2. Class 2 (a).....	57,294,284		315,399	628,132	57,294,284	57,607,017		59,798,953
3. Class 3 (a).....	1,570,032			(758,282)	1,570,032	811,750		1,586,198
4. Class 4 (a).....	3			377,060	3	377,063		1,120,000
5. Class 5 (a).....	737,386			(396,691)	737,386	340,695		701,517
6. Class 6 (a).....	1,985,824			(85,423)	1,985,824	1,900,401		2,054,629
7. Total Bonds	444,166,383	39,272,693	34,060,035	(491,410)	444,166,383	448,887,631		405,387,501
<b>PREFERRED STOCK</b>								
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	444,166,383	39,272,693	34,060,035	(491,410)	444,166,383	448,887,631		405,387,501

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....

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**SCHEDULE DA - PART 1**

**Short-Term Investments**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	72,224,203	XXX	72,224,203	589	

**SCHEDULE DA - VERIFICATION**

**Short-Term Investments**

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	35,940,735	63,057,684
2. Cost of short-term investments acquired .....	127,767,725	164,803,446
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	91,484,257	191,920,395
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	72,224,203	35,940,735
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11)	72,224,203	35,940,735

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

**NONE**

Schedule B - Part 3

**NONE**

Schedule BA - Part 2

**NONE**

Schedule BA - Part 3

**NONE**

STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation

**SCHEDULE D - PART 3**

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
31394D-EA-4	Fannie Mae 2005-22 KJ 5.000% 07/25/33		04/14/2010	Cantor Fitzgerald		4,853,992	4,614,609	11,537	1
31402D-PT-1	FNMA Pool 725934 5.000% 11/01/19		04/19/2010	BNP Paribas/NY		10,975,940	10,328,778	24,387	1
3199999 - Total	Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of ...					15,829,932	14,943,387	35,924	XXX
06051G-DY-2	Bank Of America Corp 7.375% 05/15/14		06/01/2010	BA Securities		4,433,320	4,000,000	15,569	1FE
828807-CB-1	Simon Property Group LP Series Callable		06/01/2010	KEEGAN		4,441,080	4,000,000	14,250	1FE
853254-AD-2	Standard Chartered Plc Series 144A 5.5	F	05/10/2010	Goldman Sachs		4,296,080	4,000,000	106,944	1FE
3899999 - Total	Bonds - Industrial, Misc.					13,170,480	12,000,000	136,763	XXX
8399997 - Total	Bonds - Part 3					29,000,412	26,943,387	172,687	XXX
8399999 - Total	Bonds					29,000,412	26,943,387	172,687	XXX
8999999 - Total	Preferred Stocks						XXX		XXX
9799999 - Total	Common Stocks						XXX		XXX
9899999 - Total	Preferred and Common Stocks						XXX		XXX
9999999 - Totals						29,000,412	XXX	172,687	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

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STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation

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	2	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 Year	Maturity Date	NAIC Designation or Market Indicator (a)
36200A-BE-8..	GNMA Pool 595037 6.000% 10/15/32		06/01/2010	Paydown.....		.45	.45	.47	.46		(.1)		(.1)		.45				.1	10/15/2032	1..
36200A-CW-7..	GNMA Pool 595085 6.000% 10/15/32		06/01/2010	Paydown.....		7,393	7,393	7,612	7,590		(197)		(197)		7,393				157	10/15/2032	1..
36200E-TY-7..	GNMA Pool 599167 6.000% 12/15/33		06/01/2010	Paydown.....		1,352	1,352	1,392	1,386		(34)		(34)		1,352				34	12/15/2033	1..
36200M-AT-0..	GNMA Pool 604018 5.500% 02/15/33		06/01/2010	Paydown.....		52,638	52,638	54,163	54,040		(1,403)		(1,403)		52,638				1,053	02/15/2033	1..
36200M-EN-9..	GNMA Pool 604141 6.000% 03/15/33		06/01/2010	Paydown.....		5,017	5,017	5,166	5,156		(139)		(139)		5,017				132	03/15/2033	1..
362000-2R-4..	GNMA Pool 569684 6.000% 02/15/32		06/01/2010	Paydown.....		7,339	7,339	7,557	7,539		(200)		(200)		7,339				186	02/15/2032	1..
36200R-LX-8..	GNMA Pool 570142 6.000% 12/15/31		06/01/2010	Paydown.....		3,909	3,909	4,025	4,017		(108)		(108)		3,909				100	12/15/2031	1..
36200R-XT-4..	GNMA Pool 570490 6.000% 12/15/31		06/01/2010	Paydown.....		245	245	252	252		(7)		(7)		245				7	12/15/2031	1..
36200S-US-7..	GNMA Pool 571293 6.000% 11/15/31		06/01/2010	Paydown.....		494	494	509	507		(12)		(12)		494				12	11/15/2031	1..
36201A-PF-9..	GNMA Pool 577422 6.000% 01/15/32		06/01/2010	Paydown.....		152	152	157	156		(4)		(4)		152				4	01/15/2032	1..
36201D-AX-0..	GNMA Pool 579722 6.000% 08/15/32		06/01/2010	Paydown.....		4,314	4,314	4,442	4,433		(119)		(119)		4,314				90	08/15/2032	1..
36201E-AG-5..	GNMA Pool 580607 6.000% 02/15/33		06/01/2010	Paydown.....		1,384	1,384	1,425	1,422		(37)		(37)		1,384				36	02/15/2033	1..
36201F-AF-4..	GNMA Pool 581506 6.000% 04/15/33		06/01/2010	Paydown.....		366	366	377	376		(10)		(10)		366				11	04/15/2033	1..
36201K-JO-0..	GNMA Pool 585371 6.000% 04/15/32		06/01/2010	Paydown.....		351	351	361	361		(10)		(10)		351				9	04/15/2032	1..
36201Y-FD-3..	GNMA Pool 606864 6.000% 10/15/33		06/01/2010	Paydown.....		1,826	1,826	1,880	1,878		(52)		(52)		1,826				42	10/15/2033	1..
36207E-ND-2..	GNMA Pool 429788 6.000% 12/15/33		06/01/2010	Paydown.....		3,985	3,985	4,104	4,095		(110)		(110)		3,985				82	12/15/2033	1..
36210J-HW-1..	GNMA Pool 493545 6.000% 03/15/31		06/01/2010	Paydown.....		31	31	32	31		(1)		(1)		31				1	03/15/2031	1..
36213F-U4-3..	GNMA Pool 553303 6.000% 06/15/33		06/01/2010	Paydown.....		10	10	10	10						10					06/15/2033	1..
36213R-2A-4..	GNMA Pool 562469 5.000% 02/15/34		06/01/2010	Paydown.....		9,573	9,573	9,622	9,615		(43)		(43)		9,573				195	02/15/2034	1..
36213R-ZF-7..	GNMA Pool 562442 5.500% 01/15/34		06/01/2010	Paydown.....		2,852	2,852	2,930	2,917		(65)		(65)		2,852				65	01/15/2034	1..
36213T-GW-7..	GNMA Pool 563713 6.000% 01/15/33		06/01/2010	Paydown.....		6,378	6,378	6,567	6,550		(173)		(173)		6,378				160	01/15/2033	1..
36213U-EZ-9..	GNMA Pool 564552 6.000% 12/15/31		06/01/2010	Paydown.....		3,714	3,714	3,824	3,805		(92)		(92)		3,714				111	12/15/2031	1..
36213V-GN-2..	GNMA Pool 565505 6.000% 09/15/32		06/01/2010	Paydown.....		490	490	505	504		(14)		(14)		490				10	09/15/2032	1..
36290X-PM-6..	GNMA Pool 620628 6.000% 09/15/33		06/01/2010	Paydown.....		574	574	591	590		(16)		(16)		574				15	09/15/2033	1..
36290X-PT-1..	GNMA Pool 620634 6.000% 09/15/33		06/01/2010	Paydown.....		551	551	567	567		(16)		(16)		551				14	09/15/2033	1..
36290Y-TN-8..	GNMA Pool 621657 6.000% 12/15/33		06/01/2010	Paydown.....		9	9	9	9						9					12/15/2033	1..
36291C-PV-1..	GNMA Pool 624236 6.000% 12/15/33		06/01/2010	Paydown.....		2,383	2,383	2,454	2,451		(68)		(68)		2,383				60	12/15/2033	1..
36291E-AD-3..	GNMA Pool 625604 6.000% 12/15/33		06/01/2010	Paydown.....		148	148	153	153		(4)		(4)		148				4	12/15/2033	1..
36291E-AV-3..	GNMA Pool 625620 6.000% 12/15/33		06/01/2010	Paydown.....		237	237	244	243		(7)		(7)		237				7	12/15/2033	1..
36296X-H8-0..	GNMA POOL 704155 5.500% 01/15/39		06/01/2010	Paydown.....		608,781	608,781	627,615	627,325		(18,543)		(18,543)		608,781				14,438	01/15/2039	1..
0399999 -	Bonds - U.S. Governments					726,541	726,541	748,592	748,024		(21,485)		(21,485)		726,541				17,036	XXX	XXX
31359S-2G-4..	Fanniemae Whole Loan NW 2001-W1 AF6 6.000% FNMA Pool No 580078		06/01/2010	Paydown.....		6,166	6,166	6,402	6,738		(572)		(572)		6,166				153	12/25/2030	1..
31387C-M3-2..	7.000% 09/01/31		06/01/2010	Paydown.....		126	126	129	129		(3)		(3)		126				4	09/01/2031	1..

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STATEMENT AS OF JUNE 30, 2010 OF THE ACA Financial Guaranty Corporation

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	2	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 Year	Maturity Date	NAIC Designation or Market Indicator (a)
31394D-EA-4	Fannie Mae 2005-22 KJ 5.000% 07/25/33		06/01/2010	Paydown		259,274	259,274	272,724			(13,450)		(13,450)		259,274				1,772	11/25/2015	1
31402D-F7-0	FNMA Pool 725690 6.000% 08/01/34		06/01/2010	Paydown		1,364,803	1,364,803	1,410,332	1,407,791		(42,989)		(42,989)		1,364,803				33,944	08/01/2034	1
31402D-PT-1	FNMA Pool 725934 5.000% 11/01/19		06/01/2010	Paydown		310,678	310,678	330,144			(19,466)		(19,466)		310,678				1,294	11/01/2019	1
31405R-AR-7	FNMA Pool 796616 5.500% 10/01/34		06/01/2010	Paydown		1,022,596	1,022,596	1,038,334	1,037,295		(14,699)		(14,699)		1,022,596				24,588	10/01/2034	1
31407U-EK-9	FNMA Pool 840838 5.500% 11/01/35		06/01/2010	Paydown		344,315	344,315	339,903	340,005		4,310		4,310		344,315				8,642	11/01/2035	1
3199999	Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of					3,307,958	3,307,958	3,397,968	2,791,958		(86,869)		(86,869)		3,307,958				70,397	XXX	XXX
03062X-AD-8	AmeriCredit Automobile Rec. Series 2006		06/06/2010	Paydown		315,399	315,399	315,322	315,379		20		20		315,399				6,695	09/06/2013	2FE
03072S-LD-5	Ameriquest Mortgage Securities 2003-1A1		06/01/2010	Paydown		130,267	130,267	130,267	130,267						130,267				2,611	11/25/2033	12*
060505-BF-0	Bank of America Corp 4.375% 12/01/10		06/01/2010	BA Securities		4,910,806	4,830,000	4,819,373	4,827,870		1,021		1,021		4,828,890		81,916	81,916	107,417	12/01/2010	1FE
09774X-AK-8	Bombardier Capital Mortgage Se 1998-B M1		06/01/2010	Paydown				77,015	75,614		(75,614)		(75,614)						8,738	03/15/2026	6FE
52108H-P3-2	LB-UBS Commercial Mtg Trust Lblubs 2004-C		06/11/2010	Paydown		407,662	407,662	409,682	407,499		163		163		407,662				7,888	06/15/2010	1FE
3899999	Total - Bonds - Industrial and Miscellaneous					5,764,134	5,683,328	5,751,659	5,756,629		(74,410)		(74,410)		5,682,218		81,916	81,916	133,349	XXX	XXX
8399997	Total - Bonds - Part 4					9,798,633	9,717,827	9,898,219	9,296,611		(182,764)		(182,764)		9,716,717		81,916	81,916	220,782	XXX	XXX
8399999	Total - Bonds					9,798,633	9,717,827	9,898,219	9,296,611		(182,764)		(182,764)		9,716,717		81,916	81,916	220,782	XXX	XXX
8999999	Total - Preferred Stocks						XXX													XXX	XXX
9799999	Total - Common Stocks						XXX													XXX	XXX
9899999	Total - Preferred and Common Stocks						XXX													XXX	XXX
9999999	Totals					9,798,633	XXX	9,898,219	9,296,611		(182,764)		(182,764)		9,716,717		81,916	81,916	220,782	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E05.1

Schedule DB - Part A - Section 1

**NONE**

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Sch. DB - Pt. B - Sn. 1 - Footnotes

**NONE**

Schedule DB - Part D

**NONE**



**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
<b>NONE</b>							
8699999 Totals							

E10