



ANNUAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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	140 Broadway, 47th Floor			New York, NY 10005-1101		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	140 Broadway, 47th Floor			New York, NY 10005-1101		212-375-2000
	(Street and Number)			(City or Town, State and Zip Code)		(Area Code) (Telephone Number)
Mail Address	140 Broadway, 47th Floor			New York, NY 10005-1101		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	140 Broadway, 47th Floor			New York, NY 10005-1101		212-375-2320
	(Street and Number)			(City or Town, State and Zip Code)		(Area Code) (Telephone Number)
Internet Website Address				http://www.aca.com		
Statutory Statement Contact	Mark Wayne Anderson			212-375-2320		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	manderson@aca.com			212-375-2301		
	(E-mail Address)			(Fax Number)		

OFFICERS

Name	Title	Name	Title
Alan Stewart Roseman	President, CEO, and Director	Lisa Michelle Mumford	Chief Financial Officer
Nora Jean Dahlman	Secretary and General Counsel		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

David Michael Barse	John Gregory Berylson	Douglas Lee Jacobs	Robert Juneja
David King	William Howard Lacy	Gideon Anthony Pell	Alan Stewart Roseman
Warren Amerine Stephens			

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

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

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.

Alan Stewart Roseman President, CEO, and Director	Lisa Michelle Mumford Chief Financial Officer	Nora Jean Dahlman Secretary and General Counsel
Subscribed and sworn to before me this 22nd day of February, 2008		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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	593,402,665		593,402,665	493,065,879
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common stocks .....	763,291		763,291	153,543
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
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 (\$ .....42,098,016 , Schedule E, Part 1), cash equivalents (\$ ..... , Schedule E, Part 2) and short-term investments (\$ .....19,439,720 , Schedule DA).....	61,537,736		61,537,736	115,334,149
6. Contract loans, (including \$ .....premium notes)				
7. Other invested assets (Schedule BA) .....	19,339,891		19,339,891	7,944,027
8. Receivables for securities .....	9,141		9,141	22,753
9. Aggregate write-ins for invested assets .....				
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	675,052,723		675,052,723	616,520,349
11. Title plants less \$ .....charged off (for Title insurers only).....				
12. Investment income due and accrued .....	6,098,420		6,098,420	5,124,932
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premium).....	235,939	220,564	15,375	4,782,571
13.3 Accrued retrospective premium.....				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....				
14.2 Funds held by or deposited with reinsured companies .....				
14.3 Other amounts receivable under reinsurance contracts .....				
15. Amounts receivable relating to uninsured plans .....				
16.1 Current federal and foreign income tax recoverable and interest thereon .....	7,075,607		7,075,607	4,907,134
16.2Net deferred tax asset.....	65,117,852	64,736,862	380,990	491,099
17. Guaranty funds receivable or on deposit .....				
18. Electronic data processing equipment and software.....	3,148,219	2,576,535	571,685	214,231
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	748,602	748,602		
20. Net adjustment in assets and liabilities due to foreign exchange rates .....				
21. Receivables from parent, subsidiaries and affiliates .....	2,492,524		2,492,524	7,952,022
22. Health care (\$ ..... ) and other amounts receivable.....				
23. Aggregate write-ins for other than invested assets .....	698,359	594,135	104,225	908,142
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	760,668,247	68,876,697	691,791,549	640,900,479
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....				
26. Total (Lines 24 and 25)	760,668,247	68,876,697	691,791,549	640,900,479
DETAILS OF WRITE-INS				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....				
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)				
2301. Prepaid Expenses.....	565,000	565,000		
2302. Interest Receivable/(Payable) Affiliate.....	(116,447)		(116,447)	895,965
2303. Employee Flexible Spending Account.....	42,977		42,977	12,176
2398. Summary of remaining write-ins for Line 23 from overflow page .....	206,830	29,135	177,695	
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	698,359	594,135	104,225	908,142

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8) .....	7,373,268	(5,980,693)
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9) .....	562,331	600,921
4. Commissions payable, contingent commissions and other similar charges .....		
5. Other expenses (excluding taxes, licenses and fees) .....	5,591,071	8,782,973
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	453,148	542,290
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 (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ .....549,554 and including warranty reserves of \$ ..... ) .....	263,012,701	249,834,648
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 (Schedule F, Part 3, Column 19) .....		
14. Amounts withheld or retained by company for account of others .....		
15. Remittances and items not allocated .....		
16. Provision for reinsurance (Schedule F, Part 7) .....		
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		
18. Drafts outstanding .....		
19. Payable to parent, subsidiaries and affiliates .....		
20. Payable for securities .....		
21. Liability for amounts held under uninsured plans .....		
22. Capital notes \$ ..... and interest thereon \$ .....		
23. Aggregate write-ins for liabilities .....	185,658,975	113,476,583
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) .....	462,651,493	367,256,722
25. Protected cell liabilities .....		
26. Total liabilities (Lines 24 and 25) .....	462,651,493	367,256,722
27. Aggregate write-ins for special surplus funds .....		
28. Common capital stock .....	15,000,000	15,000,000
29. Preferred capital stock .....		
30. Aggregate write-ins for other than special surplus funds .....		
31. Surplus notes .....	10,000,000	10,000,000
32. Gross paid in and contributed surplus .....	358,303,850	358,303,850
33. Unassigned funds (surplus) .....	(154,163,793)	(109,660,094)
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 \$ ..... ) .....		
34.2 ..... shares preferred (value included in Line 29 \$ ..... ) .....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39) .....	229,140,057	273,643,757
36. Totals (Page 2, Line 26, Col. 3) .....	691,791,549	640,900,479
DETAILS OF WRITE-INS		
2301. Contingency Reserve .....	185,658,975	113,476,583
2302. ....		
2303. ....		
2398. Summary of remaining write-ins for Line 23 from overflow page .....		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	185,658,975	113,476,583
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page .....		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above) .....		
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page .....		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above) .....		

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4) .....	92,292,921	69,275,239
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 34, Column 7) .....	37,484,570	(1,961,088)
3. Loss expenses incurred (Part 3, Line 25, Column 1) .....	614,697	1,267,405
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	45,581,005	37,917,422
5. Aggregate write-ins for underwriting deductions .....		
6. Total underwriting deductions (Lines 2 through 5) .....	83,680,272	37,223,739
7. Net income of protected cells .....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) .....	8,612,649	32,051,500
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	30,933,517	24,831,786
10. Net realized capital gains (losses) less capital gains tax of \$ ..... (Exhibit of Capital Gains (Losses)) .....	(5,050,701)	(682,516)
11. Net investment gain (loss) (Lines 9 + 10) .....	25,882,816	24,149,270
<b>OTHER INCOME</b>		
12. Net gain (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 .....	148,168	209,500
15. Total other income (Lines 12 through 14) .....	148,168	209,500
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) .....	34,643,633	56,410,270
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) .....	34,643,633	56,410,270
19. Federal and foreign income taxes incurred .....	3,806,331	18,475,230
20. Net income (Line 18 minus Line 19) (to Line 22) .....	30,837,302	37,935,039
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) .....	273,643,757	266,108,776
22. Net income (from Line 20) .....	30,837,302	37,935,039
23. Net transfers (to) from Protected Cell accounts .....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ ..... (29,961,174) .....	(29,961,174)	13,218,848
25. Change in net unrealized foreign exchange capital gain (loss) .....		
26. Change in net deferred income tax .....	12,579,132	14,241,302
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3) .....	18,034,058	(26,099,839)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....		
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 .....		10,000,000
33.2. Transferred to capital (Stock Dividend) .....		
33.3. Transferred from capital .....		
34. Net remittances from or (to) Home Office .....		
35. Dividends to stockholders .....	(3,810,636)	(2,661,146)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1) .....		
37. Aggregate write-ins for gains and losses in surplus .....	(72,182,392)	(39,099,224)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37) .....	(44,503,710)	7,534,981
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35) .....	229,140,047	273,643,757
<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page .....		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) .....		
1401. Other Income .....		
1402. Commitment Fees .....		
1403. Surveillance Consent Fees .....	148,168	209,500
1498. Summary of remaining write-ins for Line 14 from overflow page .....		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	148,168	209,500
3701. Change In Contingency Reserve .....	(72,182,392)	(39,099,224)
3702. ....		
3703. ....		
3798. Summary of remaining write-ins for Line 37 from overflow page .....		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) .....	(72,182,392)	(39,099,224)

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	111,769,704	75,831,409
2. Net investment income .....	31,727,001	26,055,155
3. Miscellaneous income .....	148,168	209,500
4. Total (Lines 1 through 3) .....	143,644,874	102,096,064
5. Benefit and loss related payments .....	24,130,609	(796,880)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	49,515,337	38,954,889
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....	5,974,804	24,139,825
10. Total (Lines 5 through 9) .....	79,620,751	62,297,834
11. Net cash from operations (Line 4 minus Line 10) .....	64,024,123	39,798,230
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	89,348,453	155,898,966
12.2 Stocks .....		16,779,359
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....	8,798,196	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	73,752	9,448
12.7 Miscellaneous proceeds .....		0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	98,220,401	172,687,774
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	196,528,872	151,758,283
13.2 Stocks .....	501,539	16,529,992
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....	18,250,000	1,089,264
13.6 Miscellaneous applications .....	60,152	13,530
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	215,340,563	169,391,068
14. Net increase (decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(117,120,162)	3,296,705
<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.....	(0)	10,000,000
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....	3,810,636	2,661,146
16.6 Other cash provided (applied).....	3,110,262	(7,206,427)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) .....	(700,374)	132,428
<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).....	(53,796,413)	43,227,363
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	115,334,149	72,106,786
19.2 End of year (Line 18 plus Line 19.1) .....	61,537,735	115,334,149

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Lines of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
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 .....	105,470,974	249,834,648	263,012,701	92,292,921
11.1	Medical malpractice - occurrence .....				
11.2	Medical malpractice - claims-made .....				
12.	Earthquake .....				
13.	Group accident and health .....				
14.	Credit accident and health (group and individual) .....				
15.	Other accident and health .....				
16.	Workers' compensation .....				
17.1	Other liability - occurrence .....				
17.2	Other liability - claims-made .....				
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.	Reinsurance - Nonproportional Assumed Property .....				
31.	Reinsurance - Nonproportional Assumed Liability .....				
32.	Reinsurance - Nonproportional Assumed Financial Lines .....				
33.	Aggregate write-ins for other lines of business .....				
34.	TOTALS	105,470,974	249,834,648	263,012,701	92,292,921
DETAILS OF WRITE-INS					
3301.	.....				
3302.	.....				
3303.	.....				
3398.	Summary of remaining write-ins for Line 33 from overflow page .....				
3399.	Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)				

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3  Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5  Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
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 .....		263,012,701			263,012,701
11.1	Medical malpractice - occurrence .....					
11.2	Medical malpractice - claims-made .....					
12.	Earthquake .....					
13.	Group accident and health .....					
14.	Credit accident and health (group and individual) .....					
15.	Other accident and health .....					
16.	Workers' compensation .....					
17.1	Other liability - occurrence .....					
17.2	Other liability - claims-made .....					
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.	Reinsurance - Nonproportional Assumed Property .....					
31.	Reinsurance - Nonproportional Assumed Liability .....					
32.	Reinsurance - Nonproportional Assumed Financial Lines .....					
33.	Aggregate write-ins for other lines of business .....					
34.	TOTALS		263,012,701			263,012,701
35.	Accrued retrospective premiums based on experience .....					
36.	Earned but unbilled premiums .....					
37.	Balance (Sum of Line 34 through 36)					263,012,701
DETAILS OF WRITE-INS						
3301.	.....					
3302.	.....					
3303.	.....					
3398.	Summary of remaining write-ins for Line 33 from overflow page .....					
3399.	Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)					

(a) State here basis of computation used in each case .      Percentage of Debt Exposure.....

## UNDERWRITING AND INVESTMENT EXHIBIT

Line of Business		1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
			2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
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 .....	98,695,872		8,307,402		1,532,300	105,470,974
11.1	Medical malpractice - occurrence .....						
11.2	Medical malpractice - claims-made .....						
12.	Earthquake .....						
13.	Group accident and health .....						
14.	Credit accident and health (group and individual) .....						
15.	Other accident and health .....						
16.	Workers' compensation .....						
17.1	Other liability - occurrence .....						
17.2	Other liability - claims-made .....						
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.	Reinsurance - Nonproportional Assumed Property .....	XXX					
31.	Reinsurance - Nonproportional Assumed Liability .....	XXX					
32.	Reinsurance - Nonproportional Assumed Financial Lines .....	XXX					
33.	Aggregate write-ins for other lines of business .....						
34.	TOTALS	98,695,872		8,307,402		1,532,300	105,470,974
DETAILS OF WRITE-INS							
3301.	.....						
3302.	.....						
3303.	.....						
3398.	Summary of remaining write- ins for Line 33 from overflow page .....						
3399.	Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)						

If yes: 1. The amount of such installment premiums \$ .....

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$ .....

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business		Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
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 .....	24,116,961	13,649		24,130,609	7,373,268	(5,980,693)	37,484,570	40.6
11.1	Medical malpractice - occurrence .....								
11.2	Medical malpractice - claims-made .....								
12.	Earthquake .....								
13.	Group accident and health .....								
14.	Credit accident and health (group and individual) .....								
15.	Other accident and health .....								
16.	Workers' compensation .....								
17.1	Other liability - occurrence .....								
17.2	Other liability - claims-made .....								
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.	Reinsurance - Nonproportional Assumed Property .....	XXX							
31.	Reinsurance - Nonproportional Assumed Liability .....	XXX							
32.	Reinsurance - Nonproportional Assumed Financial Lines .....	XXX							
33.	Aggregate write-ins for other lines of business .....								
34.	TOTALS .....	24,116,961	13,649		24,130,609	7,373,268	(5,980,693)	37,484,570	40.6
DETAILS OF WRITE-INS									
3301.	.....								
3302.	.....								
3303.	.....								
3398.	Summary of remaining write-ins for Line 33 from overflow page .....								
3399.	Totals (Lines 3301 through 3303 + 3398) (Line 33 above) .....								

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business		Reported Losses			Incurred But Not Reported			8	9
		1	2	3	4	5	6	7	
		Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)
									Unpaid Loss Adjustment Expenses
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 .....	(1,113,084)	8,486,351		7,373,268				7,373,268
11.1	Medical malpractice - occurrence .....								
11.2	Medical malpractice - claims-made .....								
12.	Earthquake .....								
13.	Group accident and health .....								(a)
14.	Credit accident and health (group and individual) .....								
15.	Other accident and health .....								(a)
16.	Workers' compensation .....								
17.1	Other liability - occurrence .....								
17.2	Other liability - claims-made .....								
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.	Reinsurance - Nonproportional Assumed Property .....	XXX				XXX			
31.	Reinsurance - Nonproportional Assumed Liability .....	XXX				XXX			
32.	Reinsurance - Nonproportional Assumed Financial Lines .....	XXX				XXX			
33.	Aggregate write-ins for other lines of business .....								
34.	TOTALS .....	(1,113,084)	8,486,351		7,373,268				7,373,268
	562,331								
	DETAILS OF WRITE-INS								
3301.	.....								
3302.	.....								
3303.	.....								
3398.	Summary of remaining write-ins for Line 33 from overflow page .....								
3399.	Totals (Lines 3301 through 3303 + 3398) (Line 33 above) .....								

(a) Including \$ ..... for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct .....	.614,697			.614,697
1.2 Reinsurance assumed .....				
1.3 Reinsurance ceded .....				
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) .....	.614,697			.614,697
2. Commission and brokerage:				
2.1 Direct, excluding contingent .....		.677		.677
2.2 Reinsurance assumed, excluding contingent .....		3,389,916		3,389,916
2.3 Reinsurance ceded, excluding contingent .....				
2.4 Contingent-direct .....				
2.5 Contingent-reinsurance assumed .....				
2.6 Contingent-reinsurance ceded .....				
2.7 Policy and membership fees .....				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....		3,390,593		3,390,593
3. Allowances to manager and agents .....				
4. Advertising .....		353,683	3,537	357,220
5. Boards, bureaus and associations .....		4,105,688	41,057	4,146,745
6. Surveys and underwriting reports .....				
7. Audit of assureds' records .....				
8. Salary and related items:				
8.1 Salaries .....		13,384,939	133,849	13,518,788
8.2 Payroll taxes .....		.681,277	.6,813	.688,090
9. Employee relations and welfare .....		4,127,994	41,280	4,169,274
10. Insurance .....		1,469,947	14,699	1,484,646
11. Directors' fees .....		46,608	466	47,074
12. Travel and travel items .....		.626,091	.6,261	.632,352
13. Rent and rent items .....		2,516,173	25,162	2,541,335
14. Equipment .....		.376,935	.3,769	.380,704
15. Cost or depreciation of EDP equipment and software .....		.629,453	.6,295	.635,748
16. Printing and stationery .....		263,591	2,636	266,227
17. Postage, telephone and telegraph, exchange and express .....		333,481	3,335	336,816
18. Legal and auditing .....		5,643,729	1,133,129	6,776,858
19. Totals (Lines 3 to 18) .....		34,559,589	1,422,288	35,981,877
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ .....		2,243,992		2,243,992
20.2 Insurance department licenses and fees .....		202,410		202,410
20.3 Gross guaranty association assessments .....				
20.4 All other (excluding federal and foreign income and real estate) .....		356,962		356,962
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....		2,803,364		2,803,364
21. Real estate expenses .....				
22. Real estate taxes .....				
23. Reimbursements by uninsured plans .....				
24. Aggregate write-ins for miscellaneous expenses .....		4,827,460		4,827,460
25. Total expenses incurred .....	.614,697	45,581,005	1,422,288	(a) 47,617,990
26. Less unpaid expenses - current year .....	.562,331	6,044,219		6,606,550
27. Add unpaid expenses - prior year .....	.600,921	9,325,263		9,926,184
28. Amounts receivable relating to uninsured plans, prior year .....				
29. Amounts receivable relating to uninsured plans, current year .....				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) .....	653,287	48,862,049	1,422,288	50,937,625
DETAILS OF WRITE-INS				
2401. Consulting Expenses.....		2,409,064		2,409,064
2402. Interest.....		.864,065		.864,065
2403. Miscellaneous Expenses.....		.69,979		.69,979
2498. Summary of remaining write-ins for Line 24 from overflow page .....		1,484,351		1,484,351
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) .....		4,827,460		4,827,460

(a) Includes management fees of \$ ..... to affiliates and \$ ..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a) ..... 2,992,010	..... 3,000,699
1.1	Bonds exempt from U.S. tax .....	(a) ..... 5,481,543	..... 6,334,550
1.2	Other bonds (unaffiliated) .....	(a) ..... 16,237,243	..... 16,537,431
1.3	Bonds of affiliates .....	(a) .....	.....
2.1	Preferred stocks (unaffiliated) .....	(b) .....	.....
2.11	Preferred stocks of affiliates .....	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c) .....	.....
4.	Real estate .....	(d) .....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	(e) ..... 6,531,958	..... 6,418,333
7.	Derivative instruments .....	(f) .....	.....
8.	Other invested assets .....	..... 64,792	..... 64,792
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	31,307,545	32,355,805
11.	Investment expenses .....		(g) ..... 1,422,288
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g) .....
13.	Interest expense .....		(h) .....
14.	Depreciation on real estate and other invested assets .....		(i) .....
15.	Aggregate write-ins for deductions from investment income .....		.....
16.	Total (Lines 11 through 15) .....		..... 1,422,288
17.	Net Investment Income - (Line 10 minus Line 16) .....		30,933,517
DETAILS OF WRITE-INS			
0901.	Interest on intercompany notes.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....		.....
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above) .....		.....
1501.	.....		.....
1502.	.....		.....
1503.	.....		.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		.....

(a) Includes \$ .....456,983 accrual of discount less \$ .....2,224,123 amortization of premium and less \$ .....883,865 paid for accrued interest on purchases.  
(b) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ .....paid for accrued dividends on purchases.  
(c) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ .....paid for accrued interest on purchases.  
(d) Includes \$ ..... for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.  
(e) Includes \$ .....596,676 accrual of discount less \$ ..... amortization of premium and less \$ .....paid for accrued interest on purchases.  
(f) Includes \$ ..... accrual of discount less \$ ..... amortization of premium.  
(g) Includes \$ ..... investment expenses and \$ ..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
(h) Includes \$ ..... interest on surplus notes and \$ ..... interest on capital notes.  
(i) Includes \$ ..... depreciation on real estate and \$ ..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5.
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....					
1.1	Bonds exempt from U.S. tax .....	4,594		4,594		
1.2	Other bonds (unaffiliated) .....	1,505	(5,056,800)	(5,055,295)	(25,791)	
1.3	Bonds of affiliates .....					
2.1	Preferred stocks (unaffiliated) .....					
2.11	Preferred stocks of affiliates .....					
2.2	Common stocks (unaffiliated) .....					
2.21	Common stocks of affiliates .....				108,209	
3.	Mortgage loans .....					
4.	Real estate .....					
5.	Contract loans .....					
6.	Cash, cash equivalents and short-term investments .....					
7.	Derivative instruments .....					
8.	Other invested assets .....				(30,043,581)	
9.	Aggregate write-ins for capital gains (losses) .....					
10.	Total capital gains (losses) .....	6,099	(5,056,800)	(5,050,701)	(29,961,163)	
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page .....					
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) .....					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			
2.2 Common stocks .....			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			
3.2 Other than first liens .....			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			
4.2 Properties held for the production of income.....			
4.3 Properties held for sale .....			
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....			
6. Contract loans .....			
7. Other invested assets (Schedule BA) .....		31,987,474	31,987,474
8. Receivables for securities .....			
9. Aggregate write-ins for invested assets .....			
10. Subtotals, cash and invested assets (Lines 1 to 9) .....		31,987,474	31,987,474
11. Title plants (for Title insurers only).....			
12. Investment income due and accrued .....			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection .....			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	220,564	1,752,098	1,531,534
13.3 Accrued retrospective premium.....			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers .....			
14.2 Funds held by or deposited with reinsured companies .....			
14.3 Other amounts receivable under reinsurance contracts .....			
15. Amounts receivable relating to uninsured plans .....			
16.1 Current federal and foreign income tax recoverable and interest thereon .....			
16.2 Net deferred tax asset.....	64,736,862	52,047,621	(12,689,241)
17. Guaranty funds receivable or on deposit .....			
18. Electronic data processing equipment and software.....	2,576,535	370,104	(2,206,431)
19. Furniture and equipment, including health care delivery assets.....	748,602		(748,602)
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			
21. Receivables from parent, subsidiaries and affiliates .....			
22. Health care and other amounts receivable.....			
23. Aggregate write-ins for other than invested assets .....	594,135	753,457	159,323
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	68,876,697	86,910,755	18,034,058
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
26. Total (Lines 24 and 25)	68,876,697	86,910,755	18,034,058
<b>DETAILS OF WRITE-INS</b>			
0901. ....			
0902. ....			
0903. ....			
0998. Summary of remaining write-ins for Line 9 from overflow page .....			
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)			
2301. Prepaid Expenses.....	565,000	753,457	188,458
2302. Prepaid D&O Insurance.....			
2303. ....			
2398. Summary of remaining write-ins for Line 23 from overflow page .....	29,135		(29,135)
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	594,135	753,457	159,323

## 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.

##### **Expense recognition**

Expense incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowance received or receivable.

Effective January 1, 2007, the Company's parent, ACACH, adopted the provisions of FIN 48. The implementation of FIN 48, did not result in a change to the Company's financial position with regards to reserves for uncertain tax positions and any associated interest and penalties.

- (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 carries the common stock of an offshore subsidiary, ACA Capital (Singapore) Pte. Ltd. ("ACA Singapore") at its U.S. Generally Accepted Accounting Principles ("GAAP") equity value. 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 May 2006, ACA Capital Holdings, Inc. ("ACACH"), the Company's ultimate parent, launched a credit opportunity fund (the "Fund"), to leverage its expertise in the capital and credit markets and as an asset manager. The Company invested \$16.4 million in the Fund at its inception. The Company sold its investment in the Fund as of November 30, 2006 to its affiliate, ACA Financial Products, Inc., for \$16.8 million, which represented the Fund's then net asset value, realizing a gain of \$0.4 million on the transaction.  
  
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. ACA Singapore enables the Company to expand its marketing of its insured credit default swap business, find counterparties, perform credit assessment and negotiate transactions. ACA Singapore does not, however, have authority to enter into transactions on behalf of the Company or its subsidiaries. Instead, potential structured credit transactions identified by ACA Singapore are underwritten and executed out of the U.S. through Delaware special purpose entities whose obligations are insured by the Company (consistent with the Company's existing structured credit business). ACA Singapore is compensated by the Company on a cost-plus 7% basis for the expenses it incurs. As of December 31, 2007, the Company contributed approximately \$632 thousand of capital into ACA Singapore and accounted for its interest in ACA Singapore as an admitted asset in the amount of \$763 thousand. In January 2008, the Company decided to no longer pursue a structured credit business in the Asian markets and is currently undertaking the necessary steps to conclude ACA Singapore's business operations...
- (8) The Company has no joint ventures.
- (9) The Company has no derivatives.
- (10) The Company has no premium deficiencies.
- (11) Unpaid losses and loss adjustment expenses are established when an event of default of an insured obligation occurs. Such liabilities are necessarily based on assumptions and estimates and while management believes these

## NOTES TO FINANCIAL STATEMENTS

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's unpaid losses and loss adjustment expenses is \$7,935,598 at December 31, 2007.

(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. The Company had no changes in accounting principles and/or correction of errors for the year ended December 31, 2007.

### 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 as of December 31, 2007.

### 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) The Company has no securities purchased prior to January 1, 1994.

(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. Prices are determined by US Bank, N.A., which predominantly uses quotations received from Interactive Data Services, Inc.

(3) The Company made no changes from the retrospective to prospective methodology in 2007 due to negative yield on specific securities.

#### E. Repurchase Agreements

The Company has not used repurchase agreements. If the Company was to utilize them, Treasury or Agency collateral having a market value of no less than 102% of the amount of the repurchase agreement would be required.

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 its wholly-owned subsidiary, ACA Service L.L.C., ("ACA Service"). This investment is non-admitted and, therefore, does not exceed 10% of the Company's admitted assets.

The Company has a \$632 thousand investment in ACA Singapore (see Note 1C(7) above) at December 31, 2007.

The Company invested \$16.4 million in the Fund in May 2006 and sold its investment in November 2006 for \$16.8 million, realizing a gain of \$0.4 million.

### 7. INVESTMENT INCOME

All investment income due and accrued with amounts that are over 90 days past due are considered a non-admitted asset. There was no past due investment income as of December 31, 2007.

### 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 and deferred tax liabilities are as follows:

Description	12/31/07	12/31/06
Gross deferred tax assets	\$ 73,387,669	\$ 52,661,951
Gross deferred tax liabilities	(15,052,763)	(123,231)
Net deferred tax asset	58,334,906	52,538,720
Non-admitted deferred tax asset	(57,935,902)	(52,047,621)
Net admitted deferred tax asset	399,004	491,099
Decrease (increase) in nonadmitted deferred tax assets	\$ (5,888,281)	\$ (15,414,979)

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

Not Applicable

C The components of federal income tax expense (benefit) are as follows:

Description	12/31/07	12/31/06
Current year expense / (benefit)	\$ -	\$ 18,434,172
Prior year (over) / under accrual	3,806,030	280,058
Current income tax expense / (benefit)	3,806,030	18,714,230
Less: expense / (benefit) on capital gain / (loss)	-	(239,000)
Current ordinary income tax expense / (benefit)	\$ 3,806,030	\$ 18,475,230

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

Deferred tax assets	12/31/07	12/31/06	Change
Unearned premiums reserve	9,194,024	8,744,212	449,812
Loss reserve discounting	70,496	-	70,496
Contingency reserve	57,665,266	39,716,804	17,948,462
Unearned ceding commissions	1,100,002	1,100,002	-
Unamortized licenses	598,500	724,500	(126,000)
Change in accounting method	446,627	-	446,627
Fixed assets	1,715,272	1,592,402	122,870
Permanent impairment	-	191,263	(191,263)
Capital loss carryforward	2,327,667	559,921	1,767,746
General expense accrual	126,000	-	126,000
Other temporary differences	143,815	32,847	110,968
Gross deferred tax asset	73,387,669	52,661,951	20,725,718
Non-admitted deferred tax asset	(57,935,902)	(52,047,621)	(5,888,281)
Gross admitted deferred tax asset	\$ 15,451,767	\$ 614,330	\$ 14,837,437

Deferred tax liabilities	12/31/07	12/31/06	Change
Investments	(387,973)	(123,231)	(264,742)
Tax and Loss Bonds	(14,664,790)	-	(14,664,790)
Gross deferred tax liabilities	(15,052,763)	(123,231)	(14,929,532)
Net admitted deferred tax asset / (liability)	\$ 399,004	\$ 491,099	\$ (92,095)

The change in net deferred income taxes is comprised of the following:

Total deferred tax assets	\$ 73,387,669	\$ 52,661,951	\$ 20,725,718
Total deferred tax liabilities	(15,052,763)	(123,231)	(14,929,532)
Net deferred tax asset (liability)	\$ 58,334,906	\$ 52,538,720	\$ 5,796,186
Tax effect of unrealized gains (losses)			(4,302)
Change in deferred income tax (expense) / benefit			\$ 5,791,884

D The actual tax expense (benefit) on income from operations differs from tax expense (benefit) calculated at the U.S. statutory tax rate. A reconciliation of the Company's income tax expense (benefit) together with the significant book to tax adjustments for December 31, 2007 is set forth below:

Description	Amount	Tax Affect @ 35%
Income / (loss) before taxes	\$ 34,993,634	\$ 12,247,772
Tax exempt interest, net of proration	(5,384,368)	(1,884,529)
State and local income taxes	(350,000)	(122,500)
Other	35,517	12,431
Total statutory taxable income	\$ 29,294,783	\$ 10,253,174

Federal income tax expense (benefit)	\$ 3,806,030
Change in net deferred income taxes	(5,791,884)
Contingency reserve	17,948,462
Comprehensive income	(12,053)
Prior period adjustment - provision to return	(5,697,380)
Total statutory tax expense	\$ 10,253,174

NOTES TO FINANCIAL STATEMENTS

- E 1)The Company does not have net operating loss carryforwards at December 31, 2007 available to offset future net income subject to federal income tax.
- 2) The amount of federal income taxes incurred and available for future recoupment in the event of future net operating losses for tax purposes is set forth below:
- |                             |    |            |
|-----------------------------|----|------------|
| Current year                | \$ | -          |
| First preceding year (2006) | \$ | 22,240,202 |
- F The Company files a stand-alone U.S. federal income tax return with its direct wholly owned domestic subsidiaries ACA Service L.L.C. and ACA Risk Solutions, L.L.C. As of December 31, 2007, the U.S. federal income tax rate applicable to ordinary income was 35%.
- G In accordance with Maryland Insurance law, the Company is required to establish a statutory contingency reserve in quarterly amounts equal to the greater of 50% of financial guaranty premiums earned or a percentage of the principal guaranteed which can vary from .55% to 2.50% depending on the type of obligation guaranteed. These amounts may not be withdrawn for a period of 20 or 15 years depending on the type of the obligation except as permitted by the state for payment of certain losses. Section 832(e) of the Internal Revenue Code provides that the amount set aside in statutory contingency reserves may be deducted currently for income tax purposes provided non-interest bearing U.S. Mortgage Guaranty Tax and Loss Bonds issued by the Treasury Department are purchased in an amount commensurate with the tax benefit derived from deducting any portion of the Company's statutory contingency reserve. The statutory contingency reserve is shown as a liability on page 3 of the annual statement and the total Tax and Loss Bonds recorded in other invested assets on page 1 of the annual statement as of December 31, 2007 is \$18,250,000.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. Effective November 9, 2006, ACACH completed its initial public offering of 6,875,000 shares of newly issued common stock and 23,541 shares of existing common stock (“IPO”). ACACH realized gross proceeds of \$13 per share on the newly issued common stock, or \$89.4 million. On November 10, 2006, ACACH commenced its listing on the New York Stock Exchange (“NYSE”) trading under the symbol “ACA”.
- The Company received a \$10 million capital contribution from ACACH from the proceeds of the IPO in December 2006.
- Subsequent to the quarter ended June 30, 2007, in response to the decline in its common stock price, ACACH’s Board of Directors approved a stock repurchase program of up to \$20 million. Such purchases of stock were funded from ACACH and its non-insurance subsidiaries. As of November 9, 2007, ACACH repurchased 2,087,900 shares of common stock at a cost of \$14.9 million in the aggregate. No additional shares have been repurchased since November 2007.
- During the last three quarters of 2007, ACACH impaired a material portion of its CDO equity investments relating to its exposure to 2006 vintage sub-prime and second lien residential mortgage-backed securities (“RMBS”). Additionally, the Company has material exposure to 2006 vintage sub-prime and second lien RMBS through its insured credit default swaps See Note 21(A )below.
- On December 4, 2007, ACACH terminated its \$150 million three-year senior unsecured revolving credit facility with a syndicate of banks. At the time of the termination, ACACH did not have any borrowings outstanding under the credit facility.
- On January 14, 2008, ACACH’s common stock was removed by the NYSE from listing and registration on the NYSE and began trading on the over-the-counter bulletin board under the symbol “ACAH”. On January 16, 2008, ACACH filed with the Securities and Exchange Commission a notice of termination of registration and suspension of duty to file reports under the Securities Exchange Act of 1934.
- B. 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. As of December 31, 2007, the Company contributed approximately \$632 thousand of capital into ACA Singapore. In January 2008, the Company decided to no longer pursue a structured credit business in the Asian markets and is currently undertaking the necessary steps to conclude ACA Singapore’s business operations. See Note 1C(7) and Note 21(A) below.
- In May 2006, ACACH launched the Fund to leverage its expertise in the capital and credit markets and as an asset manager. The Company invested \$16.4 million in the Fund at its inception. The Company sold its investment in the Fund in November 2006 for \$16.8 million, realizing a gain of \$0.4 million on the transaction. See Note 1C(7).
- C. The Company has issued financial guaranty insurance policies to swap counterparties of certain of its affiliated special purpose vehicles (“SPVs”), whereby the Company guarantees timely payment of the SPVs obligations under the structured credit default swaps. The Company recorded premiums of \$66.9 million during the year ended December 31, 2007 related to these policies. See Note 21(A) below.
- D. At December 31, 2007, the Company reported \$2.5 million as amounts receivable, \$0.2 million of premium receivable, and \$0.1 million of interest payable from affiliated companies. Except as described in the following sentence, these amounts represent arms-length transactions and are recorded as admitted assets and in accordance with SSAP No. 25 "Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties". A

## NOTES TO FINANCIAL STATEMENTS

portion of the receivable, \$0.2 million, at December 31, 2007 was from one of the Company's affiliates, ACA Financial Assets, L.L.C. and in accordance with SSAP 25 was classified as a non-admitted asset in the Company's balance sheet.

At December 31, 2007, the Company reported \$19.3 million as other invested assets. During the quarter ended September 30, 2007, the Company purchased Tax and Loss Bonds totaling \$18.3 million. During the quarter ended March 31, 2007, the Company was repaid a \$3.5 million loan from its affiliate, ACA CDS 2001-1, LLC. In May 2007, the Company was repaid in full on two loans from its affiliate, ACA Service, totaling \$5.3 million.

- E. The Company has issued financial guaranty insurance policies to swap counterparties of certain of its affiliated special purpose vehicles ("SPVs"), whereby the Company guarantees timely payment of the SPVs obligations under the structured credit default swaps. The total notional amount of these structured credit default swaps was approximately \$68.6 billion at December 31, 2007. See Note 21(A) below.
- F. At December 31, 2007, costs were allocated between the Company and its affiliates pursuant to a cost sharing, staffing and management services agreement and a funding agreement. The MIA approved these agreements on January 25, 2006.
- G. The majority shareholder, ACA Holding, L.L.C. ("ACAH"), a Delaware holding company, holds a 76.6% share in the Company. The minority shareholder, ACA Solutions, Ltd. ("ACAS"), a Bermuda company and a wholly-owned subsidiary of ACAH, holds the remaining 23.4% share in the Company. Each of ACAH and ACAS are wholly-owned by ACACH.
- H. The Company's majority 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.
- I. The Company holds no investment in any SCA entity that exceeds 10% of admitted assets.
- J. The Company did not impair any investments in SCA entities during the year ended December 31, 2007.
- K. Not applicable.

### 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 and approval by the Board of Directors. The Company's expense for the defined contribution plan during the year ended December 31, 2007 was \$0.4 million. At December 31, 2007, the fair value of plan assets was \$12.4 million.
- C. The Company has no Multi-employer Plan.
- D. The Company has no Consolidated/Holding Company Plan.
- E. 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. Consistent with prior years, based upon these restrictions, the Company required the approval of the MIA to pay any dividends in 2007. On December 20, 2006, the Company received approval from the MIA to make dividend payments to ACACH due in 2007 in respect of the Company's share of the interest expense on \$40 million of trust preferred debt outstanding at ACACH. At December 31, 2007, the Company made dividend payments in respect of 2007 in the aggregate amount of \$2.8 million. The Company also made dividend payments in respect of 2006 during the first quarter of 2007 in the aggregate amount of \$1.0 million. Additionally, the Company paid \$0.7 million in interest on its surplus note with ACACH during the year ended December 31, 2007. The Company does not expect to receive permission to make dividend or interest payments in 2008 with respect to the trust preferred debt or the surplus note. See Note 21(A) below.
- (4) Since the Company's earned surplus was in a negative position at December 31, 2007, no dividends may be paid in 2008.

NOTES TO FINANCIAL STATEMENTS

- (5) There are no restrictions on unassigned surplus.
- (6) N/A
- (7) The Company holds no stock for special purpose.
- (8) The Company holds no special surplus funds.
- (9) The portion of unassigned surplus represented by cumulative unrealized gains is \$(25,917,470).
- (10)

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
12/29/2004	3 months LIBOR plus 3.35%	10,000,000	10,000,000	\$662,797	\$2,407,787	-	12/29/2034

The surplus note in the amount of \$10,000,000, listed in the above table, was issued to ACACH on December 29, 2004 in exchange for \$10,000,000 in cash. The surplus note was issued pursuant to a Funding Agreement, dated as of December 29, 2004 (the “Agreement”), between the Company and ACACH. The surplus note was approved by the MIA on May 12, 2005, and on December 22, 2005, the MIA approved the Company’s making payments of interest payable there under through year-end December 31, 2006. Pursuant to the terms of the MIA approval, future interest payments are subject to an annual request for approval of the MIA. The Company received approval from the MIA to make interest payments due in 2007 on December 20, 2006. The Company does not expect to receive approval from the MIA to make interest payments due in 2008, however the Company will accrue such payments as they come due as described below.

As provided in the Agreement and Surplus Note, payment of interest on and principal of the Surplus Note are subject to the prior approval of the MIA. The failure to make such payments shall not constitute an event of default under the Surplus Note. Rather, interest on the Surplus Note shall continue to accrue, but without further interest (i.e., interest-on-interest) and without penalty (i.e., no default interest rate). In addition, the Company’s right to prepay the Surplus Note and the right to make a payment following an acceleration of the Surplus Note, which may only occur in the event of insolvency, bankruptcy, liquidation of the Company, are subject to the prior approval of the MIA.

As required by SSAP No. 41, the Surplus Note contains provisions relating to: (1) subordination to policyholders; (2) subordination to claimant and beneficiary claims; and (3) subordination to all other classes of creditors other than surplus note holders

- (11) The Company has not gone through any quasi-reorganization.
- (12) Not applicable.

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. 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 of the Company. The Company has no admitted asset that it considers to be impaired.

In May 2006 the Company’s ultimate parent, ACACH, paid a judgment in the amount of \$3.7 million in satisfaction of a damages award in connection with an employment contract dispute with a former executive of the Company plus accrued interest through the date of payment. Also in May 2006, ACACH settled the former executive’s attorney’s fees at an additional amount of \$0.6 million. ACACH had previously reserved and allocated to its various subsidiaries and expense of \$4.2 million for this item as of December 31, 2005. Of the \$4.3 million total damages and fees, \$2.4 million was the Company’s allocated portion. A judicial satisfaction of the judgment has been filed and the Company has no additional liability with respect to this matter.

15. LEASES

- A. On November 17, 2006, the Company assumed all of ACA Services’s obligations under its lease of office space at 140 Broadway, New York, New York, which lease was due to expire on August 31, 2009 (the “Existing Premises”). On October 19, 2006, the Company subleased certain additional office space at the above location, which sublease was

NOTES TO FINANCIAL STATEMENTS

due to expire on October 31, 2009 (the “Additional Premises”, and together with the Existing Premises, the “Premises”). Each of the lease and sublease contain provisions for escalations in real estate taxes and building operating costs, in addition to base rent. Rental expense for the Premises for the year ended December 31, 2007 and 2006 was approximately \$3.3 million and \$2.1million, respectively.

On December 7, 2006, the Company entered into a renewal lease for the Premises, which lease expires on April 30, 2020. This lease provides for scheduled periodic rent increases and escalations in real estate taxes and building operating costs. At December 31, 2007, future minimum rental payments under the renewal lease are as follows:

(Dollars in thousands)		
<u>Year Ending December 31</u>		<u>Amount</u>
1.	2008	\$ 2,382.0
2.	2009	\$ 2,466.6
3.	2010	\$ 2,655.2
4.	2011	\$ 2,655.2
5.	2012	\$ 2,655.2
6.	Total	\$ 12,814.1

The rental expense for the Premises is shared by and among the Company and its affiliates pursuant to the cost sharing, staffing and management services agreement discussed in Note 10.F. Of the \$3.3 million expense for the year ended December 31, 2007, \$1.6 million was the Company’s allocated portion.

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

A. 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 three 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 relates to the severe stress that has occurred in the credit markets with respect to sub-prime mortgages and securitizations comprised of sub-prime mortgages. The market stress began in the first half of 2007 and has continued to deepen as many financial institutions have recorded significant write-downs in connection with their exposure to this market segment. The decline in US home prices has made it difficult and in many instances impossible for sub-prime borrowers to refinance their mortgage obligations, causing severe levels of mortgage defaults. Market experts have predicted that ultimate default rates for mortgages issued in late 2005, 2006 and the first half of 2007 could reach extraordinarily high levels. Actual defaults coupled with these dire predictions have, in turn, negatively impacted securitizations containing them, resulting in realized losses in these instruments (due to actual defaults) and large declines in unrealized market valuations. The Company has not sustained any paid losses with respect to its exposure, nor does it believe, based upon its continuing analysis, that such paid losses are imminent. However, the value of the Company’s insured credit swaps continues to experience steep declines, resulting in large unrealized valuation losses recorded at ACACH on a GAAP basis.

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 existing terms of the Company’s

## NOTES TO FINANCIAL STATEMENTS

insured credit swap transactions, upon the Company's downgrade to a level below A-, ACACH is required to post collateral based on the fair value of the insured credit swaps as of the date of the posting demand by the Company's swap counterparties. The failure to post collateral represents an event of default under the insured credit swaps, giving rise to a mandatory termination payment in an amount approximately equal to the collateral call. This termination payment gives rise to a claim under the related insurance policy. Based on the fair values of the Company's insured credit swap transactions, neither the Company nor ACACH has the ability to post such collateral or make such termination payments. At September 30, 2007 and December 31, 2007, based on the Company's estimates, the fair value of all of its insured credit swaps amounted to (\$1.7) billion and (\$8.6) billion, respectively.

In light of the Company's inability to post collateral or make these termination payments, and in order to avoid a regulatory proceeding, the Company entered into a forbearance agreement with its structured credit and other similarly situated counterparties. Pursuant to this agreement, the counterparties waived all collateral posting requirements, termination rights and policy claims relating to the rating of the Company under their respective transaction documents including any credit support annexes and similar agreements. Since the expiration of the term of the forbearance agreement on January 18, 2008, the Company and its counterparties have entered into two additional forbearance agreements on January 18, 2008 and February 19, 2008, respectively, with the term of the latest agreement expiring on April 23, 2008. During this forbearance period, the Company and its counterparties will continue to explore potential restructuring transactions in order permanently solve the Company's capital and liquidity issues. It is uncertain, however, whether the restructuring efforts will be successful or what form the ultimate restructuring will take.

Under the terms of the forbearance agreement, installment premium related to insured credit swap transactions are no longer paid to the Company.

Prior to S&P's actions on December 19, 2007, the Company entered into a Letter of Representations and Agreements (the "Letter Agreement") and a Consent Order (the "Consent Order") with the Insurance Commissioner for the State of Maryland (the "Commissioner"). Under the Letter Agreement, the Company agreed to provide certain documentation and other reports to the MIA. The Company also agreed not to engage in certain activities without providing prior notice and opportunity to object to the MIA including, without limitation, pledging or assigning any assets, paying dividends or engaging in certain material transactions. Under the Consent Order, the Company agreed not to object to, and, if requested, to consent to, a petition by the Commissioner to institute delinquency proceedings in the event that S&P downgraded ACA FG's financial strength rating and the forbearance agreement was not signed by all of the counterparties. In view of the forbearance agreement, the Commissioner has not instituted any such proceedings.

B. The Company has no troubled debt.

C. Assets in the amount of \$4,826,420 and \$4,897,792 at December 31, 2007 and December 31, 2006, respectively, were on deposit with state authorities or trustees as required by state licensing regulations.

Cash in the amount of \$28,590,028 and \$29,664,765 at December 31, 2007 and December 31, 2006, respectively, is held as collateral against four issued insurance policies. These funds may be used in the event losses are incurred under the respective policies. In April 2007, \$10,582,048 of collateral was released to the Company in conjunction with the expiration of risk under the insured policy. Additionally, \$2,655,172 is held as collateral to guarantee lease obligations.

D. The Company has no uncollectible balances.

E. Not applicable.

### 21. EVENTS SUBSEQUENT

On January 18, 2008, the Company terminated two insured credit swap transactions with a counterparty that held approximately \$19.0 million of cash collateral pledged as security for such transactions, which collateral was released to the counterparty upon such termination. Aggregate notional exposure related to these transactions was \$25.0 million. These transactions had associated aggregate unearned premium reserves of \$18.8 million which were reversed upon termination.

On February 11, 2008, the Company terminated an insured credit swap transaction with a counterparty that held approximately \$9.3 million of cash collateral posted by the Company in November 2007 as security for such transaction. This collateral was released to the counterparty upon termination. Notional exposure related to this transaction was \$37.2 million.

These transactions resulted in a collective after-tax decrease to policyholders' surplus in the amount of \$18.4 million.

### 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

NOTES TO FINANCIAL STATEMENTS

The Company has no reinsurance recoverable in dispute as of December 31, 2007.

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	8,790,956	0	549,554	-0-	8,241,402	-0-
Total	\$ 8,790,956	\$ 0	\$ 549,554	\$ -0-	\$ 8,241,402	\$ -0-

Direct Unearned Premium Reserve \$254,771,298.

There are no contingent commission or profit sharing arrangements at December 31, 2007.

During 2007, the Company assumed approximately \$1.1 billion of high-grade municipal par exposure via a facultative reinsurance agreement. This agreement terminates in accordance with its terms on March 18, 2008 if the Company’s financial strength and financial enhancement ratings are not restored to “A” by S&P. Upon termination, the Company is obligated to return the related unearned premium net of ceding commission to the ceding company. As of December 31, 2007, unearned premium net of ceding commission related to this assumption was approximately \$5.1 million. The ceding company has separately entered into a forbearance agreement with the Company, dated as of February 19, 2008, agreeing to not seek enforcement of this right during the term of such agreement. The term of this forbearance agreement is co-extensive with the term of the current forbearance agreement among the Company and its structured credit and other similarly situated counterparties (see Note 21(A)).

D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balances as of December 31, 2007.

E. Commutation of Ceded Reinsurance

The Company cancelled its Excess of Loss Reinsurance Agreement with its affiliate, ACAS, on July 1, 2006. There was no return of premium, incurred losses, or gain / (loss) as a result of the cancellation of the agreement. Effective January 1, 2007, the Company cancelled its excess of loss reinsurance agreement with HCC Reinsurance Company (“HCC”). There was no return of premium, incurred losses, or gain / (loss) as a result of the cancellation of the agreement. On December 20, 2007, the Company terminated the portfolio excess of loss agreement with HCC which had been in place since January 1, 2007, pursuant to which the Company had the ability to cede losses, if any, on its insured, non-investment grade municipal portfolio in excess of contractually defined limits.

F. Retroactive Reinsurance

The Company has no retroactive reinsurance contracts.

G. The Company did not account for any reinsurance as deposits.

23. RETROSPECTIVELY RATED CONTRACTS

The Company has not entered into any retrospectively rated contracts.

24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During 2007, the Company’s incurred losses and loss adjustment expenses totaled \$38.1 million. Of this amount, \$24.8 million is related to the settlement of losses on four insured manufactured housing securitizations. These four bonds were part of a portfolio of 12 transactions originally insured in 1998. The 12 insured bonds had a collective balance of \$213.3 million. During 2007, the Company agreed with the insured party to terminate the insurance on all of these transactions except for one having a reserve at December 31, 2007 of \$2.8 million. From the Company’s perspective, this was desirable because termination of these transactions increased the Company’s rating agency based capital adequacy, since many of these transactions had been downgraded since the time of the original insurance, and thereby were subject to higher rating agency capital charges. Additionally, the Company was paying claims on two of the policies. The agreement to terminate took place in two stages with the first occurring in the third quarter of 2007 and the second in the fourth quarter of 2007. As part of the third quarter termination, the Company agreed to purchase at par a portion of one of the insured bonds. The difference between the amount paid and the then fair value of the bond was recorded as a paid loss. In the fourth quarter 2007, the Company agreed to pay the outstanding reserve on two of the other three bonds. The reserve was based on the discounted value of projected future cash flows. The Company continues to pay claims on the fourth bond as they arise. Paid losses in connection with these terminated transactions amounted to \$25.4 million and the Company has remaining insurance only to one bond which has a specific reserve of \$2.8 million. The Company also retains the exposure to the purchased bond which is carried in the financial statements at \$4.3 million. No further insurance exposure exists with respect to the other 10 bonds.

## NOTES TO FINANCIAL STATEMENTS

The Company also incurred losses in the amount of approximately \$8.5 million in connection with two transactions assumed through a facultative reinsurance agreement. The reserve amount is based on the amount reported at December 31, 2007 from the ceding company.

The Company wrote off salvage recoverable in the amount of \$4.4 million in connection with losses paid in 2005 for an insured asset-backed transaction. The Company determined over the course of the year that the underlying insured transaction could not support the repayment of amounts paid by the Company.

### 25. INTERCOMPANY POOLING ARRANGEMENTS

The Company has no intercompany pooling arrangements.

### 26. STRUCTURED SETTLEMENTS

The Company has no structured settlements.

### 27. HEALTH CARE RECEIVABLE

The Company has no health care receivable.

### 29. PARTICIPATING POLICIES

The Company does not write participating policy business.

### 30. PREMIUM DEFICIENCY RESERVE

The Company has no premium deficiency reserve.

### 31. HIGH DEDUCTIBLES

The Company has no high deductibles.

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

The Company discounts unpaid losses and loss adjustment expenses using a rate that approximates the risk free rate that is closest to the term of the expected loss payments of the insured obligation at the date the case loss is established. For this purpose, US Treasury rates are used and approximate the taxable equivalent yield the Company earns on its investment portfolio on a fully invested basis. At December 31, 2007, the weighted average discount factor used was 4.6%. The effect of discounting on the Company's loss reserves at December 31, 2007 was \$651,246.

### 33. ASBESTOS/ENVIRONMENTAL RESERVES

The Company does not write this line of business and therefore has no asbestos/environmental reserves at December 31, 2007.

### 34. SUBSCRIBER SAVINGS ACCOUNTS

The Company has no subscriber savings accounts.

### 35. MULTIPLE PERIL CROP INSURANCE

The Company does not write this line of business.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities .....	41,361,550	6.127	41,361,550	6.127
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....				
1.22 Issued by U.S. government sponsored agencies .....	64,629,813	9.573	64,629,813	9.574
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....	19,326,473	2.863	19,326,473	2.863
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....	27,967,711	4.143	27,967,711	4.143
1.43 Revenue and assessment obligations .....	141,909,857	21.020	141,909,857	21.022
1.44 Industrial development and similar obligations .....				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA .....	9,198,513	1.363	9,198,513	1.363
1.512 Issued or guaranteed by FNMA and FHLMC .....	48,912,002	7.245	48,912,002	7.246
1.513 All other .....				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA .....	15,565,966	2.306	15,565,966	2.306
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 .....				
1.523 All other .....	80,182,543	11.877	80,182,543	11.878
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	123,315,149	18.266	123,258,776	18.259
2.2 Unaffiliated foreign securities .....	21,089,456	3.124	21,089,456	3.124
2.3 Affiliated securities .....				
3. Equity interests:				
3.1 Investments in mutual funds .....				
3.2 Preferred stocks:				
3.21 Affiliated .....				
3.22 Unaffiliated .....				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....				
3.32 Unaffiliated .....				
3.4 Other equity securities:				
3.41 Affiliated .....	763,291	0.113	763,291	0.113
3.42 Unaffiliated .....				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....				
3.52 Unaffiliated .....				
4. Mortgage loans:				
4.1 Construction and land development .....				
4.2 Agricultural .....				
4.3 Single family residential properties .....				
4.4 Multifamily residential properties .....				
4.5 Commercial loans .....				
4.6 Mezzanine real estate loans .....				
5. Real estate investments:				
5.1 Property occupied by the company .....				
5.2 Property held for the production of income (including \$ .....of property acquired in satisfaction of debt) .....				
5.3 Property held for sale (including \$ ..... property acquired in satisfaction of debt) .....				
6. Contract loans .....				
7. Receivables for securities .....	9,141	0.001	9,141	0.001
8. Cash, cash equivalents and short-term investments .....	61,537,736	9.115	61,537,736	9.116
9. Other invested assets .....	19,339,891	2.865	19,339,891	2.865
10. Total invested assets	675,109,092	100.000	675,052,719	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? .....

Yes [ X ] No [ ]
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? .....

Yes [ X ] No [ ] NA [ ]
- 1.3

State Regulating?.....

Maryland.....
- 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: .....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2007
- 3.2

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. ....

12/31/2003
- 3.3

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). ....

01/19/2007
- 3.4

By what department or departments? Maryland Insurance Administration .....
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business? .....

Yes [ ] No [ X ]
- 4.12

renewals? .....

Yes [ ] No [ X ]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business? .....

Yes [ ] No [ X ]
- 4.22

renewals? .....

Yes [ ] No [ X ]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ] No [ X ]
- 5.2

If yes, provide the name of the 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 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 6.1

Has the 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 ]
- 6.2

If yes, give full information .....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? .....

Yes [ X ] No [ ]
- 7.2

If yes,
- 7.21

State the percentage of foreign control; .....

23.4
- 7.22

State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity
Bermuda.....	Affiliated Insurance Corporation.....
.....	.....
.....	.....
.....	.....

GENERAL INTERROGATORIES

- 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 the names and location (city and state of the main office) of any affiliates regulated by a federal financial 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

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche LLP, Two World Financial Center, New York, NY 10281-1414
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Joel S. Chansky, Milliman USA (Actuarial Consultant), 289 Edgewater Drive, Wakefield, MA 01880
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [ X ]

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [ ]
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [ ]
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [ ] NA [ ]
- 13.1

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 [ X ] No [ ]

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

Compliance with applicable governmental laws, rules and regulations;

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?

Yes [ ] No [ X ]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ] No [ X ]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [ X ] No [ ]
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [ X ] No [ ]
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [ X ] No [ ]

GENERAL INTERROGATORIES  
FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [ ] No [ X ]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11

To directors or other officers

\$

18.12

To stockholders not officers

\$

18.13

Trustees, supreme or grand (Fraternal only)

\$

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21

To directors or other officers

\$

18.22

To stockholders not officers

\$

18.23

Trustees, supreme or grand (Fraternal only)

\$

19.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [ ] No [ X ]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21

Rented from others

\$

19.22

Borrowed from others

\$

19.23

Leased from others

\$

19.24

Other

\$

20.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [ ] No [ X ]

20.2

If answer is yes:

20.21

Amount paid as losses or risk adjustment

\$

20.22

Amount paid as expenses

\$

20.23

Other amounts paid

\$

21.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ X ] No [ ]

21.2

If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date?

Yes [ X ] No [ ]

22.2

If no, give full and complete information relating thereto:

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1)

Yes [ ] No [ X ]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21

Loaned to others

\$

23.22

Subject to repurchase agreements

\$

23.23

Subject to reverse repurchase agreements

\$

23.24

Subject to dollar repurchase agreements

\$

23.25

Subject to reverse dollar repurchase agreements

\$

23.26

Pledged as collateral

\$

23.27

Placed under option agreements

\$

23.28

Letter stock or other securities restricted as to sale

\$

23.29

On deposit with state or other regulatory body

\$

23.291

Other

\$

23.3

For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [ X ]

24.2

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

Yes [ ] No [ ] NA [ X ]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [ X ]

25.2

If yes, state the amount thereof at December 31 of the current year:

\$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E, 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 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? .....

Yes [ X ] No [ ]

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

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
US Bank , N.A.....	1025 Connecticut Avenue NW, Suite 517 Washington, DC 20036.....

26.02 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:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....	.....	.....
.....	.....	.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? .....

Yes [ ] No [ X ]

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

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....	.....	.....	.....

26.05 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:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
107038.....	JP Morgan Fleming Asset Management.....	522 Fifth Avenue, New York NY 10036.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?.....

Yes [ ] No [ X ]

27.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
.....	.....	.....
.....	.....	.....
27.2999 TOTAL		

27.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
.....	.....	.....	.....
.....	.....	.....	.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	612,842,377	597,817,041	(15,025,336)
28.2 Preferred stocks.....			
28.3 Totals	612,842,377	597,817,041	(15,025,336)

28.4 Describe the sources or methods utilized in determining fair values:

Bond pricing vendors.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? ..... Yes [ X ] No [ ]

29.2 If no, list the exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$ .....777,917

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Standard & Poors.....	402,917
Moody's Investor Service.....	375,000

31.1 Amount of payments for legal expenses, if any?.....\$ .....3,259,837

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Fried, Frank, Harris, Shriver & Jacobson.....	1,345,136
Chadbourne & Park, LLP.....	993,375

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$ .....33,150

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Assoc. of Financial Guaranty Insurance.....	33,150

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force? .....

Yes [ ] No [ X ]
- 1.2

If yes, indicate premium earned on U.S. business only. ....

\$ .....
- 1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....

\$ .....
- 1.31

Reason for excluding .....

.....

- 1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. ....

\$ .....
- 1.5

Indicate total incurred claims on all Medicare Supplement insurance. ....

\$ .....
- 1.6

Individual policies:

- Most current three years:

1.61

Total premium earned .....

\$ .....

1.62

Total incurred claims .....

\$ .....

1.63

Number of covered lives .....

.....

All years prior to most current three years:

1.64

Total premium earned .....

\$ .....

1.65

Total incurred claims .....

\$ .....

1.66

Number of covered lives .....

.....
- 1.7

Group policies:

Most current three years:

1.71

Total premium earned .....

\$ .....

1.72

Total incurred claims .....

\$ .....

1.73

Number of covered lives .....

.....

All years prior to most current three years:

1.74

Total premium earned .....

\$ .....

1.75

Total incurred claims .....

\$ .....

1.76

Number of covered lives .....

.....

2. Health Test:

			1		2
			Current Year		Prior Year
2.1	Premium Numerator	\$	.....	\$	.....
2.2	Premium Denominator	\$	.....92,292,921	\$	.....69,275,239
2.3	Premium Ratio (2.1/2.2)		.....		.....
2.4	Reserve Numerator	\$	.....	\$	.....
2.5	Reserve Denominator	\$	.....270,948,300	\$	.....244,454,876
2.6	Reserve Ratio (2.4/2.5)		.....		.....

3.1

Does the reporting entity issue both participating and non-participating policies? .....

Yes [ ] No [ X ]

3.2

If yes, state the amount of calendar year premiums written on:

3.21

Participating policies.....

\$ .....

3.22

Non-participating policies.....

\$ .....

4.

For Mutual reporting entities and Reciprocal Exchanges only:

4.1

Does the reporting entity issue assessable policies?.....

Yes [ ] No [ ]

4.2

Does the reporting entity issue non-assessable policies?.....

Yes [ ] No [ ]

4.3

If assessable policies are issued, what is the extent of the contingent liability of the policyholders?.....

%

4.4

Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.....

\$ .....

5.

For Reciprocal Exchanges Only:

5.1

Does the exchange appoint local agents?.....

Yes [ ] No [ ]

5.2

If yes, is the commission paid:

5.21

Out of Attorney's-in-fact compensation.....

Yes [ ] No [ ] NA [ ]

5.22

As a direct expense of the exchange.....

Yes [ ] No [ ] NA [ ]

5.3

What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact? .....

.....

5.4

Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?.....

Yes [ ] No [ ]

5.5

If yes, give full information .....

.....

17

GENERAL INTERROGATORIES  
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:.....  
The Company is a monoline financial guaranty insurer and as such does not write workers' compensation insurance.....

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: .....  
The Company follows financial guaranty industry norms to estimate probable maximum loss through the financial and exposure models that test the adequacy of the Company's capital in a maximum loss scenario to determine the remaining capital and surplus if such an event occurred.....

6.3

What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?.....  
The Company is a monoline financial guaranty insurer and as such does not write property insurance.....

6.4

Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?.....

Yes

[ ]

No

[ X ]

6.5

If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss.  
According to SSAP 60, the Company is required to establish contingency reserves as a financial guaranty insurer. These reserves are established in addition to specific case reserves on financial guaranty business to ensure the payment of claims in the event of an economic catastrophe.....

7.1

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?.....

Yes

[ ]

No

[ X ]

7.2

If yes, indicate the number of reinsurance contracts containing such provisions.....

7.3

If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?.....

Yes

[ ]

No

[ X ]

8.1

Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?.....

Yes

[ ]

No

[ X ]

8.2

If yes, give full information  
.....

9.1

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.....

Yes

[ ]

No

[ X ]

9.2

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:  

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.....

Yes

[ ]

No

[ X ]

9.3

If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  

(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and

(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4

Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes

[ ]

No

[ X ]

9.5

If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6

The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  

(a) The entity does not utilize reinsurance; or,

(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or

(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has file attestation supplement.

Yes

[ ]

No

[ X ]

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

Yes

[ ]

No

[ ]

N/A

[ X ]

GENERAL INTERROGATORIES  
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

11.1

Has the reporting entity guaranteed policies issued by any other entity and now in force:

Yes [ X ] No [ ]

11.2

If yes, give full information

The Company has guaranteed certain reinsurance policies issued by its affiliate, ACA Assurance, Ltd. These exposures make up less than 1% of the Company's in-force exposures.

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11

Unpaid losses

\$

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$

12.2

Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?

\$

12.3

If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

Yes [ ] No [ X ] NA [ ]

12.4

If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41

From

%

12.42

To

%

12.5

Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

Yes [ ] No [ X ]

12.6

If yes, state the amount thereof at December 31 of the current year:

12.61

Letters of Credit

\$

12.62

Collateral and other funds

\$

13.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$189,999,999

13.2

Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes [ ] No [ X ]

13.3

State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.

14.1

Is the company a cedant in a multiple cedant reinsurance contract?

Yes [ ] No [ X ]

14.2

If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3

If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

Yes [ ] No [ ]

14.4

If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?

Yes [ ] No [ ]

14.5

If answer to 14.4 is no, please explain:

15.1

Has the reporting entity guaranteed any financed premium accounts?

Yes [ ] No [ X ]

15.2

If yes, give full information

16.1

Does the reporting entity write any warranty business?

Yes [ ] No [ X ]

If yes, disclose the following information for each of the following types of warranty coverage:

	1	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	\$	\$	\$	\$
16.12 Products	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$

\* Disclose type of coverage:

17.2

GENERAL INTERROGATORIES  
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [ ] No [ X ]

Incurred but not reported losses on contracts not in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$.....
17.12	Unfunded portion of Interrogatory 17.11.....	\$.....
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$.....
17.14	Case reserves portion of Interrogatory 17.11.....	\$.....
17.15	Incurred but not reported portion of Interrogatory 17.11.....	\$.....
17.16	Unearned premium portion of Interrogatory 17.11.....	\$.....
17.17	Contingent commission portion of Interrogatory 17.11.....	\$.....

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$.....
17.19	Unfunded portion of Interrogatory 17.18.....	\$.....
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$.....
17.21	Case reserves portion of Interrogatory 17.18.....	\$.....
17.22	Incurred but not reported portion of Interrogatory 17.18.....	\$.....
17.23	Unearned premium portion of Interrogatory 17.18.....	\$.....
17.24	Contingent commission portion of Interrogatory 17.18.....	\$.....

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2007	2 2006	3 2005	4 2004	5 2003
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	107,003,274	72,602,774	90,244,468	49,447,228	69,340,820
5. Nonproportional reinsurance lines (Lines 30, 31 & 32) .....					
6. Total (Line 34) .....	107,003,274	72,602,774	90,244,468	49,447,228	69,340,820
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	105,470,974	69,867,866	86,605,241	49,429,461	65,919,229
11. Nonproportional reinsurance lines (Lines 30, 31 & 32) .....					
12. Total (Line 34) .....	105,470,974	69,867,866	86,605,241	49,429,461	65,919,229
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8) .....	8,612,649	32,051,500	9,008,476	(17,695,683)	1,453,911
14. Net investment gain (loss) (Line 11) .....	25,882,816	24,149,270	19,788,205	14,899,283	14,454,621
15. Total other income (Line 15) .....	148,168	209,500	225,048	8,726,302	236,953
16. Dividends to policyholders (Line 17) .....					
17. Federal and foreign income taxes incurred (Line 19) .....	3,806,331	18,475,230	8,870,897	44,833	378,502
18. Net income (Line 20) .....	30,837,302	37,935,039	20,150,831	5,885,069	15,766,983
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3) .....	691,791,549	640,900,479	595,365,786	540,456,581	374,072,952
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1) .....					
20.2 Deferred and not yet due (Line 13.2) .....	15,375	4,782,571	8,140,139	604,877	
20.3 Accrued retrospective premiums (Line 13.3) .....					
21. Total liabilities excluding protected cell business (Page 3, Line 24) .....	462,651,493	367,256,722	329,257,010	250,453,970	236,289,757
22. Losses (Page 3, Line 1) .....	7,373,268	(5,980,693)	(4,816,484)	3,005,526	(4,562,856)
23. Loss adjustment expenses (Page 3, Line 3) .....	562,331	600,921	250,000		
24. Unearned premiums (Page 3, Line 9) .....	263,012,701	249,834,648	249,242,021	209,226,173	187,983,818
25. Capital paid up (Page 3, Lines 28 & 29) .....	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
26. Surplus as regards policyholders (Page 3, Line 35) .....	229,140,057	273,643,757	266,108,776	290,002,606	137,783,194
<b>Cash Flow</b> (Page 5)					
27. Net cash from operations (Line 11) .....	64,024,123	39,798,230	50,832,509	35,471,544	56,571,617
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital .....					
29. Authorized control level risk-based capital .....					
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1) .....	87.9	80.0	86.4	81.4	79.6
31. Stocks (Lines 2.1 & 2.2) .....	0.1	0.0			
32. Mortgage loans on real estate (Lines 3.1 and 3.2) .....					
33. Real estate (Lines 4.1, 4.2 & 4.3) .....					
34. Cash, cash equivalents and short-term investments (Line 5) .....	9.1	18.7	12.5	16.6	20.4
35. Contract loans (Line 6) .....					
36. Other invested assets (Line 7) .....	2.9	1.3	1.2	2.1	
37. Receivables for securities (Line 8).....	0.0	0.0	0.0		
38. Aggregate write-ins for invested assets (Line 9) .....					
39. Cash, cash equivalents and invested assets (Line 10) .....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1) .....					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1) .....					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1) .....	763,291	153,543			
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7) .....					
44. Affiliated mortgage loans on real estate .....					
45. All other affiliated .....					
46. Total of above Lines 40 to 45 .....	763,291	153,543			
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0) .....	0.3	0.1			

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
<b>Capital and Surplus Accounts</b> (Page 4)					
48. Net unrealized capital gains (losses) (Line 24) .....	(29,961,174)	(2,661,146)	(2,077,221)		
49. Dividends to stockholders (Line 35) .....	(3,810,636)	(2,661,146)	(2,077,221)		
50. Change in surplus as regards policyholders for the year (Line 38) .....	(44,503,710)	7,534,981	(23,893,830)	152,219,412	14,148,000
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....					
52. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....					
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....					
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	24,130,609	(796,880)	16,847,731	9,923,843	2,435,808
55. Nonproportional reinsurance lines (Lines 30, 31 & 32) .....					
56. Total (Line 34) .....	24,130,609	(796,880)	16,847,731	9,923,843	2,435,808
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....					
58. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....					
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....					
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	24,130,609	(796,880)	16,847,731	9,923,843	2,259,907
61. Nonproportional reinsurance lines (Lines 30, 31 & 32) .....					
62. Total (Line 34) .....	24,130,609	(796,880)	16,847,731	9,923,843	2,259,907
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2) .....	40.6	(2.8)	19.4	62.1	
65. Loss expenses incurred (Line 3) .....	0.7	1.8	0.8	21.3	
66. Other underwriting expenses incurred (Line 4) .....	49.4	54.7	60.5	79.4	92.8
67. Net underwriting gain (loss) (Line 8) .....	9.3	46.3	19.3	(62.8)	7.2
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0) .....	43.1	54.0	32.3	27.6	27.9
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	41.3	(1.0)	20.2	83.3	
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0) .....	46.0	25.5	32.5	17.0	47.8
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11) .....	4,718	(2,984)	698	3,353	(0)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0) .....	1.7	(1.1)	0.2	2.4	
<b>Two Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12) .....	1,941	714	3,173	3,353	
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0) .....	0.7	0.2	2.3	2.7	



ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14)

NAIC Group Code 0000		BUSINESS IN THE STATE OF Consolidated				DURING THE YEAR 2007				NAIC Company Code 22896			
Line of Business		Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies not Taken		3 Dividends Paid or Credited to Policyholders on Direct Business	4 Direct Unearned Premium Reserves	5 Direct Losses Paid (deducting salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Direct Defense and Cost Containment Expense Paid	9 Direct Defense and Cost Containment Expense Incurred	10 Direct Defense and Cost Containment Expense Unpaid	11 Commissions and Brokerage Expenses	12 Taxes, Licenses and Fees
		1 Direct Premiums Written	2 Direct Premiums Earned										
1.	Fire .....												
2.1	Allied lines .....												
2.2	Multiple peril crop .....												
2.3	Federal flood .....												
3.	Farmowners multiple peril .....												
4.	Homeowners multiple peril .....												
5.1	Commercial multiple peril (non-liability portion) .....												
5.2	Commercial multiple peril (liability portion) .....												
6.	Mortgage guaranty .....												
8.	Ocean marine .....												
9.	Inland marine .....												
10.	Financial guaranty .....	98,695,872	93,846,144		254,771,297	24,116,961	28,984,569	(1,113,084)	653,288	614,698	562,331	677	2,803,364
11.	Medical malpractice .....												
12.	Earthquake .....												
13.	Group accident and health (b) .....												
14.	Credit A & H (group and individual) .....												
15.1	Collectively renewable A & H (b) .....												
15.2	Non-cancelable A & H (b) .....												
15.3	Guaranteed renewable A & H (b) .....												
15.4	Non-renewable for stated reasons only (b) .....												
15.5	Other accident only .....												
15.6	Medicare Title XVIII exempt from state taxes or fees .....												
15.7	All other A & H (b) .....												
15.8	Federal employees health benefits program premium (b) .....												
16.	Workers' compensation .....												
17.	Other liability .....												
18.	Products liability .....												
19.1	Private passenger auto no-fault (personal injury protection) .....												
19.2	Other private passenger auto liability .....												
19.3	Commercial auto no-fault (personal injury protection) .....												
19.4	Other commercial auto liability .....												
21.1	Private passenger auto physical damage .....												
21.2	Commercial auto physical damage .....												
22.	Aircraft (all perils) .....												
23.	Fidelity .....												
24.	Surety .....												
26.	Burglary and theft .....												
27.	Boiler and machinery .....												
28.	Credit .....												
33.	Aggregate write-ins for other lines of business .....												
34.	TOTALS (a) .....	98,695,872	93,846,144		254,771,297	24,116,961	28,984,569	(1,113,084)	653,288	614,698	562,331	677	2,803,364
DETAILS OF WRITE-INS													
3301.	.....												
3302.	.....												
3303.	.....												
3398.	Summary of remaining write-ins for Line 33 from overflow page .....												
3399.	Totals (Lines 3301 through 3303 plus 3398) (Line 33 above) .....												

(a) Finance and service charges not included in Lines 1 to 34 \$ .....  
(b) For health business on indicated lines report: Number of persons insured under PPO managed care products ..... and number of persons insured under indemnity only products .....

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1.	Book/adjusted carrying value, December 31, prior year.....	
2.	Increase (decrease) by adjustment:	
2.1	Totals, Part 1, Column 11 .....	
2.2	Totals, Part 3, Column 8 .....	
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances, Column 7, and net of credit to permanent improvements (Column 9) .....	
4.	Cost of additions and permanent improvements:	
4.1	Totals, Part 1, Column 14 .....	
4.2	Totals, Part 3, Column 10 .....	
5.	Total profit (loss) on sales, Part 3, Column 15 .....	
6.	Increase (decrease) by foreign exchange adjustment:	
6.1	Totals, Part 1, Column 12 .....	
6.2	Totals, Part 3, Column 9 .....	
7.	Amounts received on sales, Part 3, Column 12 and Part 1, Column 13 .....	
8.	Book/adjusted carrying value at end of current period .....	
9.	Total valuation allowance .....	
10.	Subtotal (Lines 8 plus 9) .....	
11.	Total nonadmitted amounts .....	
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) .....	

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1.	Book value/recorded investment excluding accrued interest of mortgage owned, December 31 of prior year .....	
2.	Amount loaned during year:	
2.1	Actual cost at time of acquisitions .....	
2.2	Additional investment made after acquisitions .....	
3.	Accrual of discount and mortgage interest points and commitment fees .....	
4.	Increase (decrease) by adjustment .....	
5.	Total profit (loss) on sale .....	
6.	Amounts paid on account or in full during the year .....	
7.	Amortization of premium .....	
8.	Increase (decrease) by foreign exchange adjustment .....	
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....	
10.	Total valuation allowance .....	
11.	Subtotal (Lines 9 plus 10) .....	
12.	Total nonadmitted amounts .....	
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column).....	

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Long-Term Invested Assets

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....	39,931,501
2.	Cost of acquisitions during year:	
2.1	Actual cost at time of acquisitions .....	18,250,000
2.2	Additional investment made after acquisitions .....	18,250,000
3.	Accrual of discount .....	167
4.	Increase (decrease) by adjustment .....	(30,043,581)
5.	Total profit (loss) on sale .....	
6.	Amounts paid on account or in full during the year .....	8,798,196
7.	Amortization of premium .....	
8.	Increase (decrease) by foreign exchange adjustment .....	
9.	Book/adjusted carrying value of long-term invested assets at end of current period .....	19,339,891
10.	Total valuation allowance .....	
11.	Subtotal (Lines 9 plus 10) .....	19,339,891
12.	Total nonadmitted amounts .....	
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	19,339,891

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States .....	115,189,873	118,102,785	115,255,861	115,487,940
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	115,189,873	118,102,785	115,255,861	115,487,940
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	19,326,473	19,522,721	19,581,021	18,015,000
	6. Canada .....				
	7. Other Countries .....				
	8. Totals	19,326,473	19,522,721	19,581,021	18,015,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	27,967,711	28,098,138	28,618,527	26,605,000
	10. Canada.....				
	11. Other Countries .....				
	12. Totals	27,967,711	28,098,138	28,618,527	26,605,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	206,387,826	207,734,814	209,078,040	198,550,969
	14. Canada .....				
	15. Other Countries .....				
	16. Totals	206,387,826	207,734,814	209,078,040	198,550,969
Public Utilities (unaffiliated)	17. United States .....	3,002,538	2,918,953	3,039,270	2,950,000
	18. Canada .....				
	19. Other Countries .....	934,861	902,004	934,935	935,000
	20. Totals	3,937,399	3,820,957	3,974,205	3,885,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	186,602,890	184,200,116	187,091,887	193,234,636
	22. Canada .....	998,090	995,230	994,390	1,000,000
	23. Other Countries .....	32,992,397	15,854,886	33,110,386	37,739,108
	24. Totals	220,593,377	201,050,232	221,196,663	231,973,744
Parent, Subsidiaries and Affiliates	25. Totals				
	26. <b>Total Bonds</b>	593,402,659	578,329,647	597,704,317	594,517,653
<b>PREFERRED STOCKS</b> Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States .....				
	36. Canada .....				
	37. Other Countries .....				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. <b>Total Preferred Stocks</b>				
<b>COMMON STOCKS</b> Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States .....				
	50. Canada .....				
	51. Other Countries .....				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals	763,291	763,291	631,531	
	54. <b>Total Common Stocks</b>	763,291	763,291	631,531	
	55. <b>Total Stocks</b>	763,291	763,291	631,531	
	56. <b>Total Bonds and Stocks</b>	594,165,950	579,092,938	598,335,848	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	493,219,431	7. Amortization of premium.....	2,223,647
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	197,030,411	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	456,508	8.1 Column 15, Part 1 .....	
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	
4.1 Columns 12 - 14, Part 1.....	(5,113,173)	8.3 Column 16, Part 2, Sec. 2 .....	
4.2 Columns 15 - 17, Part 2, Sec. 1.....		8.4 Column 15, Part 4 .....	
4.3 Column 15, Part 2, Sec. 2.....	108,209	9. Book/adjusted carrying value at end of current period .....	594,165,968
4.4 Columns 11 - 13, Part 4 .....	30,582	10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....	6,100	11. Subtotal (Lines 9 plus 10) .....	594,165,968
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted amounts .....	
Column 7, Part 4 .....	89,348,453	13. Statement value of bonds and stocks, current period .....	594,165,968

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1	13,026,497	36,861,382	62,790,421	1,681,877	829,698	115,189,875	18.8	152,609,639	23.1	115,189,875	
1.2 Class 2											
1.3 Class 3											
1.4 Class 4											
1.5 Class 5											
1.6 Class 6											
1.7 Totals	13,026,497	36,861,382	62,790,421	1,681,877	829,698	115,189,875	18.8	152,609,639	23.1	115,189,875	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1											
2.2 Class 2											
2.3 Class 3											
2.4 Class 4											
2.5 Class 5											
2.6 Class 6											
2.7 Totals											
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1		9,910,839	9,415,634			19,326,473	3.2	4,923,776	0.9	19,326,473	
3.2 Class 2											
3.3 Class 3											
3.4 Class 4											
3.5 Class 5											
3.6 Class 6											
3.7 Totals		9,910,839	9,415,634			19,326,473	3.2	4,923,776	0.9	19,326,473	
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1		7,990,639	14,095,932	3,881,139	2,000,000	27,967,710	4.6	36,171,770	4.9	27,967,711	
4.2 Class 2											
4.3 Class 3											
4.4 Class 4											
4.5 Class 5											
4.6 Class 6											
4.7 Totals		7,990,639	14,095,932	3,881,139	2,000,000	27,967,710	4.6	36,171,770	4.9	27,967,711	
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1	8,198,033	45,874,733	76,368,330	52,099,038	23,847,691	206,387,825	33.7	155,106,718	30.8	206,387,826	
5.2 Class 2											
5.3 Class 3											
5.4 Class 4											
5.5 Class 5											
5.6 Class 6											
5.7 Totals	8,198,033	45,874,733	76,368,330	52,099,038	23,847,691	206,387,825	33.7	155,106,718	30.8	206,387,826	

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1 .....			1,932,213		1,134,799	3,067,012	0.5	2,131,850	0.4	3,067,012	
6.2 Class 2 .....		870,387				870,387	0.1	1,817,625	0.3	870,387	
6.3 Class 3 .....											
6.4 Class 4 .....											
6.5 Class 5 .....											
6.6 Class 6 .....											
6.7 Totals		870,387	1,932,213		1,134,799	3,937,399	0.6	3,949,475	0.7	3,937,399	
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1 .....	23,267,591	53,388,155	82,831,166	3,634,762	51,121,501	214,243,175	35.0	187,969,241	32.2	177,920,500	36,322,676
7.2 Class 2 .....		6,170,276	4,353,052		8,364,610	18,887,938	3.1	29,162,879	6.4	17,640,970	1,246,969
7.3 Class 3 .....		590,231				590,231	0.1	1,479,120	0.3	590,231	
7.4 Class 4 .....			2,050,704			2,050,704	0.3	4,043,790	0.8	2,050,704	
7.5 Class 5 .....											
7.6 Class 6 .....	403,672	1,546,404	1,623,204	687,767		4,261,047	0.7			4,261,048	
7.7 Totals	23,671,263	61,695,066	90,858,126	4,322,529	59,486,111	240,033,095	39.2	222,655,032	39.6	202,463,453	37,569,645
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1 .....											
8.2 Class 2 .....											
8.3 Class 3 .....											
8.4 Class 4 .....											
8.5 Class 5 .....											
8.6 Class 6 .....											
8.7 Totals											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1 .....											
9.2 Class 2 .....											
9.3 Class 3 .....											
9.4 Class 4 .....											
9.5 Class 5 .....											
9.6 Class 6 .....											
9.7 Totals											

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

	1	2	3	4	5	6	7	8	9	10	11
Quality Rating per the NAIC Designation	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 6 as a % of Line 10.7	Total from Col. 6 Prior Year	% From Col. 7 Prior Year	Total Publicly Traded	Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1	44,492,121	154,025,748	247,433,696	61,296,816	78,933,689	586,182,070	95.6	XXX	XXX	549,859,397	36,322,676
10.2 Class 2		7,040,663	4,353,052		8,364,610	19,758,325	3.2	XXX	XXX	18,511,357	1,246,969
10.3 Class 3		590,231				590,231	0.1	XXX	XXX	590,231	
10.4 Class 4			2,050,704			2,050,704	0.3	XXX	XXX	2,050,704	
10.5 Class 5						(c)		XXX	XXX		
10.6 Class 6	403,672	1,546,404	1,623,204	687,767		4,261,047	0.7	XXX	XXX	4,261,048	
10.7 Totals	44,895,793	163,203,046	255,460,656	61,984,583	87,298,299	(b) 612,842,377	100.0	XXX	XXX	575,272,737	37,569,645
10.8 Line 10.7 as a % of Col. 6	7.3	26.6	41.7	10.1	14.2	100.0	XXX	XXX	XXX	93.9	6.1
11. Total Bonds Prior Year											
11.1 Class 1	114,430,213	135,389,812	210,723,127	45,172,578	33,197,265	XXX	XXX	538,912,995	93.7	530,645,319	8,267,675
11.2 Class 2	3,042,846	3,076,090	11,702,670	1,224,850	11,934,048	XXX	XXX	30,980,504	5.4	21,844,007	9,136,497
11.3 Class 3	1,479,120					XXX	XXX	1,479,120	0.3	1,479,120	
11.4 Class 4	1,993,086		2,050,704			XXX	XXX	4,043,790	0.7	4,043,790	
11.5 Class 5						XXX	XXX	(c)			
11.6 Class 6						XXX	XXX	(c)			
11.7 Totals	120,945,265	138,465,902	224,476,501	46,397,428	45,131,313	XXX	XXX	(b) 575,416,409	100.0	558,012,236	17,404,172
11.8 Line 11.7 as a % of Col. 8	21.0	24.1	39.0	8.1	7.8	XXX	XXX	100.0	XXX	97.1	2.9
12. Total Publicly Traded Bonds											
12.1 Class 1	44,167,267	150,521,863	244,249,015	60,742,347	50,178,905	549,859,397	89.7	530,645,319	90.7	549,859,397	XXX
12.2 Class 2		7,040,663	4,353,052		7,117,641	18,511,356	3.0	21,844,007	4.1	18,511,356	XXX
12.3 Class 3		590,231				590,231	0.1	1,479,120	0.3	590,231	XXX
12.4 Class 4			2,050,704			2,050,704	0.3	4,043,790	0.8	2,050,704	XXX
12.5 Class 5											XXX
12.6 Class 6	403,672	1,546,404	1,623,204	687,767		4,261,047	0.7			4,261,047	XXX
12.7 Totals	44,570,939	159,699,161	252,275,975	61,430,114	57,296,546	575,272,735	93.9	558,012,234	95.8	575,272,735	XXX
12.8 Line 12.7 as a % of Col. 6	7.7	27.8	43.9	10.7	10.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	7.3	26.1	41.2	10.0	9.3	93.9	XXX	XXX	XXX	93.9	XXX
13. Total Privately Placed Bonds											
13.1 Class 1	324,855	3,503,887	3,184,681	554,470	28,754,784	36,322,677	5.9	8,267,676	1.5	XXX	36,322,677
13.2 Class 2					1,246,969	1,246,969	0.2	9,136,497	2.6	XXX	1,246,969
13.3 Class 3										XXX	
13.4 Class 4										XXX	
13.5 Class 5										XXX	
13.6 Class 6										XXX	
13.7 Totals	324,855	3,503,887	3,184,681	554,470	30,001,753	37,569,646	6.1	17,404,173	4.2	XXX	37,569,646
13.8 Line 13.7 as a % of Col. 6	0.9	9.3	8.5	1.5	79.9	100.0	XXX	XXX	XXX	XXX	100.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.1	0.6	0.5	0.1	4.9	6.1	XXX	XXX	XXX	XXX	6.1

(a) Includes \$ 37,569,645 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes \$ 11,044,170 current year, \$ prior year of bonds with Z designations and \$ , current year, \$ prior year of bonds with Z\* designations. The letter “Z” means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. “Z\*” means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.

(c) Includes \$ current year, \$ prior year of bonds with 5\* designations and \$ , current year, \$ prior year of bonds with 6\* designations. “5\*” means the NAIC designation was assigned by the SVO in reliance on the insurer’s certification that the issuer is current in all principal and interest payments. “6\*” means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues											
Distribution by Type	1	2	3	4	5	6	7	8	9	10	11
	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 6 as a % of Line 10.7	Total from Col 6 Prior Year	% From Col. 7 Prior Year	Total Publicly Traded	Total Privately Placed
<b>1. U.S. Governments, Schedules D &amp; DA (Group 1)</b>											
1.1 Issuer Obligations	11,585,866	33,466,046	60,939,451			105,991,363	17.3	141,641,424	21.0	105,991,362	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities	1,440,631	3,395,336	1,850,970	1,681,877	829,698	9,198,512	1.5	10,968,214	2.0	9,198,513	
1.7 Totals	13,026,497	36,861,382	62,790,421	1,681,877	829,698	115,189,875	18.8	152,609,638	23.1	115,189,875	
<b>2. All Other Governments, Schedules D &amp; DA (Group 2)</b>											
2.1 Issuer Obligations											
2.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
2.3 Defined											
2.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
2.5 Defined											
2.6 Other											
2.7 Totals											
<b>3. States, Territories, and Possessions Guaranteed, Schedules D &amp; DA (Group 3)</b>											
3.1 Issuer Obligations		9,910,839	9,415,634			19,326,473	3.2	4,923,776	0.9	19,326,473	
3.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
3.3 Defined											
3.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
3.5 Defined											
3.6 Other											
3.7 Totals		9,910,839	9,415,634			19,326,473	3.2	4,923,776	0.9	19,326,473	
<b>4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D &amp; DA (Group 4)</b>											
4.1 Issuer Obligations		7,990,639	14,095,932	3,881,139	2,000,000	27,967,710	4.6	36,171,770	4.9	27,967,711	
4.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
4.3 Defined											
4.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
4.5 Defined											
4.6 Other											
4.7 Totals		7,990,639	14,095,932	3,881,139	2,000,000	27,967,710	4.6	36,171,770	4.9	27,967,711	
<b>5. Special Revenue &amp; Special Assessment Obligations etc., Non-Guaranteed, Schedules D &amp; DA (Group 5)</b>											
5.1 Issuer Obligations	1,670,591	27,646,250	61,160,561	32,432,456	19,000,000	141,909,858	23.2	91,929,560	19.0	141,909,857	
5.2 Single Class Mortgage-Backed/Asset-Backed Securities	6,338,659	18,210,025	12,510,420	9,735,687	2,117,211	48,912,002	8.0	56,275,222	10.5	48,912,002	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
5.3 Defined	188,784	18,458	2,697,350	9,930,895	2,730,480	15,565,967	2.5	6,469,769	1.3	15,565,966	
5.4 Other								432,166			
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
5.5 Defined											
5.6 Other											
5.7 Totals	8,198,034	45,874,733	76,368,331	52,099,038	23,847,691	206,387,827	33.7	155,106,717	30.8	206,387,825	

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
<b>6. Public Utilities (Unaffiliated), Schedules D &amp; DA (Group 6)</b>											
6.1 Issuer Obligations .....		870,387	1,932,213		1,134,799	3,937,399	0.6	3,949,475	0.7	3,937,398	
6.2 Single Class Mortgage-Backed/Asset-Based Securities .....											
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES .....											
6.3 Defined .....											
6.4 Other .....											
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES .....											
6.5 Defined .....											
6.6 Other .....											
6.7 Totals		870,387	1,932,213		1,134,799	3,937,399	0.6	3,949,475	0.7	3,937,398	
<b>7. Industrial &amp; Miscellaneous (Unaffiliated), Schedules D &amp; DA (Group 7)</b>											
7.1 Issuer Obligations .....	19,497,545	42,256,174	32,259,574		38,255,586	132,268,879	21.6	146,344,077	23.8	111,361,812	20,907,067
7.2 Single Class Mortgage-Backed/Asset-Based Securities .....											
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES .....											
7.3 Defined .....								16,053,078			
7.4 Other .....	526,905	1,470,567				1,997,472	0.3	7,216,448	0.1	1,997,472	
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES .....											
7.5 Defined .....	2,671,349	8,058,848	48,326,649	2,502,140	6,029,589	67,588,575	11.0	33,532,372	11.1	63,863,798	3,724,776
7.6 Other .....	975,465	9,909,477	10,271,904	1,820,390	15,200,936	38,178,172	6.2	19,509,057	4.6	25,240,370	12,937,801
7.7 Totals	23,671,264	61,695,066	90,858,127	4,322,530	59,486,111	240,033,098	39.2	222,655,032	39.6	202,463,452	37,569,644
<b>8. Credit Tenant Loans, Schedules D &amp; DA (Group 8)</b>											
8.1 Issuer Obligations .....											
8.7 Totals											
<b>9. Parents, Subsidiaries and Affiliates, Schedules D &amp; DA (Group 9)</b>											
9.1 Issuer Obligations .....											
9.2 Single Class Mortgage-Backed/Asset-Based Securities .....											
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES .....											
9.3 Defined .....											
9.4 Other .....											
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES .....											
9.5 Defined .....											
9.6 Other .....											
9.7 Totals											

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total From Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations	32,754,002	122,140,335	179,803,365	36,313,595	60,390,385	431,401,682	70.4	XXX	XXX	410,494,613	20,907,067
10.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	7,779,290	21,605,361	14,361,390	11,417,564	2,946,909	58,110,514	9.5	XXX	XXX	58,110,515	
10.3 Defined	188,784	18,458	2,697,350	9,930,895	2,730,480	15,565,967	2.5	XXX	XXX	15,565,966	
10.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	526,905	1,470,567				1,997,472	0.3	XXX	XXX	1,997,472	
10.5 Defined	2,671,349	8,058,848	48,326,649	2,502,140	6,029,589	67,588,575	11.0	XXX	XXX	63,863,798	3,724,776
10.6 Other	975,465	9,909,477	10,271,904	1,820,390	15,200,936	38,178,172	6.2	XXX	XXX	25,240,370	12,937,801
10.7 Totals	44,895,795	163,203,046	255,460,658	61,984,584	87,298,299	612,842,382	100.0	XXX	XXX	575,272,734	37,569,644
10.8 Line 10.7 as a % of Col. 6	7.3	26.6	41.7	10.1	14.2	100.0	XXX	XXX	XXX	93.9	6.1
11. Total Bonds Prior Year											
11.1 Issuer Obligations	99,713,664	93,893,570	167,801,360	31,074,113	32,477,375	XXX	XXX	424,960,082	70.4	419,555,755	5,404,325
11.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	10,840,684	27,680,009	15,611,515	10,224,249	2,886,980	XXX	XXX	67,243,436	12.5	67,243,436	
11.3 Defined	267,889	162,570	18,101,064	3,333,353	657,971	XXX	XXX	22,522,847	1.3	22,522,847	
11.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	1,150,670	466,224	6,031,720			XXX	XXX	7,648,614	0.1	7,648,615	
11.5 Defined	6,275,974	8,565,403	12,661,406		6,029,589	XXX	XXX	33,532,372	11.1	26,532,525	6,999,847
11.6 Other	2,696,385	7,698,126	4,269,434	1,765,713	3,079,399	XXX	XXX	19,509,057	4.6	14,509,057	5,000,000
11.7 Totals	120,945,266	138,465,901	224,476,499	46,397,428	45,131,314	XXX	XXX	575,416,408	100.0	558,012,236	17,404,172
11.8 Line 11.7 as a % of Col. 8	21.0	24.1	39.0	8.1	7.8	XXX	XXX	100.0	XXX	97.0	4.0
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	32,754,002	119,144,293	179,803,364	36,313,595	42,479,361	410,494,615	67.0	419,555,755	69.4	410,494,615	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	7,779,290	21,605,361	14,361,390	11,417,564	2,946,909	58,110,514	9.5	67,243,436	12.5	58,110,514	XXX
12.3 Defined	188,784	18,458	2,697,350	9,930,895	2,730,480	15,565,967	2.5	22,522,847	1.3	15,565,967	XXX
12.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	526,905	1,470,567				1,997,472	0.3	7,648,615	0.1	1,997,472	XXX
12.5 Defined	2,368,075	7,652,543	45,311,452	2,502,140	6,029,589	63,863,799	10.4	26,532,525	9.8	63,863,799	XXX
12.6 Other	953,884	9,807,937	10,102,420	1,265,920	3,110,208	25,240,369	4.1	14,509,056	2.7	25,240,369	XXX
12.7 Totals	44,570,940	159,699,159	252,275,976	61,430,114	57,296,547	575,272,736	93.9	558,012,234	95.8	575,272,736	XXX
12.8 Line 12.7 as a % of Col. 6	7.7	27.8	43.9	10.7	10.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	7.3	26.1	41.2	10.0	9.3	93.9	XXX	XXX	XXX	93.9	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations		2,996,043			17,911,025	20,907,068	3.4	5,404,325	1.0	XXX	20,907,068
13.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES										XXX	
13.3 Defined										XXX	
13.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES										XXX	
13.5 Defined	303,274	406,305	3,015,197			3,724,776	0.6	6,999,847	1.3	XXX	3,724,776
13.6 Other	21,581	101,539	169,483	554,470	12,090,728	12,937,801	2.1	5,000,000	1.9	XXX	12,937,801
13.7 Totals	324,855	3,503,887	3,184,680	554,470	30,001,753	37,569,645	6.1	17,404,173	4.2	XXX	37,569,645
13.8 Line 13.7 as a % of Col. 6	0.9	9.3	8.5	1.5	79.9	100.0	XXX	XXX	XXX	XXX	100.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.1	0.6	0.5	0.1	4.9	6.1	XXX	XXX	XXX	XXX	6.1

SCHEDULE DA - PART 2 - VERIFICATION BETWEEN YEARS

Short-Term Investments					
	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-term Investment Assets(a)	Investments in Parent, Subsidiaries and Affiliates
1. Book/adjusted carrying value, prior year .....	38,511,472	38,511,472			
2. Cost of short-term investments acquired .....	375,742,645	375,742,645			
3. Increase (decrease) by adjustment .....	73,752	73,752			
4. Increase (decrease) by foreign exchange adjustment .....					
5. Total profit (loss) on disposal of short-term investments .....					
6. Consideration received on disposal of short-term investments .....	394,888,149	394,888,149			
7. Book/adjusted carrying value, current year .....	19,439,720	19,439,720			
8. Total valuation allowance .....					
9. Subtotal (Lines 7 plus 8) .....	19,439,720	19,439,720			
10. Total nonadmitted amounts .....					
11. Statement value (Lines 9 minus 10) .....	19,439,720	19,439,720			
12. Income collected during year .....	2,334,724	2,334,724			
13. Income earned during year .....	2,073,202	2,073,202			

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment: .....

Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY

NONE

Schedule DB - Part C - VBY

NONE

Schedule DB - Part D - VBY

NONE

Schedule DB - Part E - VBY

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

## 34

## 34

34

34

## ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

## SCHEDULE F - PART 2

**Premium Portfolio Reinsurance Effected or (Canceled) during Current Year**

1 Federal ID Number	2 NAIC Company Code	3 Name of Company	4 Date of Contract	5 Original Premium	6 Reinsurance Premium
<div>NONE</div>					

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## ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

## SCHEDULE F - PART 4

**Aging of Ceded Reinsurance as of December 31, Current Year (000 Omitted)**

[illegible]

$$\begin{matrix} \omega \\ \infty \end{matrix}$$
$$\begin{matrix} \omega \\ \infty \end{matrix}$$
$$\begin{matrix} \omega \\ \infty \end{matrix}$$
$$\begin{matrix} \omega \\ \infty \end{matrix}$$

- $$\begin{matrix} \omega \\ \infty \end{matrix}$$

Schedule F - Part 6

NONE

Schedule F - Part 7

NONE

SCHEDULE F - PART 8

Restatement of Balance Sheet to Identify Net Credit for Reinsurance			
	1 As Reported (Net of Ceded)	2 Restatement Adjustments	3 Restated (Gross of Ceded)
<u>ASSETS</u> (Page 2, Col. 3)			
1. Cash and invested assets (Line 10) .....	675,052,723		675,052,723
2. Premiums and considerations (Line 13) .....	15,375		15,375
3. Reinsurance recoverable on loss and loss adjustment expense payments (Line 14.1).....			
4 Funds held by or deposited with reinsured companies (Line 14.2).....			
5. Other assets .....	16,723,451		16,723,451
6. Net amount recoverable from reinsurers .....		549,554	549,554
7. Protected cell assets (Line 25) .....			
8. Totals (Line 26) .....	691,791,549	549,554	692,341,103
<u>LIABILITIES</u> (Page 3)			
9. Losses and loss adjustment expenses (Lines 1 through 3) .....	7,935,599		7,935,599
10. Taxes, expenses, and other obligations (Lines 4 through 8) .....	6,044,218		6,044,218
11. Unearned premiums (Line 9) .....	263,012,701	549,554	263,562,255
12. Advance Premiums (Line 10) .....			
13. Dividends declared and unpaid (Line 11.1 and 11.2) .....			
14. Ceded reinsurance premiums payable (net of ceded commissions) (Line 12)			
15. Funds held by company under reinsurance treaties (Line 13) .....			
16. Amounts withheld or retained by company for account of others (Line 14) .....			
17. Provision for reinsurance (Line 16) .....			
18. Other liabilities .....	185,658,975		185,658,975
19. Total liabilities excluding protected cell business (Line 24) .....	462,651,493	549,554	463,201,046
20. Protected cell liabilities (Line 25) .....			
21. Surplus as regards policyholders (Line 35) .....	229,140,057	X X X	229,140,057
22. Totals (Line 36)	691,791,549	549,554	692,341,103

NOTE: Is the restatement of this exhibit the result of grossing up balances ceded to affiliates under 100 percent reinsurance or pooling arrangements?      Yes [    ] No [ X ]

If yes, give full explanation:

.....

Schedule H - Part 1

NONE

Schedule H - Part 2

NONE

Schedule H - Part 3

NONE

Schedule H - Part 4

NONE

Schedule H - Part 5

NONE

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES  
SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)												
Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX									XXX
2. 1998	1,112	2,588	(1,476)									XXX
3. 1999	7,185	3,978	3,207									XXX
4. 2000	13,902	10,901	3,001									XXX
5. 2001	13,500	11,913	1,587	948	47	5	0			140	905	XXX
6. 2002	17,650	6,200	11,449	7,669	265	2				7,496	7,406	XXX
7. 2003	25,956	5,888	20,068									XXX
8. 2004	36,048	7,861	28,187	19,869		6,000					25,869	XXX
9. 2005	51,224	4,634	46,589	3,446		1,555					5,001	XXX
10. 2006	72,477	3,202	69,275			112					112	XXX
11. 2007	94,135	1,842	92,293	23,950		15					23,964	XXX
12. Totals	XXX	XXX	XXX	55,882	313	7,689	0			7,636	63,258	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23  Salvage and Subrogation Anticipated	24  Total Net Losses and Expenses Unpaid	25  Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. ....													XXX
2. ....													XXX
3. ....													XXX
4. ....													XXX
5. ....													XXX
6. ....	(4,254)										4,254	(4,254)	XXX
7. ....													XXX
8. ....	359											359	XXX
9. ....	3,433				550							3,983	XXX
10. ....					12							12	XXX
11. ....	8,486											8,486	XXX
12. Totals	8,025				562						4,254	8,587	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter- Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. ....	xxx	xxx	xxx	xxx	xxx	xxx			xxx		
2. ....											
3. ....											
4. ....											
5. ....	953	48	905	7.1	0.4	57.1					
6. ....	3,418	265	3,153	19.4	4.3	27.5				(4,254)	
7. ....											
8. ....	26,227		26,227	72.8		93.0				359	
9. ....	8,985		8,985	17.5		19.3	651			2,782	550
10. ....	124		124	0.2		0.2					12
11. ....	32,450		32,450	34.5		35.2				8,486	
12. Totals	xxx	xxx	xxx	xxx	xxx	xxx	651		xxx	7,373	562

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	One Year	Two Year
1. Prior												
2. 1998												
3. 1999	XXX											
4. 2000	XXX	XXX										
5. 2001	XXX	XXX	XXX	905	905	905	905	905	905	905		
6. 2002	XXX	XXX	XXX	XXX	0	0	3,353	3,173	3,152	3,153	0	(21)
7. 2003	XXX	XXX	XXX	XXX	XXX							
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	21,131	22,009	22,046	26,227	4,181	4,219
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,241	8,241	8,985	743	(2,256)
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	331	124	(207)	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,450	XXX	XXX
12. Totals											4,718	1,941

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000										XXX	XXX
2. 1998											XXX	XXX
3. 1999	XXX										XXX	XXX
4. 2000	XXX	XXX									XXX	XXX
5. 2001	XXX	XXX	XXX	905	905	905	905	905	905	905	XXX	XXX
6. 2002	XXX	XXX	XXX	XXX	2,303	4,563	7,887	11,286	8,661	7,406	XXX	XXX
7. 2003	XXX	XXX	XXX	XXX	XXX						XXX	XXX
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	12,600	25,370	25,869	25,869	XXX	XXX
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	793	2,943	5,001	XXX	XXX
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	96	112	XXX	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,964	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007
1. Prior										
2. 1998										
3. 1999	XXX									
4. 2000	XXX	XXX								
5. 2001	XXX	XXX	XXX							
6. 2002	XXX	XXX	XXX	XXX						
7. 2003	XXX	XXX	XXX	XXX	XXX					
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	131			
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

Schedule P - Part 1A - Home/Farm

NONE

Schedule P - Part 1B - Private Passenger

NONE

Schedule P - Part 1C - Comm Auto/Truck

NONE

Schedule P - Part 1D - Workers' Comp

NONE

Schedule P - Part 1E - Comm Multi Peril

NONE

Schedule P - Part 1F - Medical Mal Occur

NONE

Schedule P - Part 1F - Medical Mal Claim

NONE

Schedule P - Part 1G - Special Liability

NONE

Schedule P - Part 1H - Other Liab Occur

NONE

Schedule P - Part 1H - Other Liab Claims

NONE

Schedule P - Part 1I - Special Property

NONE

Schedule P - Part 1J - Auto Physical  
**NONE**

Schedule P - Part 1K - Fidelity/Surety  
**NONE**

Schedule P - Part 1L - Other  
**NONE**

Schedule P - Part 1M - International  
**NONE**

Schedule P - Part 1N - Reinsurance A  
**NONE**

Schedule P - Part 1O - Reinsurance B  
**NONE**

Schedule P - Part 1P - Reinsurance C  
**NONE**

Schedule P - Part 1R - Prod Liab Occur  
**NONE**

Schedule P - Part 1R - Prod Liab Claims  
**NONE**

SCHEDULE P - PART 1S - FINANCIAL GUARANTY/MORTGAGE GUARANTY

(\$000 Omitted)												
Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
				4	5	6	7	8	9			
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX	181		622				1,255	803	XXX
2. 2006	72,477	3,202	69,275			112					112	XXX
3. 2007	94,135	1,842	92,293	23,950		15					23,964	XXX
4. Totals	XXX	XXX	XXX	24,131		749				1,255	24,879	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23  Salvage and Subrogation Anticipated	24  Total Net Losses and Expenses Unpaid	25  Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1.	(462)				550						4,254	88	8
2.					12							12	1
3.	8,486											8,486	2
4.	8,025				562						4,254	8,587	11

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount		
	26	27	28	29	30	31	32	33		35	36	
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid	
1.	XXX	XXX	XXX	XXX	XXX	XXX	651		XXX	(1,113)	550	
2.	124		124	0.2		0.2					12	
3.	32,450		32,450	34.5		35.2				8,486		
4.	XXX	XXX	XXX	XXX	XXX	XXX	651		XXX	7,373	562	

Schedule P - Part 2A

NONE

Schedule P - Part 2B

NONE

Schedule P - Part 2C

NONE

Schedule P - Part 2D

NONE

Schedule P - Part 2E

NONE

Schedule P - Part 2F - Medical Mal Occur

NONE

Schedule P - Part 2F - Medical Mal Claim

NONE

Schedule P - Part 2G

NONE

Schedule P - Part 2H - Other Liab Occur

NONE

Schedule P - Part 2H - Other Liab Claim

NONE

Schedule P - Part 2I

NONE

Schedule P - Part 2J  
**NONE**

Schedule P - Part 2K  
**NONE**

Schedule P - Part 2L  
**NONE**

Schedule P - Part 2M  
**NONE**

Schedule P - Part 2N  
**NONE**

Schedule P - Part 2O  
**NONE**

Schedule P - Part 2P  
**NONE**

SCHEDULE P - PART 2R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007	11 One Year	12 Two Year
1. Prior												
2. 1998												
3. 1999	XXX											
4. 2000	XXX	XXX										
5. 2001	XXX	XXX	XXX									
6. 2002	XXX	XXX	XXX	XXX								
7. 2003	XXX	XXX	XXX	XXX	XXX							
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
12. Totals												

SCHEDULE P - PART 2R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

1. Prior												
2. 1998												
3. 1999	XXX											
4. 2000	XXX	XXX										
5. 2001	XXX	XXX	XXX									
6. 2002	XXX	XXX	XXX	XXX								
7. 2003	XXX	XXX	XXX	XXX	XXX							
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
12. Totals												

SCHEDULE P - PART 2S - FINANCIAL GUARANTY/MORTGAGE GUARANTY

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(1,026)	(4,009)	916	4,925	1,941
2. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	331	124	(207)	XXX
3. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,450	XXX	XXX
4. Totals											4,718	1,941

Schedule P - Part 3A

NONE

Schedule P - Part 3B

NONE

Schedule P - Part 3C

NONE

Schedule P - Part 3D

NONE

Schedule P - Part 3E

NONE

Schedule P - Part 3F - Medical Mal Occur

NONE

Schedule P - Part 3F - Medical Mal Claim

NONE

Schedule P - Part 3G

NONE

Schedule P - Part 3H - Other Liab Occur

NONE

Schedule P - Part 3H - Other Liab Claims

NONE

Schedule P - Part 3I

NONE

Schedule P - Part 3J  
**NONE**

Schedule P - Part 3K  
**NONE**

Schedule P - Part 3L  
**NONE**

Schedule P - Part 3M  
**NONE**

Schedule P - Part 3N  
**NONE**

Schedule P - Part 3O  
**NONE**

Schedule P - Part 3P  
**NONE**

SCHEDULE P - PART 3R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	.000											
2. 1998												
3. 1999	.XXX											
4. 2000	.XXX	.XXX										
5. 2001	.XXX	.XXX	.XXX									
6. 2002	.XXX	.XXX	.XXX	.XXX								
7. 2003	.XXX	.XXX	.XXX	.XXX	.XXX							
8. 2004	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX						
9. 2005	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX					
10. 2006	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX				
11. 2007	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX			

NONE

SCHEDULE P - PART 3R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

1. Prior	.000											
2. 1998												
3. 1999	.XXX											
4. 2000	.XXX	.XXX										
5. 2001	.XXX	.XXX	.XXX									
6. 2002	.XXX	.XXX	.XXX	.XXX								
7. 2003	.XXX	.XXX	.XXX	.XXX	.XXX							
8. 2004	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX						
9. 2005	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX					
10. 2006	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX				
11. 2007	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX			

NONE

SCHEDULE P - PART 3S - FINANCIAL GUARANTY/MORTGAGE GUARANTY

1. Prior	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.000	.24	.827	.XXX	.XXX
2. 2006	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.96	.112	.XXX	.XXX
3. 2007	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	23,964	.XXX	.XXX

Schedule P - Part 4A

NONE

Schedule P - Part 4B

NONE

Schedule P - Part 4C

NONE

Schedule P - Part 4D

NONE

Schedule P - Part 4E

NONE

Schedule P - Part 4F - Medical Mal Occur

NONE

Schedule P - Part 4F - Medical Mal Claim

NONE

Schedule P - Part 4G

NONE

Schedule P - Part 4H - Other Liab Occur

NONE

Schedule P - Part 4H - Other Liab Claims

NONE

Schedule P - Part 4I - Special Property

NONE

Schedule P - Part 4J  
**NONE**

Schedule P - Part 4K  
**NONE**

Schedule P - Part 4L  
**NONE**

Schedule P - Part 4M  
**NONE**

Schedule P - Part 4N  
**NONE**

Schedule P - Part 4O  
**NONE**

Schedule P - Part 4P  
**NONE**

SCHEDULE P - PART 4R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1 1998	2 1999	3 2000	4 2001	5 2002	6 2003	7 2004	8 2005	9 2006	10 2007
1. Prior										
2. 1998										
3. 1999	XXX									
4. 2000	XXX	XXX								
5. 2001	XXX	XXX	XXX							
6. 2002	XXX	XXX	XXX	XXX						
7. 2003	XXX	XXX	XXX	XXX	XXX					
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

SCHEDULE P - PART 4R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

1. Prior										
2. 1998										
3. 1999	XXX									
4. 2000	XXX	XXX								
5. 2001	XXX	XXX	XXX							
6. 2002	XXX	XXX	XXX	XXX						
7. 2003	XXX	XXX	XXX	XXX	XXX					
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

SCHEDULE P - PART 4S - FINANCIAL GUARANTY/MORTGAGE GUARANTY

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
2. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
3. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

Schedule P - Part 5A- SN1

NONE

Schedule P - Part 5A- SN2

NONE

Schedule P - Part 5A- SN3

NONE

Schedule P - Part 5B- SN1

NONE

Schedule P - Part 5B- SN2

NONE

Schedule P - Part 5B- SN3

NONE

Schedule P - Part 5C- SN1

NONE

Schedule P - Part 5C- SN2

NONE

Schedule P - Part 5C- SN3

NONE

Schedule P - Part 5D- SN1

NONE

Schedule P - Part 5D- SN2

NONE

Schedule P - Part 5D- SN3  
**NONE**

Schedule P - Part 5E- SN1  
**NONE**

Schedule P - Part 5E- SN2  
**NONE**

Schedule P - Part 5E- SN3  
**NONE**

Schedule P - Part 5F- SN1A  
**NONE**

Schedule P - Part 5F- SN2A  
**NONE**

Schedule P - Part 5F- SN3A  
**NONE**

Schedule P - Part 5F- SN1B  
**NONE**

Schedule P - Part 5F- SN2B  
**NONE**

Schedule P - Part 5F- SN3B  
**NONE**

Schedule P - Part 5H- SN1A  
**NONE**

Schedule P - Part 5H- SN2A  
**NONE**

Schedule P - Part 5H- SN3A  
**NONE**

Schedule P - Part 5H- SN1B  
**NONE**

Schedule P - Part 5H- SN2B  
**NONE**

Schedule P - Part 5H- SN3B  
**NONE**

Schedule P - Part 5R- SN1A  
**NONE**

Schedule P - Part 5R- SN2A  
**NONE**

Schedule P - Part 5R- SN3A  
**NONE**

Schedule P - Part 5R- SN1B  
**NONE**

Schedule P - Part 5R- SN2B  
**NONE**

Schedule P - Part 5R- SN3B  
**NONE**

Schedule P - Part 6C - SN1  
**NONE**

Schedule P - Part 6C - SN2  
**NONE**

Schedule P - Part 6D - SN1  
**NONE**

Schedule P - Part 6D - SN2  
**NONE**

Schedule P - Part 6E - SN1  
**NONE**

Schedule P - Part 6E - SN2  
**NONE**

Schedule P - Part 6H - SN1A  
**NONE**

Schedule P - Part 6H - SN2A  
**NONE**

Schedule P - Part 6H - SN1B  
**NONE**

Schedule P - Part 6H - SN2B  
**NONE**

Schedule P - Part 6M - SN1  
**NONE**

Schedule P - Part 6M - SN2  
**NONE**

Schedule P - Part 6N - SN1  
**NONE**

Schedule P - Part 6N - SN2  
**NONE**

Schedule P - Part 6O - SN1  
**NONE**

Schedule P - Part 6O - SN2  
**NONE**

Schedule P - Part 6R - SN1A  
**NONE**

Schedule P - Part 6R - SN2A  
**NONE**

Schedule P - Part 6R - SN1B  
**NONE**

Schedule P - Part 6R - SN2B  
**NONE**

Schedule P - Part 7A - Section 1  
**NONE**

Schedule P - Part 7A - Section 2  
**NONE**

Schedule P - Part 7A - Section 3  
**NONE**

Schedule P - Part 7A - Section 4  
**NONE**

Schedule P - Part 7A - Section 5  
**NONE**

Schedule P - Part 7B - Section 1  
**NONE**

Schedule P - Part 7B - Section 2  
**NONE**

Schedule P - Part 7B - Section 3  
**NONE**

Schedule P - Part 7B - Section 4  
**NONE**

Schedule P - Part 7B - Section 5  
**NONE**

Schedule P - Part 7B - Section 6  
**NONE**

Schedule P - Part 7B - Section 7  
**NONE**

SCHEDULE P INTERROGATORIES

1. What is the extended loss and expense reserve - direct and assumed - for the following classes? An example of an extended loss and expense reserve is the actuarial reserve for the free-tail coverage arising upon death, disability or retirement in most medical malpractice policies. Such a liability is to be reported here even if it was not reported elsewhere in Schedule P, but otherwise reported as a liability item on Page 3. Show the full reserve amount, not just the change during the current year.

Years in which premiums were earned and losses were incurred		1 Medical Malpractice	2 Other Liability	3 Products Liability
1.01	Prior .....			
1.02	1998.....			
1.03	1999.....			
1.04	2000.....			
1.05	2001.....			
1.06	2002.....			
1.07	2003.....			
1.08	2004.....			
1.09	2005.....			
1.10	2006.....			
1.11	2007.....			
1.12	Totals			

2. The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses (now reported as "Defense and Cost Containment" and "Adjusting and Other") reported in compliance with these definitions in this statement? Yes [ X ] No [ ]

3. The Adjusting and Other expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating Adjusting and Other expense between companies in a group or a pool, the Adjusting and Other expense should be allocated in the same percentage used for the loss amounts and the claim counts. For reinsurers, Adjusting and Other expense assumed should be reported according to the reinsurance contract. For Adjusting and Other expense incurred by reinsurers, or in those situations where suitable claim count information is not available, Adjusting and Other expense should be allocated by a reasonable method determined by the company and described in Interrogatory 7, below. Are they so reported in this Statement? Answer: Yes [ X ] No [ ]

4. Do any lines in Schedule P include reserves that are reported gross of any discount to present value of future payments, and that are reported net of such discounts on Page 10? Yes [ X ] No [ ]

If Yes, proper disclosure must be made in the Notes to Financial Statements, as specified in the Instructions. Also, the discounts must be reported in Schedule P - Part 1, Columns 32 and 33.

Schedule P must be completed gross of non-tabular discounting. Work papers relating to discount calculations must be available for examination upon request.

Discounting is allowed only if expressly permitted by the state insurance department to which this Annual Statement is being filed.

5. What were the net premiums in force at the end of the year for:  
(in thousands of dollars)

5.1 Fidelity .....

5.2 Surety .....

6. Claim count information is reported per claim or per claimant (Indicate which).....CLAIM  
If not the same in all years, explain in Interrogatory 7.

7.1 The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things. Are there any especially significant events, coverage, retention or accounting changes that have occurred that must be considered when making such analyses? Yes [ ] No [ X ]

7.2 An extended statement may be attached.  
.....

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories									
States, etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
	Is Insurer Licensed? (Yes or No)	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL Yes	147,288	111,523						
2. Alaska	AK Yes		40,886						
3. Arizona	AZ Yes		280,829						
4. Arkansas	AR Yes		147,439						
5. California	CA Yes	957,905	3,037,089						
6. Colorado	CO Yes	3,690,212	2,213,305						
7. Connecticut	CT Yes	74,291	544,865						
8. Delaware	DE Yes	1,807,846	331,275						
9. District of Columbia	DC Yes	1,840,613	117,297						
10. Florida	FL Yes	901,585	664,495						
11. Georgia	GA Yes	1,602,736	247,955						
12. Hawaii	HI Yes								
13. Idaho	ID Yes								
14. Illinois	IL Yes	2,257,454	560,680						
15. Indiana	IN Yes		8,105						
16. Iowa	IA Yes		1,430,462						
17. Kansas	KS Yes		18,637						
18. Kentucky	KY Yes		25,776						
19. Louisiana	LA Yes	10,104	825,074						
20. Maine	ME Yes								
21. Maryland	MD Yes		59,896						
22. Massachusetts	MA Yes		271,849						
23. Michigan	MI Yes		415,456						
24. Minnesota	MN Yes	226,548	1,748,894		24,116,961	24,803,186	(1,471,730)		
25. Mississippi	MS Yes	4,838	274,521						
26. Missouri	MO Yes	780,140	1,389,311						
27. Montana	MT Yes		370,063						
28. Nebraska	NE Yes								
29. Nevada	NV Yes		104,933						
30. New Hampshire	NH Yes	65,698	292,092						
31. New Jersey	NJ Yes	125,609	209,656						
32. New Mexico	NM Yes		7,611						
33. New York	NY Yes	76,386,620	69,224,767						
34. North Carolina	NC Yes		32,866						
35. North Dakota	ND Yes		29,894						
36. Ohio	OH Yes		748,360						
37. Oklahoma	OK Yes		201,864						
38. Oregon	OR Yes		61,390						
39. Pennsylvania	PA Yes	498,650	494,151						
40. Rhode Island	RI Yes		11,928						
41. South Carolina	SC Yes		90,229						
42. South Dakota	SD Yes		43,713						
43. Tennessee	TN Yes								
44. Texas	TX Yes	2,002,726	796,810						
45. Utah	UT Yes		325,228						
46. Vermont	VT Yes		65,933						
47. Virginia	VA Yes	108,113	1,368,426						
48. Washington	WA Yes	2,418,174	357,014						
49. West Virginia	WV Yes		68,986						
50. Wisconsin	WI Yes		71,799						
51. Wyoming	WY Yes		22,153						
52. American Samoa	AS No		86,987						
53. Guam	GU Yes		1,007,584						
54. Puerto Rico	PR Yes		78,613						
55. U.S. Virgin Islands	VI Yes		78,905						
56. Northern Mariana Islands	MP No								
57. Canada	CN No								
58. Aggregate other alien	OT XXX	2,788,722	2,828,571			4,181,383	358,645		
59. Totals	(a) 54	98,695,872	93,846,144		24,116,961	28,984,569	(1,113,084)		
DETAILS OF WRITE-INS									
5801. Foreign	XXX	2,788,722	2,828,571			4,181,383	358,645		
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	2,788,722	2,828,571			4,181,383	358,645		

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

Explanation of basis of allocation of premiums by states, etc.

SCHEDULE T – PART 2  
INTERSTATE COMPACT – EXHIBIT OF PREMIUMS WRITTEN

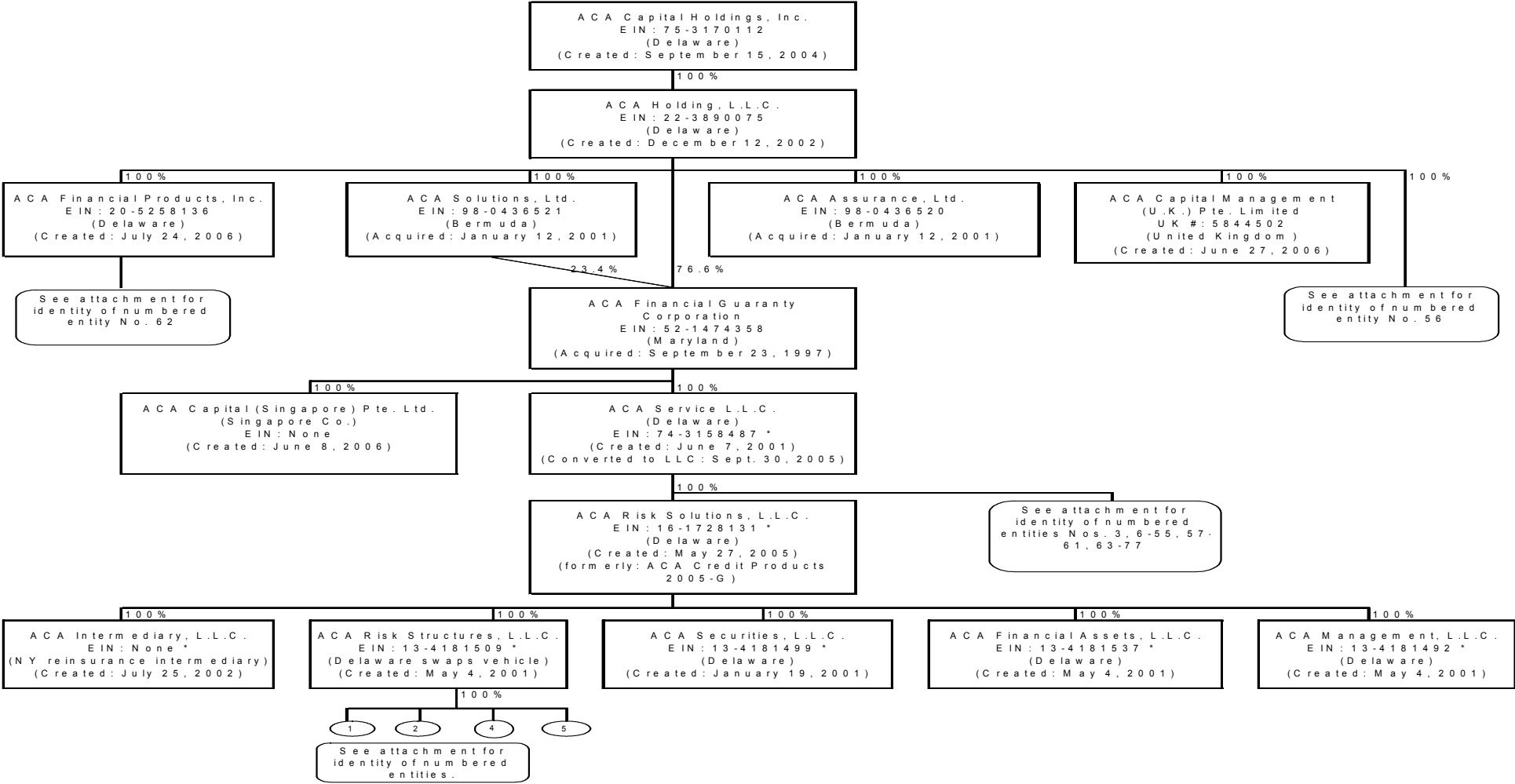
Allocated by States and Territories

		Direct Business Only					
		1	2	3	4	5	6
States, Etc.		Life (Group and Individual)	Annuities (Group and Individual)	Disability Income (Group and Individual)	Long-Term Care (Group and Individual)	Deposit-Type Contracts	Totals
1. Alabama	AL						
2. Alaska	AK						
3. Arizona	AZ						
4. Arkansas	AR						
5. California	CA						
6. Colorado	CO						
7. Connecticut	CT						
8. Delaware	DE						
9. District of Columbia	DC						
10. Florida	FL						
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						
20. Maine	ME						
21. Maryland	MD						
22. Massachusetts	MA						
23. Michigan	MI						
24. Minnesota	MN						
25. Mississippi	MS						
26. Missouri	MO						
27. Montana	MT						
28. Nebraska	NE						
29. Nevada	NV						
30. New Hampshire	NH						
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						
40. Rhode Island	RI						
41. South Carolina	SC						
42. South Dakota	SD						
43. Tennessee	TN						
44. Texas	TX						
45. Utah	UT						
46. Vermont	VT						
47. Virginia	VA						
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						
59. Totals							

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



\* Denotes an entity which is disregarded for U.S. federal income tax purposes.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

#	Name of Entity	Entity Type	Created	EIN	#	Name of Entity	Entity Type	Created	EIN
1	ACA CDS 2001-1, L.L.C.	Delaware SPE	December 20, 2001	04-3601123	22	ACA Credit Products 2004-B, L.L.C. (changed from 2003-Q)	Delaware SPE	November 12, 2003	86-1090561
2	ACA Credit Products 2002-A, L.L.C.	Delaware SPE	December 11, 2002	02-0656384	23	ACA Credit Products 2004-C, L.L.C. (changed from 2003-R)	Delaware SPE	November 12, 2003	86-1090562
3	ACA Credit Products 2002-B, L.L.C.	Delaware SPE	December 11, 2002	02-0656388	24	ACA Credit Products 2004-D, L.L.C. (changed from 2003-S)	Delaware SPE	November 12, 2003	86-1090563
4	ACA Credit Products 2003-A, L.L.C.	Delaware SPE	December 11, 2002	02-0656394	25	ACA Credit Products 2004-E, L.L.C. (changed from 2003-T)	Delaware SPE	November 12, 2003	86-1090565
5	ACA CDS 2002-2, L.L.C.	Delaware SPE	December 19, 2002	55-0810892	26	ACA Credit Products 2004-F, L.L.C.	Delaware SPE	March 11, 2004	33-1086878
6	ACA Credit Products 2003-B, L.L.C.	Delaware SPE	February 12, 2003	45-0500992	27	ACA Credit Products 2004-G, L.L.C.	Delaware SPE	March 11, 2004	33-1086879
7	ACA Credit Products 2003-C, L.L.C.	Delaware SPE	February 26, 2003	83-0349466	28	ACA Credit Products 2004-H, L.L.C.	Delaware SPE	March 11, 2004	33-1086880
8	ACA Credit Products 2003-D, L.L.C.	Delaware SPE	March 11, 2003	27-0052390	29	ACA Credit Products CBNA3, L.L.C. (changed from ACA Credit Products 2004-I, L.L.C during 8/05.)	Delaware SPE	March 11, 2004	33-1086881
9	ACA Credit Products 2003-E, L.L.C.	Delaware SPE	April 21, 2003	02-0694360	30	ACA Credit Products 2004-J, L.L.C.	Delaware SPE	March 11, 2004	33-1086882
10	ACA Credit Products 2003-F, L.L.C.	Delaware SPE	May 23, 2003	02-0694364	31	ACA Credit Products 2004-K, L.L.C.	Delaware SPE	May 6, 2004	90-0172644
11	ACA ABS 2003-3 Funding, Limited	Cayman Island SPE	December 2, 2003	None	32	ACA Credit Products - CBNA 1, L.L.C. (changed from ACA Credit Products 2004-L, L.L.C.)	Delaware SPE	May 6, 2004	90-0172647
12	ACA Credit Products 2003-G, L.L.C.	Delaware SPE	June 11, 2003	11-3696673	33	ACA Credit Products - NI, L.L.C. (changed from ACA Credit Products 2004-M, L.L.C.)	Delaware SPE	May 6, 2004	90-0172648
13	ACA Credit Products 2003-H, L.L.C.	Delaware SPE	June 25, 2003	11-3696677	34	ACA Credit Products 2004 - GCM, L.L.C. (changed from ACA Credit Products 2004-N, L.L.C.)	Delaware SPE	May 6, 2004	90-0172650
14	ACA Credit Products 2003-I, L.L.C.	(Created 2006)	June 11, 2003	11-3696679	35	ACA Parliament Funding, L.L.C. (changed from ACA Credit Products 2004-O, L.L.C.)	Delaware SPE	May 6, 2004	90-0172652
15	ACA Credit Products 2003-J, L.L.C.	Delaware SPE	July 14, 2003	11-3696682	36	ACA Credit Products - CCMC, L.L.C. (changed from ACA Credit Products 2004-P, L.L.C. on 2/3/05)	Delaware SPE	September 2, 2004	75-3170118
16	ACA Credit Products 2003-K, L.L.C.	Delaware SPE	August 27, 2003	81-0634843	37	ACA Credit Products - Alpha, L.L.C. (changed from ACA Credit Products 2004-Q, L.L.C. on 2/3/05)	Delaware SPE	September 2, 2004	75-3170122
17	ACA Credit Products 2003-L, L.L.C.	Delaware SPE	September 5, 2003	81-0634844	38	ACA Credit Products - CA, L.L.C. (changed from ACA Credit Products 2004-R, L.L.C. on 2/3/05)	Delaware SPE	September 2, 2004	75-3170124
18	ACA Credit Products 2003-M, L.L.C.	Delaware SPE	August 27, 2003	81-0634845	39	ACA Credit Products - Matterhorn, L.L.C. (changed from ACA Credit Products 2004-S, L.L.C. on 2/3/05)	Delaware SPE	September 2, 2004	75-3170126
19	ACA Credit Products 2003-N, L.L.C.	Delaware SPE	September 18, 2003	81-0634846	40	ACA Credit Products - JPM, L.L.C. (changed from ACA Credit Products 2004-T, L.L.C. on 2/10/05)	Delaware SPE	September 2, 2004	75-3170131
20	ACA Credit Products 2003-O, L.L.C.	Delaware SPE	September 18, 2003	81-0634847	41	ACA Credit Products - CAN, L.L.C. (changed from ACA Credit Products 2004-U, L.L.C. on 2/17/05)	Delaware SPE	December 2, 2004	41-2168833
21	ACA Credit Products 2004-A, L.L.C. (changed from 2003-P)	Delaware SPE	September 18, 2003	81-0634848					

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

#	Name of Entity	Entity Type	Created	EIN	#	Name of Entity	Entity Type	Created	EIN
42	ACA Credit Products -BC, L.L.C. (changed from ACA Credit Products 2004-V, L.L.C. on 2/28/05)	Delaware SPE	December 2, 2004	41-2168835	60	ACA Credit Products - Maple, L.L.C. (changed from ACA Credit Products 2005-N, L.L.C. on 9/06)	Delaware SPE	November 15, 2005	86-1155593
43	ACA Credit Products - NB, L.L.C. (changed name from ACA Credit Products 2004-W, L.L.C. on 12/2/04)	Delaware SPE	December 2, 2004	41-2168837	61	ACA Credit Products - LB, L.L.C. (changed from ACA Credit Products 2005-O, L.L.C. on 8/06)	Delaware SPE	November 15, 2005	86-1155594
44	ACA Credit Products - CBNA 2, L.L.C. (changed name from ACA Credit Products 2004-X, L.L.C. on 4/11/05)	Delaware SPE	December 2, 2004	41-2168839	62	ACA Capital Partners I Master Fund, Ltd.	Cayman Island	February 14, 2006	98-0490672
45	ACA Credit Products 2004-Y, L.L.C.	Delaware SPE	December 2, 2004	41-2168846	63	ACA Credit Products - SINCLAIR, L.L.C. (changed from ACA Credit Products 2006-A, L.L.C. on 10/2/06)	Delaware SPE	August 14, 2006	98-0490673
46	ACA Credit Products - Zugspitze, L.L.C (changed name from ACA Credit Products 2005-A, L.L.C. on 5/6/05)	Delaware SPE	March 2, 2005	16-1728123	64	ACA Credit Products - INCA, L.L.C. (changed from ACA Credit Products 2006-B, L.L.C. on 11/06)	Delaware SPE	August 14, 2006	20-8252848
47	ACA Credit Products - BA, L.L.C. (changed name from ACA Credit Products 2005-B, L.L.C. on 5/25/05)	Delaware SPE	March 2, 2005	16-1728124	65	ACA Credit Products - IFP, L.L.C. (changed from ACA Credit Products 2006-C, L.L.C. on 11/06)	Delaware SPE	August 14, 2006	20-8252895
48	ACA Credit Products - Monch, L.L.C. (changed name from ACA Credit Products 2005-C, L.L.C. on 6/14/05)	Delaware SPE	March 2, 2005	16-1728125	66	ACA Credit Products 2006 - Elbe, L.L.C. (changed from ACA Credit Products 2006-D, L.L.C. on 11/06)	Delaware SPE	August 14, 2006	20-8253791
49	ACA Credit Products - Eiger, L.L.C. (changed name from ACA Credit Products 2005-D, L.L.C. on 6/6/05)	Delaware SPE	March 2, 2005	16-1728127	67	ACA Credit Products - Osada, L.L.C. (changed from ACA Credit Products 2006-E, L.L.C. on 11/06)	Delaware SPE	August 14, 2006	20-8253723
50	ACA Credit Products MON, L.L.C. (changed from ACA Credit Products 2005-E, L.L.C. on 8/15/05)	Delaware SPE	March 2, 2005	16-1728128	68	ACA Credit Products MZ, L.L.C. (changed from ACA Credit Products 2006-F, L.L.C. on 01/07)	Delaware SPE	November 29, 2006	20-8910280
51	ACA Credit Products - ABN AMRO, LL (changed from ACA Credit Products 2005-F, L.L.C. on 9/22/05)	Delaware SPE	June 2, 2005	16-1728130	69	ACA Credit Products Pearl River, L.L.C. (changed from ACA Credit Products 2006-G, L.L.C. on 01/07)	Delaware SPE	November 29, 2006	20-8911103
52	ACA Credit Products - DK, L.L.C. ( changed from ACA Credit Products 2005-H, L.L.C. on 11/15/05)	Delaware SPE	June 2, 2005	16-1728132	70	ACA Credit Products BS, L.L.C. (changed from ACA Credit Products 2006-H, L.L.C. on 02/07)	Delaware SPE	November 29, 2006	20-8910386
53	ACA Credit Products - GSH, L.L.C. (changed from ACA Credit Products 2005-I, L.L.C. on 12/19/05)	Delaware SPE	June 2, 2005	16-1728133	71	ACA Credit Products - BSN, L.L.C. (changed from ACA Credit Products 2006-I, L.L.C. on 03/07)	Delaware SPE	November 29, 2006	20-8910420
54	ACA Credit Products - ML, L.L.C. (changed from ACA Credit Products 2005-J, L.L.C. on 12/19/05)	Delaware SPE	June 2, 2005	16-1728134	72	ACA Credit Products 2006-J, L.L.C.	Delaware SPE	November 29, 2006	20-8910462
55	ACA LIHTC Management, L.L.C.	Delaware SPE	October 17, 2005	86-1155586	73	ACA Credit Products 2007-A, L.L.C.	Delaware SPE	March 7, 2007	26-0412583
56	BR-1998, L.L.C.	Delaware SPE	October 31, 2005	84-1692947	74	ACA Credit Products 2007-B, L.L.C.	Delaware SPE	March 7, 2007	26-0413620
57	ACA Credit Products - Haussmann, L.I (changed from ACA Credit Products 2005-K, L.L.C. on 5/5/06)	Delaware SPE	November 15, 2005	86-1155589	75	ACA Credit Products 2007-C, L.L.C.	Delaware SPE	March 7, 2007	26-0413940
58	ACA Credit Products 2005-L, L.L.C.	Delaware SPE	November 15, 2005	86-1155590	76	ACA Credit Products 2007-D, L.L.C.	Delaware SPE	March 7, 2007	26-0414035
59	ACA Credit Products - Zermat, L.L.C. (changed from ACA Credit Products 2005-M, L.L.C. on 6/21/06)	Delaware SPE	November 15, 2005	86-1155592	77	ACA Credit Products 2007-E, L.L.C.	Delaware SPE	March 7, 2007	26-0414076

## ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

## SCHEDULE Y

## PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "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 questions.

MARCH FILING

RESPONSES

1.

Will an actuarial opinion be filed by March 1?

.....YES.....
2.

Will the confidential Supplemental Compensation Exhibit be filed with the state of domicile by March 1?

.....YES.....
3.

Will the confidential Risk-based Capital Report be filed with the NAIC by March 1?

.....WAIVED.....
4.

Will the Risk-based Capital Report be filed with the state of domicile, if required, by March 1?

.....WAIVED.....

APRIL FILING

5.

Will the Insurance Expense Exhibit be filed with the state of domicile and the NAIC by April 1?

.....YES.....
6.

Will Management's Discussion and Analysis be filed by April 1?

.....YES.....
7.

Will the Supplemental Investment Risk Interrogatories be filed by April 1?

.....YES.....

MAY FILING

8.

Will this company be included in a combined annual statement which is filed with the NAIC by May 1?

.....WAIVED.....

JUNE FILING

9.

Will an audited financial report be filed by June 1?

.....YES.....

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 a "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 questions.

MARCH FILING

10.

Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?

.....NO.....
11.

Will the Financial Guaranty Insurance Exhibit be filed March 1?

.....YES.....
12.

Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?

.....NO.....
13.

Will Supplement A to Schedule T (Medical Malpractice Supplement) be filed by March 1?

.....NO.....
14.

Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1?

.....NO.....
15.

Will the Premiums Attributed to Protected Cells Exhibit be filed by March 1?

.....NO.....
16.

Will the Reinsurance Summary Supplemental Filing for General Interrogatory 9 be filed with the state of domicile and the NAIC by March 1?

.....YES.....
17.

Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1?

.....NO.....
18.

Will the Actuarial Opinion Summary be filed with the state of domicile, if required by March 15 (or the date otherwise specified)?

.....YES.....
19.

Will the Reinsurance Attestation Supplement be filed with the state of domicile and the NAIC by March 1?

.....YES.....
20.

Will the Exceptions to the Reinsurance Attestation Supplement be filed with the state of domicile by March 1?

.....YES.....

APRIL FILING

21.

Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1?

.....NO.....
22.

Will the Long-term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?

.....NO.....
23.

Will the Accident and Health Policy Experience Exhibit be filed by April 1?

.....NO.....

Explanation:

10.
12.
13.

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

14.

15.













17.

21.

22.

23.

Bar Code:

3.	 2 2 8 9 6 2 0 0 7 3 9 0 0 0 0 0 0 0
4.	 2 2 8 9 6 2 0 0 7 3 9 0 0 0 0 0 0 0
8.	 2 2 8 9 6 2 0 0 7 2 0 1 0 0 0 0 0 0
10.	 2 2 8 9 6 2 0 0 7 4 2 0 0 0 0 0 0 0
12.	 2 2 8 9 6 2 0 0 7 3 6 0 5 9 0 0 0 0
13.	 2 2 8 9 6 2 0 0 7 4 5 0 0 0 0 0 0 0
14.	 2 2 8 9 6 2 0 0 7 4 9 0 0 0 0 0 0 0
15.	 2 2 8 9 6 2 0 0 7 3 8 5 0 0 0 0 0 0
17.	 2 2 8 9 6 2 0 0 7 3 6 5 5 9 0 0 0 0
21.	 2 2 8 9 6 2 0 0 7 2 3 0 5 9 0 0 0 0
22.	 2 2 8 9 6 2 0 0 7 3 3 0 5 9 0 0 0 0
23.	 2 2 8 9 6 2 0 0 7 2 1 0 0 0 0 0 0 0

OVERFLOW PAGE FOR WRITE-INS

P002 Additional Aggregate Lines for Page 2 Line 23.

\*ASSETS - Assets

	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 – 2)	Net Admitted Assets
2304. Prepaid City Income Tax.....	99,765		99,765	
2305. Security Deposit.....	77,930		77,930	
2306. Other Assets.....	29,135	29,135		
2307. ....				
2397. Summary of remaining write-ins for Line 23 from page 2	206,830	29,135	177,695	

P011 Additional Aggregate Lines for Page 11 Line 24.

\*EXEXP - Underwriting and Investment - Part 3 - Expenses

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
2404. Placement Fees.....				
2405. Intercompany Cost Allocations.....		1,484,351		1,484,351
2497. Summary of remaining write-ins for Line 24 from page 11		1,484,351		1,484,351

P013 Additional Aggregate Lines for Page 13 Line 23.

\*EXNONADMIT - Exhibit of Nonadmitted Assets

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (C2 - C1)
2304. ....			
2305. ....			
2306. Prepaid Insurance.....	29,135		(29,135)
2307. ....			
2397. Summary of remaining write-ins for Line 23 from page 13	29,135		(29,135)

E25 Additional Aggregate Lines for Line 58.

\*SCEPT3 - Schedule E - Part 3 - Special Deposits

	1	2	3	4	5	6
	Type of Deposit	Purpose of Deposit	Book/Adjusted Carrying Value	Fair Value	Book/Adjusted Carrying Value	Fair Value
5804. Cash, JPMorgan Chase Bank, New York, NY.....ST.....		Collateral Deposit for Office Lease in NY City			2,655,172	2,655,172
5898. Summary of remaining write-ins for Line 58 from page E25	XXX	XXX			2,655,172	2,655,172

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Schedule A - Part 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

## E06

**Showing Other Long-Term Invested Assets OWNED December 31 of Current Year**

[illegible]

# ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

## SCHEDULE BA - PART 2

**Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Year**

[illegible]

# E07

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest						Dates	
		3	4 F o r e i g n	5			8	9			12	13	14	15	16	17	18	19	20	21	22	
CUSIP Identification	Description	*		Bond CHAR	NAIC Designation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	How Paid	Admitted Amount Due & Accrued	Gross Amt. Rec. During Year	Acquired	Maturity	
31339X-2M-5...	Fed Home Ln Bank				1	3,914,432	.99.2810	4,070,521	4,100,000	3,960,814		21,986			3.875	4.585	JD	7,502	158,875	12/06/2006	06/14/2013	
3133MT-ZL-5...	Fed Hm Ln Bk Bd				1	4,023,040	.102.3750	4,095,000	4,000,000	4,015,450		(2,818)			4.500	4.410	MN	23,000	180,000	03/04/2005	11/15/2012	
3133X2-6Y-6...	Fed Home Ln Bank				1	4,079,166	.105.3750	4,109,625	3,900,000	4,024,885		(20,080)			5.130	4.455	MN	20,563	200,070	03/04/2005	05/24/2013	
3134A4-UD-4...	Freddie Mac				1	3,917,094	.99.5630	3,982,520	4,000,000	3,966,467		45,344			3.625	4.840	MS	42,694	145,000	11/28/2006	09/15/2008	
3134A4-UK-8...	Freddie Mac				1	16,205,312	.104.2810	16,684,960	16,000,000	16,132,643		(19,361)			4.875	4.710	MN	99,667	780,000	02/22/2006	11/15/2013	
3134A4-UM-4...	Freddie Mac				1	4,391,661	.102.3130	4,604,085	4,500,000	4,414,050		11,901			4.500	4.867	JJ	93,375	202,500	06/27/2006	01/15/2014	
3134A4-US-1...	Freddie Mac				1	4,622,245	.100.9380	4,744,086	4,700,000	4,665,095		21,314			4.250	4.755	JJ	92,107	199,750	12/21/2005	07/15/2009	
31359M-DU-4...	FNMA				1	3,947,767	.100.5000	3,618,000	3,600,000	3,622,185		(59,026)			6.000	4.285	MN	27,600	216,000	11/08/2001	05/15/2008	
31359M-HK-2...	FNMA				1	3,608,469	.105.4060	3,689,210	3,500,000	3,570,730		(20,028)			5.500	4.809	MS	56,681	192,500	02/22/2006	03/15/2011	
31359M-PF-4...	FNMA				1	3,954,000	.102.0310	4,081,240	4,000,000	3,967,066		6,097			4.375	4.570	MS	51,528	175,000	10/07/2005	09/15/2012	
31359M-QM-8...	FNMA				1	3,925,125	.99.9380	3,997,520	4,000,000	3,997,213		66,115			3.250	4.970	JJ	59,944	130,000	11/28/2006	01/15/2008	
31359M-UT-8...	FNMA				1	4,500,502	.100.0940	4,705,419	4,701,000	4,560,321		18,798			4.125	4.679	AO	40,938	193,916	08/20/2004	04/15/2014	
31359M-XH-1...	FNMA				1	3,677,688	.100.6560	3,824,928	3,800,000	3,732,892		29,306			3.875	4.758	FA	55,628	147,250	01/26/2006	02/15/2010	
912827-7L-0...	US Treasury Note	SD			1	3,838,595	.106.0780	4,068,091	3,835,000	3,837,591		(600)			4.875	4.855	FA	70,617	186,956	08/09/2006	02/15/2012	
912827-7L-0...	US Treasury Note				1	200,187	.106.0780	212,156	200,000	200,135		(31)			4.875	4.855	FA	3,683	9,750	08/09/2006	02/15/2012	
912828-BA-7...	US Treasury				1	3,812,500	.100.6880	4,027,520	4,000,000	3,861,543		22,347			3.625	4.353	MN	18,723	145,000	09/20/2006	05/15/2013	
912828-BH-2...	US Treasury				1	3,851,250	.103.6480	4,042,272	3,900,000	3,857,940		6,421			4.250	4.468	FA	62,607	165,750	12/15/2006	08/15/2013	
912828-BZ-2...	US Treasury				1	4,510,559	.99.8750	4,469,406	4,475,000	4,483,082		(7,101)			3.000	2.833	FA	50,709	134,250	09/29/2004	02/15/2009	
912828-CA-6...	US Treasury				1	4,250,500	.102.1640	4,393,052	4,300,000	4,263,765		5,074			4.000	4.157	FA	64,967	172,000	06/17/2005	02/15/2014	
912828-CT-5...	US Treasury				1	861,413	.103.3980	884,053	855,000	859,546		(590)			4.250	4.157	FA	13,725	36,338	09/08/2004	08/15/2014	
912828-CV-0...	US Treasury				1	1,037,923	.100.5230	1,038,403	1,033,000	1,034,752		(1,002)			3.375	3.270	MS	10,344	34,864	09/28/2004	09/15/2009	
912828-DG-2...	US Treasury				1	3,921,719	.101.1560	4,046,240	4,000,000	3,959,252		18,707			3.625	4.150	JJ	66,984	145,000	09/20/2006	01/15/2010	
912828-DV-9...	US Treasury				1	4,406,094	.101.9610	4,588,245	4,500,000	4,416,086		9,411			4.125	4.424	MN	23,968	185,625	12/06/2006	05/15/2015	
912828-EN-6...	US Treasury				1	3,318,563	.104.1950	3,438,435	3,300,000	3,316,614		(1,745)			4.500	4.423	MN	19,174	148,500	12/04/2006	11/15/2015	
912828-EW-6...	US Treasury				1	3,917,031	.104.0860	4,163,440	4,000,000	3,924,080		7,049			4.500	4.784	FA	67,989	180,000	01/18/2007	02/15/2016	
912828-FY-1...	US Treasury				1	3,351,820	.104.7270	3,455,991	3,300,000	3,347,163		(4,268)			4.625	4.428	MN	19,707	152,625	12/04/2006	11/15/2016	
0199999 - Total Bonds - U.S. Government - Issuer Obligations						106,044,655	.XXX	109,034,418	106,499,000	105,991,360		153,220			.XXX	.XXX	.XXX	1,164,424	4,617,519	.XXX	.XXX	
36200A-BE-8...	GNMA Pool 595037			2	1	12,208	.102.5660	12,160	11,856	12,191		(8)			6.000	5.426	MON	59	711	11/04/2003	10/15/2032	
36200A-CW-7...	GNMA Pool 595085			2	1	329,526	.102.5660	328,237	320,025	329,235		(46)			6.000	5.021	MON	1,600	19,201	11/04/2003	10/15/2032	
36200E-TY-7...	GNMA Pool 599167			2	1	317,627	.102.5070	316,202	308,469	316,695		(708)			6.000	5.779	MON	1,542	18,508	11/04/2003	12/15/2033	
36200M-AT-0...	GNMA Pool 604018			2	1	3,583,829	.100.7810	3,510,081	3,482,879	3,579,010		(1,479)			5.500	4.924	MON	15,963	191,558	04/22/2003	02/15/2033	
36200M-EN-9...	GNMA Pool 604141			2	1	167,827	.102.5070	167,074	162,988	167,640		(69)			6.000	5.334	MON	815	9,779	11/04/2003	03/15/2033	
36200Q-2R-4...	GNMA Pool 569684			2	1	186,004	.102.5660	185,276	180,641	185,766		(78)			6.000	5.368	MON	903	10,838	11/04/2003	02/15/2032	
36200R-LX-8...	GNMA Pool 570142			2	1	103,549	.102.6230	103,201	100,563	103,416		(53)			6.000	5.358	MON	503	6,034	11/04/2003	12/15/2031	
36200R-XT-4...	GNMA Pool 570490			2	1	10,634	.102.6230	10,598	10,327	10,624		(2)			6.000	5.021	MON	52	620	11/04/2003	12/15/2031	
36200S-US-7...	GNMA Pool 571293			2	1	12,412	.102.6230	12,370	12,054	12,392		(10)			6.000	5.488	MON	60	723	11/04/2003	11/15/2031	
36201A-PF-9...	GNMA Pool 577422			2	1	35,181	.102.5660	35,043	34,166	35,145		(9)			6.000	5.151	MON	171	2,050	11/04/2003	01/15/2032	
36201D-AX-0...	GNMA Pool 579722			2	1	219,716	.102.5660	218,857	213,381	219,533		(12)			6.000	4.792	MON	1,067	12,803	11/04/2003	08/15/2032	
36201E-AG-5...	GNMA Pool 580607			2	1	48,617	.102.5070	48,399	47,216	48,559		(24)			6.000	5.386	MON	236	2,833	11/04/2003	02/15/2033	
36201F-AF-4...	GNMA Pool 581506			2	1	13,219	.102.5070	13,160	12,838	13,206		(4)			6.000	5.273	MON	64	770	11/04/2003	04/15/2033	
36201K-JO-0...	GNMA Pool 585371			2	1	166,154	.102.5660	165,504	161,364	165,620		(389)			6.000	5.769	MON	807	9,682	11/04/2003	04/15/2032	
36201Y-FD-3...	GNMA Pool 606864			2	1	39,958	.102.5070	39,779	38,806	39,924		(8)			6.000	5.096	MON	194	2,328	11/04/2003	10/15/2033	
36207E-ND-2...	GNMA Pool 429788			2																		

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates	
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	*	F o r e i g n	Bond CHAR	NAIC Designation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	How Paid	Admitted Amount Due & Accrued	Gross Amt. Rec. During Year	Acquired	Maturity
0299999 - Total Bonds - U.S. Government - Single Class Mortgage-Backed/Asset-Backed Securities						9,211,206	XXX	9,068,367	8,988,940	9,198,513		(5,657)			XXX	XXX	XXX	41,595	499,143	XXX	XXX
0399999 - Total - U.S. Government Bonds						115,255,861	XXX	118,102,785	115,487,940	115,189,873		147,563			XXX	XXX	XXX	1,206,019	5,116,662	XXX	XXX
207726-C6-3	Connecticut State G.O.				1FE	7,616,280	108.8900	7,622,300	7,000,000	7,613,232		(3,048)			5.000	3.422	MS	11,667		12/06/2007	03/15/2014
604128-6Y-9	Minnesota St.				1FE	7,040,268	107.4690	7,227,290	6,725,000	7,009,521		(30,748)			5.000	3.980	FA	140,104	168,125	06/08/2007	08/01/2012
649787-B2-3	New York State				1FE	2,304,260	106.9360	2,138,720	2,000,000	2,158,053		(34,041)			5.000	3.020	AO	21,111	100,000	06/18/2003	04/15/2012
649787-N6-1	New York State				1FE	753,455	102.4690	748,024	730,000	743,266		(3,758)			4.000	3.410	AO	6,164	29,200	03/04/2005	04/15/2011
745145-EK-4	Puerto Rico				1FE	1,866,758	114.5120	1,786,387	1,560,000	1,802,402		(23,702)			6.000	3.840	JJ	46,800	93,600	03/03/2005	07/01/2016
1199999 - Total Bonds - States, Territories and Possessions - Issuer Obligations						19,581,021	XXX	19,522,721	18,015,000	19,326,474		(95,297)			XXX	XXX	XXX	225,846	390,925	XXX	XXX
1799999 - Total - States, Territories and Possessions						19,581,021	XXX	19,522,721	18,015,000	19,326,474		(95,297)			XXX	XXX	XXX	225,846	390,925	XXX	XXX
090491-RS-2	Binghamton NY			1	1FE	1,333,212	108.2780	1,304,750	1,205,000	1,304,734		(11,564)			5.000	3.707	FA	22,761	60,250	06/03/2005	05/15/2015
244068-FM-9	Deer Park NY School District				1FE	136,233	108.9830	136,229	125,000	134,159		(896)			5.000	3.971	JD	278	6,250	08/10/2005	06/15/2016
385064-NM-6	Granbury Tex Indpt School Dist			1	1FE	1,248,561	105.5400	1,271,757	1,205,000	1,242,129		(4,029)			5.000	4.515	FA	25,104	60,250	05/10/2006	08/01/2015
424672-LY-7	Hempstead Town NY				1FE	4,859,685	103.9590	4,678,155	4,500,000	4,667,752		(75,323)			5.000	3.168	FA	85,000	225,000	04/27/2005	02/15/2010
592013-7Q-3	MET Govt Nashville & Davidson			1	1FE	3,667,682	106.9270	3,635,518	3,400,000	3,618,591		(26,634)			5.000	3.940	JJ	85,000	170,000	02/02/2006	01/01/2015
605041-DB-1	Mission Cons Indpt Sch Dist			1	1FE	1,096,579	105.1830	1,083,385	1,030,000	1,089,063		(6,004)			5.000	4.160	FA	19,456	51,500	09/25/2006	02/15/2016
626207-KP-8	Municipal Elec Auth GA				1FE	1,844,411	103.0690	1,824,321	1,770,000	1,837,116		(3,699)			5.000	4.609	JJ	44,250	88,500	12/19/2005	01/01/2021
64966C-NL-1	New York NY 60 Series A			1	1FE	2,687,825	107.5840	2,689,600	2,500,000	2,614,162		(17,738)			5.250	4.320	FA	54,688	131,250	07/02/2003	08/01/2013
64966F-NJ-9	New York NY			2	1FE	2,000,000	100.0000	2,000,000	2,000,000	2,000,000					3.340	3.928	MON	5,150	72,868	06/15/2006	09/01/2035
659665-J7-9	North Hempstead NY			1	1FE	2,382,511	105.3160	2,248,497	2,135,000	2,241,049		(52,898)			5.875	3.180	JJ	57,838	125,431	03/30/2005	07/15/2009
662735-LJ-6	North Syracuse NY				1FE	2,050,931	108.0670	2,026,256	1,875,000	2,044,024		(6,908)			5.000	4.201	JD	4,167	78,646	01/26/2007	06/15/2023
936733-GJ-7	Warwich VY Cent Sch Dist NY				1FE	1,131,079	104.2750	1,079,246	1,035,000	1,081,838		(18,098)			5.000	3.072	JD	2,300	51,750	02/25/2005	06/15/2010
936733-GP-3	Warwich VY Cent Sch Dist NY				1FE	1,102,610	108.5280	1,085,280	1,000,000	1,075,132		(10,138)			5.000	3.681	JD	2,222	50,000	02/25/2005	06/15/2014
936733-GT-5	Warwich VY Cent Sch Dist NY			1	1FE	1,092,120	107.7850	1,077,850	1,000,000	1,070,456		(8,001)			5.000	3.901	JD	2,222	50,000	02/25/2005	06/15/2015
936733-GU-2	Warwich VY Cent Sch Dist NY			1	1FE	1,985,089	107.2490	1,957,294	1,825,000	1,947,507		(13,882)			5.000	3.951	JD	4,056	91,250	02/25/2005	06/15/2015
1899999 - Total Bonds - Political Subdivisions - Issuer Obligations						28,618,528	XXX	28,098,138	26,605,000	27,967,712		(255,812)			XXX	XXX	XXX	414,492	1,312,945	XXX	XXX
2499999 - Total - Political Subdivisions Bonds						28,618,528	XXX	28,098,138	26,605,000	27,967,712		(255,812)			XXX	XXX	XXX	414,492	1,312,945	XXX	XXX
040654-PP-4	Arizona St Trans Brd Hwy Rev			1	1FE	4,393,068	109.3990	4,485,359	4,100,000	4,377,752		(15,316)			5.000	4.050	JJ	102,500	102,500	06/01/2007	07/01/2016
109456-BB-8	Brighton TWP Mich San Sew				1FE	1,016,860	102.4010	1,011,966	1,000,000	1,011,996		(2,277)			4.000	3.721	AO	10,000		10/21/2005	10/01/2012
130175-7G-1	California Edl Facs Auth Revv University			1	1FE	7,144,344	110.6620	7,414,354	6,700,000	7,119,332		(25,012)			5.000	4.050	AO	83,750	167,500	06/08/2007	10/01/2015
14052W-AP-2	Capital Tr Agy Fla Rev Seminole Tribe Co			1	1FE	1,000,000	125.3590	1,253,590	1,000,000	1,000,000					8.950	8.950	AO	22,375	89,500	05/15/2003	10/01/2033
196725-AN-5	Colorado State Department of C			1	1FE	1,565,595	106.3960	1,569,341	1,475,000	1,551,613		(7,712)			5.000	4.240	MS	24,583	73,750	02/10/2006	03/01/2016
344610-BB-5	Fontana Calif Pub Fing Auth			1	1FE	2,435,425	108.5740	2,540,632	2,340,000	2,431,709		(3,716)			5.250	4.561	MS	37,196		08/24/2007	09/01/2014
442435-JX-2	Houston Tex Util Sys Rev Ref Comb First				1FE	2,110,120	109.4380	2,188,760	2,000,000	2,104,626		(5,494)			5.000	4.212	MN	12,778	34,722	06/20/2007	11/15/2015
442436-2F-7	Lien Se			1	1FE	1,598,745	107.8310	1,617,465	1,500,000	1,571,752		(13,000)			5.000	3.920	JD	6,250	75,000	11/15/2005	12/01/2012
45528S-NW-2	INDIANAPOLIS IND LOC PUB IMPT			1	1FE	1,457,059	107.6100	1,458,116	1,355,000	1,441,005		(8,883)			5.000	4.066	JJ	31,240	67,750	02/28/2006	01/15/2016
542690-TW-2	Long Island Pwr Auth				1FE	2,175,100	108.3980	2,167,960	2,000,000	2,106,764		(17,263)			5.250	4.139	JD	8,750	105,000	10/07/2003	06/01/2013
543364-AS-2	Longwood Central School Dis			1	1FE	1,604,580	109.4640	1,543,442	1,410,000	1,535,955		(30,106)			5.750	3.270	JD	3,603	81,075	08/30/2005	06/15/2011
543364-AT-0	Longwood Central School Dis			1	1FE	1,604,580	109.4640	1,543,442	1,410,000	1,535,955		(30,106)			5.750	3.270	JD	3,603	81,075	08/30/2005	06/15/2011
592598-T2-2	Metropolitan Transn Auth NY			1	1FE	4,076,532	109.9320	3,957,552	3,600,000	3,929,643		(53,623)			5.250	3.410	JJ	94,500	189,000	02/28/2005	07/01/2013
59259N-DJ-9	Metro Transportation Auth Series A			1	1FE	1,138,170	109.9420	1,099,420	1,000,000	1,089,432		(11,563)			5.000	3.500	AO	12,500	50,000	07/08/2003	10/01/2014
59259R-EF-7	Metro Transportation Auth Ser B2 Michigan Mun BD Auth Clean Water ST			2	1FE	4,999,123	100.0000	5,000,000	5,000,000	4,999,218		38			4.000	2.501	MON	16,944	178,033	06/01/2005	11/01/2022
59455R-A8-9	Revo				1FE	1,086,260	108.5810	1,085,810	1,000,000	1,061,962		(11,700)			5.250	3.810	AO	13,125	52,500	11/15/2005	10/01/2012
626190-3Z-3	Municipal Assistance Corp				1FE	1,781,142	101.1630	1,669,190	1,650,000	1,670,591		(40,356)			5.250	2.720	JJ	43,313	86,625	03/07/2005	07/01/2008
63165N-WN-4	Nassau Country NY			1	1FE	2,193,029	105.0810	2,106,874	2,005,000	2,103,014		(39,432)			5.250	3.087	JD	8,772	105,263	08/30/2005	06/01/2009
646135-2Y-8	New Jersey State Trans Sys Ser A				1FE	5,456,000	108.1680	5,408,400	5,000,000	5,329,209		(59,358)			5.250	3.780	JD	11,667	262,500	10/19/2005	12/15/2012
64970K-UD-7	New York NY City Mun Fin Auth				1FE	1,616,227	106.5380	1,534,147	1,440,000	1,540,688		(27,202)			5.250	3.100	JD	3,360	75,600	02/11/2005	06/15/2011
649716-7P-6	New York NY City Transitional New York NYC Transitional Fin			2	1FE	3,145,000	100.0000	3,145,000	3,145,000	3,145,000					3.400	2.980	MN	17,746	114,907	01/31/2006	11/01/2022
64971K-Y4-2	Prerefunde NY City Mun Fin Auth Wtr & Swr			1	1FE	1,094,538	107.0980	1,070,980	1,000,000	1,056,840		(15,807)			5.375	3.550	MN	8,958	53,750	12/08/2005	05/01/2011
64972F-HH-2	Second Ge				1FE	2,000,000	100.0000	2,000,000	2,000,000	2,000,000					3.600	3.650	MON	2,564	54,508	04/13/2007	06/15/2038
64982P-VW-9	New York State Court Facs-Ser A			1FE	1FE	2,256,120	104.5110	2,090,220	2,000,000	2,094,222		(37,691)			5.250	3.171	MN	13,417	105,000	06/12/2003	05/15/2010
649830-C7-2	New York St Dorm Auth Revs			1	1FE	1,928,897	106.8660	1,960,991	1,835,000	1,916,149		(7,731)			5.000	4.371	JJ	45,875	91,750	04/17/2006	07/01/2016

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates	
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	*	F o r e i g n	Bond CHAR	NAIC Designation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	How Paid	Admitted Amount Due & Accrued	Gross Amt. Rec. During Year	Acquired	Maturity
649830-EA-3	New York St Dorm Auth Revs				1FE	1,245,393	110.0400	1,254,456	1,140,000	1,226,372		(7,234)			5.250	4.271	JJ	29,925	59,850	04/01/2005	07/01/2017
64983R-AM-9	New York State Dorm Auth Revs			1	1FE	2,429,688	107.2530	2,429,280	2,265,000	2,399,734		(16,047)			5.000	4.030	FA	42,783	113,250	02/01/2006	02/15/2015
64983R-GL-5	New York State Dorm Auth Revs				1FE	5,947,100	113.7610	5,688,050	5,000,000	5,781,465		(59,944)			5.500	3.691	JJ	137,500	275,000	02/11/2005	07/01/2018
64983R-HF-7	New York State Dorm Auth Revs				1FE	2,138,329	114.4080	2,065,064	1,805,000	2,089,879		(17,647)			5.500	3.881	MN	12,685	99,275	02/17/2005	05/15/2020
64983U-KV-1	New York ST Dorm Auth Revs			2	1FE	11,000,000	100.0000	11,000,000	11,000,000	11,000,000					3.380	3.847	MON	28,513	236,976	05/17/2007	02/15/2031
64985Y-BB-5	New York St Environmental Facs				1FE	2,900,050	111.5330	2,788,325	2,500,000	2,807,881		(33,085)			5.250	3.465	JD	5,833	131,250	02/10/2005	12/15/2015
64986A-PK-1	New York ST Environmental			1	1FE	2,133,000	108.2240	2,164,480	2,000,000	2,115,997		(11,230)			5.000	4.178	JD	4,444	100,000	06/09/2006	06/15/2016
64986B-AB-5	New York State HSG Fin			2	1FE	3,400,000	100.0000	3,400,000	3,400,000	3,400,000					3.400	3.850	MON	5,104	123,592	12/21/2006	03/15/2026
64989K-EM-4	New York State Power Auth Ser A				1FE	1,653,135	108.2710	1,624,065	1,500,000	1,595,496		(14,281)			5.000	3.780	MN	9,583	75,000	09/12/2003	11/15/2013
649901-NN-1	New York St Dorm Auth Rev				1FE	2,103,056	102.7040	2,002,728	1,950,000	2,005,625		(35,709)			5.000	3.040	JJ	48,750	97,500	03/08/2005	07/01/2009
649903-EX-5	New York ST Dorm Auth Revs				1FE	3,334,800	111.9150	3,357,450	3,000,000	3,316,416		(18,384)			5.250	4.091	JJ	78,750	56,438	01/31/2007	07/01/2019
649903-EZ-0	New York ST Dorm Auth Revs				1FE	5,225,014	111.9360	5,233,008	4,675,000	5,207,412		(17,602)			5.250	4.140	JJ	122,719	87,948	05/18/2007	07/01/2021
649903-LG-4	New York ST Dorm Auth Revs				1FE	4,512,728	111.2250	4,510,174	4,055,000	4,493,066		(19,663)			5.250	3.981	JJ	106,444	18,332	05/21/2007	07/01/2018
650013-K6-1	New York State Highway Board			1	1FE	2,806,275	107.4190	2,685,475	2,500,000	2,678,140		(30,426)			5.000	3.501	AO	31,250	125,000	06/27/2003	04/01/2013
	New York State Highway Board New York st				1FE	1,636,215	108.8080	1,632,120	1,500,000	1,603,523		(14,457)			5.000	3.750	AO	18,750	75,000	08/18/2005	04/01/2014
650017-QE-9	New York St Twy Auth Svc			1	1FE	2,972,832	106.5460	2,860,760	2,685,000	2,846,658		(46,440)			5.250	3.280	AO	35,241	140,963	03/10/2005	04/01/2011
650034-XX-4	New York St Urban Dev Corp			1	1FE	4,293,476	110.6240	4,142,869	3,745,000	4,116,932		(64,308)			5.500	3.401	MS	60,648	205,975	02/28/2005	03/15/2013
65003P-AK-0	New York Urban Dev Corp			2	1FE	1,690,140	104.5730	1,568,595	1,500,000	1,636,891		(12,545)			5.000	3.794	JJ	37,500	75,000	06/16/2003	01/01/2017
745190-LV-8	Puerto Rico Hwy & Trans Rev	SD			1FE	860,633	107.1290	803,468	750,000	811,005		(12,301)			5.000	3.529	JJ	20,625	41,250	09/18/2003	07/01/2012
88278P-JJ-4	Texas ST University Sys Fing			1	1FE	1,393,741	106.9440	1,417,008	1,325,000	1,385,787		(5,989)			5.000	4.329	MS	19,507	74,347	08/03/2006	03/15/2016
88880T-BE-5	Tobacco Settlement Corp			1	1FE	2,195,380	104.2250	2,084,500	2,000,000	2,074,285		(28,808)			5.500	3.874	JD	9,167	110,000	06/18/2003	06/01/2010
896029-5V-3	Triborough Bridge & Tunnel				1FE	5,000,000	100.0000	5,000,000	5,000,000	5,000,000					3.390	2.270	JJ	88,377	179,156	03/30/2005	01/01/2032
896029-6T-7	Triborough Bridge & Tunnel			1	1FE	1,102,240	107.1980	1,071,980	1,000,000	1,067,086		(15,436)			5.125	3.320	JJ	25,625	51,250	08/30/2005	01/01/2021
896029-8G-3	Triborough Bridge & Tunnel				1FE	3,548,490	110.8490	3,325,470	3,000,000	3,354,998		(45,317)			5.250	3.310	MN	20,125	157,500	06/19/2003	11/15/2014
	University Tex Univ Revs Ref-Sys-Fing-Se				1FE	8,202,750	111.8390	8,387,925	7,500,000	8,170,783		(31,967)			5.250	4.114	FA	148,750	196,875	06/01/2007	08/15/2017
2599999 - Total Bonds - Special Revenue - Issuer Obligations						144,600,979	XXX	143,432,305	133,760,000	141,909,858		(1,022,130)			XXX	XXX	XXX	1,787,967	5,244,035	XXX	XXX
31376J-KM-0	FNMA Pool No 356800			2	1	15,819	100.0340	16,137	16,132	16,023		33			5.500	6.217	MON	74	887	07/08/1998	12/01/2008
31387C-M3-2	FNMA Pool No 580078			2		25,973	105.3880	26,628	25,627	25,943		(2)			7.000	5.653	MON	147	1,769	03/06/2002	09/01/2031
31402D-F7-0	FNMA Pool 725690			2	1	19,716,056	101.6860	19,401,255	19,079,573	19,694,981		(5,306)			6.000	5.216	MON	95,958	1,144,774	01/20/2005	08/01/2034
31405R-AR-7	FNMA Pool 796616			2	1	20,966,387	100.0060	20,649,831	20,648,592	20,952,471		(5,375)			5.500	5.217	MON	94,639	1,135,673	11/09/2004	10/01/2034
31407U-EK-9	FNMA Pool 840838			2	1	8,220,569	99.9390	8,322,183	8,327,262	8,222,584		765			5.500	5.713	MON	38,167	457,999	10/27/2005	11/01/2035
2699999 - Total Bonds - Special Revenue - Single Class Mortgage-Backed/Asset-Backed Securities						48,944,804	XXX	48,416,034	48,096,826	48,912,002		(9,885)			XXX	XXX	XXX	228,425	2,741,102	XXX	XXX
31359S-2G-4	Fanniemae Whole Loan NW 2001-W1 AF6			2	1	310,348	99.6810	297,952	298,905	309,074		3,379			6.902	6.581	MON	1,719	20,630	02/20/2004	07/25/2031
31393J-BW-7	Freddie Mac			2	1	188,880	99.9450	184,481	184,582	185,175		(1,227)			5.500	4.011	MON	846	10,152	04/13/2004	09/15/2008
31393W-K4-0	Freddie Mac 2643 OH			2	1	4,509,375	94.4910	4,724,550	5,000,000	4,518,656		9,281			5.000	5.972	MON	20,833	125,000	06/07/2007	07/15/2033
31394D-JJ-0	Fannie Mae 2005-29 QE			2	1	4,497,656	94.4820	4,724,100	5,000,000	4,507,610		9,954			5.000	6.007	MON	20,833	125,000	06/07/2007	04/25/2035
31394Y-KX-1	Freddie Mac 2791 UG			2	1	3,182,562	99.5190	3,195,212	3,210,655	3,187,242		1,577			5.000	5.132	MON	13,378	160,533	11/08/2004	05/15/2019
31395J-W5-1	Freddie Mac Series 2888 Class HG			2	1	2,843,438	92.0060	2,760,180	3,000,000	2,858,209		4,564			5.000	5.481	MON	12,500	150,000	11/02/2004	11/15/2034
2799999 - Total Bonds - Special Revenue - Defined Multi-Class Residential Mortgage-Backed Securities						15,532,259	XXX	15,886,475	16,694,142	15,565,966		27,528			XXX	XXX	XXX	70,109	591,315	XXX	XXX
3199999 - Total - Special Revenue Bonds						209,078,042	XXX	207,734,814	198,550,968	206,387,826		(1,004,487)			XXX	XXX	XXX	2,086,501	8,576,452	XXX	XXX
209111-EP-4	Consolidated Edison				1FE	997,160	98.3660	983,660	1,000,000	997,352		223			5.300	5.337	JD	4,417	53,000	11/28/2006	12/01/2016
341081-EU-7	Florida Pwr & Light				1FE	1,134,676	93.7050	1,068,237	1,140,000	1,134,799		78			5.400	5.431	MS	20,520	61,560	09/19/2005	09/01/2035
743263-AJ-4	Progress Energy Inc				2FE	907,433	107.0440	867,056	810,000	870,387		(12,384)			6.850	4.899	AO	11,714	55,485	11/04/2004	04/15/2012
81013T-AB-7	Scottish Power PLC			1	1FE	934,935	96.4710	902,004	935,000	934,861		7			5.375	5.376	MS	14,798	50,256	03/15/2005	03/15/2015
3299999 - Total Bonds - Public Utilities - Issuer Obligations						3,974,204	XXX	3,820,957	3,885,000	3,937,399		(12,076)			XXX	XXX	XXX	51,449	220,301	XXX	XXX
3899999 - Total - Public Utilities Bonds						3,974,204	XXX	3,820,957	3,885,000	3,937,399		(12,076)			XXX	XXX	XXX	51,449	220,301	XXX	XXX
00184A-AC-9	Time Warner Inc				2FE	1,127,179	110.6620	1,029,157	930,000	1,116,981		(3,621)			7.625	6.009	AO	14,970	70,913	01/04/2005	04/15/2031
00209A-AF-3	AT&T Wireless Svcs Inc				1FE	846,996	132.8700	797,220	600,000	833,849		(4,778)			8.750	5.698	MS	17,500	52,500	02/08/2005	03/01/2031
002819-AA-8	Abbott Labs				1FE	2,998,830	102.4700	3,074,100	3,000,000	2,998,654		(176)			5.150	5.158	MN	22,317	11,067	11/06/2007	11/30/2012
020002-AN-1	Allstate Corporation				1FE	1,617,660	104.0210	1,560,315	1,500,000	1,563,646		(13,615)			6.125	4.972	FA	34,708	91,875	09/11/2003	02/15/2012
025816-AV-1	Amercan Express				1FE	1,495,905	100.8130	1,512,195	1,500,000	1,496,747		747			5.250	5.313	MS	23,844	78,750	09/08/2006	09/12/2011
026870-BC-1	Amer Intl Group				1	399,636	99.3610	397,444	400,000	399,633		28			5.600	5.612	AO	4,542	22,400	10/13/2006	10/18/2016
039483-AU-6	Archer Daniels				1FE	974,020	88.2980	882,980	1,000,000	974,772		376			5.375	5.554	MS	15,826	53,750	09/19/2005	09/15/2035

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value					Interest					Dates	
CUSIP Identification	Description	3	4	5	NAIC Designation	Actual Cost	8	9	Par Value	Book/Adjusted Carrying Value	12	13	14	15	16	17	18	19	20	21	22	
		*	F o r e i g n	Bond CHAR			Rate Used to Obtain Fair Value	Fair Value			Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	How Paid	Admitted Amount Due & Accrued	Gross Amt. Rec. During Year	Acquired	Maturity	
060505-BF-0	Bank of America Corp.				1FE	4,819,373	.99.8160	4,821,113	4,830,000	4,823,977		1,754			4.375	4.419	JD	17,609	211,313	.05/20/2004	.12/01/2010	
073902-KF-4	Bear Stearns				1FE	996,630	.92.8950	928,950	1,000,000	997,118		282			5.300	5.344	AO	8,981	53,000	.10/24/2005	.10/30/2015	
079860-AK-8	Bellsouth Corp.				1FE	950,745	.100.2370	937,216	935,000	950,108		(228)			6.000	5.879	MN	7,168	56,100	.01/04/2005	.11/15/2034	
097014-AH-7	Boeing Capital Corp.				1FE	430,020	.104.4110	417,644	400,000	418,508		(3,182)			5.800	4.756	JJ	10,698	23,200	.02/12/2004	.01/15/2013	
120568-AH-3	Bunge LTD Finance Corp.				2FE	1,043,648	.101.6860	1,016,860	1,000,000	1,027,304		(4,302)			5.875	5.283	MN	7,507	58,750	.10/14/2003	.05/15/2013	
171232-AF-8	Chubb Corporation				1FE	401,985	.103.1850	376,625	365,000	385,031		(4,648)			6.000	4.440	MN	2,798	21,900	.02/10/2004	.11/15/2011	
172967-BU-4	Citigroup Inc.				1FE	1,351,025	.91.2680	1,140,850	1,250,000	1,346,022		(1,793)			5.875	5.317	FA	26,315	73,438	.02/08/2005	.02/22/2033	
172967-DY-4	Citigroup Inc.				1FE	1,992,380	.97.1850	1,943,700	2,000,000	1,992,771		391			5.500	5.550	FA	41,556	55,917	.02/05/2007	.02/15/2017	
172967-EM-9	Citigroup Inc.				1FE	2,987,160	.102.7190	3,081,570	3,000,000	2,987,023		(137)			6.125	6.183	MN	20,417		.11/14/2007	.11/21/2017	
191216-AK-6	Coca - Cola Co.				1FE	4,742,923	.102.4540	4,866,565	4,750,000	4,742,635		(287)			5.350	5.369	MN	42,354		.10/29/2007	.11/15/2017	
20030N-AC-5	Comcast Corp.				2FE	1,406,991	.109.2360	1,316,294	1,205,000	1,397,707		(3,320)			7.050	5.829	MS	25,014	84,953	.02/08/2005	.03/15/2033	
20825C-AE-4	Conocophillips				1FE	574,571	.100.8370	569,729	565,000	570,722		(1,055)			4.750	4.511	AO	5,666	26,838	.02/10/2004	.10/15/2012	
20825R-AB-7	Conocophil				1FE	1,488,660	.103.5110	1,552,665	1,500,000	1,490,917		1,415			5.500	5.632	AO	17,417	82,500	.04/13/2006	.04/15/2013	
22238H-GO-7	Countrywide Finl Corp MTN				2FE	1,497,105	.73.0500	1,095,750	1,500,000	1,497,321		216			5.800	5.845	JD	5,800	43,500	.06/04/2007	.06/07/2012	
224044-BH-9	Cox Communications				2FE	1,512,420	.97.8800	1,468,200	1,500,000	1,508,790		(906)			5.500	5.405	AO	20,625	82,500	.09/24/2003	.10/01/2015	
25179S-AD-2	Devon Financing Corp.				2FE	864,793	.120.9450	786,143	650,000	853,526		(4,095)			7.875	5.497	MS	12,939	51,188	.02/08/2005	.09/30/2031	
25468P-BX-3	Walt Disney Company				1FE	1,083,370	.106.1450	1,061,450	1,000,000	1,042,396		(8,908)			6.375	5.227	MS	21,250	63,750	.11/20/2002	.03/01/2012	
25746U-AN-9	Dominion Resources Inc.				2FE	664,908	.97.3800	584,280	600,000	661,834		(1,111)			6.300	5.536	MS	11,130	37,800	.02/08/2005	.03/15/2033	
263534-BO-1	Dupont El Nemour				1FE	996,540	.98.3870	983,870	1,000,000	996,795		271			5.250	5.295	JD	2,333	52,500	.12/12/2006	.12/15/2016	
26442C-AA-2	Duke Energy Carolinas				1FE	1,199,844	.100.5120	1,206,144	1,200,000	1,199,757		(87)			6.100	6.101	JD	6,100	35,787	.05/31/2007	.06/01/2037	
291011-AT-1	Emerson Electric				1FE	826,954	.97.8490	812,147	830,000	828,162		291			4.500	4.546	MN	6,225	37,350	.04/24/2003	.05/01/2013	
345397-TZ-6	Ford Motor Credit				4FE	2,050,704	.90.9990	2,183,976	2,400,000	2,050,704					7.000	9.476	AO	42,000	168,000	.12/17/2004	.10/01/2013	
369550-AL-2	General Dynamics				1FE	1,502,400	.96.0000	1,440,000	1,500,000	1,501,070		(401)			4.500	4.469	FA	25,500	67,500	.07/02/2004	.08/15/2010	
369626-ZY-3	General Elec Cap Corp.				1FE	1,040,460	.103.2400	1,032,400	1,000,000	1,024,719		(4,234)			5.450	4.890	JJ	25,131	54,500	.12/30/2003	.01/15/2013	
38141G-FD-1	Goldman Sachs Group				1FE	596,718	.97.9780	587,868	600,000	596,642		(76)			6.750	6.793	AO	9,900		.09/26/2007	.10/01/2037	
38143U-AA-9	Goldman Sachs Group Inc.				1FE	1,930,295	.98.2500	1,906,050	1,940,000	1,937,512		2,251			3.875	4.001	JJ	34,664	75,175	.05/20/2004	.01/15/2009	
38143U-AW-1	Goldman Sachs Group Inc.				1FE	1,449,101	.98.0200	1,421,290	1,450,000	1,449,308		71			5.000	5.007	AO	18,125	72,500	.12/17/2004	.10/01/2014	
416515-AQ-7	Hartford Financial				1FE	2,167,678	.101.3550	2,199,404	2,170,000	2,168,056		467			5.250	5.274	AO	24,051	117,723	.09/28/2006	.10/15/2011	
437076-AW-4	Home Depot Inc.				2FE	671,895	.95.8100	646,718	675,000	673,253		600			4.625	4.729	FA	11,794	31,219	.08/08/2005	.08/15/2010	
441812-KD-5	Household Finance Corp.				1FE	1,939,680	.96.2260	1,924,520	2,000,000	1,962,293		5,741			4.750	5.145	JJ	43,806	95,000	.09/24/2003	.07/15/2013	
45031U-AW-1	Istar Financial				2FE	749,220	.81.6320	612,240	750,000	749,295		58			5.875	5.888	MS	12,974	44,063	.02/15/2006	.03/15/2016	
459745-FQ-3	International Lease Fin Corp.				1FE	1,996,900	.99.6370	1,992,740	2,000,000	1,998,144		591			4.875	4.910	MS	32,500	97,500	.08/18/2005	.09/01/2010	
478366-AQ-0	Johnson Controls				1FE	724,906	.100.2820	727,045	725,000	724,920		18			5.250	5.253	JJ	17,551	38,063	.01/09/2006	.01/15/2011	
494368-AX-1	Kimberly-Clark Corp.				1FE	1,013,711	.101.3500	1,028,703	1,015,000	1,014,153		119			5.000	5.016	FA	19,172	50,750	.07/31/2003	.08/15/2013	
496820-AB-7	Kingsway America Inc.			1	3FE	590,468	.105.5220	622,580	590,000	590,231		(58)			7.500	7.486	FA	18,438	44,250	.07/28/2004	.02/01/2012	
548661-CJ-4	Lowes Companies				1FE	1,487,550	.85.9540	1,289,310	1,500,000	1,487,828		179			5.500	5.557	AO	17,417	82,500	.10/03/2005	.10/15/2035	
58013M-EC-4	Mcdonalds Corp.				1FE	1,646,040	.103.7040	1,711,116	1,650,000	1,645,855		(185)			6.300	6.318	AO	21,079		.10/15/2007	.10/15/2037	
595620-AF-2	Midamerican Energy Company				1FE	2,498,925	.103.6320	2,590,800	2,500,000	2,499,020		95			5.650	5.659	JJ	71,410		.06/26/2007	.07/15/2012	
61748A-AE-6	Morgan Stanley				1FE	2,244,409	.93.6850	2,154,755	2,300,000	2,259,737		5,327			4.750	5.079	AO	27,313	109,250	.12/17/2004	.04/01/2014	
620076-AP-4	Motorola Inc.				2FE	445,468	.94.6300	378,520	400,000	442,588		(1,053)			6.500	5.626	MN	3,322	26,000	.02/08/2005	.11/15/2028	
620076-AX-7	Motorola Inc.				2FE	628,399	.107.7960	565,929	525,000	581,160		(13,028)			8.000	4.902	MN	7,000	42,000	.02/10/2004	.11/01/2011	
64952W-AE-3	New York Life Global FDG 144 A				1FE	2,993,070	.100.2150	3,006,450	3,000,000	2,996,043		1,333			4.625	4.677	FA	52,031	138,750	.08/02/2005	.08/16/2010	
652482-BJ-8	News America Inc.				2FE	752,697	.98.5790	690,053	700,0													

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates	
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
		* C U S I P I D E N T I F I C A T I O N	F o r e i g n	B o n d C H A R			R a t e U s e d t o O b t a i n F a i r V a l u e	F a i r V a l u e			U n r e a l i z e d V a l u e I n c r e a s e/ (D e c r e a s e)	C u r r e n t Y e a r ' s (A m o r t i z a t i o n)/ A c c r e t i o n	C u r r e n t Y e a r ' s O t h e r T h a n T e m p o r a r y I m p a i r m e n t R e c o g n i z e d	T o t a l F o r e i g n E x c h a n g e i n B./A.C.V.	R a t e o f	E f f e c t i v e R a t e o f	H o w P a i d	A d m i t t e d A m o u n t D u e & A c c r u e d	G r o s s A m t. R e c. D u r i n g Y e a r	A c q u i r e d	M a t u r i t y
000000-00-0.....	Trust Co. of Georgia C.D.....	SD.....			1FE.....	57,825.....		57,825.....	57,825.....	57,825.....					3.490.....	3.490.....	MAT.....	2,730.....		..09/01/2006..	..04/01/2008..
000000-00-0.....	Bank of Hawaii C.D.....	SD.....			1FE.....	50,000.....		50,000.....	50,000.....	50,000.....					2.900.....	2.900.....	MAT.....	745.....		..06/30/2007..	..06/30/2009..
136375-BJ-0.....	Canadian Natl RR.....	F.....			1FE.....	994,390.....	99.5230.....	995,230.....	1,000,000.....	998,090.....		1.122.....			4.250.....	4.374.....	FA.....	17,708.....	42,500.....	..07/06/2004..	..08/01/2009..
00083P-AA-2.....	ACA ABS 2007-3 144A.....	F.....			1FE.....	15,506,598.....	32.3200.....	5,011,862.....	15,507,000.....	15,506,613.....		15.....			5.000.....	5.031.....	FWAN.....	116,303.....	397,579.....	..06/30/2007..	..05/07/2047..
04530D-AB-8.....	Aspen Insurance.....	F.....			2FE.....	1,066,956.....	102.3550.....	1,095,199.....	1,070,000.....	1,067,664.....		269.....			6.000.....	6.039.....	FA.....	64,200.....	64,200.....	..04/04/2005..	..08/15/2014..
111021-AD-3.....	British Telecom PLC.....	F.....			2FE.....	1,181,240.....	109.7350.....	1,097,350.....	1,000,000.....	1,075,908.....		(23.038).....			8.375.....	5.328.....	JD.....	3,722.....	86,250.....	..11/20/2002..	..12/15/2010..
26156F-AA-1.....	Dresdner Fndg Trust I Series 144A.....	F.....		1.....	1FE.....	664,890.....	101.9930.....	509,965.....	500,000.....	654,967.....		(3.634).....			8.151.....	5.644.....	JD.....	113.....	40,763.....	..02/08/2005..	..06/30/2029..
44841S-AC-3.....	Hutchison Whamp Intl Series 144A.....	F.....			1FE.....	606,975.....	114.0470.....	570,235.....	500,000.....	602,475.....		(1.652).....			7.450.....	5.896.....	MN.....	3,828.....	37,250.....	..02/08/2005..	..11/24/2033..
677788-AA-9.....	Oil Casualty Insurance Series 144A.....	F.....			2FE.....	1,146,973.....	103.2210.....	1,192,203.....	1,155,000.....	1,146,969.....		82.....			8.000.....	8.062.....	MS.....	27,207.....	92,400.....	..09/14/2004..	..09/15/2034..
3999999 - Total Bonds - Industrial, Misc. - Issuer Obligations.....						113,208,049.....	XXX.....	100,792,936.....	111,269,825.....	112,829,163.....		(94,585).....			XXX.....	XXX.....	XXX.....	1,496,755.....	4,651,911.....	XXX.....	XXX.....
1248MB-AJ-4.....	Credit-Based Asset Servicing 2007-CB2 A2C.....			2.....	1FE.....	1,999,900.....	89.4470.....	1,788,940.....	2,000,000.....	1,997,472.....		(2,428).....			5.623.....	5.549.....	MON.....	9,372.....	93,717.....	..02/26/2007..	..02/25/2037..
4299999 - Total Bonds - Industrial, Misc. - Other Multi-Class Residential Mortgage-Backed Securities.....						1,999,900.....	XXX.....	1,788,940.....	2,000,000.....	1,997,472.....		(2,428).....			XXX.....	XXX.....	XXX.....	9,372.....	93,717.....	XXX.....	XXX.....
05947U-M2-1.....	Banc of America Comm Mort BACM 2005-2 A5.....			2.....	1FE.....	3,931,719.....	96.6550.....	3,866,200.....	4,000,000.....	3,942,824.....		5,912.....			4.857.....	5.128.....	MON.....	16,190.....	194,280.....	..01/20/2006..	..07/10/2043..
059511-AE-5.....	Banc of America Comm Mortgage BACM 2007-.....			2.....	1FE.....	2,160,796.....	102.6180.....	2,206,287.....	2,150,000.....	2,160,127.....		(669).....			5.867.....	5.846.....	MON.....	10,192.....	62,108.....	..05/24/2007..	..03/10/2017..
07383F-7W-2.....	Bear Stearns Comm Mtg 2005-PWR8 A4.....			2.....	1FE.....	5,887,266.....	95.5610.....	5,733,660.....	6,000,000.....	5,909,413.....		9,631.....			4.674.....	4.956.....	MON.....	23,370.....	280,440.....	..08/03/2005..	..06/11/2041..
07383F-U4-8.....	Bear Stearns Comm Mtg 2004-T16.....			2.....	1FE.....	4,273,673.....	99.0350.....	4,208,988.....	4,250,000.....	4,251,764.....		(11,352).....			4.030.....	3.881.....	MON.....	14,273.....	171,275.....	..10/20/2004..	..10/13/2009..
07387B-AH-6.....	Bear Stearns Commerical Mort 2005-PWR9 A.....			2.....	1FE.....	1,005,490.....	96.9470.....	969,470.....	1,000,000.....	1,004,153.....		(621).....			4.871.....	4.830.....	MON.....	4,059.....	48,710.....	..09/11/2005..	..08/11/2015..
07387B-CL-5.....	Bear Stearns Commerical Mort BSOMS 2005-.....			2.....	1FE.....	4,081,410.....	99.1510.....	4,025,531.....	4,060,000.....	4,076,526.....		(2,540).....			5.302.....	5.265.....	MON.....	17,439.....	211,783.....	..01/12/2006..	..09/12/2015..
07388Y-AE-2.....	Bear Stearns Commercial Mtg 2007-PW16 A4.....			2.....	1FE.....	6,509,064.....	102.8990.....	6,688,435.....	6,500,000.....	6,508,419.....		(645).....			5.902.....	5.932.....	MON.....	30,944.....	188,742.....	..06/06/2007..	..05/11/2017..
12513E-AG-9.....	Citigroup Deutsche Bank 2005-CD1 A4 Commercial Mtg Pass-Through 2005-C6.....			2.....	1FE.....	2,502,140.....	99.7080.....	2,492,700.....	2,500,000.....	2,502,140.....					5.400.....	5.395.....	MON.....	10,886.....	132,451.....	..10/27/2005..	..09/15/2015..
126171-AF-4.....	A5A.....			2.....	1FE.....	6,029,589.....	98.3040.....	5,898,240.....	6,000,000.....	6,029,589.....					5.116.....	5.091.....	MON.....	25,580.....	306,960.....	..08/05/2005..	..07/10/2015..
12667F-GA-7.....	Countrywide Alternative CwaIt 2004-7T1 A.....			2.....	1FE.....	284,473.....	99.8780.....	277,175.....	277,513.....	277,827.....		(1,649).....			5.750.....	4.349.....	MON.....	1,330.....	15,957.....	..04/15/2004..	..08/25/2008..
161505-HW-5.....	Chase Commercial Mortgage Series 2001-24.....			2.....	1FE.....	751,155.....	101.2020.....	699,774.....	691,462.....	709,579.....		(8,653).....			6.173.....	3.661.....	MON.....	3,442.....	41,882.....	..03/07/2003..	..03/12/2010..
173067-EE-5.....	Citigroup Commercial Mtg Trust Cgcmt 200.....			2.....	1FE.....	3,014,802.....	98.1820.....	2,945,460.....	3,000,000.....	3,009,257.....		(1,919).....			4.733.....	4.690.....	MON.....	11,833.....	141,990.....	..12/15/2004..	..10/15/2014..
20047N-AD-4.....	Commercial Mortgage Pass-Throu Comm 2004.....			2.....	1FE.....	2,140,579.....	98.8980.....	2,106,527.....	2,130,000.....	2,135,386.....		(1,729).....			4.584.....	4.524.....	MON.....	8,137.....	97,639.....	..10/27/2004..	..09/15/2013..
36228C-VU-4.....	GS Mortgage Securities Corp 2005-664 A4A.....			2.....	1FE.....	5,924,297.....	95.8570.....	5,751,420.....	6,000,000.....	5,938,540.....		6,151.....			4.751.....	4.951.....	MON.....	23,755.....	285,060.....	..08/03/2005..	..07/10/2039..
396789-JW-0.....	Greenwich Capital Commercial Series 2005.....			2.....	1FE.....	2,009,972.....	91.2140.....	1,824,280.....	2,000,000.....	2,006,936.....		(1,096).....			4.859.....	4.828.....	MON.....	8,098.....	97,180.....	..01/26/2005..	..01/10/2015..
52108H-P3-2.....	LB-UBS Commercial Mtg Trust Lbubs 2004-C.....			2.....	1FE.....	3,190,733.....	98.9850.....	3,142,774.....	3,175,000.....	3,180,263.....		(3,452).....			3.992.....	3.904.....	MON.....	7,041.....	126,746.....	..10/19/2004..	..11/15/2009..
52108H-ZX-5.....	LB-UBS Commercial Mtg Trust 2004-C2 A3.....			2.....	1FE.....	1,176,953.....	97.5540.....	1,219,425.....	1,250,000.....	1,190,095.....		13,142.....			3.973.....	5.488.....	MON.....	2,759.....	45,524.....	..02/01/2007..	..03/15/2029..
55312T-AD-5.....	Merrill Lynch/Countrywide Comm 2007-6 A4.....			2.....	1FE.....	3,016,460.....	100.6390.....	3,019,170.....	3,000,000.....	3,015,197.....		(1,263).....			5.485.....	5.450.....	MON.....	13,713.....	109,700.....	..03/30/2007..	..03/12/2017..
55313K-AE-1.....	Merrill Lynch/Countrywide Comm 2007-7 A4.....			2.....	1FE.....	1,709,275.....	102.7350.....	1,746,495.....	1,700,000.....	1,708,750.....		(525).....			5.810.....	5.782.....	MON.....	8,145.....	49,129.....	..05/31/2007..	..05/12/2017..
59022H-NC-2.....	Merrill Lynch Mortgage Trust 2005-LC1 A4.....			2.....	1FE.....	4,021,814.....	99.7140.....	3,988,560.....	4,000,000.....	4,016,567.....		(2,926).....			5.291.....	5.249.....	MON.....	17,637.....	211,640.....	..12/16/2005..	..12/12/2015..
92976B-BN-1.....	Wachovia Bank Commercial Mort. 2005-C22.....			2.....	1FE.....	4,019,876.....	100.0850.....	4,003,400.....	4,000,000.....	4,015,222.....		(2,384).....			5.440.....	5.407.....	MON.....	17,552.....	213,546.....	..12/15/2005..	..11/15/2015..
4399999 - Total Bonds - Industrial, Misc. - Defined Multi-Class Commercial Mortgage-Backed Securities.....						67,641,536.....	XXX.....	66,813,971.....	67,683,975.....	67,588,574.....		(6,587).....			XXX.....	XXX.....	XXX.....	276,375.....	3,032,742.....	XXX.....	XXX.....
03062X-AD-8.....	AmeriCredit Automobile Rec. Series 2006-.....			2.....	1FE.....	2,999,268.....	100.3190.....	3,009,570.....	3,000,000.....	2,999,506.....		207.....			5.210.....	5.275.....	MON.....	10,854.....	156,300.....	..09/14/2006..	..09/06/2013..
03072S-LD-5.....	Ameriquest Mortgage Securities 2003-1A1.....			2.....	1FE.....	3,296,914.....	99.8090.....	3,290,616.....	3,296,914.....	3,296,914.....					4.965.....	4.965.....	MON.....	13,641.....	163,692.....	..10/21/2003..	..11/25/2033..
09774X-AK-8.....	Bombardier Capital Mortgage Se 1998-B M1.....			2.....	6FE.....	4,418,618.....	35.2520.....	4,261,048.....	12,087,259.....	4,261,048.....		(56,373).....	(101,198).....		6.810.....	2.290.....	MON.....	68,595.....	205,786.....	..09/19/2007..	..09/15/2025..
12513Y-AF-7.....	Citigroup/Deutsche Bk Comm Mtg 2007-CD4.....			2.....	1FE.....	3,768,494.....	99.7050.....	3,738,938.....	3,750,000.....	3,768,210.....		(284).....			5.322.....	5.337.....	MON.....	16,631.....	149,681.....	..03/14/2007..	..12/11/2049..

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates	
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	*	F o r e i g n	Bond CHAR	NAIC Designation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	How Paid	Admitted Amount Due & Accrued	Gross Amt. Rec. During Year	Acquired	Maturity
126671-R4-0	Countrywide Asset-Backed Certs Series 20			2	1FE	944,916	97.4870	905,327	928,664	934,940		(7,753)			5.413	5.000	MON	4,189	50,269	01/26/2005	10/25/2032
17305E-DF-9	Citibank Credit Card Issuance 2006- A4 A4			2	1FE	2,946,873	103.2990	3,047,321	2,950,000	2,947,626		.570			5.450	5.474	MN	22,776	160,775	04/26/2006	05/10/2013
20173Q-AE-1	Greenwich Capital Commercial 2007- G69 A4			2	1FE	5,024,970	100.5900	5,029,500	5,000,000	5,022,975		(1,995)			5.444	5.420	MON	22,683	204,150	02/21/2007	01/10/2017
61750W-AX-1	Morgan Stanley Captial I Series 2006-1Q1			2	1FE	1,005,429	99.8510	998,510	1,000,000	1,004,789		(622)			5.332	5.290	MON	4,443	53,320	12/14/2006	11/15/2016
92978P-AE-9	Wachovia Bank Commerical Mort Series 200			2	1FE	1,004,947	99.5490	995,490	1,000,000	1,004,362		(569)			5.308	5.273	MON	4,423	53,080	12/13/2006	11/15/2016
41164Q-AA-6	Harborview Nim Corp HVNIM 2007-1A N1 144		F	2	1FE	1,793,555	99.5000	1,798,073	1,807,108	1,793,632		.77			6.409	6.570	MON	3,861	28,954	09/20/2007	03/19/2037
46601W-BE-4	Ixion 2007-33A A 144A		F	2	1Z	11,043,200	40.0000	4,480,000	11,200,000	11,044,170		.970	156,800		5.950	6.130	MON	46,278	233,585	07/27/2007	06/27/2035
98935V-AA-3	Zenith Funding LTD Series 2004-1A Class		F	2	2FE	100,000	2.0000	100,000	5,000,000	100,000			4,900,000		8.150	560.170	MJSD	29,431	427,810	12/21/2004	12/06/2039
4499999 - Total Bonds - Industrial, Misc. - Other Multi-Class Commercial Mortgage- Backed/Asset-Backed Securities						38,347,184	XXX	31,654,393	51,019,945	38,178,172	(56,373)	(110,597)	5,056,800		XXX	XXX	XXX	247,805	1,887,402	XXX	XXX
4599999 - Total - Industrial and Miscellaneous Bonds						221,196,669	XXX	201,050,240	231,973,745	220,593,381	(56,373)	(214,197)	5,056,800		XXX	XXX	XXX	2,030,307	9,665,772	XXX	XXX
5499999 - Total - Issuer Obligations						416,027,436	XXX	404,701,475	400,033,825	411,961,966		(1,326,680)			XXX	XXX	XXX	5,140,933	16,437,636	XXX	XXX
5599999 - Total - Single Class Mortgage-Backed/Asset-Backed Securities						58,156,010	XXX	57,484,401	57,085,766	58,110,515		(15,542)			XXX	XXX	XXX	270,020	3,240,245	XXX	XXX
5699999 - Total - Defined Multi-Class Residential Mortgage-Backed Securities						15,532,259	XXX	15,886,475	16,694,142	15,565,966		27,528			XXX	XXX	XXX	70,109	591,315	XXX	XXX
5799999 - Total - Other Multi-Class Residential Mortgage-Backed Securities						1,999,900	XXX	1,788,940	2,000,000	1,997,472		(2,428)			XXX	XXX	XXX	9,372	93,717	XXX	XXX
5899999 - Total - Defined Multi-Class Commercial Mortgage-Backed Securities						67,641,536	XXX	66,813,971	67,683,975	67,588,574		(6,587)			XXX	XXX	XXX	276,375	3,032,742	XXX	XXX
5999999 - Total - Other Multi-Class Commercial Mortgage-Backed Securities						38,347,184	XXX	31,654,393	51,019,945	38,178,172	(56,373)	(110,597)	5,056,800		XXX	XXX	XXX	247,805	1,887,402	XXX	XXX
6099999 Totals						597,704,325	XXX	578,329,655	594,517,653	593,402,665	(56,373)	(1,434,306)	5,056,800		XXX	XXX	XXX	6,014,614	25,283,057	XXX	XXX

## SCHEDULE D - PART 2 - SECTION 1

[illegible]

## SCHEDULE D - PART 2 - SECTION 2

[illegible]

....., the total \$ value (included in Column 8) of all such issues \$ .....

E10

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
912828-EW-6	US Treasury 4.500% 02/15/16		01/18/2007	Stephens		3,917,031	4,000,000	76,793
0399999 - Total - Bonds - U.S. Government						3,917,031	4,000,000	76,793
207726-C6-3	Connecticut State G.O.		12/06/2007	Siebert Branford Shank and Co.		7,616,280	7,000,000	
604128-6Y-9	Minnesota St 5.000% 08/01/12		06/08/2007	UBS Securities Inc.		7,040,268	6,725,000	123,292
1799999 - Total - Bonds - States, Territories and Possessions						14,656,548	13,725,000	123,292
662735-LJ-6	North Syracuse NY 5.000% 06/15/23		01/26/2007	RBC		2,050,931	1,875,000	
2499999 - Total - Bonds - Political Subdivisions						2,050,931	1,875,000	
040654-PP-4	Arizona St Trans Brd Hwy Rev.		06/01/2007	RBC		4,393,068	4,100,000	88,264
130175-7G-1	California Edl Facs Auth Revv University		06/08/2007	Morgan Stanley & Co.		7,144,344	6,700,000	67,931
31393W-K4-0	Freddie Mac 2643 OH 5.000% 07/15/33		06/07/2007	Greenwich Capital		4,509,375	5,000,000	7,639
31394D-JJ-0	Fannie Mae 2005-29 QE 5.000% 04/25/35		06/07/2007	Greenwich Capital		4,497,656	5,000,000	7,639
344610-BB-5	Fontana Calif Pub Fing Auth		08/24/2007	RBC		2,435,425	2,340,000	
442435-JX-2	Houston Tex Util Sys Rev Ref Comb First		06/20/2007	Siebert Branford Shank and Co.		2,110,120	2,000,000	
64972F-HH-2	NY City Mun Fin Auth Wtr & Swr Second Ge		04/13/2007	BA Securities		2,000,000	2,000,000	5,755
64983U-KV-1	New York ST Dorm Auth Revs		05/17/2007	Bear Stearns & Co.		11,000,000	11,000,000	18,869
649903-EX-5	New York ST Dorm Auth Revs		01/31/2007	Morgan Stanley & Co.		3,334,800	3,000,000	
649903-EZ-0	New York ST Dorm Auth Revs		05/18/2007	Wachovia		5,225,014	4,675,000	62,041
649903-LG-4	New York ST Dorm Auth Revs		05/21/2007	Lehman Brothers		4,512,728	4,055,000	
915137-PR-8	University Tex Univ Revs Ref-Sys-Fing-Se		06/01/2007	First Albany		8,202,750	7,500,000	121,406
3199999 - Total - Bonds - Special Revenue						59,365,280	57,370,000	379,544
002819-AA-8	Abbott Labs 5.150% 11/30/12		11/06/2007	Citigroup Global Markets		2,998,830	3,000,000	
059511-AE-5	Banc of America Comm Mortgage BACW 2007		05/24/2007	BA Securities		2,160,796	2,150,000	1,699
07388Y-AE-2	Bear Stearns Commercial Mtg 2007-PW16 A4		06/06/2007	Bear Stearns & Co.		6,509,064	6,500,000	26,819
09774X-AK-8	Bombardier Capital Mortgage Se 1998-B M1		09/19/2007	JP Morgan Securities		4,418,618	12,087,259	41,157
1248MB-AJ-4	Credit-Based Asset Sevicng 2007-CB2 A2C		02/26/2007	Barclays Bank		1,999,900	2,000,000	8,435
12513Y-AF-7	Citigroup/Deutsche Bk Comm Mtg 2007-CD4		03/14/2007	Citigroup Global Markets		3,768,494	3,750,000	15,523
172967-DY-4	Citigroup Inc 5.500% 02/15/17		02/05/2007	Citigroup Global Markets		1,992,380	2,000,000	
172967-EM-9	Citigroup Inc 6.125% 11/21/17		11/14/2007	Citigroup Global Markets		2,987,160	3,000,000	
191216-AK-6	Coca - Cola Co 5.350% 11/15/17		10/29/2007	Citigroup Global Markets		4,742,923	4,750,000	
201730-AE-1	Greenwich Capital Commercial 2007-GG9 A4		02/21/2007	Greenwich Capital		5,024,970	5,000,000	5,293
22238H-GQ-7	Countrywide Finl Corp MTN		06/04/2007	Goldman Sachs		1,497,105	1,500,000	
26442C-AA-2	Duke Energy Carolinas		05/31/2007	Merrill Lynch		1,199,844	1,200,000	
38141G-FD-1	Goldman Sachs Group 6.750% 10/01/37		09/26/2007	Goldman Sachs		596,718	600,000	
52108H-ZX-5	LB-UBS Commercial Mtg Trust 2004-C2 A3		02/01/2007	CountryWide		1,176,953	1,250,000	3,449
55312T-AD-5	Merrill Lynch/Countrywide Comm 2007-6 A4		03/30/2007	Merrill Lynch		3,016,460	3,000,000	5,028
55313K-AE-1	Merrill Lynch/Countrywide Comm 2007-7 A4		05/31/2007	Merrill Lynch		1,709,275	1,700,000	3,258
58013M-EC-4	Mcdonalds Corp 6.300% 10/15/37		10/15/2007	Citigroup Global Markets		1,646,040	1,650,000	
595620-AF-2	Midamerican Energy Company		06/26/2007	Lehman Brothers		2,498,925	2,500,000	
87612E-AR-7	Target Corp 6.500% 10/15/37		10/02/2007	Merrill Lynch		997,220	1,000,000	
88732J-AG-3	Time Warner Cable 5.400% 07/02/12		10/30/2007	Tax Free Exchange		998,218	1,000,000	17,850
006305-25-1	Bank of Hawaii C.D. 2.900% 06/30/09		06/30/2007	Direct Issue		50,000	50,000	
00083P-AA-2	ACA ABS 2007-3 144A 5.000% 05/07/47	F	06/30/2007	Direct Issue		15,506,598	15,507,000	
41164Q-AA-6	Harborview Nim Corp HVNIM 2007-1A N1 144	F	09/20/2007	JP Morgan Securities		1,793,555	1,807,108	1,609
46601W-BE-4	Ixion 2007-33A A 144A 5.950% 06/27/35	F	07/27/2007	Direct Issue		11,200,000	11,200,000	
4599999 - Total - Bonds - Industrial, Misc.						80,490,046	88,201,367	130,120
6099997 - Total - Bonds - Part 3						160,479,836	165,171,367	709,749
6099998 - Total - Bonds - Part 5						36,049,036	36,342,115	174,116
6099999 - Total - Bonds						196,528,872	201,513,482	883,865
6599998 - Total - Preferred Stocks - Part 5							XXX	
6599999 - Total - Preferred Stocks							XXX	
Y0002#-10-7	ACA Capital Singapore PTE, Ltd.	D		Additional Paid in Capital		501,539		
6999999 - Total - Common Stocks - Parent, Subsidiaries, Affiliates						501,539	XXX	
7299997 - Total - Common Stocks - Part 3						501,539	XXX	
7299998 - Total - Common Stocks - Part 5							XXX	
7299999 - Total - Common Stocks						501,539	XXX	
7399999 - Total - Preferred and Common Stocks						501,539	XXX	
7499999 Totals						197,030,411	XXX	883,865

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21
										11	12	13	14	15						
CUSIP Identi- fication	Description	F o r e i g n	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 (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
31344A-UQ-5..	Freddie Mac GNMA Pool 595037 3.380% 04/15/09 6.000%		01/18/2007..	Stephens		3,861,250	4,000,000	3,863,125	3,900,550		2,057		2,057		3,902,607		(41,357)	(41,357)	35,250	04/15/2009..
36200A-BE-8..	GNMA Pool 595085 6.000%		12/01/2007..	Paydown		1,804	1,804	1,858	1,857		(52)		(52)		1,804				45	10/15/2032..
36200A-CW-7..	GNMA Pool 599167 6.000%		12/01/2007..	Paydown		85,286	85,286	87,818	87,752		(2,467)		(2,467)		85,286				2,316	10/15/2032..
36200E-TY-7..	GNMA Pool 604018 5.500%		12/01/2007..	Paydown		4,637	4,637	4,775	4,771		(134)		(134)		4,637				153	12/15/2033..
36200W-AT-0..	GNMA Pool 604141 6.000%		12/01/2007..	Paydown		582,583	582,583	599,468	598,910		(16,327)		(16,327)		582,583				17,704	02/15/2033..
36200W-EN-9..	GNMA Pool 569684 6.000%		12/01/2007..	Paydown		27,330	27,330	28,142	28,122		(792)		(792)		27,330				776	03/15/2033..
36200Q-2R-4..	GNMA Pool 570142 6.000%		12/01/2007..	Paydown		30,009	30,009	30,900	30,874		(864)		(864)		30,009				893	02/15/2032..
36200R-LX-8..	GNMA Pool 570490 6.000%		12/01/2007..	Paydown		16,806	16,806	17,305	17,292		(486)		(486)		16,806				549	12/15/2031..
36200R-XT-4..	GNMA Pool 571293 6.000%		12/01/2007..	Paydown		3,069	3,069	3,160	3,158		(89)		(89)		3,069				94	12/15/2031..
36200S-US-7..	GNMA Pool 577422 6.000%		12/01/2007..	Paydown		1,555	1,555	1,601	1,600		(45)		(45)		1,555				15	11/15/2031..
36201A-PF-9..	GNMA Pool 579722 6.000%		12/01/2007..	Paydown		9,617	9,617	9,902	9,894		(278)		(278)		9,617				280	01/15/2032..
36201D-AX-0..	GNMA Pool 580607 6.000%		12/01/2007..	Paydown		96,136	96,136	98,990	98,913		(2,777)		(2,777)		96,136				2,440	08/15/2032..
36201E-AG-5..	GNMA Pool 581506 6.000%		12/01/2007..	Paydown		7,313	7,313	7,530	7,525		(212)		(212)		7,313				220	02/15/2033..
36201F-AF-4..	GNMA Pool 585371 6.000%		12/01/2007..	Paydown		2,729	2,729	2,810	2,808		(79)		(79)		2,729				96	04/15/2033..
36201K-JQ-0..	GNMA Pool 606864 6.000%		12/01/2007..	Paydown		2,725	2,725	2,806	2,803		(78)		(78)		2,725				89	04/15/2032..
36201Y-FD-3..	GNMA Pool 429788 6.000%		12/01/2007..	Paydown		12,441	12,441	12,810	12,801		(361)		(361)		12,441				441	10/15/2033..
36207E-ND-2..	GNMA Pool 493545 6.000%		12/01/2007..	Paydown		63,027	63,027	64,898	64,855		(1,828)		(1,828)		63,027				1,976	12/15/2033..
36210J-HW-1..	GNMA Pool 553303 6.000%		12/01/2007..	Paydown		1,652	1,652	1,701	1,700		(48)		(48)		1,652				37	03/15/2031..
36213F-U4-3..	GNMA Pool 562469 5.000%		12/01/2007..	Paydown		631	631	650	649		(18)		(18)		631				16	06/15/2033..
36213R-2A-4..	GNMA Pool 562442 5.500%		12/01/2007..	Paydown		592,716	592,716	595,749	595,457		(2,740)		(2,740)		592,716				17,255	02/15/2034..
36213R-ZF-7..	GNMA Pool 563713 6.000%		12/01/2007..	Paydown		25,797	25,797	26,499	26,481		(684)		(684)		25,797				767	01/15/2034..
36213T-GW-7..	GNMA Pool 564552 6.000%		12/01/2007..	Paydown		28,915	28,915	29,774	29,752		(837)		(837)		28,915				790	01/15/2033..
36213U-EZ-9..	GNMA Pool 565505 6.000%		12/01/2007..	Paydown		296	296	305	304		(8)		(8)		296				10	12/15/2031..
36213V-GN-2..	GNMA Pool 620628 6.000%		12/01/2007..	Paydown		2,483	2,483	2,556	2,554		(72)		(72)		2,483				73	09/15/2032..
36290X-PM-6..	GNMA Pool 620634 6.000%		12/01/2007..	Paydown		25,481	25,481	26,237	26,220		(739)		(739)		25,481				661	09/15/2033..
36290X-PT-1..	GNMA Pool 621657 6.000%		12/01/2007..	Paydown		91,466	91,466	94,181	94,115		(2,650)		(2,650)		91,466				3,911	09/15/2033..
36290Y-TN-8..	GNMA Pool 624236 6.000%		12/01/2007..	Paydown		31	31	32	32		(1)		(1)		31				1	12/15/2033..
36291C-PV-1..	GNMA Pool 625604 6.000%		12/01/2007..	Paydown		6,072	6,072	6,253	6,239		(167)		(167)		6,072				80	12/15/2033..
36291E-AD-3..	GNMA Pool 625620 6.000%		12/01/2007..	Paydown		5,463	5,463	5,625	5,621		(158)		(158)		5,463				209	12/15/2033..
36291E-AV-3..	GNMA Pool 625620 6.000%		12/01/2007..	Paydown		957	957	985	985		(28)		(28)		957				29	12/15/2033..
0399999 - Bonds - U.S. Governments						5,590,277	5,729,027	5,628,445	5,664,594		(32,962)		(32,962)		5,631,634		(41,357)	(41,357)	87,176	XXX
574192-JT-8..	Maryland State GO 03/01/12 5.000%		03/01/2007..	Various		163,200	160,000	156,696	158,554		52		52		158,606		4,594	4,594	4,000	03/01/2012..
1799999 - Bonds - States, Territories and Possessions						163,200	160,000	156,696	158,554		52		52		158,606		4,594	4,594	4,000	XXX
31359S-2G-4..	Fanniemae Whole Loan NW 2001-W1 AF6		12/01/2007..	Paydown		123,663	123,663	128,397	126,472		(2,809)		(2,809)		123,663				4,136	07/25/2031..

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21
										11	12	13	14	15						
CUSIP Identi- fication	Description	F o r e i g n	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 (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
31376J-KM-0..	FNMA Pool No 356800 5.500%		12/01/08..	Paydown.....		25,731	25,731	25,233	25,505		226		226		25,731				725	12/01/2008..
31387C-M3-2..	FNMA Pool No 580078 7.000%		12/01/2007..	Paydown.....		12,132	12,132	12,471	12,458		(326)		(326)		12,132				486	09/01/2031..
31393J-BW-7..	Freddie Mac 5.500% 05/15/31.....		12/01/2007..	Paydown.....		241,673	241,673	247,299	244,056		(2,384)		(2,384)		241,673				6,923	09/15/2008..
31402D-F7-0..	FNMA Pool 725690 6.000%		08/01/34.....	Paydown.....		3,483,281	3,483,281	3,599,481	3,596,602		(113,321)		(113,321)		3,483,281				101,409	08/01/2034..
31405R-AR-7..	FNMA Pool 796616 5.500%		10/01/34.....	Paydown.....		2,843,996	2,843,996	2,887,766	2,886,590		(42,594)		(42,594)		2,843,996				67,111	10/01/2034..
31407U-EK-9..	FNMA Pool 840838 5.500%		11/01/35.....	Paydown.....		842,854	842,854	832,054	832,181		10,673		10,673		842,854				26,784	11/01/2035..
59259R-TF-1..	Metro Transportation Auth.....		02/01/2007..	Bear Stearns & Co.....		5,000,000	5,000,000	5,000,000	5,000,000						5,000,000				33,792	11/01/2034..
64970K-VY-0..	New York NY City Mun Fin Auth.....		06/01/2007..	First Albany.....		3,900,000	3,900,000	3,900,000	3,900,000						3,900,000				66,023	06/15/2018..
649716-7P-6..	New York NY City Transitional.....		09/04/2007..	Redemption 100.0000.....		355,000	355,000	355,000	355,000						355,000				10,916	11/01/2022..
64986B-AB-5..	New York State HSG Fin.....		03/15/2007..	Redemption 100.0000.....		100,000	100,000	100,000	100,000						100,000				887	03/15/2026..
3199999 - Bonds - Special Revenues						16,928,330	16,928,330	17,087,701	17,078,864		(150,535)		(150,535)		16,928,330				319,192	XXX
010854-75-0..	Ford Motor Credit Series EMTN.....		03/13/2007..	Maturity.....		1,000,000	1,000,000	972,912	992,916	5,204	1,880		7,084		1,000,000				13,900	03/13/2007..
013817-AG-6..	Alcoa Inc 4.250% 08/15/07.....		02/01/2007..	Corporate Action.....		263,603	265,000	276,419	267,106		(276)		(276)		266,830		(3,226)	(3,226)	5,193	08/15/2007..
03072S-LD-5..	2003-1A1.....		12/01/2007..	Paydown.....		703,086	703,086	703,086	703,086						703,086				22,380	11/25/2033..
05949A-DJ-6..	Bank of America Boams 2004-D 2A4.....		03/25/2007..	Paydown.....		634,817	634,817	634,813	634,796		21		21		634,817				2,261	05/25/2034..
12617E-AS-8..	2002-FL7.....		09/15/2007..	Paydown.....		3,000,000	3,000,000	2,975,625	2,995,447		4,553		4,553		3,000,000				140,542	11/15/2014..
12627Q-AE-0..	CR CR 2000-ZC2 AAA 144A.....		01/01/2007..	Paydown.....															(1,464)	08/10/2014..
126671-R4-0..	Countrywide Asset-Backed Certs Series 20.....		12/01/2007..	Paydown.....		71,336	71,336	72,584	72,414		(1,078)		(1,078)		71,336				3,602	10/25/2032..
12667F-GA-7..	Countrywide Alternative Cwalt 2004-7T1 A.....		12/01/2007..	Paydown.....		367,191	367,191	376,399	369,787		(2,597)		(2,597)		367,191				9,670	08/25/2008..
14041G-CT-1..	Capital One Auto Finance Trust Series 20.....		09/15/2007..	Paydown.....		1,537,305	1,537,305	1,537,174	1,537,253		53		53		1,537,305				30,433	05/15/2009..
161505-HW-5..	Chase Commercial Mortgage Series 2001-24.....		12/01/2007..	Paydown.....		285,506	285,506	310,153	296,559		(11,053)		(11,053)		285,506				9,413	03/12/2010..
268766-BU-5..	EOP Operating LP 7.000%		07/15/11.....																	
319963-AK-0..	First Data Corp 4.850% 10/01/14.....		02/09/2007..	Corporate Action.....		381,913	355,000	406,506	388,561		(710)		(710)		387,851		(5,939)	(5,939)	14,082	07/15/2011..
345397-TX-1..	First Data Corp 6.500%		09/24/2007..	Corporate Action.....		783,939	801,000	800,856	800,841		57		57		800,899		(16,960)	(16,960)	38,093	10/01/2014..
37042W-G9-6..	Ford Motor Credit 5.500%		01/25/07.....	Maturity.....		1,000,000	1,000,000	1,056,680	1,000,170	1,379	(1,549)		(170)		1,000,000				32,500	01/25/2007..
61744Y-AC-2..	General Motors Accept Corp.....		12/10/2007..	Maturity.....		1,500,000	1,500,000	1,512,390	1,479,120	23,999	(3,119)		20,880		1,500,000				78,203	12/10/2007..
62007E-AU-3..	Morgan Stanley 5.485% 02/15/07.....		02/15/2007..	Maturity.....		5,000,000	5,000,000	5,005,620	5,000,086		(86)		(86)		5,000,000				70,262	02/15/2007..
90210V-AB-4..	Motorola Inc 4.608% 11/16/07.....		11/16/2007..	Maturity.....		1,000,000	1,000,000	1,017,790	1,005,005		(5,005)		(5,005)		1,000,000				46,080	11/16/2007..
91324P-AJ-1..	TXU Energy Co 7.000% 03/15/13.....		10/11/2007..	Direct Issue.....		2,590,358	2,350,000	2,610,291	2,542,075		(20,650)		(20,650)		2,521,425		68,933	68,933	176,379	03/15/2013..
92977D-AQ-0..	Unitedhealth Group Inc.....		08/15/2007..	Maturity.....		2,500,000	2,500,000	2,492,175	2,498,240		1,760		1,760		2,500,000				84,375	08/15/2007..
92977D-AQ-0..	Wachovia Bank Mortgage Trust 2002- WHL L.....		10/15/2007..	Paydown.....		3,000,000	3,000,000	2,921,719	2,989,610		10,390		10,390		3,000,000				163,997	03/15/2015..
929903-AH-5..	Wachovia Corporation 5.440%		07/20/07.....	Maturity.....		5,000,000	5,000,000	5,002,600	5,000,485		(485)		(485)		5,000,000				204,115	07/20/2007..
003016-75-2..	Hibernia Nat'l Bank C.D.....		03/09/2007..	Maturity.....		70,000	70,000	70,000	70,000						70,000				2,242	03/09/2007..
006305-25-1..	Bank of Hawaii C.D. 2.900%		06/30/07.....	Maturity.....		50,000	50,000	50,000	50,000						50,000				1,450	06/30/2007..
4599999 - Bonds - Industrial and Miscellaneous						30,739,054	30,490,241	30,805,792	30,693,557	30,582	(27,894)		2,688		30,696,246		42,808	42,808	1,147,708	XXX
6099997 - Bonds - Part 4						53,420,861	53,307,598	53,678,634	53,595,569	30,582	(211,339)		(180,757)		53,414,816		6,045	6,045	1,558,076	XXX
6099998 - Bonds - Part 5						35,927,592	36,342,115	36,049,036			(121,498)		(121,498)		36,078,419		55	55	520,667	XXX
6099999 - Total - Bonds						89,348,453	89,649,713	89,727,670	53,595,569	30,582	(332,837)		(302,255)		89,493,235		6,100	6,100	2,078,743	XXX
6599998 - Preferred Stocks - Part 5							XXX													XXX
6599999 - Total - Preferred Stocks							XXX													XXX
7299998 - Common Stocks - Part 5							XXX													XXX
7299999 - Total - Common Stocks							XXX													XXX
7399999 - Total - Preferred and Common Stocks							XXX													XXX
7499999 Totals						89,348,453	XXX	89,727,670	53,595,569	30,582	(332,837)		(302,255)		89,493,235		6,100	6,100	2,078,743	XXX

## ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

## SCHEDULE D - PART 5

**Showing all Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year**

Showing all Long Term Bonds and Stocks Acquired During Year and Fully Amortized																				
1	2	3	4	5	6	7	8	9	10	11	Change in Book/Adjusted Carrying Value					17	18	19	20	21
											12	13	14	15	16					
CUSIP Identification	Description	For e i g n	Date Acquired	Name of Vendor	Disposal Date	Name of Purchaser	Par Value (Bonds) or Number of Shares (Stocks)	Actual Cost	Consideration	Book/ Adjusted Carrying Value at Disposal Date	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other than Temporary Impairment Recognized	Total Change In B./A. C.V. (12 + 13 - 14)	Total Foreign Exchange Change in B./A. C.V.	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest and Dividends Received During Year	Paid for Accrued Interest and Dividends
64966C-H3-8.	New York NY GO VAR-SUBSER-H-7.		04/11/2007.	UBS Securities Inc.	06/05/2007.	UBS Securities Inc.	2,200,000	2,200,000	2,200,000	2,200,000									14,619	1,954
64966F-HM-9.	New York NY Var-Ser E-Subsr E-2.		04/10/2007.	BA Securities	06/01/2007.	BA Securities	2,300,000	2,300,000	2,300,000	2,300,000									14,326	1,807
2499999 - Bonds - Political Subdivisions							4,500,000	4,500,000	4,500,000	4,500,000									28,945	3,761
525184-QC-4.	Lehman Mun Tr Rpts Var Sts.		04/13/2007.	Lehman Brothers.	06/01/2007.	Lehman Brothers.	3,335,000	3,335,000	3,335,000	3,335,000									20,385	3,245
576049-RS-1.	Massachusetts St Wtr Res Auth.		05/17/2007.	Bear Stearns & Co.	12/07/2007.	Bear Stearns & Co.	6,505,000	6,505,000	6,505,000	6,505,000									148,549	11,214
649706-B4-9.	New York City Mun Wtr Fin Auth.		04/11/2007.	Citigroup Global Markets.	06/11/2007.	Citigroup Global Markets.	3,000,000	3,000,000	3,000,000	3,000,000									27,140	7,978
649706-F7-8.	New York City Mun Wtr Fin Auth.		04/19/2007.	UBS Securities Inc.	06/11/2007.	UBS Securities Inc.	3,600,000	3,600,000	3,600,000	3,600,000									21,043	1,098
64970K-VY-0.	New York NY City Mun Fin Auth.		04/16/2007.	First Albany.	06/01/2007.	First Albany.	1,000,000	1,000,000	1,000,000	1,000,000									4,854	
64971K-GB-6.	New York NYC Transitional Fin.		04/13/2007.	Lehman Brothers.	06/11/2007.	Lehman Brothers.	8,800,000	8,800,000	8,800,000	8,800,000									194,345	139,203
3199999 - Bonds - Special Revenue							26,240,000	26,240,000	26,240,000	26,240,000									416,316	162,738
09774X-AK-8.	Bombardier Capital Mortgage Se		09/19/2007.	Various.	12/01/2007.	Various.	412,741	150,882		150,882		(150,882)		(150,882)					4,714	1,405
23244C-AB-7.	1998-B M1 Countrywide Alternative Ln Tr		09/27/2007.	Internal.	12/25/2007.	Paydown.	1,611,571	1,599,326	1,611,571	1,611,571		12,245		12,245					16,652	2,619
23244H-AB-6.	2006-0A Countrywide Alt Loan Trust CWALN		09/27/2007.	Internal.	12/25/2007.	Paydown.	1,766,670	1,755,628	1,766,670	1,766,670		11,042		11,042					14,590	2,871
88732J-AA-6.	2006-0A Time Warner Cable 5.400%		07/02/12.	Wachovia.	10/30/2007.	Tax Free Exchange.	1,000,000	998,150	998,218	998,163		13		13			55	55	30,300	
411640-AA-6.	07/02/12 Harborview Nim Corp HVNIM 2007- 1A N1 144.		04/04/2007.	Various.	12/19/2007.	Various.	811,133	805,050	811,133	811,133		6,084		6,084					9,150	722
4599999 - Bonds - Industrial and Miscellaneous							5,602,115	5,309,036	5,187,592	5,338,419		(121,498)		(121,498)			55	55	75,406	7,617
6099998 - Subtotal Bonds							36,342,115	36,049,036	35,927,592	36,078,419		(121,498)		(121,498)			55	55	520,667	174,116

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## SCHEDULE D - PART 6 - SECTION 1

1. Amount of insurer's capital and surplus from the prior period's statutory statement reduced by any admitted EDP, goodwill and net deferred tax assets included therein:	\$
2. Total amount of intangible assets nonadmitted.	\$

## SCHEDULE D - PART 6 - SECTION 2

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE DA - PART 1

Showing all SHORT-TERM INVESTMENTS Owned December 31 of Current Year

1	Codes		4	5	6	7	Change In Book/Adjusted Carrying Value				12	13	Interest						20
	2	3					8	9	10	11			14	15	16	17	18	19	
Description	Code	Foreign	Date Acquired	Name of Vendor	Maturity Date	Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization) / Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Par Value	Actual Cost	Amount Due And Accrued Dec. 31 of Current Year On Bond Not In Default	Non-Admitted Due and Accrued	Rate of	Effective Rate of	How Paid	Gross Amount Received	Paid for Accrued Interest
0199999 - U.S. Governments - Issuer Obligations															XXX	XXX	XXX		
0299999 - U.S. Governments - Single Class Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
0399999 - Total - U.S. Government Bonds															XXX	XXX	XXX		
0499999 - All Other Governments - Issuer Obligations															XXX	XXX	XXX		
0599999 - All Other Governments - Single Class Mortgage-Backed/ Asset-Backed Securities															XXX	XXX	XXX		
0699999 - All Other Governments - Defined Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
0799999 - All Other Governments - Other Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
0899999 - All Other Governments - Defined Multi-Class Commercial Mortgage-Backed Securities															XXX	XXX	XXX		
0999999 - All Other Governments - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
1099999 - Total - All Other Government Bonds															XXX	XXX	XXX		
1199999 - States, Territories and Possessions - Issuer Obligations															XXX	XXX	XXX		
1299999 - States, Territories and Possessions - Single Class Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
1399999 - States, Territories and Possessions - Defined Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
1499999 - States, Territories and Possessions - Other Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
1599999 - States, Territories and Possessions - Defined Multi-Class Commercial Mortgage-Backed Securities															XXX	XXX	XXX		
1699999 - States, Territories and Possessions - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
1799999 - Total - States, Territories and Possessions Bonds															XXX	XXX	XXX		
1899999 - Political Subdivisions - Issuer Obligations															XXX	XXX	XXX		
1999999 - Political Subdivisions - Single Class Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
2099999 - Political Subdivisions - Defined Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
2199999 - Political Subdivisions - Other Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
2299999 - Political Subdivisions - Defined Multi-Class Commercial Mortgage-Backed Securities															XXX	XXX	XXX		
2399999 - Political Subdivisions - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
2499999 - Total - Political Subdivisions Bonds															XXX	XXX	XXX		
2599999 - Special Revenue - Issuer Obligations															XXX	XXX	XXX		
2699999 - Special Revenue - Single Class Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
2799999 - Special Revenue - Defined Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
2899999 - Special Revenue - Other Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
2999999 - Special Revenue - Defined Multi-Class Commercial Mortgage-Backed Securities															XXX	XXX	XXX		
3099999 - Special Revenue - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
3199999 - Total - Special Revenue Bonds															XXX	XXX	XXX		
3299999 - Public Utilities - Issuer Obligations															XXX	XXX	XXX		
3399999 - Public Utilities - Single Class Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
3499999 - Public Utilities - Defined Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
3599999 - Public Utilities - Other Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
3699999 - Public Utilities - Defined Multi-Class Commercial Mortgage-Backed Securities															XXX	XXX	XXX		
3799999 - Public Utilities - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
3899999 - Total - Public Utilities Bonds															XXX	XXX	XXX		
Hibernia Nat'l Bank C.D.....SD.....03/09/2007.....Direct Issue.....03/09/2008.....						70,000					70,000	70,000	2,277		3,930	3,930	MAT		
3999999 - Industrial and Miscellaneous - Issuer Obligations						70,000					70,000	70,000	2,277		XXX	XXX	XXX		
4099999 - Industrial and Miscellaneous - Single Class Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
4199999 - Industrial and Miscellaneous - Defined Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
4299999 - Industrial and Miscellaneous - Other Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
4399999 - Industrial and Miscellaneous - Defined Multi-Class Commercial Mortgage-Backed Securities															XXX	XXX	XXX		
4499999 - Industrial and Miscellaneous - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
4599999 - Total - Industrial and Miscellaneous Bonds						70,000					70,000	70,000	2,277		XXX	XXX	XXX		
4699999 - Credit Tenant Loans															XXX	XXX	XXX		
4799999 - Parent, Subsidiaries and Affiliates - Issuer Obligations															XXX	XXX	XXX		
4899999 - Parent, Subsidiaries and Affiliates - Single Class Mortgage-Backed/Asset-Backed Securities															XXX	XXX	XXX		
4999999 - Parent, Subsidiaries and Affiliates - Defined Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		
5099999 - Parent, Subsidiaries and Affiliates - Other Multi-Class Residential Mortgage-Backed Securities															XXX	XXX	XXX		

## E15.1

## E15.1

## E15.1

## E15.1

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part A - Section 2

NONE

Schedule DB - Part A - Section 3

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part B - Section 2

NONE

Schedule DB - Part B - Section 3

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Part C - Section 3

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DB - Part D - Section 3

NONE

Schedule DB - Part E - Section 1

NONE

## ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

## SCHEDULE E - PART 1 - CASH

[illegible]

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR							
1. January .....	33,858,703	4. April .....	42,685,801	7. July .....	26,572,493	10. October .....	29,154,564
2. February .....	33,872,662	5. May .....	28,503,292	8. August .....	26,256,882	11. November .....	26,542,692
3. March .....	62,345,751	6. June .....	48,400,088	9. September .....	38,034,921	12. December .....	42,098,016

SCHEDULE E - PART 2 CASH EQUIVALENTS

Showing Investments Owned December 31 of Current year							
1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
NONE							
0199999 Total Cash Equivalents							

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ACA Financial Guaranty Corporation

SCHEDULE E PART 3 - SPECIAL DEPOSITS

States, Etc.	1 Type of Deposits	2 Purpose of Deposits	Deposits For The Benefit of All Policyholders		All Other Special Deposits	
			3 Book/Adjusted Carrying Value	4 Fair Value	5 Book/Adjusted Carrying Value	6 Fair Value
1. Alabama .....	AL .....					
2. Alaska .....	AK .....					
3. Arizona .....	AZ .....					
4. Arkansas .....	AR .....					
5. California .....	CA .....					
6. Colorado .....	CO .....					
7. Connecticut .....	CT .....					
8. Delaware .....	DE .....					
9. District of Columbia .....	DC .....					
10. Florida .....	FL .....					
11. Georgia .....	GA .....	ST.....RSD for Financial Guaranty.....			57,825	57,825
12. Hawaii .....	HI .....					
13. Idaho .....	ID .....					
14. Illinois .....	IL .....					
15. Indiana .....	IN .....					
16. Iowa .....	IA .....					
17. Kansas .....	KS .....					
18. Kentucky .....	KY .....					
19. Louisiana .....	LA .....	ST.....RSD for Financial Guaranty.....			70,000	70,000
20. Maine .....	ME .....					
21. Maryland .....	MD .....	B.....RSD for Financial Guaranty.....	2,401,622	2,545,872		
22. Massachusetts .....	MA .....	B.....RSD for Financial Guaranty.....			100,068	106,078
23. Michigan .....	MI .....					
24. Minnesota .....	MN .....					
25. Mississippi .....	MS .....					
26. Missouri .....	MO .....					
27. Montana .....	MT .....					
28. Nebraska .....	NE .....					
29. Nevada .....	NV .....					
30. New Hampshire .....	NH .....					
31. New Jersey .....	NJ .....					
32. New Mexico .....	NM .....	B.....RSD for Financial Guaranty.....			100,068	106,078
33. New York .....	NY .....					
34. North Carolina .....	NC .....	B.....RSD for Financial Guaranty.....			200,135	212,156
35. North Dakota .....	ND .....					
36. Ohio .....	OH .....					
37. Oklahoma .....	OK .....					
38. Oregon .....	OR .....	B.....RSD for Financial Guaranty.....			260,176	275,803
39. Pennsylvania .....	PA .....					
40. Rhode Island .....	RI .....					
41. South Carolina .....	SC .....					
42. South Dakota .....	SD .....					
43. Tennessee .....	TN .....					
44. Texas .....	TX .....					
45. Utah .....	UT .....					
46. Vermont .....	VT .....					
47. Virginia .....	VA .....	B.....RSD for Financial Guaranty.....			275,186	291,715
48. Washington .....	WA .....					
49. West Virginia .....	WV .....					
50. Wisconsin .....	WI .....					
51. Wyoming .....	WY .....					
52. American Samoa .....	AS .....					
53. Guam .....	GU .....	ST.....RSD for Financial Guaranty.....			50,000	50,000
54. Puerto Rico .....	PR .....	B.....RSD for Financial Guaranty.....			811,005	810,660
55. US Virgin Islands .....	VI .....	B.....RSD for Financial Guaranty.....			500,338	530,390
56. Northern Mariana Islands .....	MP .....					
57. Canada .....	CN .....					
58. Aggregate Other Alien .....	OT .....	XXX.....XXX.....			31,245,201	31,245,201
59. Total .....	XXX.....	XXX.....	2,401,622	2,545,872	33,670,000	33,755,905
DETAILS OF WRITE-INS						
5801. Cash, JPMorgan Chase Bank, New York, NY.....	ST.....	Collateral for ACA Credit Products, JPM.....			19,041,792	19,041,792
5802. Cash, US Bank N.A., Washington D.C.....	ST.....	Collateral for ACA CDS 2002-2.....			238,237	238,237
5803. Cash, Barclay Bank PLC, New York, NY.....	ST.....	Collateral for ACA Credit Products.....			9,310,000	9,310,000
5898. Summary of remaining write-ins for Line 58 from overflow page .....	XXX.....	XXX.....			2,655,172	2,655,172
5899. Totals (Lines 5801 through 5803 + 5898)(Line 58 above) .....	XXX.....	XXX.....			31,245,201	31,245,201