



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008
OF THE CONDITION AND AFFAIRS OF THE
ACA Financial Guaranty Corporation

NAIC Group Code	0000	(Current Period)	0000	(Prior Period)	NAIC Company Code	22896	Employer's ID Number	52-1474358
Organized under the Laws of	Maryland				State of Domicile or Port of Entry		Maryland	
Country of Domicile	United States							
Incorporated/Organized	06/25/1986				Commenced Business		10/31/1986	
Statutory Home Office	7 Saint Paul Street, Suite 1660				(Street and Number)		Baltimore, MD 21202	
					(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		212-375-2043	
	(Street and Number)				(City or Town, State and Zip Code)		(Area Code) (Telephone Number)	
Internet Website Address	http://www.aca.com							
Statutory Statement Contact	Harry Sanavitis				212-375-2043			
	(Name)				(Area Code) (Telephone Number) (Extension)			
	hsanavitis@aca.com				212-375-2301			
	(E-mail Address)				(Fax Number)			

OFFICERS

Name	Title	Name	Title
Raymond John Brooks Jr.	President and CEO	Lisa Michelle Mumford	Treasurer and CFO
Steven Joseph Berkowitz	Secretary and General Counsel		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

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

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.

Raymond John Brooks, Jr. President and CEO	Lisa Michelle Mumford Treasurer and CFO	Steven Joseph Berkowitz Secretary and General Counsel
Subscribed and sworn to before me this		a. Is this an original filing? Yes [] No [X]
5th day of March, 2009		b. If no,
		1. State the amendment number 1
		2. Date filed 03/05/2009
		3. Number of pages attached 10
Meredith Berrett		

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).....	368,798,756		368,798,756	593,402,665
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	769,815	769,815	0	763,291
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$801,127 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$63,057,683 , Schedule DA).....	63,858,810		63,858,810	61,537,736
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	1,090,068	0	1,090,068	19,339,891
8. Receivables for securities			0	9,141
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	434,517,449	769,815	433,747,634	675,052,723
11. Title plants less \$charged off (for Title insurers only).....			0	0
12. Investment income due and accrued	3,221,109		3,221,109	6,098,420
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection			0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	15,375
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	7,075,607
16.2Net deferred tax asset.....	130,996,775	127,175,141	3,821,634	380,990
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software.....	2,676,933	2,294,777	382,156	571,685
19. Furniture and equipment, including health care delivery assets (\$)	565,205	565,205	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates			0	2,492,524
22. Health care (\$) and other amounts receivable.....			0	0
23. Aggregate write-ins for other than invested assets	3,179,593	3,142,714	36,879	104,225
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	575,157,064	133,947,652	441,209,412	691,791,549
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	575,157,064	133,947,652	441,209,412	691,791,549
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Security Deposit.....	2,726,122	2,726,122	0	77,930
2302. Other Assets.....	36,879		36,879	42,977
2303. Prepaid Tax.....	416,592	416,592	0	99,765
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	(116,447)
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	3,179,593	3,142,714	36,879	104,225

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	19,781,236	7,373,268
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		0
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	1,191,909	562,331
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	3,434,574	5,591,071
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	171,819	453,148
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses)).....		0
7.2 Net deferred tax liability.....		0
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$507,570 and including warranty reserves of \$)	219,749,396	263,012,701
10. Advance premium.....		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)		0
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		0
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated.....		0
16. Provision for reinsurance (Schedule F, Part 7)	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	466,032	0
20. Payable for securities	20,679,861	0
21. Liability for amounts held under uninsured plans		0
22. Capital notes \$ and interest thereon \$		0
23. Aggregate write-ins for liabilities	74,448,191	185,658,975
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	339,923,018	462,651,493
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	339,923,018	462,651,493
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	15,000,000	15,000,000
29. Preferred capital stock		0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes		10,000,000
32. Gross paid in and contributed surplus	372,633,700	358,303,850
33. Unassigned funds (surplus)	(286,347,306)	(154,163,793)
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)		0
34.2 shares preferred (value included in Line 29 \$)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	101,286,394	229,140,057
36. Totals (Page 2, Line 26, Col. 3)	441,209,412	691,791,549
DETAILS OF WRITE-INS		
2301. Contingency Reserve.....	74,448,191	185,658,975
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	74,448,191	185,658,975
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	26,097,813	92,292,921
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	250,932,065	37,484,570
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	19,248,408	614,697
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	30,589,170	45,581,005
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	300,769,643	83,680,272
7. Net income of protected cells		0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(274,671,830)	8,612,649
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	22,415,677	30,933,517
10. Net realized capital gains (losses) less capital gains tax of \$ (Exhibit of Capital Gains (Losses)).....	(41,142,817)	(5,050,701)
11. Net investment gain (loss) (Lines 9 + 10)	(18,727,140)	25,882,816
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)		0
13. Finance and service charges not included in premiums		0
14. Aggregate write-ins for miscellaneous income	25,223,974	148,168
15. Total other income (Lines 12 through 14)	25,223,974	148,168
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(268,174,996)	34,643,633
17. Dividends to policyholders		0
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)	(268,174,996)	34,643,633
19. Federal and foreign income taxes incurred	779,877	3,806,331
20. Net income (Line 18 minus Line 19) (to Line 22)	(268,954,873)	30,837,302
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	229,140,047	273,643,757
22. Net income (from Line 20)	(268,954,873)	30,837,302
23. Net transfers (to) from Protected Cell accounts		0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	24,752,611	(29,961,174)
25. Change in net unrealized foreign exchange capital gain (loss)		0
26. Change in net deferred income tax	65,878,923	12,579,132
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(65,070,955)	18,034,058
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	0	0
29. Change in surplus notes	(10,000,000)	0
30. Surplus (contributed to) withdrawn from protected cells		0
31. Cumulative effect of changes in accounting principles		0
32. Capital changes:		
32.1. Paid in		0
32.2. Transferred from surplus (Stock Dividend)		0
32.3. Transferred to surplus		0
33. Surplus adjustments:		
33.1. Paid in	14,329,850	0
33.2. Transferred to capital (Stock Dividend)		0
33.3. Transferred from capital		0
34. Net remittances from or (to) Home Office		0
35. Dividends to stockholders		(3,810,636)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37. Aggregate write-ins for gains and losses in surplus	111,210,784	(72,182,392)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(127,853,660)	(44,503,710)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	101,286,387	229,140,047
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401. Other Income.....	11,533	0
1402. Equity Earnings in Affiliates.....	25,193,441	0
1403. Surveillance Consent Fees.....	19,000	148,168
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	25,223,974	148,168
3701. Change In Contingency Reserve.....	111,210,784	(72,182,392)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	111,210,784	(72,182,392)

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	(16,929,553)	111,769,704
2. Net investment income	27,065,499	31,727,001
3. Miscellaneous income	25,223,974	148,168
4. Total (Lines 1 through 3)	35,359,920	143,644,874
5. Benefit and loss related payments	238,524,097	24,130,609
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	51,645,826	49,515,337
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	(6,295,730)	5,974,804
10. Total (Lines 5 through 9)	283,874,192	79,620,751
11. Net cash from operations (Line 4 minus Line 10)	(248,514,272)	64,024,123
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	240,886,038	89,348,453
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	18,250,000	8,798,196
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	73,752
12.7 Miscellaneous proceeds	62,975,754	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	322,111,792	98,220,401
13. Cost of investments acquired (long-term only):		
13.1 Bonds	30,121,705	196,528,872
13.2 Stocks	0	501,539
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	4,329,850	18,250,000
13.6 Miscellaneous applications	42,280,224	60,152
13.7 Total investments acquired (Lines 13.1 to 13.6)	76,731,779	215,340,563
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	245,380,012	(117,120,162)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(10,000,000)	0
16.2 Capital and paid in surplus, less treasury stock	14,329,850	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	3,810,636
16.6 Other cash provided (applied)	1,125,484	3,110,262
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	5,455,334	(700,374)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	2,321,074	(53,796,413)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	61,537,735	115,334,149
19.2 End of year (Line 18 plus Line 19.1)	63,858,810	61,537,735

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	0	0	0	0
2.	Allied lines	0	0	0	0
3.	Farmowners multiple peril	0	0	0	0
4.	Homeowners multiple peril	0	0	0	0
5.	Commercial multiple peril	0	0	0	0
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	0	0	0	0
9.	Inland marine	0	0	0	0
10.	Financial guaranty	(17,165,492)	263,012,701	219,749,396	26,097,813
11.1	Medical malpractice - occurrence	0	0	0	0
11.2	Medical malpractice - claims-made	0	0	0	0
12.	Earthquake	0	0	0	0
13.	Group accident and health	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0
15.	Other accident and health	0	0	0	0
16.	Workers' compensation	0	0	0	0
17.1	Other liability - occurrence	0	0	0	0
17.2	Other liability - claims-made	0	0	0	0
18.1	Products liability - occurrence	0	0	0	0
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	0	0	0	0
19.3,19.4	Commercial auto liability	0	0	0	0
21.	Auto physical damage	0	0	0	0
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	0	0	0	0
24.	Surety	0	0	0	0
26.	Burglary and theft	0	0	0	0
27.	Boiler and machinery	0	0	0	0
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Warranty	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Property	0	0	0	0
32.	Reinsurance - Nonproportional Assumed Liability	0	0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0
35.	TOTALS	(17,165,492)	263,012,701	219,749,396	26,097,813
DETAILS OF WRITE-INS					
3401.	.....			
3402.	.....			
3403.	.....			
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0

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					0
2.	Allied lines					0
3.	Farmowners multiple peril					0
4.	Homeowners multiple peril					0
5.	Commercial multiple peril					0
6.	Mortgage guaranty					0
8.	Ocean marine					0
9.	Inland marine					0
10.	Financial guaranty		219,749,396			219,749,396
11.1	Medical malpractice - occurrence					0
11.2	Medical malpractice - claims-made					0
12.	Earthquake					0
13.	Group accident and health					0
14.	Credit accident and health (group and individual)					0
15.	Other accident and health					0
16.	Workers' compensation					0
17.1	Other liability - occurrence					0
17.2	Other liability - claims-made					0
18.1	Products liability - occurrence					0
18.2	Products liability - claims-made					0
19.1,19.2 Private passenger auto liability						0
19.3,19.4 Commercial auto liability						0
21.	Auto physical damage					0
22.	Aircraft (all perils)					0
23.	Fidelity					0
24.	Surety					0
26.	Burglary and theft					0
27.	Boiler and machinery					0
28.	Credit					0
29.	International					0
30.	Warranty.....					0
31.	Reinsurance - Nonproportional Assumed Property					0
32.	Reinsurance - Nonproportional Assumed Liability					0
33.	Reinsurance - Nonproportional Assumed Financial Lines					0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0
35.	TOTALS	0	219,749,396	0	0	219,749,396
36. Accrued retrospective premiums based on experience						
37. Earned but unbilled premiums						
38. Balance (Sum of Line 35 through 37)						219,749,396
DETAILS OF WRITE-INS						
3401.	.....				
3402.	.....				
3403.	.....				
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

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						0
2.	Allied lines						0
3.	Farmowners multiple peril						0
4.	Homeowners multiple peril						0
5.	Commercial multiple peril						0
6.	Mortgage guaranty						0
8.	Ocean marine						0
9.	Inland marine						0
10.	Financial guaranty	(17,219,930)		86,738		32,300	(17,165,492)
11.1	Medical malpractice - occurrence						0
11.2	Medical malpractice - claims-made						0
12.	Earthquake						0
13.	Group accident and health						0
14.	Credit accident and health (group and individual)						0
15.	Other accident and health						0
16.	Workers' compensation						0
17.1	Other liability - occurrence						0
17.2	Other liability - claims-made						0
18.1	Products liability - occurrence						0
18.2	Products liability - claims-made						0
19.1,19.2	Private passenger auto liability						0
19.3,19.4	Commercial auto liability						0
21.	Auto physical damage						0
22.	Aircraft (all perils)						0
23.	Fidelity						0
24.	Surety						0
26.	Burglary and theft						0
27.	Boiler and machinery						0
28.	Credit						0
29.	International						0
30.	Warranty.....						0
31.	Reinsurance - Nonproportional Assumed Property	XXX					0
32.	Reinsurance - Nonproportional Assumed Liability	XXX					0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX					0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0
35.	TOTALS	(17,219,930)	0	86,738	0	32,300	(17,165,492)
DETAILS OF WRITE-INS							
3401.	.....					
3402.	.....					
3403.	.....					
3498.	Summary of remaining write- ins for Line 34 from overflow page	0	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No []

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 \$

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

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 .....				.0	.0	.0	.0	.0
2.	Allied lines .....				.0	.0	.0	.0	.0
3.	Farmowners multiple peril .....				.0	.0	.0	.0	.0
4.	Homeowners multiple peril .....				.0	.0	.0	.0	.0
5.	Commercial multiple peril .....				.0	.0	.0	.0	.0
6.	Mortgage guaranty .....				.0	.0	.0	.0	.0
8.	Ocean marine .....				.0	.0	.0	.0	.0
9.	Inland marine .....				.0	.0	.0	.0	.0
10.	Financial guaranty	238,332,889	191,208		238,524,097	19,781,236	7,373,268	250,932,065	961.5
11.1	Medical malpractice - occurrence .....				.0	.0	.0	.0	.0
11.2	Medical malpractice - claims-made .....				.0	.0	.0	.0	.0
12.	Earthquake .....				.0	.0	.0	.0	.0
13.	Group accident and health .....				.0	.0	.0	.0	.0
14.	Credit accident and health (group and individual) .....				.0	.0	.0	.0	.0
15.	Other accident and health .....				.0	.0	.0	.0	.0
16.	Workers' compensation .....				.0	.0	.0	.0	.0
17.1	Other liability - occurrence .....				.0	.0	.0	.0	.0
17.2	Other liability - claims-made .....				.0	.0	.0	.0	.0
18.1	Products liability - occurrence .....				.0	.0	.0	.0	.0
18.2	Products liability - claims-made .....				.0	.0	.0	.0	.0
19.1,19.2	Private passenger auto liability .....				.0	.0	.0	.0	.0
19.3,19.4	Commercial auto liability .....				.0	.0	.0	.0	.0
21.	Auto physical damage .....				.0	.0	.0	.0	.0
22.	Aircraft (all perils) .....				.0	.0	.0	.0	.0
23.	Fidelity .....				.0	.0	.0	.0	.0
24.	Surety .....				.0	.0	.0	.0	.0
26.	Burglary and theft .....				.0	.0	.0	.0	.0
27.	Boiler and machinery .....				.0	.0	.0	.0	.0
28.	Credit .....				.0	.0	.0	.0	.0
29.	International .....				.0	.0	.0	.0	.0
30.	Warranty .....				.0	.0	.0	.0	.0
31.	Reinsurance - Nonproportional Assumed Property	XXX			.0	.0	.0	.0	.0
32.	Reinsurance - Nonproportional Assumed Liability	XXX			.0	.0	.0	.0	.0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0	.0	.0	.0	.0
34.	Aggregate write-ins for other lines of business .....	.0	.0	.0	.0	.0	.0	.0	.0
35.	TOTALS	238,332,889	191,208	0	238,524,097	19,781,236	7,373,268	250,932,065	961.5
DETAILS OF WRITE-INS									
3401.	.....							
3402.	.....							
3403.	.....							
3498.	Summary of remaining write-ins for Line 34 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

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	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
		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		
1.	Fire .....				.0				.0	
2.	Allied lines .....				.0				.0	
3.	Farmowners multiple peril .....				.0				.0	
4.	Homeowners multiple peril .....				.0				.0	
5.	Commercial multiple peril .....				.0				.0	
6.	Mortgage guaranty .....				.0				.0	
8.	Ocean marine .....				.0				.0	
9.	Inland marine .....				.0				.0	
10.	Financial guaranty	19,781,236			19,781,236				19,781,236	1,191,909
11.1	Medical malpractice - occurrence .....				.0				.0	
11.2	Medical malpractice - claims-made .....				.0				.0	
12.	Earthquake .....				.0				.0	
13.	Group accident and health .....				.0				(a) .0	
14.	Credit accident and health (group and individual) .....				.0				(a) .0	
15.	Other accident and health .....				.0				.0	
16.	Workers' compensation .....				.0				.0	
17.1	Other liability - occurrence .....				.0				.0	
17.2	Other liability - claims-made .....				.0				.0	
18.1	Products liability - occurrence .....				.0				.0	
18.2	Products liability - claims-made .....				.0				.0	
19.1,19.2	Private passenger auto liability .....				.0				.0	
19.3,19.4	Commercial auto liability .....				.0				.0	
21.	Auto physical damage .....				.0				.0	
22.	Aircraft (all perils) .....				.0				.0	
23.	Fidelity .....				.0				.0	
24.	Surety .....				.0				.0	
26.	Burglary and theft .....				.0				.0	
27.	Boiler and machinery .....				.0				.0	
28.	Credit .....				.0				.0	
29.	International .....				.0				.0	
30.	Warranty .....				.0				.0	
31.	Reinsurance - Nonproportional Assumed Property	XXX			.0	XXX			.0	
32.	Reinsurance - Nonproportional Assumed Liability	XXX			.0	XXX			.0	
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0	XXX			.0	
34.	Aggregate write-ins for other lines of business .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
35.	TOTALS	19,781,236	0	0	19,781,236	0	0	0	19,781,236	1,191,909
DETAILS OF WRITE-INS										
3401.	.....								
3402.	.....								
3403.	.....								
3498.	Summary of remaining write-ins for Line 34 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

(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	19,248,408			19,248,408
1.2 Reinsurance assumed				0
1.3 Reinsurance ceded				0
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	19,248,408	0	0	19,248,408
2. Commission and brokerage:				
2.1 Direct, excluding contingent				0
2.2 Reinsurance assumed, excluding contingent				0
2.3 Reinsurance ceded, excluding contingent				0
2.4 Contingent-direct				0
2.5 Contingent-reinsurance assumed				0
2.6 Contingent-reinsurance ceded				0
2.7 Policy and membership fees				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	0	0	0
3. Allowances to manager and agents				0
4. Advertising		14,542	587	15,129
5. Boards, bureaus and associations		2,114,110	85,351	2,199,461
6. Surveys and underwriting reports				0
7. Audit of assureds' records				0
8. Salary and related items:				
8.1 Salaries		15,929,869	643,121	16,572,990
8.2 Payroll taxes		785,301	31,704	817,006
9. Employee relations and welfare		998,825	40,325	1,039,150
10. Insurance		1,148,565	46,370	1,194,935
11. Directors' fees		439,601	17,748	457,348
12. Travel and travel items		190,065	7,673	197,738
13. Rent and rent items		2,946,359	118,951	3,065,310
14. Equipment		324,937	13,118	338,056
15. Cost or depreciation of EDP equipment and software		669,079	27,012	696,091
16. Printing and stationery		76,638	3,094	79,732
17. Postage, telephone and telegraph, exchange and express		426,585	17,222	443,807
18. Legal and auditing		1,768,993	71,418	1,840,411
19. Totals (Lines 3 to 18)	0	27,833,469	1,123,694	28,957,163
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		(648,552)		(648,552)
20.2 Insurance department licenses and fees		433,296		433,296
20.3 Gross guaranty association assessments				0
20.4 All other (excluding federal and foreign income and real estate)		62,035		62,035
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	0	(153,221)	0	(153,221)
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	0	2,908,922	0	2,908,922
25. Total expenses incurred	19,248,408	30,589,170	1,123,694	(a) 50,961,271
26. Less unpaid expenses - current year	1,191,909	3,606,393		4,798,302
27. Add unpaid expenses - prior year	562,331	6,044,219	0	6,606,550
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	18,618,830	33,026,996	1,123,694	52,769,520
DETAILS OF WRITE-INS				
2401. Consulting Expenses		2,557,105		2,557,105
2402. Interest		(272,512)		(272,512)
2403. Miscellaneous Expenses		254,617		254,617
2498. Summary of remaining write-ins for Line 24 from overflow page	0	369,712	0	369,712
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	0	2,908,922	0	2,908,922

(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) .....2,101,766	.....1,619,451
1.1	Bonds exempt from U.S. tax	(a) .....6,270,583	.....4,175,652
1.2	Other bonds (unaffiliated)	(a) .....16,340,828	.....16,071,095
1.3	Bonds of affiliates	(a) .....0	.....
2.1	Preferred stocks (unaffiliated)	(b) .....0	.....
2.11	Preferred stocks of affiliates	(b) .....0	.....
2.2	Common stocks (unaffiliated) .....	.....0	.....
2.21	Common stocks of affiliates .....	.....0	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) .....1,880,348	.....1,850,015
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....64,802	.....64,802
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	26,658,326	23,781,014
11.	Investment expenses		(g) .....1,365,337
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 .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....1,365,337
17.	Net investment income (Line 10 minus Line 16)		22,415,677
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		0

(a) Includes \$445,832 accrual of discount less \$2,218,520 amortization of premium and less \$67,361 paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 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 \$ 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	3,037,817		3,037,817		
1.1	Bonds exempt from U.S. tax	(1,150,098)		(1,150,098)		
1.2	Other bonds (unaffiliated)	(750,308)	(12,071,357)	(12,821,665)	(1,132,934)	
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	0	0
2.21	Common stocks of affiliates	0	0	0	6,524	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0	0	0
5.	Contract loans	0	0	0	0	0
6.	Cash, cash equivalents and short-term investments	0	0	0	0	0
7.	Derivative instruments	0	0	0	0	0
8.	Other invested assets	0	(30,208,870)	(30,208,870)	25,879,020	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	1,137,410	(42,280,227)	(41,142,817)	24,752,611	0
DETAILS OF WRITE-INS						
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

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).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	769,815	0	(769,815)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	769,815	0	(769,815)
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	220,564	220,564
13.3 Accrued retrospective premiums.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	127,175,141	64,736,862	(62,438,279)
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	2,294,777	2,576,535	281,758
19. Furniture and equipment, including health care delivery assets.....	565,205	748,602	183,397
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	3,142,714	594,135	(2,548,579)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	133,947,652	68,876,697	(65,070,955)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	133,947,652	68,876,697	(65,070,955)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses.....	2,726,122	565,000	(2,161,122)
2302. Prepaid D&O Insurance.....	0	0	0
2303.	416,592	0	(416,592)
2398. Summary of remaining write-ins for Line 23 from overflow page	0	29,135	29,135
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	3,142,714	594,135	(2,548,579)

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, if any, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowance received or receivable.

- (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") as a non-admitted asset as of December 31, 2008. For additional information please see (7) below.
- (4) The Company has no preferred stocks.
- (5) The Company has no mortgage loans.
- (6) Loan-backed securities are stated at amortized cost or the lower of amortized cost or fair market value, using the effective interest rate method. The retrospective adjustment method is used to value all securities.
- (7) In June 2006, the Company established a wholly-owned subsidiary, ACA Singapore, for the purpose of expanding the Company's structured credit business into the Asian markets. ACA Singapore enabled the Company to expand its marketing of its insured credit default swap business, find counterparties, perform credit assessment and negotiate transactions. ACA Singapore did 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 were 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). Through December 31, 2007, ACA Singapore was compensated by the Company on a cost-plus 7% basis for the expenses it incurred. Beginning January 1, 2008, ACA Singapore is reimbursed by the Company on a cost basis only. This change was implemented because the Company will no longer be transacting in the structured credit business, and it is currently undertaking the necessary steps to conclude ACA Singapore's business operations. The Company expects to complete the un-wind of ACA Singapore by year-end 2009. As of December 31, 2008, the Company contributed approximately \$632 thousand of capital into ACA Singapore and did not admit its interest in the amount of \$770 thousand.
- (8) The Company has no joint ventures.
- (9) The Company has no derivatives.
- (10) The Company has no premium deficiencies.
- (11) 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 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 \$21.0 million at December 31, 2008 and include two case reserves. Total unpaid losses and loss adjustment expenses at December 31, 2007 were \$7.9 million.

During the fourth quarter, The American Wine & Food Center (COPIA) filed for bankruptcy. The Company insures bonds issued by COPIA with a par outstanding of approximately \$78 million and ultimately expects to pay claims on this credit. However, because SSAP 60 does not allow for establishment of a loss reserve until a default occurs, the Company has not accrued this loss in its 2008 financial statements. COPIA currently has a debt service reserve funded in the amount of approximately \$7 million. This cash reserve has been and is expected to continue to be used to make scheduled payments under the insured bond. Upon the depletion of the debt service reserve, the Company will begin making claim payments and at that time will establish a loss reserve. The Company expects that this will occur in 2011 or 2012. As of December 31, 2008, the Company had a reserve for loss adjustment expenses of \$825,000. As the mitigation costs become clearer, it may be necessary to increase this loss adjustment expense reserve. Based on the Company's current estimates, the claim reserve may be in the range of \$40 to \$50 million on a present value basis.

Losses incurred in connection with the Company's restructuring under the Global Settlement Agreement were fully settled on August 8, 2008. See Note 20(C) for details on the restructuring transaction.

- (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 twelve months ended December 31, 2008. For the three months ended March 31, 2008, the Company erroneously reported a correction of an error related to the application of a required change in accounting for an investment in a principal protected bond. At December 31, 2007, the bond was carried at its par value, however, the NAIC implemented Issue Paper No. 124 to amend SSAP No. 43, thus requiring such bonds to be carried at their discounted amounts. Application of

NOTES TO FINANCIAL STATEMENTS

this rule resulted in a write-down for this security in the amount of \$10.9 million, which the Company recorded in the first quarter of 2008. Adoption of this statement is not required until 2009, so no error occurred at 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, 2008.

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 2008 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 ACA Service L.L.C., (“ACA Service”) at December 31, 2008. Its value in the financial statements does not exceed 10% of the Company's admitted assets.

The Company has a \$770 thousand investment in ACA Singapore (see Note 1C(7) above) at December 31, 2008 This investment is accounted for as a non-admitted asset.

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, 2008.

8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

9. INCOME TAXES

A The components of the net deferred tax assets and deferred tax liabilities are as follows:

Description	12/31/08	12/31/07
Gross deferred tax assets	\$ 131,006,577	\$ 73,387,669
Gross deferred tax liabilities	(9,802)	(15,052,763)
Net deferred tax asset	130,996,775	58,334,906
Non-admitted deferred tax asset	(127,175,141)	(57,935,902)
Net admitted deferred tax asset	3,821,634	399,004
Decrease (increase) in nonadmitted deferred tax assets	\$ (69,239,239)	\$ (5,888,281)

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	12/31/08	12/31/07
Current year expense / (benefit)	\$ -	\$ -
Prior year (over) / under accrual	120,363	3,806,030
Current income tax expense / (benefit)	120,363	3,806,030
Less: expense / (benefit) on capital gain / (loss)	-	-
Current ordinary income tax expense / (benefit)	\$ 120,363	\$ 3,806,030

NOTES TO FINANCIAL STATEMENTS

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	12/31/08	12/31/07	Change
Net operating loss carryforward	\$ 78,252,156	\$ -	\$ 78,252,156
Unearned premiums reserve	7,693,025	9,194,024	(1,500,999)
Loss reserve discounting (net of salvage)	23,277	70,496	(47,219)
Change in contingency reserve	26,056,869	57,665,266	(31,608,397)
Unearned ceding commissions	-	1,100,002	(1,100,002)
Unamortized licenses	472,500	598,500	(126,000)
Change in accounting method	-	446,627	(446,627)
Fixed assets	1,641,872	1,715,272	(73,400)
Realized losses and impairments	13,983,210	-	13,983,210
Capital loss carryforward	2,350,044	2,327,667	
Other temporary differences	533,624	269,815	263,809
Gross deferred tax asset	131,006,577	73,387,669	57,618,908
Non-admitted deferred tax asset	(127,175,141)	(57,935,902)	(69,239,239)
Gross admitted deferred tax asset	\$ 3,831,436	\$ 15,451,767	\$ (11,620,331)

Deferred tax liabilities	12/31/08	12/31/07	Change
Contingency reserve deduction - T&L bonds	\$ -	\$ (14,664,790)	\$ 14,664,790
Investments	-	(387,973)	387,973
Other	(9,802)	-	(9,802)
Gross deferred tax liabilities	(9,802)	(15,052,763)	15,042,961
Net admitted deferred tax asset / (liability)	\$ 3,821,634	\$ 399,004	\$ 3,422,630

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

Total deferred tax assets	\$ 131,006,577	\$ 73,387,669	\$ 57,618,908
Total deferred tax liabilities	(9,802)	(15,052,763)	15,042,961
Net deferred tax asset (liability)	\$ 130,996,775	\$ 58,334,906	\$ 72,661,869

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, 2008 is set forth below:

Description	Amount	Tax Effect @ 35%
Income / (loss) before taxes	\$ (289,027,966)	\$ (101,159,788)
Change in contingency reserve	90,309,706	31,608,397
Dividends from subsidiaries	(5,000,000)	(1,750,000)
Tax exempt interest, net of proration	(3,549,304)	(1,242,256)
Other	6,115	2,141
Total statutory taxable income	\$ (207,261,449)	\$ (72,541,506)

Federal income tax expense (benefit)	\$ -
Change in net deferred income taxes	(72,661,869)
Prior period adjustment - provision to return	120,363
Total statutory tax expense	\$ (72,541,506)

E 1)The Company generated a combined net operating loss of \$166M as of December 31, 2008, that is available to offset future net income subject to federal income tax. The net operating loss was reduced by the cancellation of indebtedness income its disregarded subsidiary, ACA Service LLC, excluded based on the insolvency exception of \$58M.

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:

Second preceding year (1/1/07 - 11/21/07)	16,025,523
First preceding year (11/22/07 - 12/31/07)	-

The Company filed two stub period tax returns during 2007; from January 1, 2007 to November 21, 2007 and from November 22, 2007 to December 31, 2007. Thus, the Company's current net operating loss was utilized against the second preceding tax year in 2007, January 1, 2007 to November 21, 2007 because a net loss was generated in the first preceding year, November 22, 2007 to December 31, 2007. The amount reflected in both periods includes income and expenses of its disregarded subsidiaries.

3) The Company does not have any deposits admitted under Section 6603 of the Internal Revenue Service Code.

NOTES TO FINANCIAL STATEMENTS

F The Company is included in a consolidated income tax return with its former parent. However, as a result of the restructuring and related transactions, the Company will be precluded from filing as a subsidiary on a prospective basis. Thus, for 2008, the Company will file as a subsidiary in its parent's return for the period January 1, 2008 to August 11, 2008 and thereafter it will file as a standalone corporation with its disregarded subsidiaries from the period August 12, 2008 to December 31, 2008.

The federal income tax rate applicable to ordinary income was 35%.

1) Names of entities included with the Company in its consolidated income tax return filings (Pre 8/12/08):

ACA Capital Holdings, Inc.
ACA Holding LLC.
ACA Financial Products, Inc.
ACA Assurance, Ltd.

2) A written tax sharing agreement was executed at the close of the Restructuring Transaction and was approved by the MIA. The agreement sets forth the manner in which total consolidated tax for all entities is allocated to each entity in the consolidation. Generally, the allocation is based upon separate return calculations. Intercompany tax balances to be settled quarterly following the time at which the consolidated income tax return is filed or estimated tax payments made.

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 reserve 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. The Company had an investment in Tax and Loss Bonds as of December 31, 2008 and December 31, 2007 in the amounts of \$0 and \$18,250,000, respectively. The Tax and Loss Bonds were redeemed in July 2008.

Effective January 1, 2007, the Company adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes. FIN 48 requires the Company to disclose significant uncertain tax positions, in all tax years that are still subject to assessment or challenge under relevant tax statutes.

As of December 31, 2008, the Company had the following significant uncertain tax positions:

	(in thousands)
Balance as of January 1, 2008	\$ -
Additions based on tax positions related to the current year	74,993
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	-
Settlements	-
Balance as of December 31, 2008	<u><u>\$ 74,993</u></u>

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

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”) and traded under the symbol “ACA”. The Company received a \$10 million capital contribution from ACACH from the proceeds of the IPO in December 2006.

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. This termination of registration and suspension of duty to file reports became effective on April 16, 2008 and applies retroactively to the date of notice. See Note 20(C) for a description of the events leading up to ACACH’s delisting.

On August 8, 2008, the Company underwent a restructuring plan and settled its obligations with its structured credit counterparties. As a result of the restructuring, ACACH no longer controls the Company. Rather, control resides with certain former structured credit counterparties with no one counterparty having the ability to individually exert control. See Note 20(C) for additional information regarding ACACH and the Company following the Company’s restructuring which took place on August 8, 2008.

- B. The Company 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. Under the terms of the restructuring, all insurance contracts under structured credit defaults were settled and terminated. See Note 20(C) below.
- C. At December 31, 2008, the Company did not have any balance payable, premium receivable, or interest payable to or from affiliated companies. All existing affiliated balances payable or receivable were settled as part of the August 8th, 2008 restructuring transaction.

NOTES TO FINANCIAL STATEMENTS

- D. In July 2008, the Company redeemed all of its Tax and Loss Bonds and reported \$0 as other invested assets as of December 31, 2008. The Company purchased the Tax and Loss Bonds totaling \$18.3 million in September 2007. 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 previously 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. As part of the August 8 restructuring transaction, the Company no longer has exposure to structure credit default swap transactions. See Note 20(C) below.
- F. At March 31, 2008, 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. At April 1, 2008, in light of the pending restructuring transaction, the cost allocation arrangement was terminated.
- G. At December 31, 2008, the majority common shareholder, ACA Holding, L.L.C. (“ACAH”), a Delaware holding company, held a 76.6% share in the common shares of the Company. The minority shareholder, KPR Ltd. (“KPR”), a Cayman Island company and a wholly-owned subsidiary of ACAH, held the remaining 23.4% share in the common shares of the Company. Each of ACAH and KPR are wholly-owned by ACACH. On August 11, 2008, KPR purchased its 23.4% interest in the Company from ACA Solutions, Ltd, a wholly owned subsidiary of ACAH.. Effective at the closing of the restructuring transaction entered into on August 8, 2008, ACACH disclaimed control over the Company. This disclaimer of control was approved by the MIA. See Note 20(C) for a discussion of the restructuring transaction.
- H. The Company's majority common shareholder and ultimate parent, ACAH and ACACH, respectively, are not owned directly or indirectly via any of the Company's downstream subsidiaries or controlled or affiliated entities. See Note 20(C) for information regarding the ownership structure of the Company following the closing of its restructuring transaction that took place on August 8, 2008.
- I. The Company holds no investment in any SCA entity that exceeds 10% of admitted assets.
- J. The Company impaired its \$30.2 million investment in ACA Service, LLC during the year ended December 31, 2008.
- 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 recognized expense in the amount of \$183 thousand for the defined contribution plan during the quarter ended December 31, 2008. At December 31, 2008, the fair value of plan assets was \$7.4 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 will not make any dividend payments in support of the trust preferred and as part of the restructuring transaction which took place on August 8, 2008, the \$10 million surplus note was cancelled. . See Note 20(C) below for more information on the restructuring.
- (4) Since the Company’s earned surplus was in a negative position at December 31, 2008, no ordinary dividends may be paid in 2008.
- (5) The Company does not have a cumulative net profit and therefore no ordinary dividends can be paid.
- (6) There are no restrictions on unassigned surplus.
- (7) N/A
- (8) The Company holds no stock for special purpose.
- (9) The Company holds no special surplus funds.
- (10) The portion of unassigned surplus represented by cumulative unrealized losses is \$1.2 million.
- (11)

		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
Date Issued	Interest Rate						
12/29/2004	3 months LIBOR plus 3.35%	10,000,000	10,000,000	-	\$2,150,084	-	n/a

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

As part of the restructuring transaction which took place on August 8, 2008, surplus notes with a face amount of \$1 billion were issued to former structured credit counterparties. See Note 20(C) for a description of the notes. These notes were recorded in the surplus notes section of the balance sheet with an offsetting \$1 billion contra account since all payments require MIA’s advance approval. Upon the MIA’s approval of payment, the approved portion will reduce the unassigned surplus and contra account. The actual payments will reduce the surplus notes directly.

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

(13) 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. In July 2008, the Company along with five other bond insurance companies, was named in separate but substantially similar lawsuits brought by the City of Los Angeles and the City of Stockton, CA for misconduct involving the defendants’ triple-A ratings, specifically that defendants fraudulently induced them to purchase municipal bond insurance by failing to properly disclose its exposure to the subprime mortgage market in its public filings and bond insurance agreements. The Company believes it was named in error because the Company has not insured City of Los Angeles bonds, nor did the Company ever have AAA financial strength ratings as described in the complaint. As a result, management does not expect this suit to have a material impact on the statutory-basis financial statements of the Company.

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.

15. LEASES

- A. On November 17, 2006, the Company assumed all of ACA Services’ 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 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. The Company’s rental expense for the period ended December 31, 2008 and December 31, 2007 was approximately \$2.3 million and \$1.6 million, 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, 2008, future minimum rental payments under the renewal lease are as follows:

(Dollars in thousands)			
<u>Year Ending December 31</u>		<u>Operating Leases</u>	
1.	2009	\$	2,382
2.	2010		2,467
3.	2011		2,655
4.	2012		2,655
5.	2013		2,655
6.	Total	\$	12,814
Beyond 5 Years		\$	20,812

The Company intends to sublet all or a portion of its office space at 140 Broadway in order to reduce its monthly rental costs. However, the commercial rent market in New York City has begun to show significant softness due to the state of the economy and the impact of the serious loss of jobs suffered on Wall Street as a result of the financial crisis. The loss of jobs has caused many institutions to have more office space than needed and has resulted in a growing inventory of available space which has, in turn, put downward pressure on rental rates. Additionally, the terms of sublet deals tend to favor the tenant as opposed to the landlord in this environment. Given the current market conditions, it is likely that the Company will sublet all or a portion of its existing space at a loss.

- 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.

NOTES TO FINANCIAL STATEMENTS

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. The Company had no extraordinary items during 2008.
- B. The Company had no troubled debt restructuring during 2008.
- C. Assets in the amount of \$4,817,015 and \$4,826,420 at December 31, 2008, and December 31, 2007, respectively, were on deposit with state authorities or trustees as required by state licensing regulations.

At December 31, 2007, cash in the amount of \$28,351,792 was held as collateral against three issued insured credit swap policies. During the quarter ended March 31, 2008, this collateral was released to the insured parties in conjunction with the negotiated settlement of these transactions. Of the released amount, \$9.5 million was recorded as losses incurred, \$18.3 million was recorded as return of unearned premium and the remaining balance as a reduction of interest income. Additionally, \$2,655,172 is held by the Company’s lessor as collateral to support the Company’s lease obligations. This collateral deposit is treated as a non-admitted asset as of December 31, 2008.

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

The substantial unrealized mark to market loss 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 failed and many others 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.

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 insured credit swap transactions, upon the Company’s downgrade to a level below A-, ACACH was 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 represented an event of default under the insured credit swaps, which gave rise to a mandatory termination payment in an amount approximately equal to the collateral call. This termination payment gave 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 had 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. The Company did not determine the estimated fair values during 2008; however, the Company believes the valuation continued to deteriorate since the 2007 valuation estimate.

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 entered into several additional forbearance agreements with a goal of completing a restructuring transaction in order to permanently solve the Company’s capital and liquidity issues.

On August 8, 2008, the Company entered into a restructuring transaction with its insured credit default swap and other similarly situated counterparties. In sum, the transaction provided that the Company make an upfront loss settlement payment in the amount of \$209 million to its insured swap counterparties as well as issue surplus notes for their benefit. These actions were in full settlement of any and all claims of swap counterparties under their insured credit swaps. By the terms of the transaction, all insurance policies on credit swap transactions were terminated. Also, by the terms of the transaction, 95% of the value of the surplus notes was issued to the counterparties, with the remaining 5% issued to ACACH. The face amount of the new surplus notes is \$1 billion and they do not bear interest. Certain other claimant obligations were settled as part of the restructuring transaction including the settlement of a loss with a carried reserve of \$7.6 million at June 30, 2008. This reserve was fully settled by a payment of \$3.8 million. Additionally a minimum premium payment obligation of \$3 million on a cancelled ceded reinsurance arrangement was settled in the amount of \$150 thousand and a reserve in the amount of \$8.5 million assumed by the Company under a facultative arrangement payment was settled as part of the \$209 million payment. Also as part of the restructuring transaction, a \$100 million medium term note obligation due March 2010 issued by a subsidiary of the Company and guaranteed by the Company was restructured and settled. The settlement was for the cash held by the note issuing subsidiary in the amount of approximately \$32 million and an additional \$15 million from the Company. Also included in the medium term note settlement were certain interests in collateralized debt equity held by ACA Service, LLC.

Interest in the surplus notes issued pursuant to the restructuring transaction are either in the form of voting interests or non-voting interests (at each counterparty’s individual discretion) while notes issued to ACACH represent non-voting interests. By their terms, the surplus notes are subordinate to the claims of policyholders, claimant and beneficiary claims, and to all other classes of creditors other than surplus note holders. However, claims under the surplus notes are superior to claims of preferred and common shareholders of the Company. Payments under the surplus notes can only be out of the surplus of the Company after the Company provides for all reserves and other liabilities and only with the prior written consent of the MIA. Holders of surplus notes with voting rights have the right to nominate all of the persons to serve as directors of the Company. Each holder with greater than 10% voting rights has submitted disclaimers of control over the Company to the MIA. ACACH also submitted a disclaimer of control relative to its ownership in the common stock and surplus notes of the Company.

The final major component of the restructuring transaction was the Intercompany Agreement whereby ACACH and its non Company subsidiaries are treated as one sub-group and the Company and its subsidiaries are treated as a separate sub-group. By its terms, the Intercompany Agreement, provided for the cancellation of a previously issued surplus note in the amount of \$10 million due to ACACH as well as intercompany balances between the Company’s sub-group and the ACACH sub-group. It also provided for a global release of liability among the two sub-groups. In general, the release discharges the entities from any and all actions, cause of action, suits, debts, liens, contracts, rights and other legal obligations against each other, except those provided for in the Intercompany Agreement.

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

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

NOTES TO FINANCIAL STATEMENTS

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 and the subsequent restructuring transaction, the Commissioner did not institute any such proceedings.

Effective at the closing of the restructuring, the Letter Agreement and Consent Order were terminated and replaced with an Order also issued by the MIA. The Order provides for the conduct of the Company following the closing of the restructuring transaction. It requires that the Company limit its ongoing affairs to the run-off of the remaining inforce insured portfolio. The Order also requires, among other things, additional reporting on the financial condition of the Company as well as any changes with respect to directors and key employees.

Following the restructuring, the S&P concluded its review of the Company’s financial strength rating and it was assigned a rating of “B”. At the Company’s request, S&P has since withdrawn its financial strength rating and no longer rates the Company.

- D. The Company had no uncollectible balances.
- E. Not applicable.
- F. The Company had no state transferable credits as of December 31, 2008.
- G. The Company has no investments in hybrid securities.
- H. Subprime Exposure Related Risk Exposure

(1) The Company no longer has risk in its insured exposures to subprime mortgages, except for one insured securitization of manufactured housing mortgages. Other previously insured subprime mortgage exposure was included in the Global Settlement Agreement described in Note 20(C). The one remaining exposure has a par amount of \$6.7 million at December 31, 2008 and the Company has an outstanding loss reserve against this exposure in the amount of \$5.5 milion.

(2) The Company had no investments consisting of direct exposure to subprime-mortgages as of December 31, 2008..

(3) The Company has the following indirect exposures to sub-prime mortgages included in its investment portfolio as of December 31, 2008:

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	2,500,039	2,500,039	2,500,039	1,101,345
b. Commercial mortgage backed securities				
c. Collateralized debt obligations	15,679,798	15,793,926	8,744,115	10,970,012
d. Structured securities				
e. Equity investment in SCAs				
f. Other assets				
g. Total	18,179,837	18,293,965	11,244,154	12,071,357

- (4) See (1) above.

21. EVENTS SUBSEQUENT

None

22. REINSURANCE

A. Unsecured Reinsurance Recoverables

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

B. Reinsurance Recoverable in Dispute

The Company has no reinsurance recoverable in dispute as of December 31, 2008.

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	7,066,898	-0-	507,568	-0-	6,559,330	-0-
Total	\$ 7,066,898	\$ -0-	\$ 507,568	\$ -0-	\$ 6,559,330	\$ -0-

Direct Unearned Premium Reserve \$213,190,065.

There are no contingent commission or profit sharing arrangements at December 31, 2008.

D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balances as of December 31, 2008.

E. Commutation of Ceded Reinsurance

NOTES TO FINANCIAL STATEMENTS

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. By the terms of the contract, the Company was obligated to pay minimum premium to the reinsurer in the amount of \$4.5 million, of which \$1.5 million had been paid through December 31, 2007. This payment obligation was settled as part of the restructuring transaction described in Note 20(C) with a payment by the Company in the amount of \$150,000.

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

As per the restructuring transaction described in Note 20(C), the Company paid claims to its insured credit swap counterparties in the amount of \$209 million at the transaction’s closing date on August 8, 2008. Additionally, a claim payment in the amount of \$15 million was made to holders of the medium term note obligation that was also settled as part of the restructuring. Expenses incurred in connection with the restructuring in the amount of approximately \$18 million were recorded as loss adjustment expenses. No further liability exists with respect to these claims.

During the first quarter of 2008, an insured asset-backed obligation defaulted with respect to an interest payment due. As a result, a case reserve was established in the amount of \$7.8 million during the period, representing the insured principal on the insured obligation. Claim payments in the amount of approximately \$3 million were made in April 2008 and July 2008 for interest payments with respect to this obligation. As part of the restructuring, this claim was fully settled with a payment in the amount of \$3.8 million and no additional liability exists.

As of December 31, 2008, the Company increased its a case reserve for an insured public finance obligation by the amount of \$14.3 million, bringing the total reserve to \$15 million. This amount represented the anticipated debt service shortfall that the Company expects is likely to occur given the facts and circumstances of the insured credit. Claim payments totaling \$1.2 million were made by the Company during 2008.

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 (this bond is owned by a different party) 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 2007 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 \$5.5 million at December 31, 2008. The Company also retains the exposure to the purchased bond which is carried in the financial statements at \$2.5 million at December 31, 2008. No further insurance exposure exists with respect to the other 10 bonds.

During 2007, 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, 2008 from the ceding company, however, this reserve was also settled and satisfied as part of the \$209 million loss settlement payment of the restructuring transaction discussed in Note 20(C).

Also during 2007, 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, 2008, the weighted average discount factor used was 4.87%. The effect of discounting on the Company’s loss reserves at December 31, 2008 was \$12,283,241.

33. ASBESTOS/ENVIRONMENTAL RESERVES

NOTES TO FINANCIAL STATEMENTS

The Company does not write this line of business and therefore has no asbestos/environmental reserves at December 31, 2008.

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.

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 [X] No []
- 2.2

If yes, date of change:

08/05/2008
- 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
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [X] No [] NA []
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [X] No [] NA []
- 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 [] No [X]
- 7.2

If yes,

7.21

State the percentage of foreign control

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, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

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 locations (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 []

a.

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

b.

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

c.

Compliance with applicable governmental laws, rules and regulations;

d.

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

e.

Accountability for adherence to the code.
- 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 [] No [X]
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 is 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

\$0

18.12 To stockholders not officers

\$0

18.13 Trustees, supreme or grand (Fraternal only)

\$0

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

\$0

18.22 To stockholders not officers

\$0

18.23 Trustees, supreme or grand (Fraternal only)

\$0

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

Yes [] No [X]

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

19.21 Rented from others

\$0

19.22 Borrowed from others

\$0

19.23 Leased from others

\$0

19.24 Other

\$0

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 [] No [X]

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

\$0

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? (other than securities lending programs addressed in 22.3).

Yes [X] No []

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [] No []

22.5 If answer to 22.4 is YES, report amount of collateral

\$

22.6 If answer to 22.4 is NO, report amount of collateral

\$

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 and 22.3)

Yes [X] No []

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

23.21 Subject to repurchase agreements

\$

23.22 Subject to reverse repurchase agreements

\$

23.23 Subject to dollar repurchase agreements

\$

23.24 Subject to reverse dollar repurchase agreements

\$

23.25 Pledged as collateral

\$2,655,172

23.26 Placed under option agreements

\$

23.27 Letter stock or securities restricted as to sale

\$

23.28 On deposit with state or other regulatory body

\$4,817,015

23.29 Other

\$

23.3 For category (23.27) 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-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - 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 , National Association.....	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		0

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.....	431,856,440	410,204,572	(21,651,868)
28.2 Preferred stocks.....	0		0
28.3 Totals	431,856,440	410,204,572	(21,651,868)

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

Bond pricing vendors (IDC, Kenny & Bloomberg).....

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 exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$132,812

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.....	507,812

31.1 Amount of payments for legal expenses, if any?.....\$2,067,464

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.....	973,767

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?....\$105,939

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.....	105,939

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.

\$.....0

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.

\$.....0

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$.....0

1.62

Total incurred claims

\$.....0

1.63

Number of covered lives

.....0

All years prior to most current three years:

1.64

Total premium earned

\$.....0

1.65

Total incurred claims

\$.....0

1.66

Number of covered lives

.....0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$.....0

1.72

Total incurred claims

\$.....0

1.73

Number of covered lives

.....0

All years prior to most current three years:

1.74

Total premium earned

\$.....0

1.75

Total incurred claims

\$.....0

1.76

Number of covered lives

.....0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$

.....0

\$

.....0

2.2

Premium Denominator

\$

.....26,097,813

\$

.....92,292,921

2.3

Premium Ratio (2.1/2.2)

.....0.000

.....0.000

2.4

Reserve Numerator

\$

.....0

\$

.....0

2.5

Reserve Denominator

\$

.....20,973,145

\$

.....270,948,300

2.6

Reserve Ratio (2.4/2.5)

.....0.000

.....0.000

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 [X]

5.22

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

Yes [] No [] NA [X]

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

.....

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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 evaluates its probable maximum loss as part of the underwriting and surveillance process and uses various financial exposure models as part of the process of evaluating its exposures

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 financial guaranty insurer. These reserves are established in addition to specific case reserves on financial guaranty business to ensure the the payment of claims in the event of 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 []

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 filed an attestation supplement.

Yes [] No [X]
Yes [] No [X]
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 [] No [X]

11.2

If yes, give full information

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 [] NA [X]

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

Direct Losses

Direct Written

Direct Premium

Direct Premium

Incurred

Unpaid

Premium

Unearned

Earned

16.11

Home

\$

\$

\$

\$

\$

16.12

Products

\$

\$

\$

\$

\$

16.13

Automobile

\$

\$

\$

\$

\$

16.14

Other*

\$

\$

\$

\$

\$

* Disclose type of coverage:

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 2008	2 2007	3 2006	4 2005	5 2004
Gross Premiums Written (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)	0	0	0	0	0
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(17,133,192)	107,003,274	72,602,774	90,244,468	49,447,228
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
6. Total (Line 35)	(17,133,192)	107,003,274	72,602,774	90,244,468	49,447,228
Net Premiums Written (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)	0	0	0	0	0
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(17,165,492)	105,470,974	69,867,866	86,605,241	49,429,461
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
12. Total (Line 35)	(17,165,492)	105,470,974	69,867,866	86,605,241	49,429,461
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(274,671,830)	8,612,649	32,051,500	9,008,476	(17,695,683)
14. Net investment gain (loss) (Line 11)	(18,727,140)	25,882,816	24,149,270	19,788,205	14,899,283
15. Total other income (Line 15)	25,223,974	148,168	209,500	225,048	8,726,302
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	779,877	3,806,331	18,475,230	8,870,897	44,833
18. Net income (Line 20)	(268,954,873)	30,837,302	37,935,039	20,150,831	5,885,069
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	441,209,412	691,791,549	640,900,479	595,365,786	540,456,581
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	0	0	0	0	0
20.2 Deferred and not yet due (Line 13.2)	0	15,375	4,782,571	8,140,139	604,877
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	339,923,018	462,651,493	367,256,722	329,257,010	250,453,970
22. Losses (Page 3, Line 1)	19,781,236	7,373,268	(5,980,693)	(4,816,484)	3,005,526
23. Loss adjustment expenses (Page 3, Line 3)	1,191,909	562,331	600,921	250,000	0
24. Unearned premiums (Page 3, Line 9)	219,749,396	263,012,701	249,834,648	249,242,021	209,226,173
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)	101,286,394	229,140,057	273,643,757	266,108,776	290,002,606
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(248,514,272)	64,024,123	39,798,230	50,832,509	35,471,544
Risk-Based Capital Analysis					
28. Total adjusted capital	0	0	0	0	0
29. Authorized control level risk-based capital	0	0	0	0	0
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	85.0	87.9	80.0	86.4	81.4
31. Stocks (Lines 2.1 & 2.2)	0.0	0.1	0.0	0.0	0.0
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	14.7	9.1	18.7	12.5	16.6
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.3	2.9	1.3	1.2	2.1
37. Receivables for securities (Line 8)	0.0	0.0	0.0	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)	0	0	0	0	0
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	0	0	0	0	0
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	769,815	763,291	153,543	0	0
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
44. Affiliated mortgage loans on real estate	0	0	0	0	0
45. All other affiliated	0	0	0	0	0
46. Total of above Lines 40 to 45	769,815	763,291	153,543	0	0
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)	0.8	0.3	0.1	0.0	0.0

FIVE-YEAR HISTORICAL DATA

	1	2	3	4	5
	2008	2007	2006	2005	2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	24,752,611	(29,961,174)	(2,661,146)	(2,077,221)	0
49. Dividends to stockholders (Line 35)	0	(3,810,636)	(2,661,146)	(2,077,221)	0
50. Change in surplus as regards policyholders for the year (Line 38)	(127,853,660)	(44,503,710)	7,534,981	(23,893,830)	152,219,412
Gross Losses Paid (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)	0	0	0	0	0
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	238,524,097	24,130,609	(796,880)	16,847,731	9,923,843
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
56. Total (Line 35)	238,524,097	24,130,609	(796,880)	16,847,731	9,923,843
Net Losses Paid (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)	0	0	0	0	0
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	238,524,097	24,130,609	(796,880)	16,847,731	9,923,843
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
62. Total (Line 35)	238,524,097	24,130,609	(796,880)	16,847,731	9,923,843
Operating Percentages (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)	961.5	40.6	(2.8)	19.4	62.1
65. Loss expenses incurred (Line 3)	73.8	0.7	1.8	0.8	21.3
66. Other underwriting expenses incurred (Line 4)	117.2	49.4	54.7	60.5	79.4
67. Net underwriting gain (loss) (Line 8)	(1,052.5)	9.3	46.3	19.3	(62.8)
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	(31.3)	43.1	54.0	32.3	27.6
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	1,035.3	41.3	(1.0)	20.2	83.3
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	(16.9)	46.0	25.5	32.5	17.0
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(2,852)	4,718	(2,984)	698	3,353
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)	(1.2)	1.7	(1.1)	0.2	2.4
Two Year Loss Development (000 omitted)					
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)	10,255	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)	3.7	0.7	0.2	2.3	2.7



ANNUAL STATEMENT FOR THE YEAR 2008 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 2008				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 .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2.1	Allied lines .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2.2	Multiple peril crop .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2.3	Federal flood .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.	Farmowners multiple peril .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.	Homeowners multiple peril .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5.1	Commercial multiple peril (non-liability portion) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5.2	Commercial multiple peril (liability portion) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6.	Mortgage guaranty .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.	Ocean marine .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
9.	Inland marine .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
10.	Financial guaranty	(17,219,927)	24,384,980	.0	213,190,065	238,332,890	259,320,537	19,781,236	18,618,830	19,248,407	1,191,908	.0	2,009,737
11.	Medical malpractice .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12.	Earthquake .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13.	Group accident and health (b) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
14.	Credit A & H (group and individual) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.1	Collectively renewable A & H (b) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.2	Non-cancelable A & H (b) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.3	Guaranteed renewable A & H (b) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.4	Non-renewable for stated reasons only (b) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.5	Other accident only .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.6	Medicare Title XVIII exempt from state taxes or fees .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.7	All other A & H (b) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
15.8	Federal employees health benefits program premium (b) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
16.	Workers' compensation .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
17.1	Other liability .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
17.3	Excess workers' compensation .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
18.	Products liability .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
19.1	Private passenger auto no-fault (personal injury protection) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
19.2	Other private passenger auto liability .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
19.3	Commercial auto no-fault (personal injury protection) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
19.4	Other commercial auto liability .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
21.1	Private passenger auto physical damage .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
21.2	Commercial auto physical damage .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
22.	Aircraft (all perils) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
23.	Fidelity .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
24.	Surety .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
26.	Burglary and theft .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
27.	Boiler and machinery .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
28.	Credit .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
30.	Warranty .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34.	Aggregate write-ins for other lines of business .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
35.	TOTALS (a)	(17,219,927)	24,384,980	0	213,190,065	238,332,890	259,320,537	19,781,236	18,618,830	19,248,407	1,191,908	0	2,009,737
DETAILS OF WRITE-INS													
3401.	.....											
3402.	.....											
3403.	.....											
3498.	Summary of remaining write-ins for Line 34 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Finance and service charges not included in Lines 1 to 35 \$0 .
(b) For health business on indicated lines report: Number of persons insured under PPO managed care products0 and number of persons insured under indemnity only products0

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SCHEDULE F - PART 1

Assumed Reinsurance as of December 31, Current Year (000 Omitted)

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE F - PART 2

Premium Portfolio Reinsurance Effected or (Canceled) during Current Year	Reinsured by Affiliated Company	Reinsured by Non-Affiliated Company	Total
	\$0	\$0	\$0

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>					

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE F - PART 3

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

[illegible]

NOTE: Report the five largest provisional commission rates included in the cedant's reinsurance treaties. The commission rate to be reported is by contract with ceded premium in excess of \$50,000:

	1	2	3
	<u>Name of Reinsurer</u>	<u>Commission Rate</u>	<u>Ceded Premium</u>
1.		
2.		
3.		
4.		
5.		

B. Report the five largest reinsurance recoverables reported in Column 15, due from any one reinsurer (based on the total recoverables, Line 9999999, Column 15), the amount of ceded premium, and indicate whether the recoverables are due from an affiliated insurer.

	1	2	3	4
	<u>Name of Reinsurer</u>	<u>Total Recoverables</u>	<u>Ceded Premiums</u>	<u>Affiliated</u>
1.			Yes [] No []
2.			Yes [] No []
3.			Yes [] No []
4.			Yes [] No []
5.			Yes [] No []

23

NONE

99999999 Totals

[illegible]

24

24

24

24

- 24

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)	433,747,634		433,747,634
2. Premiums and considerations (Line 13)	0		0
3. Reinsurance recoverable on loss and loss adjustment expense payments (Line 14.1).....	0		0
4 Funds held by or deposited with reinsured companies (Line 14.2).....	0		0
5. Other assets	7,461,777		7,461,777
6. Net amount recoverable from reinsurers		507,568	507,568
7. Protected cell assets (Line 25)	0		0
8. Totals (Line 26)	441,209,412	507,568	441,716,980
<u>LIABILITIES</u> (Page 3)			
9. Losses and loss adjustment expenses (Lines 1 through 3)	20,973,145		20,973,145
10. Taxes, expenses, and other obligations (Lines 4 through 8)	3,606,393		3,606,393
11. Unearned premiums (Line 9)	219,749,396	507,568	220,256,964
12. Advance Premiums (Line 10)	0		0
13. Dividends declared and unpaid (Line 11.1 and 11.2)	0		0
14. Ceded reinsurance premiums payable (net of ceded commissions) (Line 12)	0		0
15. Funds held by company under reinsurance treaties (Line 13)	0		0
16. Amounts withheld or retained by company for account of others (Line 14)	0		0
17. Provision for reinsurance (Line 16)	0		0
18. Other liabilities	95,594,084		95,594,084
19. Total liabilities excluding protected cell business (Line 24)	339,923,018	507,568	340,430,586
20. Protected cell liabilities (Line 25)	0		0
21. Surplus as regards policyholders (Line 35)	101,286,394	X X X	101,286,394
22. Totals (Line 36)	441,209,412	507,568	441,716,980

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
	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)	Number of Claims Reported - Direct and Assumed
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	0	0	0	0	0	0	0	0	XXX
2. 1999	7,185	3,978	3,207	0	0	0	0	0	0	0	0	XXX
3. 2000	13,902	10,901	3,001	0	0	0	0	0	0	0	0	XXX
4. 2001	13,500	11,913	1,587	948	47	5	0	0	0	140	905	XXX
5. 2002	17,650	6,200	11,449	3,965	265	2	0	0	0	3,793	3,702	XXX
6. 2003	25,956	5,888	20,068	0	0	0	0	0	0	0	0	XXX
7. 2004	36,048	7,861	28,187	19,789	0	6,000	0	0	0	0	25,789	XXX
8. 2005	51,224	4,634	46,589	5,494	0	1,747	0	0	0	0	7,241	XXX
9. 2006	72,477	3,202	69,275	0	0	299	0	0	0	0	299	XXX
10. 2007	94,135	1,842	92,293	24,048	0	15	0	0	0	0	24,062	XXX
11. 2008	26,172	74	26,098	239,963	0	18,440	0	0	0	0	258,403	XXX
12. Totals	XXX	XXX	XXX	294,206	313	26,507	0	0	0	3,932	320,401	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 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
2.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
3.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
4.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
5.	(749)	0	0	0	0	0	0	0	0	0	(749)	(749)	XXX
6.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
8.	6,697	0	0	0	222	0	0	0	0	0	0	6,919	XXX
9.	0	0	0	0	825	0	0	0	0	0	0	825	XXX
10.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
11.	26,117	0	0	0	144	0	0	0	0	0	0	26,261	XXX
12. Totals	32,064	0	0	0	1,192	0	0	0	0	0	(749)	33,256	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	0	0	XXX	0	0
2.	0	0	0	0.0	0.0	0.0	0	0		0	0
3.	0	0	0	0.0	0.0	0.0	0	0		0	0
4.	953	48	905	7.1	0.4	57.1	0	0		0	0
5.	3,218	265	2,953	18.2	4.3	25.8	0	0		(749)	0
6.	0	0	0	0.0	0.0	0.0	0	0		0	0
7.	25,789	0	25,789	71.5	0.0	91.5	0	0		0	0
8.	14,160	0	14,160	27.6	0.0	30.4	1,237	0		5,460	222
9.	1,124	0	1,124	1.6	0.0	1.6	0	0		0	825
10.	24,062	0	24,062	25.6	0.0	26.1	0	0		0	0
11.	284,664	0	284,664	1,087.7	0.0	1,090.8	11,046	0		15,071	144
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	12,283	0	XXX	19,781	1,192

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year
1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.905	.905	.905	.905	.905	.905	.905	.905	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	3,353	3,173	3,152	3,153	2,953	(199)	(199)
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	21,131	22,009	22,046	26,227	25,789	(439)	3,743
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	11,241	8,241	8,985	14,160	5,175	5,918
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	331	124	1,124	1,000	793
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,450	24,062	(8,388)	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	284,664	XXX	XXX
12. Totals											(2,852)	10,255

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	.000	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX
4. 2001	XXX	XXX	.905	.905	.905	.905	.905	.905	.905	.905	XXX	XXX
5. 2002	XXX	XXX	XXX	2,303	4,563	7,887	11,286	8,661	7,406	3,702	XXX	XXX
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	XXX	XXX
7. 2004	XXX	XXX	XXX	XXX	XXX	12,600	25,370	25,869	25,869	25,789	XXX	XXX
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	793	2,943	5,001	7,241	XXX	XXX
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	96	112	299	XXX	XXX
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,964	24,062	XXX	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	258,403	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 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008
1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	131	.0	.0	.0	.0
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0

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	(1,736)	0	378	0	0	0	(3,704)	(1,358)	XXX
2. 2007	94,135	1,842	92,293	24,048	0	15	0	0	0	0	24,062	XXX
3. 2008	26,172	74	26,098	239,963	0	18,440	0	0	0	0	258,403	XXX
4. Totals	XXX	XXX	XXX	262,274	0	18,833	0	0	0	(3,704)	281,107	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.	5,948	0	0	0	1,048	0	0	0	0	0	(749)	6,995	1
2.	0	0	0	0	0	0	0	0	0	0	0	0	0
3.	26,117	0	0	0	144	0	0	0	0	0	0	26,261	7
4.	32,064	0	0	0	1,192	0	0	0	0	0	(749)	33,256	8

	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	1,237	0	XXX	4,710	1,048
2.	24,062	0	24,062	25.6	0.0	26.1	0	0	0.0	0	0
3.	284,664	0	284,664	1,087.7	0.0	1,090.8	11,046	0	0.0	15,071	144
4.	XXX	XXX	XXX	XXX	XXX	XXX	12,283	0	XXX	19,781	1,192

Schedule P - Part 1T - Warranty

NONE

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 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	11 One Year	12 Two Year
1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	XXX	XXX
12. Totals											0	0

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

1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	XXX	XXX
12. Totals											0	0

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

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(3,798)	.920	.6,457	.5,537	10,255
2. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,450	24,062	(8,388)	XXX
3. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	284,664	XXX	XXX
4. Totals											(2,852)	10,255

SCHEDULE P - PART 2T - WARRANTY

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0
2. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	XXX
3. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	XXX	XXX
4. Totals											0	0

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	.000	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0

NONE

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

1. Prior	.000	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0

NONE

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

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.000	.820	(.538)	XXX	XXX
2. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,964	24,062	XXX	XXX
3. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	258,403	XXX	XXX

SCHEDULE P - PART 3T - WARRANTY

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.000	.0	.0	XXX	XXX
2. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	XXX	XXX
3. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	XXX	XXX

NONE

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	2	3	4	5	6	7	8	9	10
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0

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

1. Prior	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 1999	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2000	XXX	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2001	XXX	XXX	.0	.0	.0	.0	.0	.0	.0	.0
5. 2002	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0	.0
6. 2003	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0	.0
7. 2004	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0	.0
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0	.0
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0

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

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0
2. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0
3. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0

SCHEDULE P - PART 4T - WARRANTY

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0	.0
2. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0	.0
3. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0

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 5T- SN1
NONE

Schedule P - Part 5T- SN2
NONE

Schedule P - Part 5T- SN3
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.

The following questions relate to yet-to-be-issued Extended Reporting Endorsements (EREs) arising from Death, Disability, or Retirement (DDR) provisions in Medical Malpractice Claims Made insurance policies. EREs provided for reasons other than DDR are not to be included.
- 1.1

Does the company issue Medical Malpractice Claims Made insurance policies that provide tail (also known as an extended reporting endorsement, or "ERE") benefits in the event of Death, Disability, or Retirement (DDR) at a reduced charge or at no additional cost?
If the answer to question 1.1 is "no", leave the following questions blank. If the answer to question 1.1 is "yes", please answer the following questions:

Yes [] No [X]
- 1.2

What is the total amount of the reserve for that provision (DDR Reserve), as reported, explicitly or not, elsewhere in this statement (in dollars)?.....
- 1.3

Does the company report any DDR reserve as Unearned Premium Reserve per SSAP #65?

Yes [] No [X]
- 1.4

Does the company report any DDR reserve as loss or loss adjustment expense reserve?

Yes [] No [X]
- 1.5

If the company reports DDR reserve as Unearned Premium Reserve, does that amount match the figure on the Underwriting and Investment Exhibit, Part 1A – Recapitulation of all Premiums (Page 7) Column 2, Lines 11.1 plus 11.2?

Yes [] No []
- 1.6

If the company reports DDR reserve as loss or loss adjustment expense reserve, please complete the following table corresponding to where these reserves are reported in Schedule P:

Years in Which Premiums Were Earned and Losses Were Incurred		DDR Reserve Included in Schedule P, Part 1F, Medical Malpractice Column 24: Total Net Losses and Expenses Unpaid	
		1	2
		Section 1: Occurrence	Section 2: Claims-Made
1.601	Prior		
1.602	1999		
1.603	2000		
1.604	2001		
1.605	2002		
1.606	2003		
1.607	2004		
1.608	2005		
1.609	2006		
1.610	2007		
1.611	2008		
1.612	Totals	0	0

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)

5.1Fidelity

5.2Surety
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						
	Active Status	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	L	.0	116,876	.0	.0	.0	.0	
2. Alaska	AK	L	.0	51,385	.0	.0	.0	.0	
3. Arizona	AZ	L	.0	300,494	.0	.0	.0	.0	
4. Arkansas	AR	L	.0	151,347	.0	613,531	613,531	.0	
5. California	CA	L	.0	3,672,992	.0	.0	.0	.0	
6. Colorado	CO	L	.0	1,898,816	.0	.0	.0	.0	
7. Connecticut	CT	L	.0	116,117	.0	.0	.0	.0	
8. Delaware	DE	L	21,547	391,031	.0	.0	.0	.0	
9. District of Columbia	DC	L	.0	147,760	.0	.0	.0	.0	
10. Florida	FL	L	103,350	2,248,430	.0	.0	.0	.0	
11. Georgia	GA	L	.0	1,209,744	.0	.0	.0	.0	
12. Hawaii	HI	L	.0	0	.0	.0	.0	.0	
13. Idaho	ID	L	.0	0	.0	.0	.0	.0	
14. Illinois	IL	L	.0	2,635,083	.0	.0	.0	.0	
15. Indiana	IN	L	.0	80,328	.0	.0	.0	.0	
16. Iowa	IA	L	.0	0	.0	.0	.0	.0	
17. Kansas	KS	L	.0	18,647	.0	.0	.0	.0	
18. Kentucky	KY	L	.0	25,767	.0	.0	.0	.0	
19. Louisiana	LA	L	11,640	120,296	.0	.0	.0	.0	
20. Maine	ME	L	.0	0	.0	.0	.0	.0	
21. Maryland	MD	L	.0	59,869	.0	.0	.0	.0	
22. Massachusetts	MA	L	.0	298,078	.0	.0	.0	.0	
23. Michigan	MI	L	.0	189,616	.0	.0	.0	.0	
24. Minnesota	MN	L	6,018	861,306	.0	(1,456,788)	4,725,335	4,710,393	.0
25. Mississippi	MS	L	3,313	178,224	.0	1,165,220	16,236,063	15,070,843	.0
26. Missouri	MO	L	10,000	208,430	.0	.0	.0	.0	
27. Montana	MT	L	.0	0	.0	.0	.0	.0	
28. Nebraska	NE	L	.0	0	.0	.0	.0	.0	
29. Nevada	NV	L	.0	102,150	.0	.0	.0	.0	
30. New Hampshire	NH	L	61,253	1,025,006	.0	.0	.0	.0	
31. New Jersey	NJ	L	.0	180,044	.0	.0	.0	.0	
32. New Mexico	NM	L	.0	7,632	.0	.0	.0	.0	
33. New York	NY	L	(17,798,250)	3,720,459	.0	233,990,721	234,084,046	.0	
34. North Carolina	NC	L	.0	32,833	.0	.0	.0	.0	
35. North Dakota	ND	L	.0	30,024	.0	.0	.0	.0	
36. Ohio	OH	L	.0	49,469	.0	.0	.0	.0	
37. Oklahoma	OK	L	.0	206,080	.0	.0	.0	.0	
38. Oregon	OR	L	.0	63,956	.0	.0	.0	.0	
39. Pennsylvania	PA	L	48,560	1,793,151	.0	.0	.0	.0	
40. Rhode Island	RI	L	.0	12,256	.0	.0	.0	.0	
41. South Carolina	SC	L	.0	73,758	.0	.0	.0	.0	
42. South Dakota	SD	L	.0	43,625	.0	.0	.0	.0	
43. Tennessee	TN	L	.0	0	.0	.0	.0	.0	
44. Texas	TX	L	.0	808,217	.0	.0	.0	.0	
45. Utah	UT	L	.0	0	.0	.0	.0	.0	
46. Vermont	VT	L	.0	65,967	.0	.0	.0	.0	
47. Virginia	VA	L	103,763	134,754	.0	.0	.0	.0	
48. Washington	WA	L	.0	408,862	.0	.0	.0	.0	
49. West Virginia	WV	L	.0	64,293	.0	.0	.0	.0	
50. Wisconsin	WI	L	.0	76,699	.0	.0	.0	.0	
51. Wyoming	WY	L	.0	21,683	.0	.0	.0	.0	
52. American Samoa	AS	N	.0	0	.0	.0	.0	.0	
53. Guam	GU	L	.0	76,602	.0	.0	.0	.0	
54. Puerto Rico	PR	L	.0	90,921	.0	.0	.0	.0	
55. U.S. Virgin Islands	VI	L	.0	78,851	.0	.0	.0	.0	
56. Northern Mariana Islands	MP	N	.0	0	.0	.0	.0	.0	
57. Canada	ON	N	.0	0	.0	.0	.0	.0	
58. Aggregate other alien	OT	XXX	208,879	237,052	.0	4,020,206	3,661,562	.0	0
59. Totals	(a) 54	(17,219,927)	24,384,980	0	238,332,890	259,320,537	19,781,236	0	0
DETAILS OF WRITE-INS									
5801. Alien(01)	XXX	208,879	237,052	.0	4,020,206	3,661,562	.0	.0	
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page.	XXX	.0	.0	.0	.0	.0	.0	.0	0
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	208,879	237,052	0	4,020,206	3,661,562	0	0	0

(a) Insert the number of L 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						.0
2. Alaska	AK						.0
3. Arizona	AZ						.0
4. Arkansas	AR						.0
5. California	CA						.0
6. Colorado	CO						.0
7. Connecticut	CT						.0
8. Delaware	DE						.0
9. District of Columbia	DC						.0
10. Florida	FL						.0
11. Georgia	GA						.0
12. Hawaii	HI						.0
13. Idaho	ID						.0
14. Illinois	IL						.0
15. Indiana	IN						.0
16. Iowa	IA						.0
17. Kansas	KS						.0
18. Kentucky	KY						.0
19. Louisiana	LA						.0
20. Maine	ME						.0
21. Maryland	MD						.0
22. Massachusetts	MA						.0
23. Michigan	MI						.0
24. Minnesota	MN						.0
25. Mississippi	MS						.0
26. Missouri	MO						.0
27. Montana	MT						.0
28. Nebraska	NE						.0
29. Nevada	NV						.0
30. New Hampshire	NH						.0
31. New Jersey	NJ						.0
32. New Mexico	NM						.0
33. New York	NY						.0
34. North Carolina	NC						.0
35. North Dakota	ND						.0
36. Ohio	OH						.0
37. Oklahoma	OK						.0
38. Oregon	OR						.0
39. Pennsylvania	PA						.0
40. Rhode Island	RI						.0
41. South Carolina	SC						.0
42. South Dakota	SD						.0
43. Tennessee	TN						.0
44. Texas	TX						.0
45. Utah	UT						.0
46. Vermont	VT						.0
47. Virginia	VA						.0
48. Washington	WA						.0
49. West Virginia	WV						.0
50. Wisconsin	WI						.0
51. Wyoming	WY						.0
52. American Samoa	AS						.0
53. Guam	GU						.0
54. Puerto Rico	PR						.0
55. U.S. Virgin Islands	VI						.0
56. Northern Mariana Islands	MP						.0
57. Canada	CN						.0
58. Aggregate Other Alien	OT						.0
59. Totals		0	0	0	0	0	0

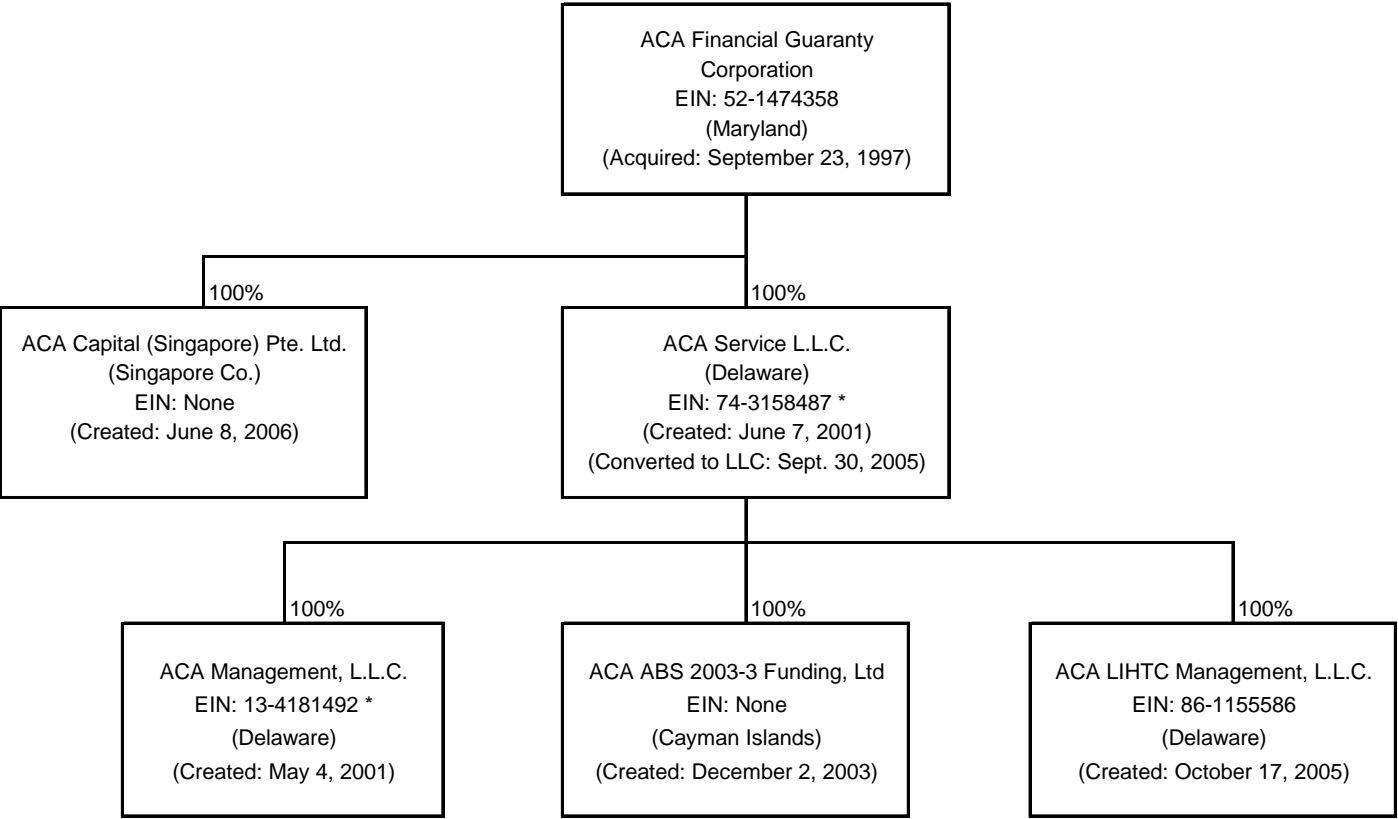
NONE

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

PART 1 - ORGANIZATIONAL CHART

ACA Financial Guaranty Corporation and Subsidiaries - Corporate Structure

(As of December 31, 2008)



ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE Y

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

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability)
22896	52-1474358	ACA Financial Guaranty Corporation	25,193,441				616,797				25,810,238	
	84-1411715	ACA Service L.L.C.	(20,019,551)	(1,736,012)			9,346,041				(12,409,522)	
		ACA Singapore					(616,797)				(616,797)	
	16-1728131	ACA Risk Solutions	13,743,050	(3,568,373)							10,174,677	
	13-4181492	ACA Management LLC	(15,752,343)				(9,346,041)				(25,098,384)	
	13-4181537	ACA Financial Assets LLC		5,304,386							5,304,386	
	13-4181499	ACA Securities LLC	(18,000)								(18,000)	
	13-4181509	ACA Risk Structures	(3,146,597)								(3,146,597)	
9999999 Control Totals			0	0	0	0	0	0	XXX	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2008 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 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 confidential 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 confidential 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.
14.

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

15.













17.

21.

22.

23.

Bar Code:

3.	 2 2 8 9 6 2 0 0 8 3 9 0 0 0 0 0 0
4.	 2 2 8 9 6 2 0 0 8 3 9 0 0 0 0 0 0
8.	 2 2 8 9 6 2 0 0 8 2 0 1 0 0 0 0 0
10.	 2 2 8 9 6 2 0 0 8 4 2 0 0 0 0 0 0
12.	 2 2 8 9 6 2 0 0 8 3 6 0 5 9 0 0 0
13.	 2 2 8 9 6 2 0 0 8 4 5 5 0 0 0 0 0
14.	 2 2 8 9 6 2 0 0 8 4 9 0 0 0 0 0 0
15.	 2 2 8 9 6 2 0 0 8 3 8 5 0 0 0 0 0
17.	 2 2 8 9 6 2 0 0 8 3 6 5 0 0 0 0 0
21.	 2 2 8 9 6 2 0 0 8 2 3 0 5 9 0 0 0
22.	 2 2 8 9 6 2 0 0 8 3 3 0 5 9 0 0 0
23.	 2 2 8 9 6 2 0 0 8 2 1 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. Interest Receivable/(Payable) Affiliate.....	0	0	0	(116,447)
2305.			0	0
2397. Summary of remaining write-ins for Line 23 from page 2	0	0	0	(116,447)

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. Intercompany Cost Allocations.....		369,712		369,712
2497. Summary of remaining write-ins for Line 24 from page 11	0	369,712	0	369,712

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.	0	0	0
2305.	0	0	0
2306. Prepaid Insurance.....	0	29,135	29,135
2307.	0	0	0
2397. Summary of remaining write-ins for Line 23 from page 13	0	29,135	29,135

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	5,929,710	1.365	5,929,710	1.367
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies	53,093,377	12.219	53,093,377	12.241
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	5,065,712	1.166	5,065,712	1.168
1.43 Revenue and assessment obligations	15,475,109	3.561	15,475,109	3.568
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	28,534,895	6.567	28,534,895	6.579
1.512 Issued or guaranteed by FNMA and FHLMC	43,313,545	9.968	43,313,545	9.986
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	15,392,200	3.542	15,392,200	3.549
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		0.000		0.000
1.523 All other	72,280,751	16.635	72,280,751	16.664
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	120,604,697	27.756	120,604,697	27.805
2.2 Unaffiliated foreign securities	10,198,828	2.347	10,198,828	2.351
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated	769,815	0.177		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	63,858,811	14.696	63,858,811	14.723
9. Other invested assets		0.000		0.000
10. Total invested assets	434,517,450	100.000	433,747,635	100.000

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1. Book/adjusted carrying value, December 31 of prior year.....	0
2. Cost of acquired:	
2.1 Actual cost at time of acquisition (Part 2, Column 6).....	0
2.2 Additional investment made after acquisition (Part 2, Column 7).....	0
3. Current year change in encumbrances:	
3.1 Totals, Part 1, Column 13.....	0
3.2 Totals, Part 3, Column 11.....	0
4. Total gain (loss) on disposals, Part 3, Column 18.....	0
5. Deduct amounts received on disposals, Part 3, Column 15.....	0
6. Total foreign exchange change in book/adjusted carrying value:	
6.1 Totals, Part 1, Column 15.....	0
6.2 Totals, Part 3, Column 13.....	0
7. Deduct current year's other than temporary impairment recognized:	
7.1 Totals, Part 1, Column 12.....	0
7.2 Totals, Part 3, Column 10.....	0
8. Deduct current year's depreciation:	
8.1 Totals, Part 1, Column 11.....	0
8.2 Totals, Part 3, Column 9.....	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8).....	0
10. Deduct total nonadmitted amounts.....	
11. Statement value at end of current period (Line 9 minus Line 10).....	0

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0
2. Cost of acquired:	
2.1 Actual cost at time of acquisition (Part 2, Column 7).....	0
2.2 Additional investment made after acquisition (Part 2, Column 8).....	0
3. Capitalized deferred interest and other:	
3.1 Totals, Part 1, Column 12.....	0
3.2 Totals, Part 3, Column 11.....	0
4. Accrual of discount.....	
5. Unrealized valuation increase (decrease):	
5.1 Totals, Part 1, Column 9.....	0
5.2 Totals, Part 3, Column 8.....	0
6. Total gain (loss) on disposals, Part 3, Column 18.....	0
7. Deduct amounts received on disposals, Part 3, Column 15.....	0
8. Deduct amortization of premium and mortgage interest points and commitment fees.....	
9. Total foreign exchange change in book value/recorded investment excluding accrued interest:	
9.1 Totals, Part 1, Column 13.....	0
9.2 Totals, Part 3, Column 13.....	0
10. Deduct current year's other than temporary impairment recognized:	
10.1 Totals, Part 1, Column 11.....	0
10.2 Totals, Part 3, Column 10.....	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0
12. Total valuation allowance.....	
13. Subtotal (Line 11 plus Line 12).....	0
14. Deduct total nonadmitted amounts.....	
15. Statement value at end of current period (Line 13 minus Line 14).....	0

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Other Long-Term Invested Assets

1. Book/adjusted carrying value, December 31 of prior year.....	19,339,891
2. Cost of acquired:	
2.1 Actual cost at time of acquisition (Part 2, Column 8).....	0
2.2 Additional investment made after acquisition (Part 2, Column 9).....	4,329,850 4,329,850
3. Capitalized deferred interest and other:	
3.1 Totals, Part 1, Column 16.....	0
3.2 Totals, Part 3, Column 12.....	0 0
4. Accrual of discount.....	177
5. Unrealized valuation increase (decrease):	
5.1 Totals, Part 1, Column 13.....	25,879,020
5.2 Totals, Part 3, Column 9.....	0 25,879,020
6. Total gain (loss) on disposals, Part 3, Column 19.....	0
7. Deduct amounts received on disposals, Part 3, Column 16.....	18,250,000
8. Deduct amortization of premium and depreciation.....	
9. Total foreign exchange change in book/adjusted carrying value:	
9.1 Totals, Part 1, Column 17.....	0
9.2 Totals, Part 3, Column 14.....	0 0
10. Deduct current year's other than temporary impairment recognized:	
10.1 Totals, Part 1, Column 15.....	30,208,870
10.2 Totals, Part 3, Column 11.....	0 30,208,870
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	1,090,068
12. Deduct total nonadmitted amounts.....	
13. Statement value at end of current period (Line 11 minus Line 12).....	1,090,068

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book /adjusted carrying value, December 31 of prior year.....	594,165,968
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	30,121,705
3. Accrual of discount.....	445,832
4. Unrealized valuation increase (decrease):	
4.1 Column 12, Part 1.....	(1,140,320)
4.2 Column 15, Part 2, Section 1.....	0
4.3 Column 13, Part 2, Section 2.....	6,524
4.4 Column 11, Part 4.....	7,386 (1,126,410)
5. Total gain (loss) on disposals, Column 19, Part 4.....	1,137,407
6. Deduction consideration for bonds and stocks disposed of, Column 7, Part 4.....	240,886,038
7. Deduct amortization of premium.....	2,218,520
8. Total foreign exchange change in book/adjusted carrying value:	
8.1 Column 15, Part 1.....	0
8.2 Column 19, Part 2, Section 1.....	0
8.3 Column 16, Part 2, Section 2.....	0
8.4 Column 15, Part 4.....	0 0
9. Deduct current year's other than temporary impairment recognized:	
9.1 Column 14, Part 1.....	12,071,357
9.2 Column 17, Part 2, Section 1.....	0
9.3 Column 14, Part 2, Section 2.....	0
9.4 Column 13, Part 4.....	0 12,071,357
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	369,568,588
11. Deduct total nonadmitted amounts.....	769,815
12. Statement value at end of current period (Line 10 minus Line 11).....	368,798,773

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
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	87,557,982	92,903,473	87,461,681	86,863,272
	2. Canada	0	0	0	0
	3. Other Countries	0	0	0	0
	4. Totals	87,557,982	92,903,473	87,461,681	86,863,272
States, Territories and Possessions (Direct and guaranteed)	5. United States	0	0	0	0
	6. Canada	0	0	0	0
	7. Other Countries	0	0	0	0
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	5,065,712	4,880,549	5,162,654	4,805,000
	10. Canada	0	0	0	0
	11. Other Countries	0	0	0	0
	12. Totals	5,065,712	4,880,549	5,162,654	4,805,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	74,180,854	76,105,959	74,520,474	73,508,289
	14. Canada	0	0	0	0
	15. Other Countries	0	0	0	0
	16. Totals	74,180,854	76,105,959	74,520,474	73,508,289
Public Utilities (unaffiliated)	17. United States	2,989,857	2,964,950	3,039,270	2,950,000
	18. Canada	0	0	0	0
	19. Other Countries	934,867	840,041	934,935	935,000
	20. Totals	3,924,724	3,804,991	3,974,205	3,885,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	176,757,557	156,369,310	178,239,687	174,287,949
	22. Canada	999,261	998,200	994,390	1,000,000
	23. Other Countries	20,312,666	11,958,611	20,346,832	43,559,428
	24. Totals	198,069,484	169,326,121	199,580,909	218,847,377
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	368,798,756	347,021,093	370,699,923	387,908,938
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States	0	0	0	
	28. Canada	0	0	0	
	29. Other Countries	0	0	0	
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	0	0	0	
	32. Canada	0	0	0	
	33. Other Countries	0	0	0	
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States	0	0	0	
	36. Canada	0	0	0	
	37. Other Countries	0	0	0	
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States	0	0	0	
	42. Canada	0	0	0	
	43. Other Countries	0	0	0	
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	0	0	0	
	46. Canada	0	0	0	
	47. Other Countries	0	0	0	
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	0	0	0	
	50. Canada	0	0	0	
	51. Other Countries	0	0	0	
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals	769,815	769,815	631,531	
	54. Total Common Stocks	769,815	769,815	631,531	
	55. Total Stocks	769,815	769,815	631,531	
	56. Total Bonds and Stocks	369,568,571	347,790,908	371,331,454	

ANNUAL STATEMENT FOR THE YEAR 2008 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

	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)
1. U.S. Governments, (Group 1)											
1.1 Class 1	6,996,222	47,509,083	13,979,174	9,240,035	9,833,468	87,557,982	20.3	115,189,875	18.8	87,557,982	.0
1.2 Class 2 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
1.3 Class 3 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
1.4 Class 4 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
1.5 Class 5 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
1.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
1.7 Totals	6,996,222	47,509,083	13,979,174	9,240,035	9,833,468	87,557,982	20.3	115,189,875	18.8	87,557,982	0
2. All Other Governments, (Group 2)											
2.1 Class 1 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
2.2 Class 2 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
2.3 Class 3 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
2.4 Class 4 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
2.5 Class 5 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
2.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories and Possessions etc., Guaranteed, (Group 3)											
3.1 Class 1 .....	.0	.0	.0	.0	.0	.0	0.0	19,326,473	3.2	.0	.0
3.2 Class 2 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
3.3 Class 3 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
3.4 Class 4 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
3.5 Class 5 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
3.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
3.7 Totals	0	0	0	0	0	0	0.0	19,326,473	3.2	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, (Group 4)											
4.1 Class 1 .....	.0	1,063,180	133,227	3,869,305	.0	5,065,712	1.2	27,967,710	4.6	5,065,712	.0
4.2 Class 2 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
4.3 Class 3 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
4.4 Class 4 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
4.5 Class 5 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
4.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
4.7 Totals	0	1,063,180	133,227	3,869,305	0	5,065,712	1.2	27,967,710	4.6	5,065,712	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, (Group 5)											
5.1 Class 1	5,119,120	15,451,199	22,904,242	20,828,818	5,504,879	69,808,258	16.2	206,387,825	33.7	69,808,258	.0
5.2 Class 2 .....	.0	.0	3,638,428	.0	.0	3,638,428	0.8	.0	0.0	3,638,428	.0
5.3 Class 3 .....	.0	734,168	.0	.0	.0	734,168	0.2	.0	0.0	734,168	.0
5.4 Class 4 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
5.5 Class 5 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	.0
5.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
5.7 Totals	5,119,120	16,185,367	26,542,670	20,828,818	5,504,879	74,180,854	17.2	206,387,825	33.7	74,180,854	0

ANNUAL STATEMENT FOR THE YEAR 2008 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), (Group 6)											
6.1 Class 1 .....	.0	.0	1,932,454	.0	1,134,882	3,067,336	.0.7	3,067,012	.0.5	3,067,336	.0
6.2 Class 2 .....	.0	857,388	.0	.0	.0	857,388	.0.2	870,387	.0.1	857,388	.0
6.3 Class 3 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
6.4 Class 4 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
6.5 Class 5 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
6.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
6.7 Totals	0	857,388	1,932,454	0	1,134,882	3,924,724	0.9	3,937,399	0.6	3,924,724	0
7. Industrial & Miscellaneous (Unaffiliated), (Group 7)											
7.1 Class 1	76,052,786	50,767,922	71,631,160	377,388	27,749,289	226,578,545	.52.5	214,243,175	.35.0	214,175,264	12,403,281
7.2 Class 2	697,284	7,962,955	2,575,783	710,015	17,469,365	29,415,402	.6.8	18,887,938	.3.1	17,219,639	12,195,763
7.3 Class 3 .....	.0	401,200	.0	.0	573,750	974,950	.0.2	590,231	.0.1	974,950	.0
7.4 Class 4 .....	.0	.0	.0	.0	.0	.0	.0.0	2,050,704	.0.3	.0	.0
7.5 Class 5 .....	.0	1,658,232	.0	.0	.0	1,658,232	.0.4	.0	.0.0	1,658,232	.0
7.6 Class 6	200,106	781,898	872,534	645,501	0	2,500,039	0.6	4,261,047	0.7	2,500,039	0
7.7 Totals	76,950,176	61,572,207	75,079,477	1,732,904	45,792,404	261,127,168	60.5	240,033,095	39.2	236,528,124	24,599,044
8. Credit Tenant Loans, (Group 8)											
8.1 Class 1 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
8.2 Class 2 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
8.3 Class 3 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
8.4 Class 4 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
8.5 Class 5 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
8.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parent, Subsidiaries and Affiliates, (Group 9)											
9.1 Class 1 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
9.2 Class 2 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
9.3 Class 3 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
9.4 Class 4 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
9.5 Class 5 .....	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
9.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	0	0
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2008 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	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 (a)
10. Total Bonds Current Year											
10.1 Class 1	(d) 88,168,128	114,791,384	110,580,257	34,315,546	44,222,518	392,077,833	90.8	XXX	XXX	379,674,552	12,403,281
10.2 Class 2	(d) 697,284	8,820,343	6,214,211	710,015	17,469,365	33,911,218	7.9	XXX	XXX	21,715,455	12,195,763
10.3 Class 3	(d) 0	1,135,368	0	0	573,750	1,709,118	0.4	XXX	XXX	1,709,118	0
10.4 Class 4	(d) 0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.5 Class 5	(d) 0	1,658,232	0	0	0	(c) 1,658,232	0.4	XXX	XXX	1,658,232	0
10.6 Class 6	(d) 200,106	781,898	872,534	645,501	0	(c) 2,500,039	0.6	XXX	XXX	2,500,039	0
10.7 Totals	89,065,518	127,187,225	117,667,002	35,671,062	62,265,633	(b) 431,856,440	100.0	XXX	XXX	407,257,396	24,599,044
10.8 Line 10.7 as a % of Col. 6	20.6	29.5	27.2	8.3	14.4	100.0	XXX	XXX	XXX	94.3	5.7
11. Total Bonds Prior Year											
11.1 Class 1	44,492,121	154,025,748	247,433,696	61,296,816	78,933,689	XXX	XXX	586,182,070	95.6	549,859,397	36,322,676
11.2 Class 2	0	7,040,663	4,353,052	0	8,364,610	XXX	XXX	19,758,325	3.2	18,511,357	1,246,969
11.3 Class 3	0	590,231	0	0	0	XXX	XXX	590,231	0.1	590,231	0
11.4 Class 4	0	0	2,050,704	0	0	XXX	XXX	2,050,704	0.3	2,050,704	0
11.5 Class 5	0	0	0	0	0	XXX	XXX	(c) 0	0.0	0	0
11.6 Class 6	403,672	1,546,404	1,623,204	687,767	0	XXX	XXX	(c) 4,261,047	0.7	4,261,048	0
11.7 Totals	44,895,793	163,203,046	255,460,656	61,984,583	87,298,299	XXX	XXX	(b) 612,842,377	100.0	575,272,737	37,569,645
11.8 Line 11.7 as a % of Col. 8	7.3	26.6	41.7	10.1	14.2	XXX	XXX	100.0	XXX	93.9	6.1
12. Total Publicly Traded Bonds											
12.1 Class 1	87,854,264	111,712,414	107,566,880	34,315,546	38,225,448	379,674,552	87.9	549,859,397	89.7	379,674,552	XXX
12.2 Class 2	697,284	8,820,344	6,214,211	710,015	5,273,602	21,715,456	5.0	18,511,356	3.0	21,715,456	XXX
12.3 Class 3	0	1,135,368	0	0	573,750	1,709,118	0.4	590,231	0.1	1,709,118	XXX
12.4 Class 4	0	0	0	0	0	0	0.0	2,050,704	0.3	0	XXX
12.5 Class 5	0	1,658,232	0	0	0	1,658,232	0.4	0	0.0	1,658,232	XXX
12.6 Class 6	200,106	781,898	872,534	645,501	0	2,500,039	0.6	4,261,047	0.7	2,500,039	XXX
12.7 Totals	88,751,654	124,108,256	114,653,625	35,671,062	44,072,800	407,257,397	94.3	575,272,735	93.9	407,257,397	XXX
12.8 Line 12.7 as a % of Col. 6	21.8	30.5	28.2	8.8	10.8	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	20.6	28.7	26.5	8.3	10.2	94.3	XXX	XXX	XXX	94.3	XXX
13. Total Privately Placed Bonds											
13.1 Class 1	313,864	3,078,969	3,013,377	0	5,997,070	12,403,280	2.9	36,322,677	5.9	XXX	12,403,280
13.2 Class 2	0	0	0	0	12,195,763	12,195,763	2.8	1,246,969	0.2	XXX	12,195,763
13.3 Class 3	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.4 Class 4	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.5 Class 5	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.6 Class 6	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.7 Totals	313,864	3,078,969	3,013,377	0	18,192,833	24,599,043	5.7	37,569,646	6.1	XXX	24,599,043
13.8 Line 13.7 as a % of Col. 6	1.3	12.5	12.2	0.0	74.0	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	0.7	0.7	0.0	4.2	5.7	XXX	XXX	XXX	XXX	5.7

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

(b) Includes \$, current year, prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by current year, \$ prior year of bonds with Z designations and \$ 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 \$ 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.

(d) Includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$..... .

ANNUAL STATEMENT FOR THE YEAR 2008 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 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
1. U.S. Governments. (Group 1)											
1.1 Issuer Obligations	5,721,148	43,436,443	9,865,496	.0	.0	59,023,087	13.7	105,991,363	17.3	59,023,087	.0
1.2 Single Class Mortgage-Backed/Asset-Backed Securities	1,275,074	4,072,640	4,113,678	9,240,035	9,833,468	28,534,895	6.6	9,198,512	1.5	28,534,895	0
1.7 Totals	6,996,222	47,509,083	13,979,174	9,240,035	9,833,468	87,557,982	20.3	115,189,875	18.8	87,557,982	0
2. All Other Governments. (Group 2)											
2.1 Issuer Obligations	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
2.2 Single Class Mortgage-Backed/Asset-Backed Securities	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
2.3 Defined	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
2.4 Other	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
2.5 Defined	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
2.6 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories, and Possessions Guaranteed. (Group 3)											
3.1 Issuer Obligations	.0	.0	.0	.0	.0	.0	.0.0	19,326,473	3.2	.0	.0
3.2 Single Class Mortgage-Backed/Asset-Backed Securities	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
3.3 Defined	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
3.4 Other	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
3.5 Defined	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
3.6 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
3.7 Totals	0	0	0	0	0	0	0.0	19,326,473	3.2	0	0
4. Political Subdivisions of States, Territories and Possessions. Guaranteed. (Group 4)											
4.1 Issuer Obligations	.0	1,063,180	133,227	3,869,305	.0	5,065,712	1.2	27,967,710	4.6	5,065,712	.0
4.2 Single Class Mortgage-Backed/Asset-Backed Securities	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
4.3 Defined	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
4.4 Other	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
4.5 Defined	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
4.6 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
4.7 Totals	0	1,063,180	133,227	3,869,305	0	5,065,712	1.2	27,967,710	4.6	5,065,712	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed. (Group 5)											
5.1 Issuer Obligations	.0	734,168	11,669,401	2,071,540	1,000,000	15,475,109	3.6	141,909,858	23.2	15,475,109	.0
5.2 Single Class Mortgage-Backed/Asset-Backed Securities	5,082,467	15,311,648	11,333,274	9,600,525	1,985,632	43,313,546	10.0	48,912,002	8.0	43,313,545	.0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
5.3 Defined	36,653	139,551	3,539,995	9,156,753	2,519,248	15,392,200	3.6	15,565,967	2.5	15,392,200	.0
5.4 Other	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
5.5 Defined	.0	.0	.0	.0	.0	.0	.0.0	.0	.0.0	.0	.0
5.6 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
5.7 Totals	5,119,120	16,185,367	26,542,670	20,828,818	5,504,880	74,180,855	17.2	206,387,827	33.7	74,180,854	0

ANNUAL STATEMENT FOR THE YEAR 2008 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
6. Public Utilities (Unaffiliated), (Group 6)											
6.1 Issuer Obligations	0	857,388	1,932,454	0	1,134,882	3,924,724	0.9	3,937,399	0.6	3,924,724	0
6.2 Single Class Mortgage-Backed/Asset-Based Securities	0	0	0	0	0	0	0.0	0	0.0	0	0
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
6.3 Defined	0	0	0	0	0	0	0.0	0	0.0	0	0
6.4 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
6.5 Defined	0	0	0	0	0	0	0.0	0	0.0	0	0
6.6 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
6.7 Totals	0	857,388	1,932,454	0	1,134,882	3,924,724	0.9	3,937,399	0.6	3,924,724	0
7. Industrial & Miscellaneous (Unaffiliated), (Group 7)											
7.1 Issuer Obligations	68,316,795	49,222,267	19,702,101	710,015	26,211,969	164,163,147	38.0	132,268,879	21.6	154,021,581	10,141,566
7.2 Single Class Mortgage-Backed/Asset-Based Securities	0	0	0	0	0	0	0.0	0	0.0	0	0
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
7.3 Defined	0	0	0	0	0	0	0.0	0	0.0	0	0
7.4 Other	0	1,575,899	421,369	0	0	1,997,268	0.5	1,997,472	0.3	1,997,268	0
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
7.5 Defined	7,408,285	3,519,019	47,048,983	0	8,531,729	66,508,016	15.4	67,588,575	11.0	63,099,245	3,408,772
7.6 Other	1,225,096	7,255,023	7,907,023	1,022,888	11,048,706	28,458,736	6.6	38,178,172	6.2	17,410,030	11,048,706
7.7 Totals	76,950,176	61,572,208	75,079,476	1,732,903	45,792,404	261,127,167	60.5	240,033,098	39.2	236,528,124	24,599,044
8. Credit Tenant Loans, (Group 8)											
8.1 Issuer Obligations	0	0	0	0	0	0	0.0	0	0.0	0	0
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parents, Subsidiaries and Affiliates, (Group 9)											
9.1 Issuer Obligations	0	0	0	0	0	0	0.0	0	0.0	0	0
9.2 Single Class Mortgage-Backed/Asset-Based Securities	0	0	0	0	0	0	0.0	0	0.0	0	0
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
9.3 Defined	0	0	0	0	0	0	0.0	0	0.0	0	0
9.4 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
9.5 Defined	0	0	0	0	0	0	0.0	0	0.0	0	0
9.6 Other	0	0	0	0	0	0	0.0	0	0.0	0	0
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2008 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	74,037,943	95,313,446	43,302,679	6,650,860	28,346,851	247,651,779	57.3	XXX	XXX	237,510,213	10,141,566
10.2 Single Class Mortgage-Backed/Asset-Backed Securities	6,357,541	19,384,288	15,446,952	18,840,560	11,819,100	71,848,441	16.6	XXX	XXX	71,848,440	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
10.3 Defined	36,653	139,551	3,539,995	9,156,753	2,519,248	15,392,200	3.6	XXX	XXX	15,392,200	0
10.4 Other	0	1,575,899	421,369	0	0	1,997,268	0.5	XXX	XXX	1,997,268	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
10.5 Defined	7,408,285	3,519,019	47,048,983	0	8,531,729	66,508,016	15.4	XXX	XXX	63,099,245	3,408,772
10.6 Other	1,225,096	7,255,023	7,907,023	1,022,888	11,048,706	28,458,736	6.6	XXX	XXX	17,410,030	11,048,706
10.7 Totals	89,065,518	127,187,226	117,667,001	35,671,061	62,265,634	431,856,440	100.0	XXX	XXX	407,257,396	24,599,044
10.8 Line 10.7 as a % of Col. 6	20.6	29.5	27.2	8.3	14.4	100.0	XXX	XXX	XXX	94.3	5.7
11. Total Bonds Prior Year											
11.1 Issuer Obligations	32,754,002	122,140,335	179,803,365	36,313,595	60,390,385	XXX	XXX	431,401,682	70.4	410,494,613	20,907,067
11.2 Single Class Mortgage-Backed/Asset-Backed Securities	7,779,290	21,605,361	14,361,390	11,417,564	2,946,909	XXX	XXX	58,110,514	9.5	58,110,515	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
11.3 Defined	188,784	18,458	2,697,350	9,930,895	2,730,480	XXX	XXX	15,565,967	2.5	15,565,966	0
11.4 Other	526,905	1,470,567	0	0	0	XXX	XXX	1,997,472	0.3	1,997,472	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
11.5 Defined	2,671,349	8,058,848	48,326,649	2,502,140	6,029,589	XXX	XXX	67,588,575	11.0	63,863,798	3,724,776
11.6 Other	975,465	9,909,477	10,271,904	1,820,390	15,200,936	XXX	XXX	38,178,172	6.2	25,240,370	12,937,801
11.7 Totals	44,895,795	163,203,046	255,460,658	61,984,584	87,298,299	XXX	XXX	612,842,382	100.0	575,272,734	37,569,644
11.8 Line 11.7 as a % of Col. 8	7.3	26.6	41.7	10.1	14.2	XXX	XXX	100.0	XXX	93.9	6.1
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	74,037,943	92,316,007	43,302,680	6,650,860	21,202,723	237,510,213	55.0	410,494,615	67.0	237,510,213	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities	6,357,540	19,384,288	15,446,952	18,840,560	11,819,099	71,848,439	16.6	58,110,514	9.5	71,848,439	XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
12.3 Defined	36,653	139,551	3,539,995	9,156,753	2,519,248	15,392,200	3.6	15,565,967	2.5	15,392,200	XXX
12.4 Other	0	1,575,899	421,369	0	0	1,997,268	0.5	1,997,472	0.3	1,997,268	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
12.5 Defined	7,094,421	3,437,488	44,035,607	0	8,531,729	63,099,245	14.6	63,863,799	10.4	63,099,245	XXX
12.6 Other	1,225,096	7,255,023	7,907,023	1,022,888	0	17,410,030	4.0	25,240,369	4.1	17,410,030	XXX
12.7 Totals	88,751,653	124,108,256	114,653,626	35,671,061	44,072,799	407,257,395	94.3	575,272,736	93.9	407,257,395	XXX
12.8 Line 12.7 as a % of Col. 6	21.8	30.5	28.2	8.8	10.8	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	20.6	28.7	26.5	8.3	10.2	94.3	XXX	XXX	XXX	94.3	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations	0	2,997,439	0	0	7,144,128	10,141,567	2.3	20,907,068	3.4	XXX	10,141,567
13.2 Single Class Mortgage-Backed/Asset-Backed Securities	0	0	0	0	0	0	0.0	0	0.0	XXX	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
13.3 Defined	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.4 Other	0	0	0	0	0	0	0.0	0	0.0	XXX	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
13.5 Defined	313,864	81,531	3,013,377	0	0	3,408,772	0.8	3,724,776	0.6	XXX	3,408,772
13.6 Other	0	0	0	0	11,048,706	11,048,706	2.6	12,937,801	2.1	XXX	11,048,706
13.7 Totals	313,864	3,078,970	3,013,377	0	18,192,834	24,599,045	5.7	37,569,645	6.1	XXX	24,599,045
13.8 Line 13.7 as a % of Col. 6	1.3	12.5	12.2	0.0	74.0	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	0.7	0.7	0.0	4.2	5.7	XXX	XXX	XXX	XXX	5.7

SCHEDULE DA - 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, December 31 of prior year.....	19,439,720	19,439,720	0	0	0
2. Cost of short-term investments acquired	534,493,740	534,493,740			
3. Accrual of discount.....	0				
4. Unrealized valuation increase (decrease).....	0				
5. Total gain (loss) on disposals.....	0				
6. Deduct consideration received on disposals.....	490,875,777	490,875,777			
7. Deduct amortization of premium.....	0				
8. Total foreign exchange change in book/adjusted carrying value.....	0				
9. Deduct current year's other than temporary impairment recognized.....	0				
10. Book adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	63,057,683	63,057,683	0	0	0
11. Deduct total nonadmitted amounts.....	0				
12. Statement value at end of current period (Line 10 minus Line 11)	63,057,683	63,057,683	0	0	0

(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

Schedule E - Verification

NONE

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NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

E07

E07

E07

E07

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE BA - PART 2

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

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Year

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2008 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	Code	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	When Paid	Admitted Amount Due & Accrued	Amount Rec. During Year	Acquired	Maturity
31339X-2W-5..	Fed Home Ln Bank.....				1..	3,914,432	105.9060	4,342,146	4,100,000	3,983,819	.0	23,006	.0	.0	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	107.9380	4,317,520	4,000,000	4,012,506	.0	(2,944)	.0	.0	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	111.0310	4,330,209	3,900,000	4,003,900	.0	(20,985)	.0	.0	5.130	4.455	MN..	20,563	200,070	03/04/2005..	05/24/2013.
3134A4-UK-8..	Freddie Mac.....				1..	16,205,312	111.5630	17,850,080	16,000,000	16,112,373	.0	(20,270)	.0	.0	4.875	4.711	MN..	99,667	780,000	02/22/2006..	11/15/2013.
3134A4-UM-4..	Freddie Mac.....				1..	4,391,661	110.3130	4,964,085	4,500,000	4,426,555	.0	12,505	.0	.0	4.500	4.868	JJ..	93,375	202,500	06/27/2006..	01/15/2014.
3134A4-US-1..	Freddie Mac.....				1..	4,622,245	102.0310	4,795,457	4,700,000	4,687,435	.0	22,340	.0	.0	4.250	4.755	JJ..	92,107	199,750	12/21/2005..	07/15/2009.
31359M-HK-2..	FNMA.....				1..	3,608,469	109.3440	3,827,040	3,500,000	3,549,728	.0	(21,002)	.0	.0	5.500	4.809	MS..	56,681	192,500	02/22/2006..	03/15/2011.
31359M-PF-4..	FNMA.....				1..	3,954,000	107.6880	4,307,520	4,000,000	3,973,445	.0	6,379	.0	.0	4.375	4.570	MS..	51,528	175,000	10/07/2005..	09/15/2012.
31359M-UT-8..	FNMA.....				1..	4,500,502	108.0000	5,077,080	4,701,000	4,580,009	.0	19,688	.0	.0	4.125	4.679	AO..	40,938	193,916	08/20/2004..	04/15/2014.
31359M-XH-1..	FNMA.....				1..	3,677,688	103.3130	3,925,894	3,800,000	3,763,607	.0	30,715	.0	.0	3.875	4.758	FA..	55,628	147,250	01/26/2006..	02/15/2010.
912827-7L-0..	US Treasury.....				1..	200,188	111.8980	223,796	200,000	200,102	.0	(33)	.0	.0	4.875	4.855	FA..	3,683	9,750	08/09/2006..	02/15/2012.
912827-7L-0..	US Treasury.....	SD..			1..	3,838,595	111.8980	4,291,288	3,835,000	3,836,963	.0	(629)	.0	.0	4.875	4.855	FA..	70,616	186,956	08/09/2006..	02/15/2012.
912828-CT-5..	US Treasury.....				1..	861,413	114.9380	982,720	855,000	858,932	.0	(614)	.0	.0	4.250	4.157	FA..	13,725	36,338	09/08/2004..	08/15/2014.
912828-CY-0..	US Treasury.....				1..	1,037,923	102.1250	1,054,951	1,033,000	1,033,714	.0	(1,038)	.0	.0	3.375	3.270	MS..	10,401	34,864	09/28/2004..	09/15/2009.
0199999 - Total Bonds - U.S. Government - Issuer Obligations						58,914,634	XXX	64,289,786	59,124,000	59,023,088	.0	47,118	.0	.0	XXX	XXX	XXX	639,414	2,697,769	XXX	XXX
01N052-61-6..	GNMA TBA.....			2..	1..	20,618,750	103.0940	20,618,750	20,000,000	20,618,750	.0	.0	.0	.0	5.500	5.248	MON..	61,111	.0	12/18/2008..	04/01/2036.
36200A-BE-8..	GNMA Pool 595037.....			2..	1..	8,745	103.5460	8,794	8,493	8,737	.0	3	.0	.0	6.000	4.846	MON..	42	510	11/04/2003..	10/15/2032.
36200A-CW-7..	GNMA Pool 595085.....			2..	1..	301,108	103.5460	302,796	292,427	300,405	.0	(438)	.0	.0	6.000	5.586	MON..	1,462	17,546	11/04/2003..	10/15/2032.
36200E-TY-7..	GNMA Pool 599167.....			2..	1..	312,310	103.4840	313,873	303,306	311,159	.0	(235)	.0	.0	6.000	5.777	MON..	1,517	18,198	11/04/2003..	12/15/2033.
36200M-AT-0..	GNMA Pool 604018.....			2..	1..	3,038,052	103.3510	3,051,414	2,952,476	3,032,942	.0	(1,024)	.0	.0	5.500	4.927	MON..	13,532	162,386	04/22/2003..	02/15/2033.
36200M-EN-9..	GNMA Pool 604141.....			2..	1..	140,463	103.4840	141,166	136,413	140,274	.0	(33)	.0	.0	6.000	5.309	MON..	682	8,185	11/04/2003..	03/15/2033.
36200Q-2R-4..	GNMA Pool 569684.....			2..	1..	163,573	103.5460	164,490	158,857	163,279	.0	(85)	.0	.0	6.000	5.432	MON..	794	9,531	11/04/2003..	02/15/2032.
36200R-LX-8..	GNMA Pool 570142.....			2..	1..	88,322	103.6400	88,898	85,776	88,171	.0	(38)	.0	.0	6.000	5.394	MON..	429	5,147	11/04/2003..	12/15/2031.
36200R-XT-4..	GNMA Pool 570490.....			2..	1..	9,397	103.6400	9,458	9,126	9,378	.0	(10)	.0	.0	6.000	5.480	MON..	46	548	11/04/2003..	12/15/2031.
36200S-US-7..	GNMA Pool 571293.....			2..	1..	11,107	103.6400	11,179	10,787	11,083	.0	(6)	.0	.0	6.000	5.518	MON..	54	647	11/04/2003..	11/15/2031.
36201A-PF-9..	GNMA Pool 577422.....			2..	1..	27,974	103.5460	28,131	27,168	27,942	.0	(5)	.0	.0	6.000	5.085	MON..	136	1,630	11/04/2003..	01/15/2032.
36201D-AX-0..	GNMA Pool 579722.....			2..	1..	181,138	103.5460	182,153	175,915	180,918	.0	(69)	.0	.0	6.000	5.175	MON..	880	10,555	11/04/2003..	08/15/2032.
36201E-AG-5..	GNMA Pool 580607.....			2..	1..	44,295	103.4840	44,516	43,018	44,200	.0	(41)	.0	.0	6.000	5.559	MON..	215	2,581	11/04/2003..	02/15/2033.
36201F-AF-4..	GNMA Pool 581506.....			2..	1..	9,979	103.4840	10,029	9,691	9,968	.0	.0	.0	.0	6.000	5.071	MON..	48	582	11/04/2003..	04/15/2033.
36201K-JQ-0..	GNMA Pool 585371.....			2..	1..	104,789	103.5460	105,376	101,768	104,689	.0	237	.0	.0	6.000	4.456	MON..	509	6,106	11/04/2003..	04/15/2032.
36201Y-FD-3..	GNMA Pool 606864.....			2..	1..	31,974	103.4840	32,134	31,052	31,941	.0	(5)	.0	.0	6.000	5.053	MON..	155	1,863	11/04/2003..	10/15/2033.
36207E-ND-2..	GNMA Pool 429788.....			2..	1..	154,468	103.4840	155,241	150,015	154,113	.0	(234)	.0	.0	6.000	5.619	MON..	750	9,001	11/04/2003..	12/15/2033.
36210J-HW-1..	GNMA Pool 493545.....			2..	1..	8,196	103.6400	8,249	7,959	8,172	.0	(13)	.0	.0	6.000	5.617	MON..	40	478	11/04/2003..	03/15/2031.
36213F-UA-3..	GNMA Pool 553303.....			2..	1..	2,704	103.4840	2,717	2,626	2,701	.0	1	.0	.0	6.000	4.293	MON..	13	158	11/04/2003..	06/15/2033.
36213R-2A-4..	GNMA Pool 562469.....			2..	1..	1,464,894	102.9010	1,499,717	1,457,436	1,463,639	.0	(1,005)	.0	.0	5.000	4.990	MON..	6,073	72,872	02/13/2004..	02/15/2034.
36213R-ZF-7..	GNMA Pool 562442.....			2..	1..	1,169,874	103.2890	1,176,369	1,138,910	1,168,712	.0	1,999	.0	.0	5.500	4.783	MON..	5,220	62,640	01/16/2004..	01/15/2034.
36213T-GW-7..	GNMA Pool 563713.....			2..	1..	139,238	103.4840	139,935	135,224	139,004	.0	(78)	.0	.0	6.000	5.441	MON..	676	8,113	11/04/2003..	01/15/2033.
36213U-EZ-9..	GNMA Pool 564552.....			2..	1..	12,475	103.6400	12,556	12,115	12,454	.0	20	.0	.0	6.000	5.371	MON..	61	727	11/04/2003..	12/15/2031.
36213V-GN-2..	GNMA Pool 565505.....			2..	1..	8,975	103.5460	9,025	8,716	8,958	.0	(8)	.0	.0	6.000	5.481	MON..	44	523	11/04/2003..	09/15/2032.
36290X-PM-6..	GNMA Pool 620628.....			2..	1..	182,161	103.4840	183,072	176,909	181,675	.0	(245)	.0	.0	6.000	5.666	MON..	885	10,615	11/04/2003..	09/15/2033.
36290X-PT-1..	GNMA Pool 620634.....			2..	1..	242,271	103.4840	243,483	235,286	241,965	.0	(105)	.0	.0	6.000	5.290	MON..	1,176	14,117	11/04/2003..	

ANNUAL STATEMENT FOR THE YEAR 2008 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	Code	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	When Paid	Admitted Amount Due & Accrued	Amount Rec. During Year	Acquired	Maturity
649830-C7-2	New York St Dorm Auth Revs.....			1	1FE	1,928,897	.99	1,824,045	1,835,000	1,908,076	.0	(8,073)	.0	.0	5.000	4.371	JJ	45,875	91,750	04/17/2006	07/01/2016
649830-EA-3	New York St Dorm Auth Revs.....				2FE	1,245,393	.97	1,107,681	1,140,000	1,218,825	.0	(7,547)	.0	.0	5.250	4.271	JJ	29,925	59,850	04/01/2005	07/01/2017
64983R-HF-7	New York State Dorm Auth Revs.....				1FE	2,138,329	.108	2,170	1,805,000	2,071,540	.0	(18,339)	.0	.0	5.500	3.881	MN	12,685	99,275	02/17/2005	05/15/2020
64985Y-BB-5	New York St Environmental Facs.....				1FE	1,740,030	.112	9970	1,500,000	1,664,184	.0	(20,545)	.0	.0	5.250	3.465	JD	3,500	78,750	02/10/2005	12/15/2015
649903-LG-4	New York ST Dorm Auth Revs.....				1FE	4,512,728	.109	0640	4,055,000	4,458,713	.0	(34,353)	.0	.0	5.250	3.981	JJ	106,444	212,888	05/21/2007	07/01/2018
745190-LV-8	Puerto Rico Hwy & Trans Rev.....	SD			3FE	860,633	.97	8890	734,168	734,168	(64,098)	(12,739)	.0	.0	5.500	3.529	JJ	20,625	41,250	09/18/2003	07/01/2012
2599999 - Total Bonds - Special Revenue - Issuer Obligations						15,861,435	XXX	15,404,031	14,425,000	15,475,109	(64,098)	(113,703)	.0	.0	XXX	XXX	XXX	282,379	792,359	XXX	XXX
31387C-M3-2	FNMA Pool No 580078.....			2	1	19,597	.105	8140	19,064	19,563	.0	(11)	.0	.0	7.000	6.243	MON	111	1,334	03/06/2002	09/01/2031
31402D-F7-0	FNMA Pool 725690.....			2	1	17,141,876	.103	1920	16,588,494	17,116,007	.0	(7,545)	.0	.0	6.000	5.322	MON	82,942	995,310	01/20/2005	08/01/2034
31405R-AR-7	FNMA Pool 796616.....			2	1	18,816,037	.102	6920	18,530,836	18,798,458	.0	(5,089)	.0	.0	5.500	5.238	MON	84,933	1,019,196	11/09/2004	10/01/2034
31407U-EK-9	FNMA Pool 840838.....			2	1	7,377,146	.102	6290	7,669,355	7,379,517	.0	563	.0	.0	5.500	5.728	MON	34,251	411,009	10/27/2005	11/01/2035
2699999 - Total Bonds - Special Revenue - Single Class Mortgage-Backed/Asset-Backed Securities						43,354,656	XXX	43,837,212	42,611,286	43,313,545	.0	(12,082)	.0	.0	XXX	XXX	XXX	202,237	2,426,849	XXX	XXX
31359S-2G-4	Fanniemae Whole Loan NW 2001-W1 AF6.....			2	1	271,353	.99	8010	261,348	280,122	.0	9,883	.0	.0	6.902	4.797	MON	1,503	18,038	02/20/2004	07/25/2031
31393W-K4-0	Freddie Mac 2643 OH.....			2	1	4,509,375	.103	4020	5,000,000	4,534,995	.0	16,339	.0	.0	5.000	5.954	MON	20,833	250,000	06/07/2007	07/15/2033
31394D-JJ-0	Fannie Mae 2005-29 QE.....			2	1	4,497,656	.102	6570	5,132,850	4,525,211	.0	17,601	.0	.0	5.000	5.988	MON	20,833	250,000	06/07/2007	04/25/2034
31394Y-KX-1	Freddie Mac 2791 UG.....			2	1	3,182,562	.100	5480	3,210,655	3,188,981	.0	1,740	.0	.0	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	.102	4230	3,000,000	2,862,891	.0	4,681	.0	.0	5.000	5.476	MON	12,500	150,000	11/02/2004	11/15/2034
2799999 - Total Bonds - Special Revenue - Defined Multi-Class Residential Mortgage-Backed Securities						15,304,384	XXX	16,864,717	16,472,003	15,392,200	.0	50,244	.0	.0	XXX	XXX	XXX	69,047	828,571	XXX	XXX
3199999 - Total - Special Revenue Bonds						74,520,475	XXX	76,105,960	73,508,289	74,180,854	(64,098)	(75,541)	.0	.0	XXX	XXX	XXX	553,663	4,047,779	XXX	XXX
209111-EP-4	Consolidated Edison.....				1FE	997,160	.97	7880	1,000,000	997,587	.0	235	.0	.0	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	.103	0500	1,140,000	1,134,882	.0	83	.0	.0	5.400	5.431	MS	20,520	61,560	02/19/2005	02/01/2035
743263-AJ-4	Progress Energy Inc.....				2FE	907,433	.100	2840	810,000	857,388	.0	(12,998)	.0	.0	6.850	4.899	AO	11,714	55,485	11/04/2004	04/15/2012
81013T-AB-7	Scottish Power PLC.....			F	1FE	934,935	.89	8440	935,000	934,867	.0	7	.0	.0	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	3,804,991	3,885,000	3,924,724	.0	(12,673)	.0	.0	XXX	XXX	XXX	51,449	220,301	XXX	XXX
3899999 - Total - Public Utilities Bonds						3,974,204	XXX	3,804,991	3,885,000	3,924,724	.0	(12,673)	.0	.0	XXX	XXX	XXX	51,449	220,301	XXX	XXX
00184A-AC-9	Time Warner Inc.....				2FE	1,127,179	.98	2810	930,000	1,113,139	.0	(3,842)	.0	.0	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	.125	0090	600,000	828,795	.0	(5,054)	.0	.0	8.750	5.698	MS	17,500	52,500	02/08/2005	03/01/2031
002819-AA-8	Abbott Labs.....				1FE	2,998,830	.106	7250	3,201,750	2,999,029	.0	375	.0	.0	5.150	5.158	MN	13,304	163,513	11/06/2007	11/30/2012
020002-AN-1	Allstate Corporation.....				1FE	1,617,660	.97	8980	1,468,470	1,549,345	.0	(14,301)	.0	.0	6.125	4.972	FA	34,708	91,875	09/11/2003	02/15/2012
025816-AV-1	Amercan Express.....				1FE	1,495,905	.98	5060	1,500,000	1,497,535	.0	787	.0	.0	5.250	5.313	MS	23,844	78,750	09/08/2006	09/12/2011
02687Q-BC-1	Amer Intl Group.....				1	399,636	.67	1030	400,000	399,663	.0	30	.0	.0	5.600	5.612	AO	4,542	22,400	10/13/2006	10/18/2016
039483-AU-6	Archer Daniels.....				1FE	974,020	.87	5300	1,000,000	975,169	.0	397	.0	.0	5.375	5.554	MS	15,826	53,750	09/19/2005	09/15/2035
060505-BF-0	Bank of America Corp.....				1FE	4,819,373	.100	2080	4,840,046	4,825,856	.0	1,880	.0	.0	4.375	4.420	JD	17,609	211,313	05/20/2004	12/01/2010
079860-AK-8	Bellsouth Corp.....				1FE	950,745	.98	2260	935,000	949,866	.0	(242)	.0	.0	6.000	5.879	MN	7,168	56,100	01/04/2005	11/15/2034
097014-AH-7	Boeing Capital Corp.....				1FE	430,020	.101	0580	404,232	415,173	.0	(3,335)	.0	.0	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	.67	8980	1,000,000	1,022,771	.0	(4,533)	.0	.0	5.875	5.283	MN	7,507	58,750	10/14/2003	05/15/2013
171232-AF-8	Chubb Corporation.....				1FE	401,985	.100	1920	365,701	380,174	.0	(4,857)	.0	.0	6.000	4.440	MN	21,900	2,798	02/10/2004	11/15/2011
172967-BU-4	Citigroup Inc.....				1FE	1,351,025	.87	1830	1,250,000	1,344,132	.0	(1,889)	.0	.0	5.875	5.317	FA	26,315	73,438	02/08/2005	02/22/2033
172967-DY-4	Citigroup Inc.....				1FE	1,992,380	.90	9800	1,819,600	1,993,387	.0	616	.0	.0	5.500	5.550	FA	41,556	110,000	02/05/2007	02/15/2017
172967-EM-9	Citigroup Inc.....				1FE	2,987,160	.101	0540	3,000,000	2,987,991	.0	968	.0	.0	6.125	6.183	MN	20,417	183,750	11/14/2007	11/21/2017
191216-AK-6	Coca - Cola Co.....				2FE	4,742,923	.107	8910	4,750,000	4,743,371	.0	736	.0	.0	5.350	5.369	MN	32,472	264,008	10/29/2007	11/15/2017
20030N-AC-5	Comcast Corp.....				2FE	1,406,991	.104	3090	1,205,000	1,394,191	.0	(3,515)	.0	.0	7.050	5.830	MS	25,014	84,953	02/08/2005	03/15/2033
20825C-AE-4	Conocophillips.....				1FE	574,571	.99	6720	565,000	569,619	.0	(1,103)	.0	.0	4.750	4.511	AO	5,666	26,838	02/10/2004	10/15/2012
20825R-AB-7	Conocophil.....				1FE	1,488,660	.102	0880	1,531,320	1,492,413	.0	1,496	.0	.0	5.500	5.632	AO	17,417	82,500	04/13/2006	04/15/2013
22238H-GQ-7	Countrywide Finl Corp MTN.....				1FE	1,497,105	.97	4650	1,500,000	1,497,852	.0	531	.0	.0	5.800	5.845	JD	5,800	87,000	06/04/2007	06/07/2012
224044-BH-9	Cox Communications.....				2FE	1,512,420	.89	1840	1,500,000	1,507,834	.0	(955)	.0	.0	5.500	5.405	AO	20,625	82,500	09/24/2003	10/01/2015
25179S-AD-2	Devon Financing Corp.....				2FE	864,793	.110	1100	650,000	849,203	.0	(4,323)	.0	.0	7.875	5.497	MS	12,939	51,188	02/08/2005	09/30/2031
25468P-AW-6	Walt Disney Company.....				1FE	990,260	.100	6600	1,000,000	990,291	.0	31	.0	.0	4.500	4.722	JD	1,125	.0	12/17/2008	12/15/2013
25468P-BX-3	Walt Disney Company.....				1FE	1,083,370	.106	5490	1,000,000	1,033,016	.0	(9,380)	.0	.0	6.375	5.227	MS	21,250	63,750	11/20/2002	03/01/2012
25746U-AN-9	Dominion Resources Inc.....				2FE	664,908	.89	8810	600,000	660,661	.0	(1,173)	.0	.0	6.300	5.536	MS	11,130	37,800	02/08/2005	03/15/2033
263534-BQ-1	Dupont El Nemour.....				1FE	996,540	.99	3820	1,000,000	997,081	.0	286	.0	.0	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	.105	0510	1,200,000	1,199,760	.0	2	.0	.0	6.100	6.101	JD	6,100	73,200	05/31/2007	06/01/2037
291011-AT-1	Emerson Electric.....				1FE	826,954	.99	7230	830,000	828,466	.0	304	.0	.0	4.500	4.546	MN	6,225	37,350	04/24/2003	05/01/2013
345397-TZ-6	Ford Motor Credit.....				5FE	2,050,704	.69	0930	2,400,000	1,658,232	(392,472)	.0	.0	.0	7.000	9.476	AO	42,000	168,000	12/17/2004	10/01/2013

ANNUAL STATEMENT FOR THE YEAR 2008 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	Code	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	When Paid	Admitted Amount Due & Accrued	Amount Rec. During Year	Acquired	Maturity
369550-AL-2..	General Dynamics.....				1FE	1,502,400		102,1260	1,500,000	1,500,651	.0	(419)	.0	.0	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		100,7160	1,000,000	1,020,276	.0	(4,443)	.0	.0	5.450	4.890	JJ	25,131	54,500	12/30/2003	01/15/2013
381416-FD-1..	Goldman Sachs Group.....				1FE	596,718		81.1870	600,000	596,674	.0	32	.0	.0	6.750	6.793	AO	10,125	40,275	09/26/2007	10/01/2037
38143U-AA-9..	Goldman Sachs Group Inc.....				1FE	1,930,295		99.9590	1,940,000	1,939,851	.0	2,339	.0	.0	3.875	4.002	JJ	34,664	75,175	05/20/2004	01/15/2009
38143U-AW-1..	Goldman Sachs Group Inc.....				1FE	1,449,101		89.4080	1,450,000	1,449,383	.0	74	.0	.0	5.000	5.007	AO	18,125	72,500	12/17/2004	10/01/2014
416515-AQ-7..	Hartford Financial.....				1FE	2,167,678		86.2550	2,170,000	2,168,488	.0	432	.0	.0	5.250	5.274	AO	24,051	113,925	09/28/2006	10/15/2011
437076-AM-4..	Home Depot Inc.....				2FE	671,895		99.0240	675,000	673,882	.0	629	.0	.0	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		91.2280	2,000,000	1,968,333	.0	6,040	.0	.0	4.750	5.145	JJ	43,806	95,000	09/24/2003	07/15/2013
459200-GM-7..	IBM Corp.....				1FE	996,280		119.9190	1,000,000	996,158	.0	(122)	.0	.0	7.625	7.679	AO	16,097	.0	10/09/2008	10/15/2018
459745-FQ-3..	International Lease Fin Corp.....				1FE	1,996,900		78.3890	2,000,000	1,998,765	.0	621	.0	.0	4.875	4.910	MS	32,500	97,500	08/18/2005	09/01/2010
478366-AQ-0..	Johnson Controls.....				1FE	724,906		91.8940	666,232	724,940	.0	19	.0	.0	5.250	5.253	JJ	17,551	38,063	01/09/2006	10/15/2011
494368-AX-1..	Kimberly-Clark Corp.....				1FE	1,013,711		102.6830	1,015,000	1,014,277	.0	125	.0	.0	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		68.0000	401,200	590,000	(188,968)	(63)	.0	.0	7.500	7.486	FA	18,438	44,250	07/28/2004	02/01/2012
548661-CJ-4..	Lowes Companies.....				1FE	1,487,550		80.6300	1,500,000	1,488,017	.0	189	.0	.0	5.500	5.557	AO	17,417	82,500	10/03/2005	10/15/2035
58013M-EC-4..	Mcdonalds Corp.....				1FE	1,646,040		109.7860	1,650,000	1,645,887	.0	32	.0	.0	6.300	6.318	AO	21,945	103,084	10/15/2007	10/15/2037
595620-AF-2..	Midamerican Energy Company.....				1FE	2,498,925		100.1660	2,504,150	2,499,212	.0	192	.0	.0	5.650	5.659	JJ	65,132	147,528	06/26/2007	07/15/2012
61748A-AE-6..	Morgan Stanley.....				2FE	2,244,409		76.1890	2,300,000	2,265,338	.0	5,601	.0	.0	4.750	5.079	AO	27,313	109,250	12/17/2004	04/01/2014
620076-AP-4..	Motorola Inc.....				2FE	445,468		44.1770	400,000	441,475	.0	(1,114)	.0	.0	6.500	5.626	MN	3,322	26,000	02/08/2005	11/15/2028
620076-AX-7..	Motorola Inc.....				2FE	628,399		83.4470	525,000	567,485	.0	(13,674)	.0	.0	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.....				2FE	2,993,070		99.1640	3,000,000	2,997,439	.0	1,396	.0	.0	4.625	4.677	FA	52,031	138,750	08/02/2005	08/16/2010
652482-BJ-8..	News America Inc.....				2FE	752,697		91.2550	700,000	749,879	.0	830	.0	.0	6.200	5.672	JD	1,929	43,400	04/01/2005	12/15/2034
725906-AH-4..	Placer Dome.....				1FE	1,012,747		81.9370	1,000,000	1,011,744	.0	(206)	.0	.0	6.375	6.279	MS	21,250	63,750	07/11/2003	03/01/2033
783876-AP-8..	SBC Communications.....				1FE	1,293,588		98.2990	1,295,000	1,293,947	.0	140	.0	.0	5.100	5.115	MS	19,447	66,045	10/27/2004	09/15/2014
852060-AT-9..	Sprint Capital.....				3FE	1,129,268		67.5000	850,000	573,750	(537,380)	(4,933)	.0	.0	8.750	6.228	MS	21,899	74,375	12/17/2004	03/15/2032
87612E-AR-7..	Target Corp.....				1FE	997,220		85.8670	1,000,000	997,161	.0	65	.0	.0	6.500	6.521	AO	13,722	66,806	10/02/2007	10/15/2037
88732J-AG-3..	Time Warner Cable.....				2FE	998,218		93.3750	1,000,000	998,683	.0	332	.0	.0	5.400	5.442	JJ	26,850	54,000	10/30/2007	07/02/2012
90130N-AB-9..	21st Century Insurance.....				1FE	1,997,464		68.2630	2,000,000	1,998,483	.0	245	.0	.0	5.900	5.917	JD	5,244	118,000	07/08/2004	12/15/2013
907818-BY-3..	Union Pacific Corp.....				2FE	272,645		100.0620	235,146	268,540	.0	(935)	.0	.0	7.125	5.871	FA	6,977	16,744	02/10/2004	02/01/2028
91913Y-AE-0..	Valero Energy Corp.....				2FE	514,564		79.9520	400,000	506,529	.0	(2,229)	.0	.0	7.500	5.464	AO	6,333	30,000	02/08/2005	04/15/2032
923446-AX-4..	Verizon Global.....				1FE	1,191,432		99.4950	1,200,000	1,191,697	.0	124	.0	.0	5.850	5.901	MS	20,670	70,200	09/08/2005	09/15/2035
92344U-AA-3..	Verizon New Jersey Series A.....				1FE	1,585,740		98.4450	1,500,000	1,535,454	.0	(10,537)	.0	.0	5.875	5.027	JJ	40,146	88,125	09/09/2003	01/17/2012
925524-AZ-3..	Viacom Inc.....				2FE	1,342,607		90.8190	1,350,000	1,345,851	.0	1,566	.0	.0	5.750	5.889	AO	13,153	77,625	10/18/2006	04/30/2011
949746-MZ-1..	Wells Fargo & Co.....				1FE	3,992,400		100.4600	4,000,000	3,997,191	.0	1,543	.0	.0	4.625	4.668	FA	72,972	185,000	08/01/2005	08/09/2010
981516-AK-1..	World Savings Bank FSB.....				1FE	2,200,000		98.6620	2,200,000	2,200,000	.0	.0	.0	.0	2.428	5.200	FMAN	7,714	77,238	05/01/2006	05/08/2009
983024-AL-4..	Wyeth.....				1FE	991,344		107.2910	1,000,000	991,587	.0	119	.0	.0	6.000	6.063	FA	22,667	60,000	02/08/2006	02/15/2036
C03016-75-2..	Hibernia Nat'l Bank C.D.....	SD			1	70,000		1.0000	70,000	70,000	.0	.0	.0	.0	2.280	2.280	MAT	1,321	.0	03/09/2008	03/10/2009
C06305-25-1..	Bank of Hawaii C.D.....	SD			1	50,000		1.0000	50,000	50,000	.0	.0	.0	.0	2.900	2.900	MAT	2,219	1,454	06/30/2007	06/30/2009
136375-BJ-0..	Canadian Nat'l RR.....	F			1FE	994,390		99.8200	1,000,000	999,261	.0	1,171	.0	.0	4.250	4.374	FA	17,708	42,500	07/06/2004	08/01/2009
00083P-AA-2..	ACA ABS 2007-3 144A.....			2	1FE	4,636,593		47.3600	7,344,115	15,507,000	4,745,221	108,620	10,870,012	.0	0.000	0.000	FMAN	.0	305,868	06/30/2007	05/07/2047
045300-AB-8..	Aspen Insurance.....				2FE	1,066,956		65.7570	1,070,000	1,067,949	.0	285	.0	.0	6.000	6.039	FA	24,253	64,200	04/04/2005	08/15/2014
111021-AD-3..	British Telecom PLC.....				2FE	1,181,240		102.8700	1,000,000	1,051,884	.0	(24,023)	.0	.0	8.625	5.553	JD	3,833	86,250	11/20/2002	12/15/2010
26156F-AA-1..	Dresdner Fndg Trust I Series 144A.....			1	1FE	664,890		39.5990	500,000	651,125	.0	(3,842)	.0	.0	8.151	5.644	JD	113	40,760	02/08/2005	06/30/2029
44841S-AC-3..	Hutchison Whamp Intl Series 144A.....				1FE	606,975		89.3120	500,000	600,724	.0	(1,751)	.0	.0	7.450	5.896	MN	3,828	37,250	02/08/2005	11/24/2033
677788-AA-9..	Oil Casualty Insurance Series 144A.....				2FE	1,146,973		72.5230	1,155,000	1,147,057	.0	89	.0	.0	8.000	8.062	MS	27,207	92,400	09/14/2004	09/15/2034
3999999 -	Total Bonds - Industrial, Misc. - Issuer Obligations.....					102,590,909	XXX	97,551,715	111,532,000	101,105,463	(1,118,820)	12,836	10,870,012	.0	XXX	XXX	XXX	1,341,427	5,575,498	XXX	XXX
1248MB-AJ-4..	Credit-Based Asset Sevcing 2007-CB2 A2C.....			2	1FE	1,999,900		54.0610	2,000,000	1,997,268	.0	(204)	.0	.0	5.623	5.617	MON	9,372	112,460	02/26/2007	02/25/2037
606020-AA-5..	ACA ABS 2003-3 144A.....			2	6Z	5		0.0000	7,627,428	.0	(5,197)	5,192	.0	.0	2.229	43,567,480	MJSD	.0	68,385	08/08/2008	09/10/2033
4299999 -	Total Bonds - Industrial, Misc. - Other Multi-Class Residential Mortgage-Backed Securities.....					1,999,905	XXX	1,081,220	9,627,428	1,997,268	(5,197)	4,988	.0	.0	XXX	XXX	XXX	9,372	180,845	XXX	XXX
05947U-M2-1..	Banc of America Comm Mort BACM 2005-2 A5.....			2	1FE	3,931,719		81.2800	4,000,000	3,949,009	.0	6,185	.0	.0	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		75.9740	2,150,000	2,158,915	.0	(1,212)	.0	.0	5.688	5.665	MON	10,192	124,218	05/24/2007	03/10/2017
07383F-7W-2..	Bear Stearns Comm Mtg 2005-PWR8 A4.....			2	1FE	5,887,266		84.4840	6,000,000	5,919,456	.0	10,042	.0	.0	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	3,645,444		96.5400	3,625,251	3,623,028	.0	(3,728)	.0	.0	4.030	3.881	MON	12,175	146,098	10/20/2004	10/13/2009

ANNUAL STATEMENT FOR THE YEAR 2008 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	Code	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	When Paid	Admitted Amount Due & Accrued	Amount Rec. During Year	Acquired	Maturity
07387B-AH-6	Bear Stearns Commerical Mort 2005-PWR9 A			2	1FE	1,005,490	.84	9360	1,000,000	1,003,514	.0	(640)	.0	.0	4.871	4.830	MON.	4,059	48,710	09/11/2005	08/11/2015
07387B-CL-5	Bear Stearns Commerical Mort BSCMS 2005-			2	1FE	4,081,410	.86	2720	4,060,000	4,073,682	.0	(2,844)	.0	.0	5.151	5.110	MON.	17,427	212,221	01/12/2006	09/12/2015
07388Y-AE-2	Bear Stearns Commercial Mtg 2007-PW16 A4			2	1FE	6,509,064	.77	8630	6,500,000	6,506,801	.0	(1,618)	.0	.0	5.712	5.739	MON.	30,941	377,460	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	.82	9480	2,500,000	2,502,140	.0	.0	.0	.0	5.225	5.221	MON.	10,886	132,810	10/27/2005	09/15/2015
126171-AF-4	A5A Countrywide Alternative CwaIt 2004-7T1 A			2	1FE	6,029,589	.81	8950	6,000,000	6,029,589	.0	.0	.0	.0	5.116	5.091	MON.	25,580	306,960	08/05/2005	07/10/2015
12667F-GA-7	Chase Commercial Mortgage Series 2001-24			2	1FE	128,053	.99	8820	124,920	125,176	.0	.115	.0	.0	5.750	4.731	MON.	.599	7,183	04/15/2004	01/25/2010
161505-HW-5	Citigroup Commercial Mtg Trust Cgcmt 200			2	1FE	423,746	.99	0820	390,071	395,395	.0	(4,897)	.0	.0	6.173	3.661	MON.	2,007	23,691	03/07/2003	03/12/2010
173067-EE-5	Commercial Mortgage Pass-Throu Comm 2004			2	1FE	3,014,802	.82	3510	3,000,000	3,007,164	.0	(2,093)	.0	.0	4.733	4.689	MON.	11,833	141,990	12/15/2004	10/15/2014
20047N-AD-4	GS Mortgage Securities Corp 2005-6G4 A4A			2	1FE	2,140,579	.89	6020	2,130,000	2,133,578	.0	(1,808)	.0	.0	4.584	4.524	MON.	8,137	97,639	10/27/2004	09/15/2013
36228C-VU-4	Greenwich Capital Commercial Series 2005			2	1FE	5,924,297	.80	6620	6,000,000	5,944,999	.0	6,459	.0	.0	4.751	4.951	MON.	23,755	285,060	08/03/2005	07/10/2039
396789-JW-0	LB-UBS Commercial Mtg Trust Lbubs 2004-C			2	1FE	2,009,972	.46	5440	2,000,000	2,005,786	.0	(1,150)	.0	.0	4.859	4.828	MON.	8,098	97,180	01/26/2005	01/10/2015
52108H-P3-2	LB-UBS Commercial Mtg Trust 2004-C2			2	1FE	3,190,733	.97	2000	3,175,000	3,176,675	.0	(3,588)	.0	.0	3.992	3.904	MON.	7,041	126,746	10/19/2004	11/15/2009
52108H-ZX-5	A3 Merrill Lynch/Countrywide Comm 2007-6 A4			2	1FE	1,176,953	.90	8420	1,250,000	1,205,423	.0	15,327	.0	.0	3.973	5.488	MON.	2,759	49,658	02/01/2007	03/15/2029
55312T-AD-5	Merrill Lynch/Countrywide Comm 2007-7 A4			2	1FE	3,016,460	.68	8480	3,000,000	3,013,377	.0	(1,821)	.0	.0	5.485	5.450	MON.	13,713	164,550	03/30/2007	03/12/2017
55313K-AE-1	Merrill Lynch Mortgage Trust 2005-LC1 A4			2	1FE	1,709,275	.70	9930	1,700,000	1,707,760	.0	(990)	.0	.0	5.749	5.720	MON.	8,144	98,254	05/31/2007	05/12/2017
59022H-NC-2	Wachovia Bank Commercial Mort. 2005-C22			2	1FE	4,021,814	.82	0320	4,000,000	4,013,835	.0	(2,732)	.0	.0	5.291	5.249	MON.	17,637	211,640	12/16/2005	12/12/2015
92976B-BN-1				2	1FE	4,019,876	.80	1090	4,000,000	4,012,715	.0	(2,507)	.0	.0	5.265	5.230	MON.	17,551	214,112	12/15/2005	11/15/2015
4399999 - Total Bonds - Industrial, Misc. - Defined Multi-Class Commercial Mortgage-Backed Securities						66,529,478	XXX	54,494,500	66,605,242	66,508,017	.0	6,500	.0	.0	XXX	XXX	XXX	272,094	3,340,900	XXX	XXX
03062X-AD-8	AmeriCredit Automobile Rec. Series 2006-			2	2FE	2,999,268	.79	5570	3,000,000	2,999,683	.0	.177	.0	.0	5.210	5.274	MON.	10,854	156,300	09/14/2006	09/06/2013
03072S-LD-5	Ameriquest Mortgage Securities 2003-1A1			2	1FE	2,630,444	.97	6680	2,630,444	2,630,444	.0	.0	.0	.0	4.965	4.970	MON.	10,883	130,602	10/21/2003	11/25/2033
09774X-AK-8	Bombardier Capital Mortgage Se 1998-B M1			2	6FE	2,500,039	.23	8020	.0	2,500,039	47,795	(149,140)	1,101,345	.0	6.810	17.467	MON.	59,607	715,287	09/19/2007	12/15/2025
12513Y-AF-7	Citigroup/Deutsche Bk Comm Mtg 2007-CD4			2	1FE	3,768,494	.69	8100	3,750,000	3,764,836	.0	(3,374)	.0	.0	5.322	5.293	MON.	16,631	199,575	03/14/2007	01/11/2017
126671-R4-0	Countrywide Asset-Backed Certs Series 20			2	1FE	561,927	.72	2220	.552,262	558,903	.0	2,909	.0	.0	5.413	5.196	MON.	2,491	29,894	01/26/2005	09/25/2027
17305E-DF-9	Citibank Credit Card Issuance 2006-A4 A4			2	1FE	2,946,873	.95	7430	2,950,000	2,948,227	.0	.601	.0	.0	5.450	5.474	MON.	22,776	160,775	04/26/2006	05/10/2013
61750W-AX-1	Morgan Stanley Captial I Series 2006-101			2	1FE	1,005,429	.75	2300	1,000,000	1,004,135	.0	(655)	.0	.0	5.332	5.290	MON.	4,443	53,320	12/14/2006	11/15/2016
92978P-AE-9	Wachovia Bank Commercial Mort Series 200			2	1FE	1,004,947	.74	9390	1,000,000	1,003,763	.0	(599)	.0	.0	5.308	5.273	MON.	4,423	53,080	12/13/2006	11/15/2016
46601W-BE-4	Ixion 2007-33A A 144A		F	2	2FE	11,043,200	.12	5000	11,200,000	11,048,706	.0	4,536	.0	.0	2.600	2.685	MON.	20,222	443,073	07/27/2007	06/27/2035
98935V-AA-3	Zenith Funding LTD Series 2004-1A Class		F	2	6FE	.0	.0	0000	5,000,000	.0	.0	.0	100,000	.0	5.193	0.000	MJSD	.0	.0	12/21/2004	12/06/2039
4499999 - Total Bonds - Industrial, Misc. - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						28,460,621	XXX	16,198,690	31,082,706	28,458,736	47,795	(145,545)	1,201,345	.0	XXX	XXX	XXX	152,330	1,941,906	XXX	XXX
4599999 - Total - Industrial and Miscellaneous Bonds						199,580,913	XXX	169,326,125	218,847,376	198,069,484	(1,076,222)	(121,221)	12,071,357	.0	XXX	XXX	XXX	1,775,223	11,039,149	XXX	XXX
5499999 - Total - Issuer Obligations						186,503,836	XXX	185,931,073	193,771,000	184,594,096	(1,182,918)	(97,845)	10,870,012	.0	XXX	XXX	XXX	2,365,664	9,526,177	XXX	XXX
5599999 - Total - Single Class Mortgage-Backed/Asset-Backed Securities						71,901,703	XXX	72,450,899	70,350,558	71,848,439	.0	(13,556)	.0	.0	XXX	XXX	XXX	299,126	2,856,177	XXX	XXX
5699999 - Total - Defined Multi-Class Residential Mortgage-Backed Securities						15,304,384	XXX	16,864,717	16,472,003	15,392,200	.0	50,244	.0	.0	XXX	XXX	XXX	69,047	828,571	XXX	XXX
5799999 - Total - Other Multi-Class Residential Mortgage-Backed Securities						1,999,905	XXX	1,081,220	9,627,428	1,997,268	(5,197)	4,988	.0	.0	XXX	XXX	XXX	9,372	180,845	XXX	XXX
5899999 - Total - Defined Multi-Class Commercial Mortgage-Backed Securities						66,529,478	XXX	54,494,500	66,605,242	66,508,017	.0	6,500	.0	.0	XXX	XXX	XXX	272,094	3,340,900	XXX	XXX
5999999 - Total - Other Multi-Class Commercial Mortgage-Backed Securities						28,460,621	XXX	16,198,690	31,082,706	28,458,736	47,795	(145,545)	1,201,345	.0	XXX	XXX	XXX	152,330	1,941,906	XXX	XXX
6099999 Totals						370,699,927	XXX	347,021,099	387,908,937	368,798,756	(1,140,320)	(195,214)	12,071,357	0	XXX	XXX	XXX	3,167,633	18,674,576	XXX	XXX

SCHEDULE D - PART 2 - SECTION 1

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SCHEDULE D - PART 2 - SECTION 2

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ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 3

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

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2008 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
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year (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-JD-4..	Freddie Mac 3.625% 09/15/08.....		09/15/2008..	Maturity.....		4,000,000	4,000,000	3,917,094	3,966,467	.0	33,533	.0	33,533	.0	4,000,000	.0	.0	.0	145,000	09/15/2008..
31359W-DU-4..	FNMA 6.000% 05/15/08.....		05/15/2008..	Maturity.....		3,600,000	3,600,000	3,947,767	3,622,185	.0	(22,185)	.0	(22,185)	.0	3,600,000	.0	.0	.0	108,000	05/15/2008..
31359W-QM-8..	FNMA 3.250% 01/15/08.....		01/15/2008..	Maturity.....		4,000,000	4,000,000	3,925,125	3,997,213	.0	2,787	.0	2,787	.0	4,000,000	.0	.0	.0	65,000	01/15/2008..
36200A-BE-8..	GNMA Pool 595037 6.000% 10/15/32.....		12/01/2008..	Paydown.....		3,363	3,363	3,462	3,458	.0	(95)	.0	(95)	.0	3,363	.0	.0	.0	71	10/15/2032..
36200A-CW-7..	GNMA Pool 595085 6.000% 10/15/32.....		12/01/2008..	Paydown.....		27,598	27,598	28,418	28,392	.0	(794)	.0	(794)	.0	27,598	.0	.0	.0	738	10/15/2032..
36200E-TY-7..	GNMA Pool 599167 6.000% 12/15/33.....		12/01/2008..	Paydown.....		5,163	5,163	5,317	5,301	.0	(138)	.0	(138)	.0	5,163	.0	.0	.0	168	12/15/2033..
36200W-AT-0..	GNMA Pool 604018 5.500% 02/15/33.....		12/01/2008..	Paydown.....		530,403	530,403	545,777	545,043	.0	(14,640)	.0	(14,640)	.0	530,403	.0	.0	.0	17,341	02/15/2033..
36200W-EN-9..	GNMA Pool 604141 6.000% 03/15/33.....		12/01/2008..	Paydown.....		26,575	26,575	27,363	27,333	.0	(758)	.0	(758)	.0	26,575	.0	.0	.0	685	03/15/2033..
362000-2R-4..	GNMA Pool 569684 6.000% 02/15/32.....		12/01/2008..	Paydown.....		21,784	21,784	22,431	22,402	.0	(618)	.0	(618)	.0	21,784	.0	.0	.0	598	02/15/2032..
36200R-LX-8..	GNMA Pool 570142 6.000% 12/15/31.....		12/01/2008..	Paydown.....		14,787	14,787	15,226	15,207	.0	(420)	.0	(420)	.0	14,787	.0	.0	.0	422	12/15/2031..
36200R-XT-4..	GNMA Pool 570490 6.000% 12/15/31.....		12/01/2008..	Paydown.....		1,201	1,201	1,237	1,235	.0	(35)	.0	(35)	.0	1,201	.0	.0	.0	35	12/15/2031..
36200S-US-7..	GNMA Pool 571293 6.000% 11/15/31.....		12/01/2008..	Paydown.....		1,267	1,267	1,305	1,303	.0	(36)	.0	(36)	.0	1,267	.0	.0	.0	28	11/15/2031..
36201A-PF-9..	GNMA Pool 577422 6.000% 01/15/32.....		12/01/2008..	Paydown.....		6,998	6,998	7,206	7,199	.0	(200)	.0	(200)	.0	6,998	.0	.0	.0	161	01/15/2032..
36201D-AX-0..	GNMA Pool 579722 6.000% 08/15/32.....		12/01/2008..	Paydown.....		37,466	37,466	38,578	38,546	.0	(1,080)	.0	(1,080)	.0	37,466	.0	.0	.0	1,231	08/15/2032..
36201E-AG-5..	GNMA Pool 580607 6.000% 02/15/33.....		12/01/2008..	Paydown.....		4,198	4,198	4,323	4,318	.0	(119)	.0	(119)	.0	4,198	.0	.0	.0	114	02/15/2033..
36201F-AF-4..	GNMA Pool 581506 6.000% 04/15/33.....		12/01/2008..	Paydown.....		3,147	3,147	3,240	3,237	.0	(90)	.0	(90)	.0	3,147	.0	.0	.0	108	04/15/2033..
36201K-JQ-0..	GNMA Pool 585371 6.000% 04/15/32.....		12/01/2008..	Paydown.....		59,596	59,596	61,365	61,168	.0	(1,572)	.0	(1,572)	.0	59,596	.0	.0	.0	1,438	04/15/2032..
36201Y-FD-3..	GNMA Pool 606864 6.000% 10/15/33.....		12/01/2008..	Paydown.....		7,755	7,755	7,985	7,978	.0	(223)	.0	(223)	.0	7,755	.0	.0	.0	245	10/15/2033..
36207E-ND-2..	GNMA Pool 429788 6.000% 12/15/33.....		12/01/2008..	Paydown.....		12,008	12,008	12,365	12,355	.0	(347)	.0	(347)	.0	12,008	.0	.0	.0	353	12/15/2033..
36210J-HW-1..	GNMA Pool 493545 6.000% 03/15/31.....		12/01/2008..	Paydown.....		626	626	644	643	.0	(18)	.0	(18)	.0	626	.0	.0	.0	12	03/15/2031..
36213F-U4-3..	GNMA Pool 553303 6.000% 06/15/33.....		12/01/2008..	Paydown.....		1,777	1,777	1,830	1,828	.0	(50)	.0	(50)	.0	1,777	.0	.0	.0	55	06/15/2033..
36213R-2A-4..	GNMA Pool 562469 5.000% 02/15/34.....		12/01/2008..	Paydown.....		114,184	114,184	114,769	114,749	.0	(565)	.0	(565)	.0	114,184	.0	.0	.0	4,999	02/15/2034..
36213R-ZF-7..	GNMA Pool 562442 5.500% 01/15/34.....		12/01/2008..	Paydown.....		273,293	273,293	280,723	279,964	.0	(6,672)	.0	(6,672)	.0	273,293	.0	.0	.0	4,115	01/15/2034..
36213T-GW-7..	GNMA Pool 563713 6.000% 01/15/33.....		12/01/2008..	Paydown.....		18,496	18,496	19,045	19,024	.0	(528)	.0	(528)	.0	18,496	.0	.0	.0	471	01/15/2033..
36213U-EZ-9..	GNMA Pool 564552 6.000% 12/15/31.....		12/01/2008..	Paydown.....		2,148	2,148	2,211	2,204	.0	(57)	.0	(57)	.0	2,148	.0	.0	.0	29	12/15/2031..
36213V-CN-2..	GNMA Pool 565505 6.000% 09/15/32.....		12/01/2008..	Paydown.....		963	963	992	991	.0	(28)	.0	(28)	.0	963	.0	.0	.0	28	09/15/2032..
36290X-PM-6..	GNMA Pool 620628 6.000% 09/15/33.....		12/01/2008..	Paydown.....		10,822	10,822	11,143	11,129	.0	(307)	.0	(307)	.0	10,822	.0	.0	.0	296	09/15/2033..
36290X-PT-1..	GNMA Pool 620634 6.000% 09/15/33.....		12/01/2008..	Paydown.....		48,730	48,730	50,177	50,136	.0	(1,405)	.0	(1,405)	.0	48,730	.0	.0	.0	1,155	09/15/2033..
36290Y-TN-8..	GNMA Pool 621657 6.000% 12/15/33.....		12/01/2008..	Paydown.....		32	32	33	33	.0	(1)	.0	(1)	.0	32	.0	.0	.0	1	12/15/2033..
36291C-PV-1..	GNMA Pool 624236 6.000% 12/15/33.....		12/01/2008..	Paydown.....		3,538	3,538	3,643	3,640	.0	(101)	.0	(101)	.0	3,538	.0	.0	.0	199	12/15/2033..
36291E-AD-3..	GNMA Pool 625604 6.000% 12/15/33.....		12/01/2008..	Paydown.....		10,613	10,613	10,928	10,912	.0	(298)	.0	(298)	.0	10,613	.0	.0	.0	386	12/15/2033..
36291E-AV-3..	GNMA Pool 625620 6.000% 12/15/33.....		12/01/2008..	Paydown.....		1,135	1,135	1,169	1,167	.0	(32)	.0	(32)	.0	1,135	.0	.0	.0	34	12/15/2033..
912828-BA-7..	US Treasury 3.625% 05/15/13.....		03/19/2008..	Lehman Brothers.....		4,234,688	4,000,000	3,812,500	3,861,543	.0	4,966	.0	4,966	.0	3,866,509	.0	368,178	368,178	50,192	05/15/2013..
912828-BH-2..	US Treasury 4.250% 08/15/13.....		03/19/2008..	Lehman Brothers.....		4,259,836	3,900,000	3,851,250	3,857,940	.0	1,453	.0	1,453	.0	3,859,393	.0	400,443	400,443	98,357	08/15/2013..
912828-BZ-2..	US Treasury 3.000% 02/15/09.....		03/19/2008..	First Boston.....		4,534,608	4,475,000	4,510,559	4,483,082	.0	(1,538)	.0	(1,538)	.0	4,481,544	.0	53,064	53,064	79,665	02/15/2009..
912828-CA-6..	US Treasury 4.000% 02/15/14.....		03/19/2008..	Lehman Brothers.....		4,658,445	4,300,000	4,250,500	4,263,765	.0	1,152	.0	1,152	.0	4,264,917	.0	393,528	393,528	102,066	02/15/2014..
912828-DG-2..	US Treasury 3.625% 01/15/10.....		03/19/2008..	Lehman Brothers.....		4,146,563	4,000,000	3,921,719	3,959,252	.0	4,040	.0	4,040	.0	3,963,292	.0	183,270	183,270	98,393	01/15/2010..
912828-DV-9..	US Treasury 4.125% 05/15/15.....		03/19/2008..	Merrill Lynch.....		4,897,441	4,500,000	4,406,094	4,416,086	.0	2,076	.0	2,076	.0	4,418,162	.0	479,279	479,279	64,255	05/15/2015..
912828-EN-6..	US Treasury 4.500% 11/15/15.....		03/19/2008..	First Boston.....		3,665,707	3,300,000	3,318,563	3,316,614	.0	(407)	.0	(407)	.0	3,316,207	.0	349,500	349,500	51,404	11/15/2015..
912828-EW-6..	US Treasury 4.500% 02/15/16.....		03/19/2008..	First Boston.....		4,426,094	4,000,000	3,917,031	3,924,080	.0	1,694	.0	1,694	.0	3,925,774	.0	500,320	500,320	106,813	02/15/2016..
912828-FY-1..	US Treasury 4.625% 11/15/16.....		03/19/2008..	Merrill Lynch.....		3,656,426	3,300,000	3,351,820	3,347,163	.0	(970)	.0	(970)	.0	3,346,193	.0	310,233	310,233	52,832	11/15/2016..
0399999 - Bonds - U.S. Governments						51,329,474	48,624,666	48,412,927	48,296,285	0	(4,626)	0	(4,626)	0	48,291,657	0	3,td			

ANNUAL STATEMENT FOR THE YEAR 2008 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 Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year (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
109456-BB-8	Brighton TWP Mich San Sew California Edl Facs Auth Revv		06/18/2008	Sovereign Securites Cor		1,024,550	1,000,000	1,016,860	1,011,996	0	(1,118)	0	(1,118)	0	1,010,878	0	13,672	13,672	29,111	10/01/2012
130175-7G-1	University		12/02/2008	Various		7,390,685	6,700,000	7,144,344	7,119,332	0	(28,375)	0	(28,375)	0	7,090,957	0	299,728	299,728	286,917	10/01/2033
196725-AN-5	Colorado State Department of C		12/02/2008	Stifel Nicolaus & Co Inc Fins		1,439,290	1,475,000	1,565,595	1,551,613	0	(7,460)	0	(7,460)	0	1,544,153	0	(104,863)	(104,863)	93,007	03/01/2021
31359S-2G-4	Fanniemae Whole Loan NW 2001-W1 AF6		12/01/2008	Paydown		37,557	37,557	38,995	38,835	0	(1,278)	0	(1,278)	0	37,557	0	0	0	1,038	07/25/2031
31376J-KM-0	FNMA Pool No 356800 5.500%		12/01/2008	Paydown		16,132	16,132	15,819	16,023	0	109	0	109	0	16,132	0	0	0	408	12/01/2008
31387C-M3-2	FNMA Pool No 580078 7.000%		09/01/31	Paydown		6,203	6,203	6,376	6,369	0	(166)	0	(166)	0	6,203	0	0	0	272	09/01/2031
31393J-BW-7	Freddie Mac 5.500% 05/15/31		11/01/2008	Paydown		184,582	184,582	188,880	185,175	0	(593)	0	(593)	0	184,582	0	0	0	4,691	09/15/2008
31402D-F7-0	FNMA Pool 725690 6.000% 08/01/34		12/01/2008	Paydown		2,491,079	2,491,079	2,574,180	2,571,429	0	(80,349)	0	(80,349)	0	2,491,079	0	0	0	71,524	08/01/2034
31405R-AR-7	FNMA Pool 796616 5.500% 10/01/34		12/01/2008	Paydown		2,117,757	2,117,757	2,150,351	2,148,923	0	(31,166)	0	(31,166)	0	2,117,757	0	0	0	56,112	10/01/2034
31407U-EK-9	FNMA Pool 840838 5.500% 11/01/35		12/01/2008	Paydown		854,370	854,370	843,423	843,630	0	10,740	0	10,740	0	854,370	0	0	0	33,211	11/01/2035
442435-JX-2	Houston Tex Util Sys Rev Ref Comb First		07/01/2008	Morgan, Keegan and Co Inc		2,159,260	2,000,000	2,110,120	2,104,626	0	(5,745)	0	(5,745)	0	2,098,880	0	60,380	60,380	63,333	11/15/2015
442436-2F-7	Houston Tex Wtr & Swr Sys Rev Jr Lien Se		12/02/2008	Seattle Northwest		1,617,300	1,500,000	1,598,745	1,571,752	0	(12,479)	0	(12,479)	0	1,559,273	0	58,027	58,027	75,833	12/01/2030
45528S-NW-2	INDIANAPOLIS IND LOC PUB IMPT		12/02/2008	Wachovia		1,385,488	1,355,000	1,457,059	1,441,005	0	(8,602)	0	(8,602)	0	1,432,403	0	(46,916)	(46,916)	94,097	07/15/2018
542690-TW-2	Long Island Pwr Auth 5.250%		06/01/13	First Southwest Co		2,139,300	2,000,000	2,175,100	2,106,764	0	(9,004)	0	(9,004)	0	2,097,761	0	41,539	41,539	61,833	06/01/2013
543364-AS-2	Longwood Central School Dis		06/23/2008	BNY Capital Markets Inco		1,526,974	1,410,000	1,604,580	1,535,955	0	(14,984)	0	(14,984)	0	1,520,972	0	6,002	6,002	43,015	06/15/2017
543364-AT-0	Longwood Central School Dis		06/27/2008	PNC Bank Corp		1,529,145	1,410,000	1,604,580	1,535,955	0	(15,335)	0	(15,335)	0	1,520,620	0	8,525	8,525	43,916	06/15/2018
592598-TJ-2	Metropolitan Transn Auth NY		06/27/2008	Roosevelt & Cross Fins		3,915,252	3,600,000	4,076,532	3,929,643	0	(27,350)	0	(27,350)	0	3,902,294	0	12,958	12,958	188,475	07/01/2017
59259N-DJ-9	Metro Transportation Auth Series A		06/24/2008	Fidelity Investments		1,088,260	1,000,000	1,138,170	1,089,432	0	(5,801)	0	(5,801)	0	1,083,631	0	4,629	4,629	36,944	04/01/2029
59259R-EF-7	Metro Transportation Auth Ser B2		01/02/2008	Merrill Lynch		5,000,000	5,000,000	4,999,123	4,999,218	0	(3)	0	(3)	0	4,999,215	0	785	785	15,556	11/01/2022
59455R-A8-9	Michigan Mun BD Auth Clean Water ST		12/02/2008	Huntington Capital Corp		1,086,290	1,000,000	1,086,260	1,061,962	0	(11,252)	0	(11,252)	0	1,050,710	0	35,580	35,580	61,833	10/01/2012
626190-3Z-3	Municipal Assistance Corp		07/01/2008	Maturity		1,650,000	1,650,000	1,781,142	1,670,591	0	(20,591)	0	(20,591)	0	1,650,000	0	0	0	86,625	07/01/2008
63165N-WN-4	Nassau Country NY 5.250%		06/01/22	BNY Capital Markets Inco		2,101,942	2,005,000	2,193,029	2,103,014	0	(19,372)	0	(19,372)	0	2,083,642	0	18,300	18,300	59,356	06/01/2022
646135-2Y-8	New Jersey State Trans Sys Ser A		06/27/2008	Commerce Bank		5,310,350	5,000,000	5,456,000	5,329,209	0	(30,347)	0	(30,347)	0	5,298,862	0	11,488	11,488	142,188	12/15/2012
64970K-UD-7	New York NY City Mun Fin Auth		12/02/2008	Depfa First Albany		1,530,590	1,440,000	1,616,227	1,540,688	0	(25,989)	0	(25,989)	0	1,514,699	0	15,892	15,892	73,500	06/15/2011
649716-7P-6	New York NY City Transitional		03/14/2008	Bear Stearns & Co		3,145,000	3,145,000	3,145,000	3,145,000	0	0	0	0	0	3,145,000	0	0	0	35,125	11/01/2022
64971K-Y4-2	New York NYC Transitional Fin Prerefunde		06/18/2008	BNY Capital Markets Inco		1,068,630	1,000,000	1,094,538	1,056,840	0	(7,747)	0	(7,747)	0	1,049,094	0	19,536	19,536	34,639	05/01/2014
64972F-HH-2	NY City Mun Fin Auth Wtr & Swr Second Ge		06/18/2008	Fins		2,000,000	2,000,000	2,000,000	2,000,000	0	0	0	0	0	2,000,000	0	0	0	18,055	06/15/2038
64982P-VW-9	New York State Court Facs-Ser A		06/26/2008	BA Securities		2,078,780	2,000,000	2,256,120	2,094,222	0	(19,186)	0	(19,186)	0	2,075,036	0	3,744	3,744	65,625	05/15/2010
64983R-AM-9	New York State Dorm Auth Revs		12/17/2008	Stone And Youngberg Fins		2,217,548	2,265,000	2,429,688	2,399,734	0	(16,288)	0	(16,288)	0	2,383,447	0	(165,898)	(165,898)	153,202	02/15/2017
64983R-GL-5	New York State Dorm Auth Revs		12/15/2008	Roosevelt & Cross Fins		5,007,200	5,000,000	5,947,100	5,781,465	0	(59,977)	0	(59,977)	0	5,721,488	0	(714,288)	(714,288)	402,569	07/01/2018
64983U-KV-1	New York ST Dorm Auth Revs		03/14/2008	Stone And Youngberg Fins		11,000,000	11,000,000	11,000,000	11,000,000	0	0	0	0	0	11,000,000	0	0	0	90,434	02/15/2031
64985Y-BB-5	New York ST Environmental Facs		12/10/2008	Bear Stearns & Co		1,093,820	1,000,000	1,160,020	1,123,153	0	(13,060)	0	(13,060)	0	1,110,093	0	(16,273)	(16,273)	52,500	12/15/2015
64986A-PK-1	New York ST Environmental		06/24/2008	Goldman Sachs		2,117,480	2,000,000	2,133,000	2,115,997	0	(5,652)	0	(5,652)	0	2,110,345	0	7,135	7,135	53,333	06/15/2018
64986B-AB-5	New York State HSG Fin		03/14/2008	BB&T Capital Market Fins		3,300,000	3,300,000	3,300,000	3,300,000	0	0	0	0	0	3,300,000	0	0	0	23,526	03/15/2026
64986B-AB-5	New York State HSG Fin		03/15/2008	Bear Stearns & Co		100,000	100,000	100,000	100,000	0	0	0	0	0	100,000	0	0	0	644	03/15/2026
64989K-EM-4	New York State Power Auth Ser A		06/18/2008	Redemption 100,0000		1,619,310	1,500,000	1,653,135	1,595,496	0	(7,006)	0	(7,006)	0	1,588,490	0	30,820	30,820	45,417	11/15/2013
649901-NW-1	New York ST Dorm Auth Rev		06/26/2008	UBS Securities Inc		2,005,341	1,950,000	2,103,056	2,005,625	0	(18,163)	0	(18,163)	0	1,987,463	0	17,878	17,878	97,229	07/01/2009
649903-EX-5	New York ST Dorm Auth Revs		07/01/2008	Stone And Youngberg Fins		3,185,250	3,000,000	3,334,800	3,316,416	0	(11,043)	0	(11,043)	0	3,305,374	0	(120,124)	(120,124)	158,375	07/01/2019
649903-EZ-0	New York ST Dorm Auth Revs		06/27/2008	Citigroup Global Markets		4,882,243	4,675,000	5,225,014	5,207,412	0	(14,840)	0	(14,840)	0	5,192,571	0	(310,329)	(310,329)	244,756	07/01/2021
650013-KG-1	New York State Highway Board		06/24/2008	Depfa First Albany		2,647,250	2,500,000	2,806,275	2,678,140	0	(15,263)	0	(15,263)	0	2,662,876	0	(15,626)	(15,626)	92,361	04/01/2014
650013-KG-1	New York State Highway Board New York st		06/18/2008	Goldman Sachs		1,617,990	1,500,000	1,636,215	1,603,523	0	(7,099)	0	(7,099)	0	1,59					

ANNUAL STATEMENT FOR THE YEAR 2008 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

CUSIP Identification	Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Maturity Date
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B/A. C.V. (11 + 12 - 13)	15 Total Foreign Exchange Change in B/A. C.V.						
915137-PR-8..	University Tex Univ Revs Ref-Sys- Fling-Se		08/11/2008..	Various.....		8,256,875	7,500,000	8,202,750	8,170,783	0	(30,876)	0	(30,876)	0	8,139,907	0	116,968	116,968	360,573	08/15/2017..
3199999 - Bonds - Special Revenues						130,509,477	125,042,680	134,557,568	132,067,334	0	(723,978)	0	(723,978)	0	131,343,359	0	(833,881)	(833,881)	4,656,882	XXX
03072S-LD-5..	Ameriquet Mortgage Securities 2003 - IA1.....		12/01/2008..	Paydown.....		666,469	666,469	666,469	666,469	0	0	0	0	0	666,469	0	0	0	17,432	11/25/2033..
07383F-U4-8..	Bear Stearns Comm Mtg 2004-T16.....		12/01/2008..	Paydown.....		624,749	624,749	628,228	625,008	0	(259)	0	(259)	0	624,749	0	0	0	14,921	10/13/2009..
073902-KF-4..	Bear Stearns 5.300% 10/30/15.....		03/14/2008..	BA Securities.....		726,440	1,000,000	996,630	997,118	0	79	0	79	0	997,197	0	(270,757)	(270,757)	20,464	10/30/2015..
09774X-AK-8..	Bombardier Capital Mortgage Se 1998-B M1.....		12/01/2008..	Paydown.....		0	0	578,965	558,319	7,386	(565,706)	0	(558,320)	0	0	0	0	0	57,702	12/15/2025..
126671-R4-0..	Countrywide Asset-Backed Certs Series 20.....		12/01/2008..	Paydown.....		376,402	376,402	382,989	378,946	0	(2,544)	0	(2,544)	0	376,402	0	0	0	10,196	09/25/2027..
12667F-GA-7..	Countrywide Alternative CwaIt 2004- 7T1 A.....		12/01/2008..	Paydown.....		152,593	152,593	156,419	152,765	0	(173)	0	(173)	0	152,593	0	0	0	4,553	01/25/2010..
161505-HW-5..	Chase Commercial Mortgage Series 2001-24.....		12/01/2008..	Paydown.....		301,391	301,391	327,409	309,287	0	(7,896)	0	(7,896)	0	301,391	0	0	0	10,027	03/12/2010..
201730-AE-1..	Greenwich Capital Commercial 2007- 6G9 A4.....		07/10/2008..	Wachovia.....		4,770,117	5,000,000	5,024,970	5,022,975	0	(1,425)	0	(1,425)	0	5,021,549	0	(251,432)	(251,432)	169,369	01/10/2017..
45031U-AW-1..	Istar Financial 5.875% 03/15/16.....		03/19/2008..	Goldman Sachs.....		521,250	750,000	749,220	749,295	0	75	0	75	0	749,370	0	(228,120)	(228,120)	23,255	03/15/2016..
C06215-15-3..	Trust Co. of Georgia C.D.....		04/01/2008..	Maturity.....		57,825	57,825	57,825	57,825	0	0	0	0	0	57,825	0	0	0	0	04/01/2008..
411640-AA-6..	Harbortview Nim Corp HVNIM 2007-1A N1 144.....	F	05/19/2008..	Paydown.....		1,807,108	1,807,108	1,793,555	1,793,632	0	13,476	0	13,476	0	1,807,108	0	0	0	30,875	03/19/2037..
4599999 - Bonds - Industrial and Miscellaneous						10,004,344	10,736,537	11,362,679	11,311,639	7,386	(564,373)	0	(556,987)	0	10,754,653	0	(750,309)	(750,309)	358,794	XXX
6099997 - Bonds - Part 4						233,520,313	224,218,883	237,370,069	233,872,307	7,386	(1,562,916)	0	(1,555,530)	0	232,316,779	0	1,203,534	1,203,534	7,819,405	XXX
6099998 - Bonds - Part 5						7,365,725	7,100,000	7,446,410	0	0	(14,558)	0	(14,558)	0	7,431,852	0	(66,127)	(66,127)	59,258	XXX
6099999 - Total - Bonds						240,886,038	231,318,883	244,816,479	233,872,307	7,386	(1,577,474)	0	(1,570,088)	0	239,748,631	0	1,137,407	1,137,407	7,878,663	XXX
6599998 - Preferred Stocks - Part 5						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6599999 - Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7299998 - Common Stocks - Part 5						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7299999 - Total - Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7399999 - Total - Preferred and Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX

E14.2

E15

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

E15

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 6 - SECTION 1

[illegible]

- | | |
|--|----|
| 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

1	2	3	4	Stock in Lower-Tier Company Owned Indirectly by Insurer on Statement Date	
CUSIP Identification	Name of Lower-Tier Company	Name of Company Listed in Section 1 Which Controls Lower-Tier Company	Total Amount of Intangible Assets Included in Amount Shown in Column 7, Section 1	5 Number of Shares	6 % of Outstanding
NONE					
0399999 Total				xxx	xxx

ANNUAL STATEMENT FOR THE YEAR 2008 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) /	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	When Paid	Amount Received During Year	Paid for Accrued Interest
0199999 - U.S. Governments - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0299999 - U.S. Governments - Single Class Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0399999 - Total - U.S. Government Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0499999 - All Other Governments - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0599999 - All Other Governments - Single Class Mortgage-Backed/ Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0699999 - All Other Governments - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0799999 - All Other Governments - Other Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0899999 - All Other Governments - Defined Multi-Class Commercial Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
0999999 - All Other Governments - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1099999 - Total - All Other Government Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1199999 - States, Territories and Possessions - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1299999 - States, Territories and Possessions - Single Class Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1399999 - States, Territories and Possessions - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1499999 - States, Territories and Possessions - Other Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1599999 - States, Territories and Possessions - Defined Multi-Class Commercial Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1699999 - States, Territories and Possessions - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1799999 - Total - States, Territories and Possessions Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1899999 - Political Subdivisions - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
1999999 - Political Subdivisions - Single Class Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2099999 - Political Subdivisions - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2199999 - Political Subdivisions - Other Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2299999 - Political Subdivisions - Defined Multi-Class Commercial Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2399999 - Political Subdivisions - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2499999 - Total - Political Subdivisions Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2599999 - Special Revenue - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2699999 - Special Revenue - Single Class Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2799999 - Special Revenue - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2899999 - Special Revenue - Other Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
2999999 - Special Revenue - Defined Multi-Class Commercial Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3099999 - Special Revenue - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3199999 - Total - Special Revenue Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3299999 - Public Utilities - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3399999 - Public Utilities - Single Class Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3499999 - Public Utilities - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3599999 - Public Utilities - Other Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3699999 - Public Utilities - Defined Multi-Class Commercial Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3799999 - Public Utilities - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3899999 - Total - Public Utilities Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
3999999 - Industrial and Miscellaneous - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4099999 - Industrial and Miscellaneous - Single Class Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4199999 - Industrial and Miscellaneous - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4299999 - Industrial and Miscellaneous - Other Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4399999 - Industrial and Miscellaneous - Defined Multi-Class Commercial Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4499999 - Industrial and Miscellaneous - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4599999 - Total - Industrial and Miscellaneous Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4699999 - Credit Tenant Loans						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4799999 - Parent, Subsidiaries and Affiliates - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4899999 - Parent, Subsidiaries and Affiliates - Single Class Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
4999999 - Parent, Subsidiaries and Affiliates - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
5099999 - Parent, Subsidiaries and Affiliates - Other Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
5199999 - Parent, Subsidiaries and Affiliates - Defined Multi-Class Commercial Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
5299999 - Parent, Subsidiaries and Affiliates - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
5399999 - Total - Parent, Subsidiaries and Affiliates Bonds						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
5499999 - Total - Issuer Obligations						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
5599999 - Total - Single Class Mortgaged-Backed/Asset-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0
5699999 - Total - Defined Multi-Class Residential Mortgage-Backed Securities						.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX	XXX	XXX	.0	.0

E17.1

SCHEDULE DA - PART 1

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

[illegible]

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 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned December 31 of Current Year

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ACA Financial Guaranty Corporation

SCHEDULE E PART 3 - SPECIAL DEPOSITS

		1	2	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
States, Etc.		Type of Deposits	Purpose of Deposits				
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			.61,787	.61,787
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	2,401,228	2,685,552		
22. Massachusetts	MA	.B.	RSD for Financial Guaranty			100,051	111,898
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			100,051	111,898
33. New York	NY						
34. North Carolina	NC	.B.	RSD for Financial Guaranty			200,102	223,796
35. North Dakota	ND						
36. Ohio	OH						
37. Oklahoma	OK						
38. Oregon	OR	.B.	RSD for Financial Guaranty			260,133	290,935
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			275,141	307,720
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			798,266	734,168
55. US Virgin Islands	VI	.B.	RSD for Financial Guaranty			500,256	559,490
56. Northern Mariana Islands	MP						
57. Canada	CN						
58. Aggregate Other Alien	OT	.XXX	.XXX	.0	.0	.0	.0
59. Total		XXX	XXX	2,401,228	2,685,552	2,415,787	2,521,691
DETAILS OF WRITE-INS							
5801.							
5802.							
5803.							
5898.	Summary of remaining write-ins for Line 58 from overflow page	.XXX	.XXX	.0	.0	.0	.0
5899.	Totals (Lines 5801 - 5803 + 5898)(Line 58 above)	XXX	XXX	0	0	0	0