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PROPERTY AND CASUALTY COMPANIES —ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2009

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 (Street and Number) New York, NY 10005-1101 (City or Town, State and Zip Code) 212-375-2000 (Area Code) (Telephone Number)

Mail Address 140 Broadway, 47th Floor (Street and Number or P.O. Box), New York, NY 10005-1101 (City or Town, State and Zip Code)

Primary Location of Books and Records 140 Broadway, 47th Floor (Street and Number) New York, NY 10005-1101 (City or Town, State and Zip Code) 212-375-2017 (Area Code) (Telephone Number

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

Statutory Statement Contact John McDevitt (Name) 212-375-2017 (Area Code) (Telephone Number) (Extension)

JMcDevitt@ACA.com (E-Mail Address) 212-375-2301 (Fax Number)

OFFICERS

Name	Title	Name	Title
Raymond John Brooks Jr	President and CEO	Philip Sam Sherman	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
ss
County of New York

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

Raymond John Brooks, Jr.	Philip Sam Sherman	Steven Joseph Berkowitz
President and CEO	Treasurer and CFO	Secretary and General Counsel

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

Subscribed and sworn to before me this
day of November, 2009

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

Meredith Grace Berrett,

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	353,546,026		353,546,026	368,798,756
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	769,825	769,825	0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
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 ($ 3,308,717), cash equivalents ($ 0) and short-term investments ($ 61,697,284)	65,006,001		65,006,001	63,858,810
6. Contract loans (including $ premium notes)			0	0
7. Other invested assets	1,090,209		1,090,209	1,090,068
8. Receivables for securities	4,875		4,875	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	420,416,936	769,825	419,647,112	433,747,634
11. Title plants less $ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	3,304,483		3,304,483	3,221,109
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 premiums)			0	0
13.3 Accrued retrospective premiums			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	0
16.2 Net deferred tax asset	116,128,440	116,128,440	0	3,821,634
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	1,265,554	1,086,699	178,855	382,156
19. Furniture and equipment, including health care delivery assets ($)	449,003	449,003	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	13,032		13,032	0
22. Health care ($) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	2,800,354	2,787,874	12,480	36,879
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	544,377,802	121,221,841	423,155,961	441,209,412
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	544,377,802	121,221,841	423,155,961	441,209,412
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	2,725,122	2,725,122	0	0
2302. Other Assets	12,480		12,480	36,879
2303. Prepaid Tax	58,808	58,808	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	3,944	3,944	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	2,800,354	2,787,874	12,480	36,879

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 5,741,970)	28,793,999	19,781,236
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses	1,980,080	1,191,909
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	2,435,952	3,434,574
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,695	171,819
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 (after deducting unearned premiums for ceded reinsurance of $ 475,656 and including warranty reserves of $)	209,531,666	219,749,396
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		0
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated		0
16. Provision for reinsurance		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	436,728	466,032
20. Payable for securities	2,989,590	20,679,861
21. Liability for amounts held under uninsured plans		0
22. Capital notes $ and interest thereon $		0
23. Aggregate write-ins for liabilities	82,818,064	74,448,191
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	328,988,773	339,923,018
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	328,988,773	339,923,018
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		0
32. Gross paid in and contributed surplus	363,974,000	372,633,700
33. Unassigned funds (surplus)	(284,806,813)	(286,347,306)
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)	94,167,188	101,286,394
36. TOTALS	423,155,961	441,209,412
DETAILS OF WRITE-INS		
2301. Contingency Reserve	82,818,064	74,448,191
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	82,818,064	74,448,191
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 thru 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 thru 3003 plus 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 399,650)	10,467,526	17,777,257	24,384,980
1.2 Assumed (written $)	181,767	1,713,413	1,787,118
1.3 Ceded (written $)	31,913	56,175	74,285
1.4 Net (written $ 399,650)	10,617,380	19,434,495	26,097,813
DEDUCTIONS:			
2. Losses incurred (current accident year $ 6,224,977):			
2.1 Direct	9,182,133	250,829,917	259,320,537
2.2 Assumed		(8,388,468)	(8,388,472)
2.3 Ceded		0	
2.4 Net	9,182,133	242,441,449	250,932,065
3. Loss adjustment expenses incurred	3,726,505	18,527,211	19,248,408
4. Other underwriting expenses incurred	13,695,378	26,107,201	30,589,170
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	26,604,017	287,075,861	300,769,643
7. Net income of protected cells		0	0
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(15,986,637)	(267,641,366)	(274,671,830)
INVESTMENT INCOME			
9. Net investment income earned	12,988,602	17,959,154	22,415,677
10. Net realized capital gains (losses) less capital gains tax of $	(3,658,496)	(38,611,972)	(41,142,817)
11. Net investment gain (loss) (Lines 9 + 10)	9,330,106	(20,652,818)	(18,727,140)
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $)		0	0
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income	6,452,495	3,000	25,223,974
15. Total other income (Lines 12 through 14)	6,452,495	3,000	25,223,974
16. Net income before dividends to policyholders after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(204,035)	(288,291,184)	(268,174,996)
17. Dividends to policyholders		0	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)	(204,035)	(288,291,184)	(268,174,996)
19. Federal and foreign income taxes incurred	(3,862,428)	0	779,877
20. Net income (Line 18 minus Line 19)(to Line 22)	3,658,393	(288,291,184)	(268,954,873)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	101,286,388	229,140,048	229,140,047
22. Net income (from Line 20)	3,658,393	(288,291,184)	(268,954,873)
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of $	(265,202)	24,632,309	24,752,611
25. Change in net unrealized foreign exchange capital gain (loss)		0	0
26. Change in net deferred income tax	(14,868,336)	63,541,232	65,878,923
27. Change in nonadmitted assets	12,725,811	(64,523,680)	(65,070,955)
28. Change in provision for reinsurance		0	0
29. Change in surplus notes		(10,000,000)	(10,000,000)
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in	(8,659,700)	14,329,850	14,329,850
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	289,827	112,531,400	111,210,784
38. Change in surplus as regards policyholders (Lines 22 through 37)	(7,119,208)	(147,780,073)	(127,853,660)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	94,167,180	81,359,975	101,286,388
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Other Income	324,495	0	11,533
1402. Equity Earnings in Affiliates	6,075,000	0	25,193,441
1403. Surveillance Consent Fees	53,000	3,000	19,000
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	6,452,495	3,000	25,223,974
3701. Change In Contingency Reserve	(8,369,873)	112,531,400	111,210,784
3702. Reclass Adjustment	8,659,700	0	0
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	289,827	112,531,400	111,210,784

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	399,650	(16,929,553)
2. Net investment income	13,441,601	27,065,499
3. Miscellaneous income	6,452,495	25,223,974
4. Total (Lines 1 to 3)	20,293,746	35,359,920
5. Benefit and loss related payments	169,370	238,524,097
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	16,763,959	51,645,826
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	(3,862,428)	(6,295,730)
10. Total (Lines 5 through 9)	13,070,901	283,874,192
11. Net cash from operations (Line 4 minus Line 10)	7,222,846	(248,514,272)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	72,179,067	240,886,038
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	18,250,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	483,758	62,975,754
12.8 Total investment proceeds (Lines 12.1 to 12.7)	72,662,825	322,111,792
13. Cost of investments acquired (long-term only):		
13.1 Bonds	61,393,051	30,121,705
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	4,329,850
13.6 Miscellaneous applications	18,178,904	42,280,224
13.7 Total investments acquired (Lines 13.1 to 13.6)	79,571,955	76,731,779
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(6,909,130)	245,380,012
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	(10,000,000)
16.2 Capital and paid in surplus, less treasury stock	0	14,329,850
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	833,475	1,125,484
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	833,475	5,455,334
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)	1,147,191	2,321,074
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	63,858,810	61,537,735
19.2 End of period (Line 18 plus Line 19.1)	65,006,001	63,858,810

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

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

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

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

C. Accounting Policy

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

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

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. For additional information please see (7) below.

(4) The Company has no preferred stocks.

(5) The Company has no mortgage loans.

(6) Loan-backed securities are stated at amortized cost or the lower of amortized cost or fair market value, using the effective interest rate method. The retrospective adjustment method is used to value all securities.

(7) In June 2006, the Company established a wholly-owned subsidiary, ACA Singapore, for the purpose of expanding the Company's structured credit business into the Asian markets. However, this business was discontinued in 2007 and the Company is currently undertaking the necessary steps to conclude ACA Singapore's business operations. The Company expects to complete the un-wind of ACA Singapore in the first half of 2010. As of September 30, 2009, the Company contributed approximately $632 thousand of capital into ACA Singapore and did not admit its interest in the amount of $770 thousand.

(8) The Company has no joint ventures.

(9) The Company has no derivatives.

(10) The Company has no premium deficiencies.

(11) Unpaid losses are established when an insured obligation defaults in payment. 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 $30.8 million at September 30, 2009 and include four case reserves. Total unpaid losses and loss adjustment expenses at December 31, 2008 were $21.0 million.

During the fourth quarter of 2008, COPIA: The American Center for Wine, Food and the Arts ("COPIA") filed for bankruptcy. The Company insures bonds issued by COPIA with an accreted value of approximately $83.3 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 in payment occurs, the Company has not accrued this loss in its 2008 or 2009 financial statements. COPIA currently has a debt service reserve funded in the amount of approximately $5.7 million. This cash reserve has been and is expected to continue to be used to make scheduled payments under the insured bonds. Upon the depletion of the debt service reserve, the Company will begin making claim payments and at that time will establish a loss reserve. The Company expects that this will occur in 2011 or 2012. The bankruptcy process is expected to result in the legal ownership of the related real estate being held by a trust, which would sell the property. Proceeds from the sale of the property are expected to reimburse the Company for its loss adjustment expenses and then to pay down the outstanding bonds on a pro-rata basis. The Company will evaluate the impact, if any, of the bankruptcy judgment on the establishment of a loss reserve. In the interim, the Company is incurring costs to maintain the property, including employment of essential personnel, as well as legal costs in connection with this credit's legal activities. For the nine months ending September 30, 2009, the Company paid LAE for COPIA of $1.9 million and as of September 30, 2009, had a reserve for LAE of $1.3 million for COPIA. Based on the Company's current estimates, the claim reserve may be in the range of $50 to $60 million on a present value basis.

The Company ultimately expects to pay claims on additional insured bonds classified in surveillance category 4. These additional credits with par outstanding of $219 million have experienced a material decline in creditworthiness and will probably be unable to make all principal and interest payments on the insured bonds. However, because SSAP 60 does not allow for establishment of loss reserves until a default in payment occurs, the Company has not accrued any losses on these insured bonds. Where possible, the Company has taken action and is attempting to eliminate the probability of default.

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.

NOTES TO FINANCIAL STATEMENTS

(13) The Company has no pharmaceutical rebate receivables.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

A. N/A

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 September 30, 2009.

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 2009 due to negative yield on specific securities.

(4) During the quarter ended September 30, 2009, the Company recognized an other than temporary impairment of an asset backed security based upon the projected cash flows of the underlying home equity loans. The amortized cost basis of this security has been reduced to $1.5 million from $2.0 million. The Company recognized a realized loss of $0.5 million. This below investment grade security is carried in the accompanying balance sheet at a market value of $0.8 million.

(5) The fair value and gross unrealized losses related to loan-backed and structured securities that have been in a continuous unrealized loss position for 12 months or longer is $57.7 million and $12.6 million, respectively. These securities are all rated investment grade by a nationally recognized security rating organization. The price depreciation is attributable to the widening of credit spreads. In all instances there is excess credit coverage within each structure and cash flows of the underlying collateral are expected to be sufficient to pay principal and interest.

One of these investments is a private label residential mortgage backed security which has a $9.0 million unrealized loss based upon a valuation by an independent third party. This investment is carried at amortized cost however, during the fourth quarter this security was down-graded to below investment grade and as a result will be carried at market value in the future.

The Company did not have any loan-backed or structured securities that have been in a continuous unrealized loss position for less than 12 months.

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 September 30, 2009, which is non-admitted for statutory reporting purposes.

The Company has a $770 thousand investment in ACA Singapore (see Note 1C(7) above) at September 30, 2009. This investment is also non-admitted for statutory reporting purposes.

7. INVESTMENT INCOME

All investment income due and accrued with amounts that are over 90 days past due are considered a non-admitted asset. There was no past due investment income as of September 30, 2009.

8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

9. INCOME TAXES

NOTES TO FINANCIAL STATEMENTS

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

Description	9/30/09	12/31/08
Gross deferred tax assets	$ 116,144,485	$ 131,006,577
Gross deferred tax liabilities	(16,046)	(9,802)
Net deferred tax asset	116,128,439	130,996,775
Non-admitted deferred tax asset	(116,128,439)	(127,175,141)
Net admitted deferred tax asset	-	3,821,634
Decrease (increase) in nonadmitted deferred tax assets	$ 11,046,702	$ (69,239,239)

B N/A

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

Description	9/30/09	12/31/08
Current year expense / (benefit)	$ -	$ -
Prior year (over) / under accrual	(3,883,455)	120,363
Current income tax expense / (benefit)	(3,883,455)	120,363
Less: expense / (benefit) on capital gain / (loss)	-	-
Current ordinary income tax expense / (benefit)	$ (3,883,455)	$ 120,363

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	9/30/09	12/31/08	Change
Net operating loss carryforward	$ 63,144,912	$ 78,252,156	$ (15,107,244)
Unearned premiums reserve	6,037,703	7,693,025	(1,655,322)
Loss reserve discounting (net of salvage)	18,718	23,277	(4,559)
Contingency reserve	28,986,324	26,056,869	2,929,455
Unamortized licenses	378,000	472,500	(94,500)
Fixed assets	1,411,671	1,641,872	(230,201)
Capital loss carryforward	15,658,082	16,333,254	(675,172)
Other temporary differences	509,075	533,623	(24,548)
Gross deferred tax asset	116,144,485	131,006,576	(14,862,091)
Non-admitted deferred tax asset	(116,128,439)	(127,175,141)	11,046,702
Gross admitted deferred tax asset	$ 16,046	$ 3,831,435	$ (3,815,389)

Deferred tax liabilities	9/30/09	12/31/08	Change
Bond market discount	$ (6,245)	$ (123,231)	$ 116,986
Other	(9,801)	(9,801)	-
Gross deferred tax liabilities	(16,046)	(9,801)	(6,245)
Net admitted deferred tax asset / (liability)	$ -	$ 3,821,634	$ (3,821,634)

The change in net deferred income taxes is comprised of the following:			
Total deferred tax assets	$ 116,144,485	$ 131,006,576	$ (14,862,091)
Total deferred tax liabilities	(16,046)	(9,801)	(6,245)
Net deferred tax asset (liability)	$ 116,128,439	$ 130,996,775	$ (14,868,336)

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 September 30, 2009 is set forth below:

Description	Amount	Tax Effect @ 35%
Income / (loss) before taxes	$ (204,035)	$ (71,412)
Change in contingency reserve	(8,369,871)	(2,929,455)
Tax exempt interest, net of proration	(221,752)	(77,613)
Unrealized losses through other comprehensive income	(265,203)	(92,821)
Reduction for excluded cancellation of indebtedness	57,502,818	20,125,986
Provision to return adjustment	(5,974,631)	(2,091,121)
Prior period adjustment - refund claim	(11,095,586)	(3,883,455)
Other	13,634	4,772
Total statutory taxable income	$ 31,385,374	$ 10,984,881

Federal income tax expense (benefit)	$ (3,883,455)
Change in net deferred income taxes	14,868,336
Total statutory tax expense	$ 10,984,881

NOTES TO FINANCIAL STATEMENTS

E 1)The Company generated a combined net operating loss of $183M during 2008, of which $166M was generated prior to the Restructuring and $17M was generated following the Restructuring. The pre-Restructuring net operating loss carryforward may be subject to the IRC Section 382 loss limitation. The Company anticipates carrying back $45.8M of its pre-Restructuring net operating loss against its second preceding taxable year. Unused net operating losses will expire on December 31, 2028.

2) The amount of federal income taxes incurred and available for recoupment 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, $45.8M of the Company's pre-Restructuring net operating loss carryforward will only be utilized against the second preceding tax year in 2007 because a net operating loss was generated in the first preceding year, November 22, 2007 to December 31, 2007. The amount reflected in both periods include income and expenses of its disregarded subsidiaries.

3) N/A

F 1) The Company will be included in its parent's, Manifold Capital Corp's, formerly known as ACA Capital Holdings Inc. ("ACACH") prior to August 11, 2008 with the following members:

- Manifold Capital Corp.
- ACA Holding L.L.C.
- 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.

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.PK". 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. N/A

D. N/A

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. For the first three months of 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 September 30, 2009, 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 $26.0 million investment in ACA Service, LLC during the year ended December 31, 2008. This did not impact the Company's total surplus because the investment was previously and continues to be recorded as a non-admitted asset.

NOTES TO FINANCIAL STATEMENTS

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. At December 31, 2008, the fair value of plan assets was $7.4 million. The Company recognized expense in the amount of $160.2 thousand for the defined contribution plan during the nine months ended September 30, 2009.

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. No dividends are expected to be paid in 2009.

(4) N/A

(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 $1.5 million.

(11)

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

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

A surplus note in the amount of $10,000,000 was issued to ACACH on December 29, 2004 in exchange for $10,000,000 in cash and had a maturity date of December 29, 2034. As part of the Company's restructuring which occurred on August 8, 2008, this surplus note was cancelled. The $10 million principal balance on the note was reclassified to gross paid in and contributed capital and interest payable under the note in the amount of $629,465 was written off. See Note 20(C).

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

(12) Not applicable.

14. CONTINGENCIES

A. The Company has no contingent commitments.

B. The Company has no assessments other than those arising in the normal course of business. Such assessments are not material.

C. The Company has no gain contingencies.

D. Prior reports made reference to a federal securities lawsuit pending in the United States District Court for the Southern District of New York against ACA Capital Holdings, Inc. and Alan Roseman. That suit does not involve or impact the Company and will no longer be reported on by the Company.

In July 2008, the Company, along with five other bond insurance companies, was named in substantively identical suits brought by the City of Los Angeles and the City of Stockton, which asserted various causes of action based on allegations that the Company (i) conspired with its co-defendants and with bond rating agencies to maintain a credit-rating system that led local governments to buy unnecessary insurance policies on their bonds; and (ii) failed to properly disclose its exposure to the sub-prime market. The Company believed it was named in error because the allegations in both suits are based on the assertion that the bond insurance defendants sold the plaintiffs AAA financial strength ratings, and the

NOTES TO FINANCIAL STATEMENTS

Company had never been rated AAA. Accordingly, the Company requested that it be removed from both actions. On August 31, 2009, plaintiffs in both cases filed amended complaints against all existing defendants except for the Company, which was dropped from both lawsuits and is no longer involved in either action.

The Company is one of a number of defendants in a lawsuit in the Superior Court of the State of California (Los Angeles County) brought by Retirement Housing Foundation and several affiliates relating to the plaintiffs' issuance of auction-rate securities insured by the Company. The plaintiffs allege that the Company's insurance of securities backed by sub-prime mortgages was not financially responsible and was contrary to the Company's statement about its investment practices, and that when the Company's credit rating was downgraded from "A" to "CCC" after the collapse of the sub-prime market, the plaintiffs were forced to refinance their securities. While this action is in the preliminary stages, the Company believes it has substantial defenses to the claims against it. Accordingly, on October 22, 2009, the Company filed a demurrer seeking to have the case dismissed. Argument on the demurrer is currently scheduled for January 14, 2010.

The Company was one of four defendants in a class action lawsuit brought on behalf of all persons and entities holding a "derivative interest" in a proof of claim filed by the Company and The Bank of New York Mellon ("BONYM") in bankruptcy proceedings for Copia: The American Center for Wine, Food and the Arts ("Copia"). The case was brought in the United States District Court for the Eastern District of California (Sacramento). The plaintiffs asserted claims for violations of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 against all of the defendants based on the assertion that a May 1, 2007 Escrow Agreement between Copia, the California Infrastructure and Economic Development Bank and The Bank of New York Mellon contained false and misleading statements. The original Complaint also asserted a cause of action for bad faith insurance against the Company, based on the assertion that the Company's participation in the bankruptcy proceedings is in bad faith. On September 15, 2009, the Court appointed lead plaintiff and counsel for plaintiff and ordered that they file an amended complaint by no later than October 20, 2009. On that date, class plaintiff filed a consolidated complaint that did not name the Company or BONYM as defendants. Accordingly, the action is no longer pending against 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 or the results of operations of the Company.

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 September 30, 2009 and December 31, 2008 was $1.7 million and $2.3 million, respectively.

On December 7, 2006, the Company entered into a renewal lease for the Premises, which 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:

Year Ending December 31	Operating Leases
2009	$ 2,382
2010	2,467
2011	2,655
2012	2,655
2013	2,655
Beyond 5 Years	20,812
Total	$ 33,626

The Company is pursuing a sublease of 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 weakened significantly due to the state of the economy and the recent financial crisis resulting in considerable job losses in the financial industry and related sectors. 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. Because of the state of the market, the Company will almost certainly be forced to sublease its office space at a loss. On a present value basis, the Company estimates the loss would be minimally in the $10 million range.

C. Not applicable.

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

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

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

A. The Company had no transfer of receivables reported as sales.

B. The Company had no transfer and servicing of financial assets.

C. The Company had no wash sales.

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

A. The Company has no Administrative Services Only (ASO) plan.

B. The Company has no Administrative Services Contract (ASC) plan.

C. The Company has no Medicare or other similarly structured cost based retirement contract.

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

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

20. OTHER ITEMS

NOTES TO FINANCIAL STATEMENTS

A. The Company had no extraordinary items during 2009.

B. The Company had no troubled debt restructuring during 2009.

C. Assets in the amount of $4,736,678 and $4,817,015 at September 30, 2009 and December 31, 2008 respectively, were on deposit with state authorities or trustees as required by state licensing regulations.

In support of the Company's lease obligations, $2,725,122 is held by the Company's lessor as collateral. This collateral deposit is treated as a non-admitted asset as of September 30, 2009 and 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 was caused by the devaluation of mortgage securities, including sub-prime mortgages and securitizations comprised of sub-prime mortgages, which occurred in the credit markets in 2007. This market stress began in the first half of 2007 and continued to deepen throughout 2007 as many financial institutions recorded significant write-downs in connection with their exposure to mortgage related securities. Mortgage defaults levels in 2007 reached historically high levels. These defaults in 2007, coupled with market predictions of additional defaults, negatively impacted mortgage related securitizations, resulting in realized losses in these securities and large declines in unrealized market valuations. The value of the insured credit swaps issued by insured affiliates of ACACH continued to experience declines during 2008, which resulted in additional unrealized valuation losses based on accounting principles generally accepted in the United States of America ("GAAP").

Based on these negative developments, on December 19, 2007, S&P downgraded the financial strength and financial enhancement ratings of the Company to "CCC" (Developing Outlook) from "A" (CreditWatch Negative). Under the terms of the Company's insured credit swap transactions, the Company's downgrade to a level below "A-" resulted in an obligation for the Company's insured affiliates to post collateral based on the fair value of the insured credit swaps. Under the terms of the swaps, a failure to post collateral would have represented an event of default under the insured credit swaps, or if collateral was not posted, a mandatory termination payment in an amount approximately equal to the collateral call. This termination payment would give rise to a claim of the counterparties under the related insurance policy. Based on the fair values of the Company's affiliates' insured credit swap transactions, ACACH did not have the ability to post such collateral or make such termination payments. The Company estimates that the fair value of all of its insured credit swaps amounted to ($1.7) billion, as of September 30, 2007.

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

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

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

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

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

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

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

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

Following the completion of the Restructuring Transaction, S&P completed its review of the Company's financial strength rating and concluded that the rating was "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 September 30, 2009.

NOTES TO FINANCIAL STATEMENTS

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 $5.7 million at September 30, 2009 and the Company has an outstanding loss reserve against this exposure in the amount of $4.6 million.

(2) The Company had no investments consisting of direct exposure to subprime-mortgages as of September 30, 2009.

(3) The Company has the following indirect exposures to sub-prime mortgages included in its investment portfolio as of September 30, 2009:

	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	6,169,608	5,383,977	5,095,702	483,758
b. Commercial mortgage backed securities				
c. Collateralized debt obligations	15,679,798	15,910,260	7,127,627	-
d. Structured securities				
e. Equity investment in SCAs				
f. Other assets				
g. Total	21,849,406	21,294,237	12,223,329	483,758

(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 September 30, 2009.

C. Reinsurance Assumed and Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	**Commission Equity**	**Premium Reserve**	**Commission Equity**	**Premium Reserve**	**Commission Equity**
Affiliates	$ -0-	$ -0-	$ 0-	$ -0-	$ -0-	$ -0-
All other	6,885,131	-0-	475,656	-0-	6,409,475	-0-
Total	$ 6,885,131	$ -0-	$ 475,656	$ -0-	$ 6,409,475	$ -0-

Direct Unearned Premium Reserve $203,122,191.

There are no contingent commission or profit sharing arrangements at September 30, 2009.

D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balances as of September 30, 2009.

E. Commutation of Ceded Reinsurance

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

During the first nine months of 2009, the Company incurred losses and LAE of $12.9 million, including claim payments and LAE paid in the amounts of $1.4 million and $2.9 million, respectively. During the nine months, case reserves were increased $8.3 million and LAE reserves were increased $0.8 million. The increase in case reserves was primarily in connection with three insured student housing exposures and the increase in the LAE reserve was principally associated with the increased costs for COPIA. See Note 1 C 11.

NOTES TO FINANCIAL STATEMENTS

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 Transaction 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 $0.3 million were made in April 2008 and July 2008 for interest payments with respect to this obligation. As part of the Restructuring Transaction, 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 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 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).

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 the rate that approximates yield on its investment portfolio. At September 30, 2009, the discount rated used was 4.5%. The amount of discount associated with the Company's loss reserves at September 30, 2009 was $18.1 million.

33. ASBESTOS/ENVIRONMENTAL RESERVES

The Company does not write this line of business and therefore has no asbestos/environmental reserves at September 30, 2009.

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

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

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [ ] No [X]

If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [X] NA [ ]

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2007

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/07/2009

6.4 By what department or departments?

Maryland Insurance Administration

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [ ] NA [ ]

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] NA [ ]

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

7.2 If yes, give full information:

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

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

GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [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.

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

9.2 Has the code of ethics for senior managers been amended? Yes [X] No [ ]

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

After the restructuring the Company upaded its Code of Ethics & Conduct

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

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

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

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

A security deposit in the amount of $2,725,122, which is non-admitted on the Company's balance sheet, is held as collateral agains the Company's office space lease

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

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

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

14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21	Bonds	$	$
14.22	Preferred Stock	$	$
14.23	Common Stock	$ 769,815	$ 769,815
14.24	Short-Term Investments	$	$
14.25	Mortgage Loans on Real Estate	$	$
14.26	All Other	$	$
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 769,815	$ 769,815
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above	$	$

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

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

GENERAL INTERROGATORIES

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

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

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

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

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

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

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
107038	JPMorgan Asset Management	522 Fifth Avenue, New York, NY 10036

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

17.2 If no, list exceptions:

GENINTPT1 - Attachment

General Interrogatories Page 7.1 - Line 14.2 - A common stock invesment in a subsidiary in the amount of $769,815 is non-admitted on the company's balance sheet.

GENERAL INTERROGATORIES

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

PART 2
PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [ ] No [X] NA [ ]

If yes, attach an explanation.

2. Has the 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]

If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [ ] No [X]

3.2 If yes, give full and complete information thereto.

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

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
Financial Guaranty			18,057,941			18,057,941	5,774,700			5,774,700
TOTAL			18,057,941	0	0	18,057,941	5,774,700	0	0	5,774,700

Schedule F

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama AL	L		0		0		0
2. Alaska AK	L		0		0		0
3. Arizona AZ	L		0		613,531		0
4. Arkansas AR	L		0		0		0
5. California CA	L		0		0		0
6. Colorado CO	L		0		0		0
7. Connecticut CT	L		0		0		0
8. Delaware DE	L		21,547		0		0
9. District of Columbia DC	L		0		0		0
10. Florida FL	L	101,460	103,350		0		0
11. Georgia GA	L		0		0		0
12. Hawaii HI	L		0		0		0
13. Idaho ID	L		0		0		0
14. Illinois IL	L		0		0		0
15. Indiana IN	L		0		0		0
16. Iowa IA	L		0		0		0
17. Kansas KS	L		0		0		0
18. Kentucky KY	L		0		0		0
19. Louisiana LA	L	8,521	6,866	288,127	0	3,529,556	0
20. Maine ME	L		0		0		0
21. Maryland MD	L		0		0		0
22. Massachusetts MA	L		0		0		0
23. Michigan MI	L		0		0		0
24. Minnesota MN	L	2,537	4,404	(751,734)	(614,784)	4,566,490	1,234,724
25. Mississippi MS	L	142	3,313	438,098	445,110	18,485,539	9,934,000
26. Missouri MO	L	9,690	10,000		0		0
27. Montana MT	L		0		0		0
28. Nebraska NE	L		0		0		0
29. Nevada NV	L		0		0		0
30. New Hampshire NH	L	16,200	17,253		0		0
31. New Jersey NJ	L		0		0		0
32. New Mexico NM	L		0		0		0
33. New York NY	L		(17,698,775)		234,084,046		0
34. North Carolina NC	L		0		0		0
35. North Dakota ND	L		0		0		0
36. Ohio OH	L		0		0		0
37. Oklahoma OK	L		0		0		0
38. Oregon OR	L	47,600	0		0		0
39. Pennsylvania PA	L		0		0		0
40. Rhode Island RI	L		0		0		0
41. South Carolina SC	L		0		0		0
42. South Dakota SD	L		0		0		0
43. Tennessee TN	L		0		0		0
44. Texas TX	L		0	194,880	0	2,212,414	0
45. Utah UT	L		0		0		0
46. Vermont VT	L		0		0		0
47. Virginia VA	L		103,763		0		0
48. Washington WA	L		0		0		0
49. West Virginia WV	L		0		0		0
50. Wisconsin WI	L		0		0		0
51. Wyoming WY	L		0		0		0
52. American Samoa AS	N		0		0		0
53. Guam GU	L		0		0		0
54. Puerto Rico PR	L		0		0		0
55. U.S. Virgin Islands VI	L		0		0		0
56. Northern Mariana Islands MP	N		0		0		0
57. Canada CN	N		0		0		0
58. Aggregate Other Alien OT	XXX	213,500	208,879	0	4,020,207	0	0
59. Totals	(a) 54	399,650	(17,219,400)	169,371	238,548,110	28,793,999	11,168,724
DETAILS OF WRITE-INS							
5801. Foreign	XXX	213,500	208,879		4,020,207		0
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	213,500	208,879	0	4,020,207	0	0

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

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

NONE

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1. Fire			0.0	0.0
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	10,467,526	9,182,133	87.7	1,411.0
11.1 Medical professional liability - occurrence			0.0	0.0
11.2 Medical professional liability - 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			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	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. TOTALS	10,467,526	9,182,133	87.7	1,411.0
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

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
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	4,165	399,650	(17,219,400)
11.1 Medical professional liability - occurrence	0		0
11.2 Medical professional liability - claims-made	0		0
12. Earthquake	0		0
13. Group accident and health	0		0
14. Credit accident and health	0		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	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	4,165	399,650	(17,219,400)
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2009 Loss and LAE Payments on Claims Reported as of Prior Year-End	2009 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2009 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2006 + Prior	5,758		5,758	1,304		1,304	5,914			5,914	1,460	0	1,460
2. 2007			0			0				0	0	0	0
3. Subtotals 2007 + Prior	5,758	0	5,758	1,304	0	1,304	5,914	0	0	5,914	1,460	0	1,460
4. 2008	15,215		15,215	1,067		1,067	18,696			18,696	4,547	0	4,547
5. Subtotals 2008 + Prior	20,973	0	20,973	2,371	0	2,371	24,609	0	0	24,609	6,007	0	6,007
6. 2009	XXX	XXX	XXX	XXX	737	737	XXX	6,165		6,165	XXX	XXX	XXX
7. Totals	20,973	0	20,973	2,371	737	3,108	24,609	6,165	0	30,774	6,007	0	6,007
8. Prior Year-End's Surplus As Regards Policyholders	101,286												

Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
1. 28.6	2. 0.0	3. 28.6
		Col. 13, Line 7 As a % of Col. 1 Line 8
		4. 5.9

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

Explanation:

1.

2.

3.

Bar Code:

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

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

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

OVERFLOW PAGE FOR WRITE-INS

PQ002 Additional Aggregate Lines for Page 02 Line 23.
*ASSETS

	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
2304. Prepaid Expenses	3,944	3,944	0	0
2397. Summary of remaining write-ins for Line 23 from Page 02	3,944	3,944	0	0

SCHEDULE A - VERIFICATION

Real Estate

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Current year change in encumbrances		0
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other than temporary impairment recognized		0
8. Deduct current year's depreciation		0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

NONE

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

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,090,068	19,339,891
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	4,329,850
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	141	177
5. Unrealized valuation increase (decrease)	0	25,879,020
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	18,250,000
8. Deduct amortization of premium and depreciation	0	0
9. Total foreign exchange change in book/adjusted carrying value	0	0
10. Deduct current year's other than temporary impairment recognized	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)	1,090,209	1,090,068
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	1,090,209	1,090,068

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	369,568,588	594,165,968
2. Cost of bonds and stocks acquired	61,393,051	30,121,705
3. Accrual of discount	358,412	445,832
4. Unrealized valuation increase (decrease)	(265,202)	(1,126,410)
5. Total gain (loss) on disposals	(3,174,738)	1,137,407
6. Deduct consideration for bonds and stocks disposed of	72,179,067	240,886,038
7. Deduct amortization of premium	901,428	2,218,520
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	483,758	12,071,357
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	354,315,858	369,568,588
11. Deduct total nonadmitted amounts	769,825	769,815
12. Statement value at end of current period (Line 10 minus Line 11)	353,546,033	368,798,773

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	365,725,568	34,104,677	44,036,075	(2,107,954)	362,361,265	365,725,568	353,686,216	392,077,833
2. Class 2 (a)	39,748,109	16,642,610	1,346,942	1,181,299	42,072,233	39,748,109	56,225,076	33,911,218
3. Class 3 (a)	684,250	0	0	907,369	1,374,913	684,250	1,591,619	1,709,118
4. Class 4 (a)	289,100	0	0	(289,100)	178,475	289,100	0	0
5. Class 5 (a)	846,622	0	0	843,992	1,604,784	846,622	1,690,614	1,658,232
6. Class 6 (a)	2,108,484	0	0	(58,700)	2,318,131	2,108,484	2,049,784	2,500,039
7. Total Bonds	409,402,133	50,747,287	45,383,017	476,906	409,909,801	409,402,133	415,243,309	431,856,440
PREFERRED STOCK								
8. Class 1	0	0	0	0	0	0	0	0
9. Class 2	0	0	0	0	0	0	0	0
10. Class 3	0	0	0	0	0	0	0	0
11. Class 4	0	0	0	0	0	0	0	0
12. Class 5	0	0	0	0	0	0	0	0
13. Class 6	0	0	0	0	0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	409,402,133	50,747,287	45,383,017	476,906	409,909,801	409,402,133	415,243,309	431,856,440

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 $ 0 ; NAIC 2 $ 0 ; NAIC 3 $ 0 ; NAIC 4 $ 0 ; NAIC 5 $ 0 ; NAIC 6 $ 0

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	61,697,284	XXX	61,697,284	35,230	0

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	63,057,683	19,439,720
2. Cost of short-term investments acquired	143,409,170	534,493,740
3. Accrual of discount	0	0
4. Unrealized valuation increase (decrease)	0	0
5. Total gain (loss) on disposals	0	0
6. Deduct consideration received on disposals	144,769,569	490,875,777
7. Deduct amortization of premium	0	0
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	61,697,284	63,057,683
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	61,697,284	63,057,683

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule E Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
02209S-AC-7	Altria Group Inc 8.500% 11/10/13		09/23/2009	Credit Suise First Boston		2,324,500	2,000,000	65,167	2FE
0258M0-CY-3	Amer Express Credit Co 7.300% 08/20/13		09/18/2009	Citigroup Global Markets		3,336,540	3,000,000	20,075	1FE
718172-AG-4	Philip Morris Intl Inc 6.875% 03/17/14		09/23/2009	Credit Suise First Boston		3,433,140	3,000,000	6,302	1FE
88732J-AQ-1	Time Warner Cable Inc 8.250% 02/14/14		09/23/2009	Goldman Sachs		4,105,500	3,500,000	35,292	2FE
C06305-25-1	Bank of Hawaii C.D. 0.800% 06/30/11		07/01/2009	Direct Issue		50,000	50,000	0	1
15135U-AA-7	Cenovus Energy Inc Series 144A 4.500%	A	09/23/2009	RBC Dain Rausher Inc		3,065,820	3,000,000	3,750	2FE
11102A-AB-7	British Telecom Plc 5.150% 01/15/13	F	09/23/2009	BA Securities		4,157,200	4,000,000	41,772	2FE
55608J-AA-6	Macquarie Group Ltd Series 144A 7.300%	R	09/18/2009	Citigroup Global Markets		3,170,430	3,000,000	28,592	1FE
902118-BM-9	Tyco International Finan 4.125% 10/15/	F	09/30/2009	BA Securities		2,989,590	3,000,000	0	2FE
3899999 - Total - Bonds - Industrial, Misc.						26,632,720	24,550,000	200,950	XXX
8399997 - Total - Bonds - Part 3						26,632,720	24,550,000	200,950	XXX
8399999 - Total - Bonds						26,632,720	24,550,000	200,950	XXX
8999999 - Total - Preferred Stocks						0	XXX	0	XXX
9799999 - Total - Common Stocks						0	XXX	0	XXX
9899999 - Total - Preferred and Common Stocks						0	XXX	0	XXX
9999999 - Totals						26,632,720	XXX	200,950	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues 0 .

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
3134A4-US-1	Freddie Mac 4.250% 07/15/09		07/15/2009	Maturity		4,700,000	4,700,000	4,622,245	4,687,435	0	12,565	0	12,565	0	4,700,000	0	0	0	199,750	07/15/2009	1
36200A-BE-8	GNMA Pool 595037 6.000% 10/15/32		09/01/2009	Paydown		734	734	755	755	0	(21)	0	(21)	0	734	0	0	0	33	10/15/2032	1
36200A-CW-7	GNMA Pool 595085 6.000% 10/15/32		09/01/2009	Paydown		12,034	12,034	12,391	12,362	0	(328)	0	(328)	0	12,034	0	0	0	492	10/15/2032	1
36200E-TY-7	GNMA Pool 599167 6.000% 12/15/33		09/01/2009	Paydown		1,935	1,935	1,992	1,985	0	(50)	0	(50)	0	1,935	0	0	0	74	12/15/2033	1
36200M-AT-0	GNMA Pool 604018 5.500% 02/15/33		09/01/2009	Paydown		167,404	167,404	172,256	171,966	0	(4,562)	0	(4,562)	0	167,404	0	0	0	5,859	02/15/2033	1
36200M-EN-9	GNMA Pool 604141 6.000% 03/15/33		09/01/2009	Paydown		8,022	8,022	8,260	8,249	0	(227)	0	(227)	0	8,022	0	0	0	302	03/15/2033	1
36200Q-2R-4	GNMA Pool 569684 6.000% 02/15/32		09/01/2009	Paydown		11,516	11,516	11,858	11,837	0	(321)	0	(321)	0	11,516	0	0	0	459	02/15/2032	1
36200R-LX-8	GNMA Pool 570142 6.000% 12/15/31		09/01/2009	Paydown		6,794	6,794	6,996	6,984	0	(190)	0	(190)	0	6,794	0	0	0	274	12/15/2031	1
36200R-XT-4	GNMA Pool 570490 6.000% 12/15/31		09/01/2009	Paydown		720	720	741	740	0	(20)	0	(20)	0	720	0	0	0	27	12/15/2031	1
36200S-US-7	GNMA Pool 571293 6.000% 11/15/31		09/01/2009	Paydown		64	64	66	66	0	(2)	0	(2)	0	64	0	0	0	3	11/15/2031	1
36201A-PF-9	GNMA Pool 577422 6.000% 01/15/32		09/01/2009	Paydown		164	164	169	169	0	(5)	0	(5)	0	164	0	0	0	7	01/15/2032	1
36201D-AX-0	GNMA Pool 579722 6.000% 08/15/32		09/01/2009	Paydown		4,366	4,366	4,496	4,491	0	(124)	0	(124)	0	4,366	0	0	0	175	08/15/2032	1
36201E-AG-5	GNMA Pool 580607 6.000% 02/15/33		09/01/2009	Paydown		2,098	2,098	2,160	2,156	0	(58)	0	(58)	0	2,098	0	0	0	90	02/15/2033	1
36201F-AF-4	GNMA Pool 581506 6.000% 04/15/33		09/01/2009	Paydown		503	503	518	518	0	(14)	0	(14)	0	503	0	0	0	20	04/15/2033	1
36201K-JQ-0	GNMA Pool 585371 6.000% 04/15/32		09/01/2009	Paydown		33,790	33,790	34,794	34,760	0	(970)	0	(970)	0	33,790	0	0	0	1,184	04/15/2032	1
36201Y-FD-3	GNMA Pool 606864 6.000% 10/15/33		09/01/2009	Paydown		939	939	967	966	0	(27)	0	(27)	0	939	0	0	0	34	10/15/2033	1
36207E-ND-2	GNMA Pool 429788 6.000% 12/15/33		09/01/2009	Paydown		13,639	13,639	14,044	14,011	0	(373)	0	(373)	0	13,639	0	0	0	531	12/15/2033	1
36210J-HW-1	GNMA Pool 493545 6.000% 03/15/31		09/01/2009	Paydown		46	46	48	47	0	(1)	0	(1)	0	46	0	0	0	2	03/15/2031	1
36213F-U4-3	GNMA Pool 553303 6.000% 06/15/33		09/01/2009	Paydown		15	15	15	15	0	0	0	0	0	15	0	0	0	1	06/15/2033	1
36213R-2A-4	GNMA Pool 562469 5.000% 02/15/34		09/01/2009	Paydown		9,953	9,953	10,004	9,995	0	(42)	0	(42)	0	9,953	0	0	0	331	02/15/2034	1
36213R-ZF-7	GNMA Pool 562442 5.500% 01/15/34		09/01/2009	Paydown		4,851	4,851	4,983	4,978	0	(127)	0	(127)	0	4,851	0	0	0	178	01/15/2034	1
36213T-GW-7	GNMA Pool 563713 6.000% 01/15/33		09/01/2009	Paydown		8,139	8,139	8,381	8,367	0	(228)	0	(228)	0	8,139	0	0	0	323	01/15/2033	1
36213U-EZ-9	GNMA Pool 564552 6.000% 12/15/31		09/01/2009	Paydown		83	83	85	85	0	(2)	0	(2)	0	83	0	0	0	3	12/15/2031	1
36213V-GN-2	GNMA Pool 565505 6.000% 09/15/32		09/01/2009	Paydown		344	344	355	354	0	(10)	0	(10)	0	344	0	0	0	14	09/15/2032	1
36290X-PM-6	GNMA Pool 620628 6.000% 09/15/33		09/01/2009	Paydown		13,148	13,148	13,539	13,503	0	(354)	0	(354)	0	13,148	0	0	0	463	09/15/2033	1
36290X-PT-1	GNMA Pool 620634 6.000% 09/15/33		09/01/2009	Paydown		525	525	540	539	0	(15)	0	(15)	0	525	0	0	0	21	09/15/2033	1
36290Y-TN-8	GNMA Pool 621657 6.000% 12/15/33		09/01/2009	Paydown		9	9	9	9	0	0	0	0	0	9	0	0	0	0	12/15/2033	1
36291C-PV-1	GNMA Pool 624236 6.000% 12/15/33		09/01/2009	Paydown		91	91	93	93	0	(2)	0	(2)	0	91	0	0	0	4	12/15/2033	1
36291E-AD-3	GNMA Pool 625604 6.000% 12/15/33		09/01/2009	Paydown		1,002	1,002	1,031	1,030	0	(29)	0	(29)	0	1,002	0	0	0	40	12/15/2033	1
36291E-AV-3	GNMA Pool 625620 6.000% 12/15/33		09/01/2009	Paydown		658	658	678	677	0	(19)	0	(19)	0	658	0	0	0	27	12/15/2033	1
36296X-H8-0	GNMA POOL 704155 5.500% 01/15/39		09/01/2009	Paydown		494,882	494,882	510,192	0	0	(15,310)	0	(15,310)	0	494,882	0	0	0	16,627	01/15/2039	1
912828-CV-0	US Treasury 3.375% 09/15/09		09/15/2009	Maturity		1,033,000	1,033,000	1,037,923	1,033,714	0	(714)	0	(714)	0	1,033,000	0	0	0	34,864	09/15/2009	1
0399999 - Bonds - U.S. Governments						6,531,468	6,531,468	6,482,584	6,032,856	0	(11,580)	0	(11,580)	0	6,531,468	0	0	0	262,212	XXX	XXX

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
31359S-2G-4	Fanniemae Whole Loan NW 2001-W1 AF6 6		09/01/2009	Paydown		17,656	17,656	18,331	18,924	0	(1,268)	0	(1,268)	0	17,656	0	0	0	730	06/25/2031	1
31387C-M3-2	FNMA Pool No 580078 7.000% 09/01/31		09/01/2009	Paydown		111	111	114	114	0	(3)	0	(3)	0	111	0	0	0	5	09/01/2031	1
31402D-F7-0	FNMA Pool 725690 6.000% 08/01/34		09/01/2009	Paydown		906,522	906,522	936,763	935,349	0	(28,827)	0	(28,827)	0	906,522	0	0	0	35,750	08/01/2034	1
31405R-AR-7	FNMA Pool 796616 5.500% 10/01/34		09/01/2009	Paydown		1,214,801	1,214,801	1,233,497	1,232,345	0	(17,544)	0	(17,544)	0	1,214,801	0	0	0	43,768	10/01/2034	1
31407U-EK-9	FNMA Pool 840838 5.500% 11/01/35		09/01/2009	Paydown		576,861	576,861	569,470	569,653	0	7,208	0	7,208	0	576,861	0	0	0	20,524	11/01/2035	1
649903-LG-4	New York ST Dorm Auth Revs 5.250% 07/0		09/16/2009	Morgan Stanley & Co		4,459,608	4,055,000	4,512,728	4,458,713	0	(25,925)	0	(25,925)	0	4,432,788	0	26,820	26,820	260,196	07/01/2018	1FE
3199999 - Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...						7,175,559	6,770,951	7,270,903	7,215,098	0	(66,359)	0	(66,359)	0	7,148,739	0	26,820	26,820	360,973	XXX	XXX
03072S-LD-5	Ameriquest Mortgage Securities 2003-IA1		09/01/2009	Paydown		231,463	231,463	231,463	231,463	0	0	0	0	0	231,463	0	0	0	7,691	11/25/2033	1FE
07383F-U4-8	Bear Stearns Comm Mtg 2004-T16 4.030%		09/01/2009	Paydown		968,124	968,124	973,516	967,530	0	594	0	594	0	968,124	0	0	0	28,318	10/13/2009	1FE
09774X-AK-8	Bombardier Capital Mortgage Se 1998-B M1		09/01/2009	Paydown		0	0	78,505	78,505	37	(78,542)	0	(78,505)	0	0	0	0	0	14,844	03/15/2026	6FE
126671-R4-0	Countrywide Asset-Backed Certs Series 20		09/01/2009	Paydown		9,270	9,270	9,432	9,382	0	(111)	0	(111)	0	9,270	0	0	0	330	08/25/2032	1FE
161505-HW-5	Chase Commercial Mortgage Series 2001-24		09/01/2009	Paydown		82,122	82,122	89,211	83,243	0	(1,121)	0	(1,121)	0	82,122	0	0	0	3,301	03/12/2010	1FE
52108H-P3-2	LB-UBS Commercial Mtg Trust Lbubs 2004-C		09/11/2009	Paydown		709,317	709,317	712,832	709,691	0	(374)	0	(374)	0	709,317	0	0	0	16,755	11/15/2009	1FE
925524-AZ-3	Viacom Inc. 5.750% 04/30/11		08/27/2009	Corporate Action		1,432,688	1,350,000	1,342,607	1,345,851	0	1,092	0	1,092	0	1,346,942	0	85,745	85,745	64,688	04/30/2011	2FE
C06305-25-1	Bank of Hawaii C.D. 2.900% 06/30/09		07/01/2009	Maturity		50,000	50,000	50,000	50,000	0	0	0	0	0	50,000	0	0	0	1,450	06/30/2009	1FE
136375-BJ-0	Canadian Natl RR 4.250% 08/01/09	A	07/27/2009	Corporate Action		1,000,000	1,000,000	994,390	999,261	0	721	0	721	0	999,982	0	18	18	44,646	08/01/2009	1FE
3899999 - Bonds - Industrial and Miscellaneous						4,482,984	4,400,296	4,481,956	4,474,926	37	(77,741)	0	(77,704)	0	4,397,220	0	85,763	85,763	182,023	XXX	XXX
8399997 - Bonds - Part 4						18,190,011	17,702,715	18,235,443	17,722,880	37	(155,680)	0	(155,643)	0	18,077,427	0	112,583	112,583	805,208	XXX	XXX
8399999 - Total - Bonds						18,190,011	17,702,715	18,235,443	17,722,880	37	(155,680)	0	(155,643)	0	18,077,427	0	112,583	112,583	805,208	XXX	XXX
8999999 - Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799999 - Total - Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9899999 - Total - Preferred and Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999 Totals						18,190,011	XXX	18,235,443	17,722,880	37	(155,680)	0	(155,643)	0	18,077,427	0	112,583	112,583	805,208	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues ....0 .

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
US Bank N.A. Washington D.C.					(63,815)	0	0	XXX
J.P. Morgan Chase Bank New York, NY					1,449,965	2,351,856	3,308,421	XXX
0199998 Deposits in .... depositories that do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX	XXX			0	0	0	XXX
0199999 Totals - Open Depositories	XXX	XXX			1,386,149	2,351,856	3,308,422	XXX
0399999 Total Cash on Deposit	XXX	XXX			1,386,149	2,351,856	3,308,422	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX	295	295	295	XXX
0599999 Total Cash	XXX	XXX			1,386,445	2,352,152	3,308,717	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Totals					0	0	0