



QUARTERLY STATEMENT

AS OF MARCH 31, 2010
OF THE CONDITION AND AFFAIRS OF THE

ACA Financial Guaranty Corporation

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

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

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

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

Main Administrative Office 140 Broadway, 47th Floor New York, NY 10005-1101 212-375-2000
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

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

Primary Location of Books and Records 140 Broadway, 47th Floor New York, NY 10005-1101 212-375-2041
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

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

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

OFFICERS

Name	Title	Name	Title
<u>Raymond John Brooks Jr</u>	<u>President and CEO</u>	<u>Steven Joseph Berkowitz</u>	<u>Secretary and General Counsel</u>
<u>Philip Sam Sherman</u>	<u>Treasurer and CFO</u>		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

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

State of New York
County of New York

ss

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

Raymond John Brooks, Jr.
President and CEO

Steven Joseph Berkowitz
Secretary and General Counsel

Philip Sam Sherman
Treasurer and CFO

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

Subscribed and sworn to before me this _____ day of May, 2010

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

Meredith Grace Berrett,
12/20/12

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	357,871,142		357,871,142	369,446,765
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	769,815	769,815	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 (\$8,009,520), cash equivalents (\$0) and short-term investments (\$86,295,241)	94,304,761		94,304,761	37,630,585
6. Contract loans (including \$ premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	1,090,306		1,090,306	1,090,255
9. Receivables for securities	0		0	0
10. Aggregate write-ins for invested assets	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10)	454,036,024	769,815	453,266,209	408,167,605
12. Title plants less \$ charged off (for Title insurers only)			0	0
13. Investment income due and accrued	3,913,776		3,913,776	3,792,609
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection			0	0
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
14.3 Accrued retrospective premiums			0	0
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers			0	0
15.2 Funds held by or deposited with reinsured companies			0	0
15.3 Other amounts receivable under reinsurance contracts			0	0
16. Amounts receivable relating to uninsured plans			0	0
17.1 Current federal and foreign income tax recoverable and interest thereon			0	51,373,276
17.2 Net deferred tax asset	47,853,607	47,853,607	0	0
18. Guaranty funds receivable or on deposit			0	0
19. Electronic data processing equipment and software	102,488	36,922	65,566	116,297
20. Furniture and equipment, including health care delivery assets (\$)			0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
22. Receivables from parent, subsidiaries and affiliates			0	0
23. Health care (\$) and other amounts receivable			0	0
24. Aggregate write-ins for other than invested assets	154,584	144,670	9,914	14,150
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	506,060,479	48,805,014	457,255,465	463,463,937
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
27. Total (Lines 25 and 26)	506,060,479	48,805,014	457,255,465	463,463,937
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)	0	0	0	0
2401. Security Deposit	69,950	69,950	0	0
2402. Prepaid Expenses	31,313	31,313	0	0
2403. Other Assets	9,914	0	9,914	14,150
2498. Summary of remaining write-ins for Line 24 from overflow page	43,407	43,407	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	154,584	144,670	9,914	14,150

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$17,257,447)	45,099,198	29,269,309
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses	1,244,164	1,960,489
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	1,982,889	3,330,127
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	100,757	186,625
7.1 Current federal and foreign income taxes (including \$0 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 \$412,173 and including warranty reserves of \$)	201,482,558	205,167,794
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	580,064	416,870
20. Derivatives		0
21. Payable for securities		0
22. Liability for amounts held under uninsured plans		0
23. Capital notes \$ and interest thereon \$		0
24. Aggregate write-ins for liabilities	88,397,979	85,676,336
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24)	338,887,609	326,007,550
26. Protected cell liabilities		0
27. Total liabilities (Lines 25 and 26)	338,887,609	326,007,550
28. Aggregate write-ins for special surplus funds	0	0
29. Common capital stock	15,000,000	15,000,000
30. Preferred capital stock		0
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes		0
33. Gross paid in and contributed surplus	363,974,000	363,974,000
34. Unassigned funds (surplus)	(260,606,144)	(241,517,613)
35. Less treasury stock, at cost:		
35.1 shares common (value included in Line 29 \$)		0
35.2 shares preferred (value included in Line 30 \$)		0
36. Surplus as regards policyholders (Lines 28 to 34, less 35)	118,367,856	137,456,387
37. Totals	457,255,465	463,463,937
DETAILS OF WRITE-INS		
2401. Contingency Reserve	88,397,979	85,638,680
2402. Other Payables		37,656
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	88,397,979	85,676,336
2801.		
2802.		
2803.		
2898. Summary of remaining write-ins for Line 28 from overflow page	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	0	0
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 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 \$ 5,304)	3,642,144	3,117,936	15,276,687
1.2 Assumed (written \$ 0)	57,124	1,787,118	255,969
1.3 Ceded (written \$ 0)	8,728	8,865	86,667
1.4 Net (written \$ 5,304)	3,690,540	4,896,189	15,445,989
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 17,344,093):			
2.1 Direct	15,972,869	53,986	10,422,105
2.2 Assumed	0	0	0
2.3 Ceded	0	0	0
2.4 Net	15,972,869	53,986	10,422,105
3. Loss adjustment expenses incurred	177,336	512,204	4,741,747
4. Other underwriting expenses incurred	4,221,688	4,471,642	17,290,540
5. Aggregate write-ins for underwriting deductions	12,986,882	0	0
6. Total underwriting deductions (Lines 2 through 5)	33,358,775	5,037,832	32,454,392
7. Net income of protected cells	0	0	0
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(29,668,235)	(141,643)	(17,008,403)
INVESTMENT INCOME			
9. Net investment income earned	4,418,951	4,284,574	16,756,238
10. Net realized capital gains (losses) less capital gains tax of \$ 0	1,324,341	(412,319)	(15,008,600)
11. Net investment gain (loss) (Lines 9 + 10)	5,743,292	3,872,255	1,747,638
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	3,575,951	2,335,000	8,781,995
15. Total other income (Lines 12 through 14)	3,575,951	2,335,000	8,781,995
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(20,348,992)	6,065,612	(6,478,769)
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)	(20,348,992)	6,065,612	(6,478,769)
19. Federal and foreign income taxes incurred	0	0	(55,235,704)
20. Net income (Line 18 minus Line 19)(to Line 22)	(20,348,992)	6,065,612	48,756,935
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	137,456,387	101,286,388	101,286,387
22. Net income (from Line 20)	(20,348,992)	6,065,612	48,756,935
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	25,486	(878,780)	598,349
25. Change in net unrealized foreign exchange capital gain (loss)		0	0
26. Change in net deferred income tax	8,089,934	(20,950,483)	(91,233,102)
27. Change in nonadmitted assets	(4,095,661)	21,073,693	89,238,300
28. Change in provision for reinsurance		0	0
29. Change in surplus notes		0	0
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)	(8,659,700)
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	(2,759,299)	5,900,401	(2,530,782)
38. Change in surplus as regards policyholders (Lines 22 through 37)	(19,088,531)	2,550,743	36,170,000
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	118,367,856	103,837,131	137,456,387
DETAILS OF WRITE-INS			
0501. Lease Termination Cost	11,636,032	0	0
0502. Write Off of Fixed Asset Related to Lease Termination	1,350,850	0	0
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)	12,986,882	0	0
1401. Other Income	189,451	0	324,495
1402. Equity Earnings in Affiliates	3,303,000	2,335,000	8,364,500
1403. Surveillance Consent Fees	83,500	0	93,000
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)	3,575,951	2,335,000	8,781,995
3701. Change In Contingency Reserve	(2,759,299)	(2,759,299)	(11,190,489)
3702. Reclass Adjustment	0	8,659,700	8,659,707
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)	(2,759,299)	5,900,401	(2,530,782)

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	5,304	4,024	864,387
2. Net investment income	4,815,595	4,397,559	17,076,465
3. Miscellaneous income	3,575,951	2,335,000	8,781,995
4. Total (Lines 1 to 3)	8,396,850	6,736,583	26,722,847
5. Benefit and loss related payments	142,980	(702,280)	934,031
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	18,301,424	7,472,177	20,117,238
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses).....	(51,363,276)	(3,862,429)	(3,862,428)
10. Total (Lines 5 through 9)	(32,918,872)	2,907,468	17,188,841
11. Net cash from operations (Line 4 minus Line 10)	41,315,721	3,829,115	9,534,006
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	12,540,091	37,981,636	90,849,372
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	12,540,092	37,981,636	90,849,372
13. Cost of investments acquired (long-term only):			
13.1 Bonds	3	34,756,782	106,796,030
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	20,684,736	20,679,862
13.7 Total investments acquired (Lines 13.1 to 13.6)	3	55,441,518	127,475,892
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	12,540,089	(17,459,882)	(36,626,520)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	0	(8,659,700)	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied).....	2,818,366	8,856,950	864,289
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	2,818,366	197,250	864,289
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)	56,674,176	(13,433,517)	(26,228,225)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	37,630,584	63,858,810	63,858,809
19.2 End of period (Line 18 plus Line 19.1)	94,304,761	50,425,293	37,630,584

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

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

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

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

C. Accounting Policy

Premium revenue recognition

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

Premium written allocation

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

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost using the effective interest rate method.
- (3) The Company has no common stock other than the common stock of an offshore subsidiary, ACA Capital (Singapore) Pte. Ltd. ("ACA Singapore") which is carried as a non-admitted asset. For additional information please see (7) below.
- (4) The Company has no preferred stocks.
- (5) The Company has no mortgage loans.
- (6) Loan-backed securities are stated at amortized cost or the lower of amortized cost or fair market value, using the effective interest rate method. The retrospective adjustment method is used to value all securities
- (7) In June 2006, the Company established a wholly-owned subsidiary, ACA Singapore, for the purpose of expanding the Company's structured credit business into the Asian markets. However, this business was discontinued in 2007 and the Company is currently undertaking the necessary steps to conclude ACA Singapore's business operations. The Company expects to complete the un-wind of ACA Singapore in 2010. As of March 31, 2010 and December 31, 2009, the Company contributed approximately \$632 thousand of capital into ACA Singapore and did not admit its interest in the amount of \$770 thousand.
- (8) The Company has no joint ventures.
- (9) The Company has no derivatives.
- (10) The Company has no premium deficiencies.
- (11) A loss reserve is established when an insured obligation defaults in payment and the Company makes a payment to cover the debt service obligations. Such liabilities are necessarily based on assumptions and estimates and while management believes these amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. Loss reserves are recorded at the net present value of expected payments. The Company has unpaid losses of \$45.1 million at March 31, 2010 consisting of six case reserves. At December 2009, the Company had five case reserves totaling \$29.3 million. Loss adjustment expense reserves are established for obligations that are either in default or in which defaults are probable. The Company does not discount loss adjustment expense reserves. Total unpaid losses and loss adjustment expenses at March 31, 2010 and December 31, 2009 were \$46.3 million and \$31.2 million, respectively.

In the first quarter 2010, the Company paid a claim of \$83 thousand and established a loss reserve of \$17.3 million for the Connector 2000 Association (Connector), a toll road credit, with par outstanding of \$19.6 million.

During the fourth quarter of 2008, COPIA: The American Center for Wine, Food and the Arts ("COPIA") filed for bankruptcy. The Company insures bonds issued by COPIA with an accreted value of approximately \$84.7 million and expects to pay claims on this credit. However, because SSAP 60 does not allow for establishment of a loss reserve until a default in payment occurs, the Company has not accrued this loss in its 2008, 2009 or 2010 financial statements. COPIA currently has a debt service reserve of approximately \$4.9 million. This cash reserve has been and is expected to continue to make scheduled payments in respect of the insured bonds. Upon the depletion of the debt service reserve, the Company will begin making claim payments and at that time will establish a loss reserve. The Company expects that this will occur in 2012. The bankruptcy process was concluded in January 2010 and legal ownership of the underlying property has been transferred to a trust and will be liquidated under the direction and control of ACA. Proceeds from the sale of the property are expected to reimburse the Company for its loss adjustment expenses and then to pay down the outstanding bonds on a pro-rata basis. It is estimated the sale may take some time to consummate given the current real estate environment and local entitlement issues. In the interim, the Company is incurring costs to maintain the property, including employment of essential personnel and property taxes, as well as legal costs in connection with this credit's legal activities. During the first quarter 2010, the Company paid LAE for COPIA of \$0.8 million and had a reserve balance of \$0.5 million at March 31, 2010. Based on the Company's current estimates, the claim reserve may be in the range of \$60 to \$70 million on a present value basis.

The Company ultimately expects to pay claims on additional insured bonds classified in credit quality category 4. In addition to COPIA and credits on which a loss has been recognized, credits with par outstanding of \$205.6 million have experienced a material decline in creditworthiness and will probably be unable to make all principal and interest payments on the insured bonds. However, because SSAP 60 does not allow for establishment of loss reserves until a default in payment occurs, the Company has not accrued any losses on these insured bonds. Where possible, the Company has taken action and is attempting to either minimize potential loss payments or eliminate the probability of default.

NOTES TO FINANCIAL STATEMENTS

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

(13) The Company has no pharmaceutical rebate receivables.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

A. Not applicable.

3. BUSINESS COMBINATION AND GOODWILL

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

4. DISCONTINUED OPERATIONS

The Company had no discontinued operations.

5. INVESTMENTS

A. Mortgage Loans

The Company has no mortgage loans.

B. Debt Restructuring

The Company has no debt restructuring.

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

(1) N/A.

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

(3) N/A

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

(5) None

(6) The fair value and gross unrealized losses related to loan-backed and structured securities, where impairments have not been recognized, that have been in a continuous unrealized loss position for 12 months or longer at March 31, 2010 is \$ 3.2 million and \$0.2 million, respectively. The fair value and gross unrealized losses related to loan-backed and structured securities, where impairments have not been recognized, that have been in a continuous unrealized loss position for less than 12 months is \$ 5.2 million and \$ 1.2 million, respectively.

(7) All of the securities discussed in (6) above with the exception of two, with a fair value of 1.0 million and gross unrealized loss of \$0.5 million, are rated investment grade by a nationally recognized security rating organization. The price depreciation is attributable to the widening of credit spreads. As stated above all the securities discussed in (6) with the exception of two, have excess credit coverage within each structure and cash flows of the underlying collateral are expected to be sufficient to pay principal and interest.

(8) N/A.

E. Repurchase Agreements

The Company has not used repurchase agreements.

F. The Company has no real estate investments.

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

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Company has an investment in ACA Service L.L.C., ("ACA Service") at March 31, 2010, which is non-admitted for statutory reporting purposes.

The Company has a \$770 thousand investment in ACA Singapore (see Note 1C (7) above) at March 31, 2010. This investment is also non-admitted for statutory reporting purposes.

7. INVESTMENT INCOME

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

8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. INCOME TAXES

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

	Ordinary	Capital	2010 Total	2009 Total	Change
Total of all deferred tax assets (admitted and non-admitted)	\$ 56,589,998	\$ 27,237,949	\$ 83,827,947	\$ 39,766,671	\$ 44,061,276
Statutory valuation allowance adjustment	(8,934,308)	(27,040,032)	(35,974,340)	-	(35,974,340)
Adjusted gross deferred tax assets	47,655,690	197,917	47,853,607	39,766,671	8,086,936
Total of all deferred tax liabilities	-	-	-	2,998	(2,998)
Net deferred tax assets	47,655,690	197,917	47,853,607	39,763,673	8,089,934
Deferred tax assets non-admitted	47,655,690	197,917	47,853,607	39,763,673	8,089,934
Net admitted deferred tax assets	\$ -	\$ -	\$ -	\$ -	\$ -

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

	2010	2009
10.a. Federal Income Taxes recoverable through loss carryback	\$ -	\$ -
10.b.i. Adjusted Gross DTA expected to be realized in one year	-	-
10.b.ii. 10% adjusted statutory capital and surplus limit	13,727,821	9,398,833
Admitted pursuant to 10.b. (lesser of i. or ii.)	-	-
10.c. Admitted pursuant to 10.c.	-	-
10.e.i. Additional admitted pursuant to 10.e.i.	-	-
10.e.ii.a. Adjusted gross DTA expected to be realized in three year	-	-
10.e.ii.b. 15% adjusted statutory capital and surplus limit	20,591,731	14,098,250
Additional admitted pursuant to 10.e.ii. (lesser of a or b)	-	-
10.e.iii. Additional admitted pursuant to 10.e.iii.	-	-
Total admitted adjusted gross deferred tax assets	\$ -	\$ -

The following table provides the Company's assets, capital and surplus with the DTA calculated under SSAP No. 10R paragraph 10(a) to (c) and the additional DTA determined under SSAP No. 10R paragraph 10.e. as of March 31, 2010:

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Deferred tax assets	2010	2009	Change
Net operating loss carryforward	\$ 18,042,932	\$ 3,228,927	\$ 14,814,005
Contingency reserve	30,939,293	29,973,540	965,753
Capital loss carryforward	27,040,034	-	27,040,034
Unearned premiums reserve	5,755,984	5,884,967	(128,983)
Alternative minimum tax credit	499,547	-	499,547
Unrealized loss on investments	197,915	206,835	(8,920)
Discounted loss reserves	788,781	12,421	776,360
Unamortized licenses	315,000	346,500	(31,500)
Other temporary differences	251,462	113,481	137,981
Gross deferred tax assets	83,830,948	39,766,671	44,064,277
Statutory valuation allowance	(35,974,340)	-	(35,974,340)
Gross deferred tax assets net of valuation allowance	47,856,608	39,766,671	8,089,937
Non-admitted deferred tax asset	(47,856,608)	(39,766,671)	(8,089,937)
Gross admitted deferred tax asset	\$ -	\$ -	\$ -
Deferred tax liabilities			
Investments	\$ -	\$ -	
Gross deferred tax liabilities	-	-	
Net admitted deferred tax asset / (liability)	\$ -	\$ -	

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for the period ended March 31, 2010 are as follows:

	2010
Income before federal income taxes	\$ (20,348,992)
Provision computed at statutory rate	(7,122,147)
Change in contingency reserve	(965,753)
Non-deductible expenses	784
Non-taxable investment income	(24,965)
Other adjustments	22,146
Total statutory income taxes	<u>\$ (8,089,936)</u>
Federal income tax expense incurred	-
(Increase)/Decrease in net deferred income taxes	(8,089,934)
Total statutory income taxes	<u>\$ (8,089,934)</u>

E. 1. The Company and its wholly owned subsidiaries generated a net operating loss of \$18.2 million during the first quarter of 2010, which is available to offset future net income subject to federal income tax. At March 31, 2010, the Company had the following net operating loss, capital loss and credit carryforwards:

	Gross	Net of Valuation Allowance
Net operating loss carryforward	\$ 51,551,233	\$ 27,451,917
Capital loss carryforward	77,257,240	0
Alternative minimum tax credit	499,547	0

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

	Ordinary	Capital	Total
2009	\$ -	\$ -	\$ -
2008	-	-	-
2007	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

3. N/A

F. 1&3 N/A

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

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

C. Not applicable.

D. The Company has \$580 thousand payable to subsidiaries at March 31, 2010 and \$417 thousand at December 31, 2009.

E. The Company has no guarantees or undertakings for the benefit of an affiliate or related party.

NOTES TO FINANCIAL STATEMENTS

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

11. DEBT

The Company has no debt.

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

- A. The Company has no Defined Benefit Plan.
 - B. The Company sponsors a defined contribution plan, which covers all full-time employees of the Company as of their start date with the Company. Eligible participants may contribute a percentage of their salary, subject to IRS limitations. The Company's contributions are based on a fixed percentage of employees' contributions subject to IRS limitations. At March 31, 2010 and December 31, 2009, the fair values of plan assets were \$6.7 and \$6.6 million, respectively. For the period ended March 31, 2010 and December 31, 2009 the Company recognized expense in the amount of \$106 thousand and \$165 thousand for the defined contribution plan, respectively.
 - C. The Company has no Multi-employer Plan.
 - D. The Company has no Consolidated/Holding Company Plan.
- E & F. The Company has no Post-employment Benefits and Compensated Absences.

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

- (1) The Company has 1,000,000 shares of common stocks authorized, issued and outstanding with a par value of \$15.00 per share.
- (2) The Company has no preferred stock outstanding.
- (3) Under Maryland insurance law, the Company may pay a dividend without the prior approval of the Commissioner of the MIA from earned surplus, as defined, subject to the maintenance of a minimum-capital requirement, and the dividend, which together with all dividends declared or distributed by it during the preceding twelve months, may not exceed the lesser 10% of its policyholder surplus shown on its last filed statement, or net income, as defined, for such twelve-month period. In addition, as part of the Company's restructuring discussed in Note 20(C) below, the surplus notes restrict the Company from paying dividends without the prior approval of the surplus note holders
- (4) No dividends were paid in 2010 or 2009.
- (5) The Company had negative earned surplus at March 31, 2010 and December 31, 2009 therefore no dividends can be paid in 2010
- (6) There are no restrictions on unassigned surplus.
- (7) The Company is not a mutual company.
- (8) The Company holds no stock for special purpose.
- (9) The Company holds no special surplus funds.
- (10) The portion of unassigned surplus represented by cumulative unrealized losses is \$565 thousand.
- (11)

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

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

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

NOTES TO FINANCIAL STATEMENTS

amount of \$629,465 was written off. See Note 20(C).

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

14. CONTINGENCIES

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

The Company (specifically, ACA Management, LLC) is one of a large number of defendants in an action currently pending in the First Judicial District Court for the State of New Mexico (Santa Fe) brought by an individual claiming to sue in the name of the State of New Mexico. The complaint generally alleges that Vanderbilt Capital Advisors (and certain of its affiliates) engaged in an unlawful "pay to play" scheme with various New Mexico State officials, causing New Mexico to overpay for certain CDO investments, including some with which the Company was — in an unspecified way — connected. The complaint seeks damages in excess of \$90 million and various civil penalties although it is not clearly alleged what relief is sought against the Company. Since no allegations of wrongdoing are specified against the Company in the complaint, the Company intends — at the first appropriate procedural time — to move to dismiss the complaint on the grounds that it fails to state any legally cognizable claim. In the meantime, the Company has moved to dismiss the case on the procedural grounds that it is not subject to jurisdiction in the New Mexico courts. No date has been set for consideration of the Company's motion.

On April 28, 2010, the New Mexico Court dismissed the case in its entirety finding that plaintiff's Fraud Against Taxpayers Act claims were barred because the statute could not be applied retroactively and that the Unfair Practices Act was inapplicable to claims related to securities. Plaintiff's time to appeal this ruling has not expired and an appeal is likely.

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

15. LEASES

- A. In March 2010, ACA finalized negotiations with a new tenant for all of its office space at 140 Broadway. Under the terms of the transaction, ACA was released from its obligations under the lease, its security deposit of \$2.7 million was returned and it made cash payments of \$11.6 million. ACA recognized a loss of \$13.0 million on the lease termination, which included the carrying value of leasehold improvements and furniture and fixtures related to this space. The Company's rental expense for the period ended March 31, 2010 and December 31, 2009 were \$0.6 million and \$2.4 million, respectively.

ACA finalized a sublease of new office space running through September 30, 2016. Minimum lease payments under the lease are: 2010- \$0.2 million; 2011- \$0.5 million; 2012- \$0.5 million; 2013- \$0.5 million; 2014- \$0.6 million; 2015- \$0.6 million; and 2016- \$0.5 million. The Company anticipates taking possession of this space in mid-July.

- B. Not applicable.

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

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

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

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

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

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

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

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

20. OTHER ITEMS

- A. The Company had no extraordinary items during 2010 and 2009.

NOTES TO FINANCIAL STATEMENTS

- B. The Company had no troubled debt restructuring during 2010 and 2009.
- C. Assets in the amount of \$4,729,637 and \$4,733,219 at March 31, 2010 and at December 31, 2009 respectively, were on deposit with state authorities or trustees as required by state licensing regulations.

As discussed in Note 15 – Leases. The Company’s security deposit was returned as part of the lease termination. The Company currently has \$70 thousand in security deposits outstanding for lease obligations. This collateral deposit is treated as a non-admitted asset as of March 31, 2010 and December 31, 2009.

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

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

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

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

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

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

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

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

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

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

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

- D. The Company had no uncollectible balances.
- E. Not applicable.
- F. The Company had no state transferable credits.
- G. Subprime Exposure Related Risk Exposure
- (1) The Company no longer has risk in its insured exposures to subprime mortgages, except for one insured securitization of manufactured housing mortgages. Other previously insured subprime mortgage exposure was included in the Global Settlement Agreement described in Note 20(C). The one remaining exposure has a par amount of \$5.7 million at March 31, 2010 and the Company has an outstanding loss reserve against this exposure in the amount of \$ 2.5 million.

NOTES TO FINANCIAL STATEMENTS

(2) The Company has no investments consisting of direct exposure to subprime-mortgages.

(3) The Company has the following indirect exposures to sub-prime mortgages included in its investment portfolio at March 31, 2010:

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	5,655,623	5,606,943	5,799,171	-
b. Commercial mortgage backed securities				
c. Collateralized debt obligations	5	-	-	-
d. Structured securities				
e. Equity investment in SCAs				
f. Other assets				
g. Total	5,655,628	5,606,943	5,799,171	-

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

21. EVENTS SUBSEQUENT

None

22. REINSURANCE

A. Unsecured Reinsurance Recoverables

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

B. Reinsurance Recoverable in Dispute

The Company has no reinsurance recoverable in dispute.

C. Reinsurance Assumed and Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$ -0-	\$ -0-	\$ - 0-	\$ -0-	\$ -0-	\$ -0-
All other	6,753,805	-0-	412,173	-0-	6,341,632	-0-
Total	\$ 6,753,805	\$ -0-	\$ 412,173	\$ -0-	\$ 6,341,632	\$ -0-

Direct Unearned Premium Reserve \$195,140,926.

There are no contingent commission or profit sharing arrangements.

D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balances.

E. Commutation of Ceded Reinsurance

The Company had no commutations in 2010.

F. Retroactive Reinsurance

The Company has no retroactive reinsurance contracts.

G. Reinsurance Accounted for as a Deposit

The Company did not account for any reinsurance as deposits.

23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

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

24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During 2010, the Company incurred losses and LAE of \$16.2 million consisting of \$17.4 million for current accident year claims and \$(1.2) million relating to prior accident years. Substantially all of the current year loss activity related to The Connector 2000 Association ("Connector"), a toll road credit, with par outstanding of \$19.6 million. The Company made a debt service payment on this credit in January 2010 and accordingly recognized the loss. The Company disclosed this default in the Annual Statement Notes but did not accrue a loss on this bond as SSAP 60 does not allow for establishment of a loss reserve until the default in payment occurs. In addition, the Company reduced its reserve for Indymac, an insured securitization of installment sales contracts on manufactured housing, by \$2.0 million, to reflect the expected clean-up call on this obligation.

25. INTERCOMPANY POOLING ARRANGEMENTS

The Company has no intercompany pooling arrangements.

26. STRUCTURED SETTLEMENTS

The Company has no structured settlements.

27. HEALTH CARE RECEIVABLE

The Company has no health care receivable.

NOTES TO FINANCIAL STATEMENTS

28. PARTICIPATING POLICIES

The Company does not write participating policy business.

29. PREMIUM DEFICIENCY RESERVE

The Company has no premium deficiency reserve.

30. HIGH DEDUCTIBLES ON UNPAID CLAIMS

The Company has no high deductibles on unpaid claims.

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

The Company discounts unpaid losses using the rate that approximates yield on its investment portfolio. At March 31, 2010 and December 2009 the discount rate used was 4.5 %. The amount of discount associated with the Company's loss reserves at March 31, 2010 and December 2009 was \$26.0 million and \$ 18.7 million, respectively. Loss adjustment expenses are not discounted.

32. ASBESTOS/ENVIRONMENTAL RESERVES

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

33. SUBSCRIBER SAVINGS ACCOUNTS

The Company has no subscriber savings accounts.

34. MULTIPLE PERIL CROP INSURANCE

The Company does not write this line of business.

35. FINANCIAL GUARANTY INSURANCE

A.

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

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

(2) a. The amount of premium revenue that has been accelerated in the first quarter 2010 and the full year 2009 was \$ 0.9 million and \$4.1 million, respectively. The acceleration was due to the prepayment or advance refunding of credits.

b. Schedule of the future expected earned premium revenue on non-installment contracts as of March 31, 2010:

1.

2 nd Quarter 2010	\$2,077,588
3 rd Quarter 2010	3,095,970
4 th Quarter 2010	2,585,016
Year 2011	10,088,166
Year 2012	9,537,263
Year 2013	9,480,371
Year 2014	9,571,353

2.

2015 through 2019	45,572,664
2020 through 2024	42,586,204
2025 through 2029	34,995,576
2030 through 2034	24,813,677
2035 through 2039	6,751,028
2040 through 2044	277,656
Year 2045	<u>50,023</u>
Total	\$201,482,557

(3) Claim liability:

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

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

Components	Amounts
Losses and LAE Reserve Prior Year	\$31,229,797
Accretion of the discount	653,257
Change in timing	0
New reserves for defaults of insured contracts	17,257,447
Change in deficiency reserves	-2,797,138
Change in incurred but not reported claims	<u>0</u>
Losses and LAE Reserve Current Year	\$46,343,363

NOTES TO FINANCIAL STATEMENTS

The Company's credit quality classifications are:

- (4) a. Category 1: Fully Performing
Covenants have been met and there have been no significant negative deviations from expected performance.
- Category 2: Watch
Performing below expected levels but current and projected revenues are adequate to service debt.
- Category 3: Deteriorating
Performing significantly below expected levels; corrective action is required to avert a longer-term risk of payment default.
- Category 4: Paid or Expected Claim
Material decline in creditworthiness and ability to pay debt service; unreimbursed draws on debt service reserves and/or payment defaults have occurred or are probable.
- b. Risk management activities are performed by ACA's portfolio management department. Portfolio analysts monitor all insured transactions in the portfolio to determine whether their financial performance is consistent with underwriting expectations and to identify any deterioration in the obligor's ability or willingness to pay insured debt service. Portfolio management staff are also responsible for recommending and undertaking remedial actions to prevent or mitigate losses.
- All transactions in the insured portfolio are assigned one of four internal credit quality classifications that reflect the current and expected performance of the obligor. Ratings are reviewed and updated on a regular basis as analysts obtain more current financial and market information from the obligor, the trustee, or from public sources such as rating agencies and fixed income analysts. The frequency with which individual obligors are reviewed is based on ACA's judgment of potential performance volatility and varies according to credit classification, sector, geography, size of exposure, and exogenous events.

B. Schedule of insured financial obligations at the end of the period

	Credit Quality Categories				Total
	1	2	3	4	
Number of policies	405	96	38	37	576
Remaining weighted-average contract period (in years)	14	12	15	14	
Insured contractual payments outstanding:					
Principal	\$ 4,459,583,355	\$ 1,066,873,543	\$ 457,404,563	\$ 361,202,257	\$ 6,345,063,717
Interest	2,939,537,423	789,473,545	385,659,772	338,940,982	4,453,611,722
Total	<u>\$ 7,399,120,778</u>	<u>\$ 1,856,347,088</u>	<u>\$ 843,064,334</u>	<u>\$ 700,143,239</u>	<u>\$10,798,675,439</u>
Gross claim liability	\$ -	\$ -	\$ -	\$ 72,298,906	\$ 72,298,906
Less:					
Gross potential recoveries	-	-	-	-	-
Discount, net	-	-	-	25,955,544	25,955,544
Net claim liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 46,343,362</u>	<u>\$ 46,343,362</u>
Unearned premium revenue	\$ 115,943,782	\$ 41,547,270	\$ 26,761,416	\$ 17,230,089	\$ 201,482,557
Claim liability reported in the balance sheet	-	-	-	\$ 46,343,362	\$ 46,343,362
Reinsurance recoverables	-	-	-	-	-

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 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 [] No [X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
.....
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [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 [] No [X]
- 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 [] No [X]
- 11.2 If yes, give full and complete information relating thereto:
.....
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$0
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	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$769,815	\$769,815
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$769,815	\$769,815
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [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 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes No

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

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

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

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

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

Yes No

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

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

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

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

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

Yes No

17.2 If no, list exceptions:

.....

Schedule F
NONE

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, etc.	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid		
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date	
1. Alabama	AL	L	0	0	0	0	0	
2. Alaska	AK	L	0	0	0	0	0	
3. Arizona	AZ	L	0	0	0	0	0	
4. Arkansas	AR	L	0	0	0	0	0	
5. California	CA	L	0	0	0	728,545	0	
6. Colorado	CO	L	0	0	0	0	0	
7. Connecticut	CT	L	0	0	0	0	0	
8. Delaware	DE	L	0	0	0	0	0	
9. District of Columbia	DC	L	0	0	0	0	0	
10. Florida	FL	L	0	0	0	0	0	
11. Georgia	GA	L	0	0	0	0	0	
12. Hawaii	HI	L	0	0	0	0	0	
13. Idaho	ID	L	0	0	0	0	0	
14. Illinois	IL	L	0	0	0	0	0	
15. Indiana	IN	L	0	0	0	0	0	
16. Iowa	IA	L	0	0	0	0	0	
17. Kansas	KS	L	0	0	0	0	0	
18. Kentucky	KY	L	0	0	0	0	0	
19. Louisiana	LA	L	4,553	2,997	0	4,136,458	0	
20. Maine	ME	L	0	0	0	0	0	
21. Maryland	MD	L	0	0	0	0	0	
22. Massachusetts	MA	L	0	0	0	0	0	
23. Michigan	MI	L	0	0	0	0	0	
24. Minnesota	MN	L	752	885	(706,186)	2,495,205	4,534,655	
25. Mississippi	MS	L	0	142	13,780	18,287,019	15,728,304	
26. Missouri	MO	L	0	0	0	0	0	
27. Montana	MT	L	0	0	0	0	0	
28. Nebraska	NE	L	0	0	0	0	0	
29. Nevada	NV	L	0	0	0	0	0	
30. New Hampshire	NH	L	0	0	0	0	0	
31. New Jersey	NJ	L	0	0	0	0	0	
32. New Mexico	NM	L	0	0	0	0	0	
33. New York	NY	L	0	0	0	0	0	
34. North Carolina	NC	L	0	0	0	0	0	
35. North Dakota	ND	L	0	0	0	0	0	
36. Ohio	OH	L	0	0	0	0	0	
37. Oklahoma	OK	L	0	0	0	0	0	
38. Oregon	OR	L	0	0	0	0	0	
39. Pennsylvania	PA	L	0	0	0	0	0	
40. Rhode Island	RI	L	0	0	0	0	0	
41. South Carolina	SC	L	0	82,556	0	17,257,447	0	
42. South Dakota	SD	L	0	0	0	0	0	
43. Tennessee	TN	L	0	0	0	0	0	
44. Texas	TX	L	0	46,644	3,906	2,194,524	274,543	
45. Utah	UT	L	0	0	0	0	0	
46. Vermont	VT	L	0	0	0	0	0	
47. Virginia	VA	L	0	0	0	0	0	
48. Washington	WA	L	0	0	0	0	0	
49. West Virginia	WV	L	0	0	0	0	0	
50. Wisconsin	WI	L	0	0	0	0	0	
51. Wyoming	WY	L	0	0	0	0	0	
52. American Samoa	AS	N	0	0	0	0	0	
53. Guam	GU	L	0	0	0	0	0	
54. Puerto Rico	PR	L	0	0	0	0	0	
55. U.S. Virgin Islands	VI	L	0	0	0	0	0	
56. Northern Mariana Islands	MP	N	0	0	0	0	0	
57. Canada	CN	N	0	0	0	0	0	
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	
59. Totals	(a) 54		5,304	4,024	142,980	(702,280)	45,099,198	20,537,502
DETAILS OF WRITE-INS								
5801. Foreign	XXX		0	0	0	0	0	0
5802.	XXX		0	0	0	0	0	0
5803.	XXX		0	0	0	0	0	0
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		0	0	0	0	0	0

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

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

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

NONE

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire			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	3,642,144	15,972,869	438.6	1.7
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
17.3 Excess Workers' Compensation			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	3,642,144	15,972,869	438.6	1.7
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Sum. 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)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	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	5,304	5,304	4,024
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
17.3 Excess Workers' Compensation	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	5,304	5,304	4,024
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2010 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2007 + Prior	5,763		5,763	843		843	3,130			3,130	(1,790)	0	(1,790)
2. 2008	18,270		18,270	63		63	18,546			18,546	340	0	340
3. Subtotals 2008 + Prior	24,033	0	24,033	907	0	907	21,677	0	0	21,677	(1,450)	0	(1,450)
4. 2009	7,197		7,197	44		44	7,409			7,409	256	0	256
5. Subtotals 2009 + Prior	31,230	0	31,230	951	0	951	29,086	0	0	29,086	(1,194)	0	(1,194)
6. 2010	XXX	XXX	XXX	XXX	87	87	XXX	17,257		17,257	XXX	XXX	XXX
7. Totals	31,230	0	31,230	951	87	1,038	29,086	17,257	0	46,343	(1,194)	0	(1,194)
8. Prior Year-End's Surplus As Regards Policyholders	137,456										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. (3.8)	2. 0.0	3. (3.8)
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. (0.9)

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.

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

Explanation:

- 1.
- 2.
- 3.

Bar Code:



OVERFLOW PAGE FOR WRITE-INS

PQ002 Additional Aggregate Lines for Page 02 Line 24.

*ASSETS

	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
2404. Prepaid Premium Tax.....	43,407	43,407	0	0
2405.	0		0	0
2498. Summary of remaining write-ins for Line 24 from Page 02	43,407	43,407	0	0

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
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	0
2.2 Additional investment made after acquisition	0	0
3. Current year change in encumbrances	0	0
4. Total gain (loss) on disposals	0	0
5. Deduct amounts received on disposals	0	0
6. Total foreign exchange change in book/adjusted carrying value	0	0
7. Deduct current year's other than temporary impairment recognized	0	0
8. Deduct current year's depreciation	0	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

	1 Year to Date	2 Prior Year Ended December 31
NONE		
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	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other than temporary impairment recognized	0	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	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	1,090,255	1,090,068
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	51	187
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
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	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	1,090,306	1,090,255
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	1,090,306	1,090,255

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	370,216,580	369,568,588
2. Cost of bonds and stocks acquired	3	106,796,030
3. Accrual of discount	99,080	450,951
4. Unrealized valuation increase (decrease)	25,486	598,349
5. Total gain (loss) on disposals	1,324,341	(4,270,555)
6. Deduct consideration for bonds and stocks disposed of	12,540,091	90,849,372
7. Deduct amortization of premium	484,442	1,339,367
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	10,738,044
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	358,640,957	370,216,580
11. Deduct total nonadmitted amounts	769,815	769,815
12. Statement value at end of current period (Line 10 minus Line 11)	357,871,142	369,446,765

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

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).....	340,126,204	117,495,447	74,876,832	(165,965)	382,578,854	0	0	340,126,204
2. Class 2 (a).....	59,798,953	0	2,359,856	(144,813)	57,294,284	0	0	59,798,953
3. Class 3 (a).....	1,586,198	0	0	(16,166)	1,570,032	0	0	1,586,198
4. Class 4 (a).....	1,120,000	0	1,120,000	3	3	0	0	1,120,000
5. Class 5 (a).....	701,517	0	0	35,869	737,386	0	0	701,517
6. Class 6 (a).....	2,054,629	0	0	(68,805)	1,985,824	0	0	2,054,629
7. Total Bonds	405,387,501	117,495,447	78,356,688	(359,877)	444,166,383	0	0	405,387,501
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	405,387,501	117,495,447	78,356,688	(359,877)	444,166,383	0	0	405,387,501

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

S102

SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	86,295,241	XXX	86,295,241	36	0

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	35,940,735	63,057,684
2. Cost of short-term investments acquired	117,495,444	164,803,446
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.....	67,140,938	191,920,395
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).....	86,295,241	35,940,735
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	86,295,241	35,940,735

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator ^(a)
60535R-AG-3	Mississippi Home Corp Hsg Rev 5.200% 1		03/02/2010	Carlton & Associates		1	5,000	0	4FE
60535R-AH-1	Mississippi Home Corp Hsg Rev 5.300% 1		03/02/2010	Carlton & Associates		2	30,000	0	4FE
3199999 - Total	- Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...					3	35,000	0	XXX
8399997 - Total	- Bonds - Part 3					3	35,000	0	XXX
8399999 - Total	- Bonds					3	35,000	0	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						3	XXX	0	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0

E04

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
31359W-XH-1.	FNMA 3.875% 02/15/10 GNMA Pool 595037		02/15/2010	Maturity		3,800,000	3,800,000	3,677,688	3,795,603	0	4,397	0	4,397	0	3,800,000	0	0	0	73,625	02/15/2010	1
36200A-BE-8.	6.000% 10/15/32 GNMA Pool 595085		03/01/2010	Paydown		43	43	45	45	0	(1)	0	(1)	0	43	0	0	0	0	10/15/2032	1
36200A-CW-7.	6.000% 10/15/32 GNMA Pool 599167		03/01/2010	Paydown		23,309	23,309	24,001	23,930	0	(621)	0	(621)	0	23,309	0	0	0	125	10/15/2032	1
36200E-TY-7.	6.000% 12/15/33 GNMA Pool 604018		03/01/2010	Paydown		1,330	1,330	1,370	1,364	0	(33)	0	(33)	0	1,330	0	0	0	13	12/15/2033	1
36200M-AT-0.	5.500% 02/15/33 GNMA Pool 604141		03/01/2010	Paydown		185,622	185,622	191,002	190,568	0	(4,946)	0	(4,946)	0	185,622	0	0	0	1,865	02/15/2033	1
36200M-EN-9.	6.000% 03/15/33 GNMA Pool 569684		03/01/2010	Paydown		13,284	13,284	13,678	13,651	0	(367)	0	(367)	0	13,284	0	0	0	119	03/15/2033	1
362000-2R-4.	6.000% 02/15/32 GNMA Pool 570142		03/01/2010	Paydown		10,846	10,846	11,168	11,142	0	(295)	0	(295)	0	10,846	0	0	0	72	02/15/2032	1
36200R-LX-8.	6.000% 12/15/31 GNMA Pool 570490		03/01/2010	Paydown		5,853	5,853	6,027	6,015	0	(161)	0	(161)	0	5,853	0	0	0	47	12/15/2031	1
36200R-XT-4.	6.000% 12/15/31 GNMA Pool 571293		03/01/2010	Paydown		309	309	318	318	0	(8)	0	(8)	0	309	0	0	0	3	12/15/2031	1
36200S-US-7.	6.000% 11/15/31 GNMA Pool 577422		03/01/2010	Paydown		1,345	1,345	1,385	1,379	0	(33)	0	(33)	0	1,345	0	0	0	7	11/15/2031	1
36201A-PF-9.	6.000% 01/15/32 GNMA Pool 579722		03/01/2010	Paydown		927	927	954	953	0	(26)	0	(26)	0	927	0	0	0	5	01/15/2032	1
36201D-AX-0.	6.000% 08/15/32 GNMA Pool 580607		03/01/2010	Paydown		790	790	813	812	0	(22)	0	(22)	0	790	0	0	0	8	08/15/2032	1
36201E-AG-5.	6.000% 02/15/33 GNMA Pool 581506		03/01/2010	Paydown		2,272	2,272	2,340	2,334	0	(62)	0	(62)	0	2,272	0	0	0	24	02/15/2033	1
36201F-AF-4.	6.000% 04/15/33 GNMA Pool 585371		03/01/2010	Paydown		576	576	593	593	0	(16)	0	(16)	0	576	0	0	0	6	04/15/2033	1
36201K-J0-0.	6.000% 04/15/32 GNMA Pool 606864		03/01/2010	Paydown		350	350	361	360	0	(10)	0	(10)	0	350	0	0	0	4	04/15/2032	1
36201Y-FD-3.	6.000% 10/15/33 GNMA Pool 429788		03/01/2010	Paydown		1,041	1,041	1,072	1,071	0	(29)	0	(29)	0	1,041	0	0	0	6	10/15/2033	1
36207E-ND-2.	6.000% 12/15/33 GNMA Pool 493545		03/01/2010	Paydown		12,031	12,031	12,388	12,362	0	(332)	0	(332)	0	12,031	0	0	0	121	12/15/2033	1
36210J-HW-1.	6.000% 03/15/31 GNMA Pool 553303		03/01/2010	Paydown		30	30	31	31	0	(1)	0	(1)	0	30	0	0	0	0	03/15/2031	1
36213F-U4-3.	6.000% 06/15/33 GNMA Pool 562469		03/01/2010	Paydown		594	594	612	612	0	(17)	0	(17)	0	594	0	0	0	3	06/15/2033	1
36213R-2A-4.	5.000% 02/15/34 GNMA Pool 562442		03/01/2010	Paydown		119,445	119,445	120,056	119,976	0	(531)	0	(531)	0	119,445	0	0	0	996	02/15/2034	1
36213R-ZF-7.	5.500% 01/15/34 GNMA Pool 563713		03/01/2010	Paydown		2,807	2,807	2,883	2,871	0	(64)	0	(64)	0	2,807	0	0	0	26	01/15/2034	1
36213T-GW-7.	6.000% 01/15/33 GNMA Pool 564552		03/01/2010	Paydown		3,117	3,117	3,209	3,201	0	(84)	0	(84)	0	3,117	0	0	0	27	01/15/2033	1
36213U-EZ-9.	6.000% 12/15/31 GNMA Pool 565505		03/01/2010	Paydown		85	85	88	88	0	(2)	0	(2)	0	85	0	0	0	1	12/15/2031	1
36213V-GN-2.	6.000% 09/15/32 GNMA Pool 620628		03/01/2010	Paydown		456	456	470	469	0	(13)	0	(13)	0	456	0	0	0	3	09/15/2032	1
36290X-PM-6.	6.000% 09/15/33 GNMA Pool 620634		03/01/2010	Paydown		38,499	38,499	39,642	39,568	0	(1,070)	0	(1,070)	0	38,499	0	0	0	288	09/15/2033	1
36290X-PT-1.	6.000% 09/15/33 GNMA Pool 621657		03/01/2010	Paydown		542	542	558	557	0	(16)	0	(16)	0	542	0	0	0	5	09/15/2033	1
36290Y-TN-8.	6.000% 12/15/33 GNMA Pool 624236		03/01/2010	Paydown		9	9	9	9	0	0	0	0	0	9	0	0	0	0	12/15/2033	1
36291C-PV-1.	6.000% 12/15/33 GNMA Pool 625604		03/01/2010	Paydown		94	94	97	97	0	(3)	0	(3)	0	94	0	0	0	1	12/15/2033	1
36291E-AD-3.	6.000% 12/15/33 GNMA Pool 625620		03/01/2010	Paydown		2,802	2,802	2,886	2,882	0	(79)	0	(79)	0	2,802	0	0	0	15	12/15/2033	1
36291E-AV-3.	6.000% 12/15/33 GNMA POOL 704155		03/01/2010	Paydown		788	788	811	810	0	(22)	0	(22)	0	788	0	0	0	7	12/15/2033	1
36296X-H8-0.	5.500% 01/15/39		03/01/2010	Paydown		947,291	947,291	976,597	976,145	0	(28,854)	0	(28,854)	0	947,291	0	0	0	8,299	01/15/2039	1
0399999	Bonds - U.S. Governments					5,176,487	5,176,487	5,093,152	5,209,816	0	(33,321)	0	(33,321)	0	5,176,487	0	0	0	85,721	XXX	XXX
31359S-2G-4.	Fannie Mae Whole Loan NW 2001-W1 AF6 6		03/01/2010	Paydown		6,042	6,042	6,274	6,603	0	(561)	0	(561)	0	6,042	0	0	0	67	06/25/2031	1

E05

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22	
										11	12	13	14	15								
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)	
31387C-M3-2	FNMA Pool No 580078 7.000% 09/01/31		03/01/2010	Paydown		114	114	117	117	0	(3)	0	(3)	0	114	0	0	0	1	09/01/2031	1	
31402D-F7-0	FNMA Pool 725690 6.000% 08/01/34		03/01/2010	Paydown		622,347	622,347	643,108	641,950	0	(19,603)	0	(19,603)	0	622,347	0	0	0	5,958	08/01/2034	1	
31405R-AR-7	FNMA Pool 796616 5.500% 10/01/34		03/01/2010	Paydown		798,079	798,079	810,362	809,551	0	(11,472)	0	(11,472)	0	798,079	0	0	0	7,046	10/01/2034	1	
31407U-EK-9	FNMA Pool 840838 5.500% 11/01/35		03/01/2010	Paydown		353,243	353,243	348,717	348,822	0	4,421	0	4,421	0	353,243	0	0	0	2,547	11/01/2035	1	
3199999	Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of					1,779,825	1,779,825	1,808,578	1,807,043	0	(27,218)	0	(27,218)	0	1,779,825	0	0	0	15,619	XXX	XXX	
03062X-AD-8	AmeriCredit Automobile Rec. Series 2006		03/06/2010	Paydown		353,974	353,974	353,887	353,952	0	22	0	22	0	353,974	0	0	0	3,103	09/06/2013	2FE	
03072S-LD-5	Ameriquest Mortgage Securities 2003-1A1		03/01/2010	Paydown		142,575	142,575	142,575	142,575	0	0	0	0	0	142,575	0	0	0	1,164	11/25/2033	1Z	
07383F-U4-8	Bear Stearns Comm Mtg 2004-T16 4.030%		03/01/2010	Paydown		492,949	492,949	495,695	492,486	0	464	0	464	0	492,949	0	0	0	4,417	06/13/2010	1FE	
09774X-AK-8	Bombardier Capital Mortgage Se 1998-B M1		03/01/2010	Paydown		0	0	59,587	58,503	0	(58,503)	0	(58,503)	0	0	0	0	0	3,133	03/15/2026	6FE	
126671-R4-0	Countrywide Asset-Backed Certs Series 20		02/01/2010	Paydown		6,222	6,222	6,331	6,310	0	(88)	0	(88)	0	6,222	0	0	0	42	08/25/2032	2Z*	
161505-HW-5	Chase Commercial Mortgage Series 2001-24		03/01/2010	Paydown		66,497	66,497	72,237	66,566	0	(70)	0	(70)	0	66,497	0	0	0	610	03/12/2010	1FE	
459745-FQ-3	International Lease Fin Corp 4.875% 09		02/24/2010	Deutsche Govt/Agency		1,980,000	2,000,000	1,996,900	1,999,416	0	243	0	243	0	1,999,659	0	(19,659)	(19,659)	48,750	09/01/2010	2FE	
52108H-P3-2	LB-UBS Commercial Mtg Trust Lbubs 2004-C		03/11/2010	Paydown		77,557	77,557	77,942	77,526	0	31	0	31	0	77,557	0	0	0	535	04/15/2010	1FE	
46601W-BE-4	Ixion 2007-33A A 144A 0.929% 06/27/35	F	03/03/2010	Various		2,464,000	11,200,000	1,120,000	1,120,000	0	0	0	0	0	1,120,000	0	1,344,000	1,344,000	26,089	06/27/2035	4FE	
3899999	- Bonds - Industrial and Miscellaneous					5,583,774	14,339,774	4,325,154	4,317,334	0	(57,901)	0	(57,901)	0	4,259,433	0	1,324,341	1,324,341	87,843	XXX	XXX	
8399997	- Bonds - Part 4					12,540,086	21,296,086	11,226,884	11,334,193	0	(118,440)	0	(118,440)	0	11,215,745	0	1,324,341	1,324,341	189,183	XXX	XXX	
8399999	- Total - Bonds					12,540,086	21,296,086	11,226,884	11,334,193	0	(118,440)	0	(118,440)	0	11,215,745	0	1,324,341	1,324,341	189,183	XXX	XXX	
8999999	- Total - Preferred Stocks					0	XXX	0	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	0	XXX	XXX
9899999	- Total - Preferred and Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999	Totals					12,540,086	XXX	11,226,884	11,334,193	0	(118,440)	0	(118,440)	0	11,215,745	0	1,324,341	1,324,341	189,183	XXX	XXX	

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0

E05.1

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors, Collars, Swaps and Forwards Open as of Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23		
Description	Description of Items Hedged or Used For Income Generation	Schedule/ Exhibit Identifier	Type(s) of Risk(s)	Exchange or Counterparty	Trade Date	Date of Maturity or Expiration	Number of Contracts	Notional Amount	Strike Price, Rate or Index Received (Paid)	Prior Year Initial Cost of Premium Received (Paid)	Current Year Initial Cost of Premium Received (Paid)	Current Year Income	Book/ Adjusted Carrying Value	Code	Fair Value	Unrealized Valuation Increase/ (Decrease)	Total Foreign Exchange Change in B./A.C.V.	Current Year's (Amortization)/ Accretion	Adjustment To Carry Value of Hedged Item	Potential Exposure	Credit Quality of Reference Entity	Hedge Effectiveness at Inception and at Quarter-end (a)		
NONE																								
1399999	Subtotal - Hedging Effective										0	0	0	0	XXX	0	0	0	0	0	0	XXX	XXX	
1409999	Subtotal - Hedging Other										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX
1419999	Subtotal - Replication										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX
1429999	Subtotal - Income Generation										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX
1439999	Subtotal - Other										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX
1449999	Total										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX

(a)	Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

SCHEDULE DB - PART B - SECTION 1

Future Contracts Open as of the Current Statement Date

1 Ticker Symbol	2 Number of Contracts	3 Notional Amount	4 Description	5 Description of Hedged Item(s)	6 Schedule/ Exhibit Identifier	7 Type(s) of Risk(s)	8 Date of Maturity or Expiration	9 Exchange	10 Trade Date	11 Transaction Price	12 Reporting Date Price	13 Book/ Adjusted Carrying Value	Change in Valuation Margin				18 Potential Exposure	19 Hedge Effectiveness at Inception and at Quarter-end (a)										
													14 Cumulative	15 Gain (Loss) Recognized in Current Year	16 Gain (Loss) Used to Adjust Basis of Hedged Item	17 Deferred												
NONE																												
1399999 - Subtotal - Hedging Effective																									XXX			
1409999 - Subtotal - Hedging Other																										XXX		
1419999 - Subtotal - Replication																											XXX	
1429999 - Subtotal - Income Generation																												XXX
1439999 - Subtotal - Other																												XXX
1449999 - Total													0	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	

Broker Name	Net Cash Deposits
9999999	0

(a) Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period

E07

STATEMENT AS OF MARCH 31, 2010 OF THE ACA Financial Guaranty Corporation

SCHEDULE DB - PART D

Counterparty Exposure for Derivative Instruments Open as of Current Statement Date

1	2	3	4	Statement Value			Fair Value			11	12
Description Counterparty or Exchange Traded	Master Agreement (Y or N)	Credit Support Annex (Y or N)	Fair Value of Acceptable Collateral	5 Contracts With Book/ Adjusted Carrying Value > 0	6 Contracts With Book/ Adjusted Carrying Value < 0	7 Exposure Net of Collateral	8 Contracts With Fair Value > 0	9 Contracts With Fair Value < 0	10 Exposure Net of Collateral	Potential Exposure	Off-Balance Sheet Exposure
0199999 - Aggregate Sum of Exchange Traded Derivatives						0			0		0
NONE											
0899999 Totals											

E08

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

E10