



PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
OF THE CONDITION AND AFFAIRS OF THE
ACA Financial Guaranty Corporation

| | | | | | | |
|---------------------------------------|---------------------------------|----------------|--|------------------------------------|----------------------|------------|
| NAIC Group Code | 0000 | 0000 | NAIC Company Code | 22896 | Employer's ID Number | 52-1474358 |
| | (Current Period) | (Prior Period) | | | | |
| Organized under the Laws of | Maryland | | State of Domicile or Port of Entry | Maryland | | |
| Country of Domicile | United States | | | | | |
| Incorporated/Organized | 06/25/1986 | | Commenced Business | 10/31/1986 | | |
| Statutory Home Office | 7 Saint Paul Street, Suite 1660 | | | Baltimore, MD 21202 | | |
| | (Street and Number) | | | (City or Town, State and Zip Code) | | |
| Main Administrative Office | 600 Fifth Avenue, 2nd Floor | | New York, NY 10020 | 212-375-2000 | | |
| | (Street and Number) | | (City or Town, State and Zip Code) | (Area Code) (Telephone Number) | | |
| Mail Address | 600 Fifth Avenue, 2nd Floor | | New York, NY 10020 | | | |
| | (Street and Number or P.O. Box) | | (City or Town, State and Zip Code) | | | |
| Primary Location of Books and Records | 600 Fifth Avenue, 2nd Floor | | New York, NY 10020 | 212-375-2000 | | |
| | (Street and Number) | | (City or Town, State and Zip Code) | (Area Code) (Telephone Number) | | |
| Internet Website 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 |
|---------------------------|-------------------|---------------------------|-----------------------------|
| Raymond John Brooks, Jr. | President and CEO | Steven Joseph Berkowitz # | Chief Legal Officer and COO |
| Arnold Barry Jay Brousell | Treasurer and CFO | | |

OTHER OFFICERS

DIRECTORS OR TRUSTEES

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

State of New York

County of New York ss

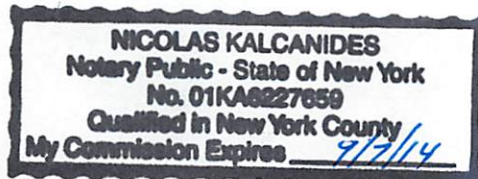
The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any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

| | | |
|---------------------------------------|---|---------------------------------------|
| | | |
| Raymond John Brooks, Jr. | Steven Joseph Berkowitz | Arnold Barry Jay Brousell |
| President and Chief Executive Officer | Chief Legal Officer and Chief Operating Officer | Treasurer and Chief Financial Officer |

Subscribed and sworn to before me this 27th day of February, 2012

Nicolas Kalcanides

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached



ASSETS

| | Current Year | | | Prior Year |
|--|--------------|--------------------|--------------------------------------|------------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D)..... | 430,358,253 | | 430,358,253 | 434,056,424 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | | | | |
| 2.2 Common stocks | | | | |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances)..... | | | | |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ encumbrances) | | | | |
| 5. Cash (\$2,982,656 , Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$9,873,072 , Schedule DA)..... | 12,855,728 | | 12,855,728 | 25,999,053 |
| 6. Contract loans (including \$premium notes)..... | | | | |
| 7. Derivatives (Schedule DB)..... | | | | |
| 8. Other invested assets (Schedule BA) | 78,062 | 78,062 | | 1,090,454 |
| 9. Receivables for securities | 20,378 | | 20,378 | |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | | | | |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 443,312,421 | 78,062 | 443,234,359 | 461,145,931 |
| 13. Title plants less \$charged off (for Title insurers only)..... | | | | |
| 14. Investment income due and accrued | 3,168,929 | | 3,168,929 | 3,587,675 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | | | | |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premiums)..... | | | | |
| 15.3 Accrued retrospective premiums..... | | | | |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | | | | |
| 16.2 Funds held by or deposited with reinsured companies | | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | | |
| 17. Amounts receivable relating to uninsured plans | | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | | |
| 18.2Net deferred tax asset..... | 25,871,690 | 25,871,690 | | |
| 19. Guaranty funds receivable or on deposit | | | | |
| 20. Electronic data processing equipment and software..... | 45,121 | | 45,121 | 39,314 |
| 21. Furniture and equipment, including health care delivery assets (\$) | 238,303 | 238,303 | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | | |
| 24. Health care (\$) and other amounts receivable..... | | | | |
| 25. Aggregate write-ins for other than invested assets | 3,604,887 | 1,881,865 | 1,723,022 | 22,749 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)..... | 476,241,351 | 28,069,920 | 448,171,431 | 464,795,669 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | | |
| 28. Total (Lines 26 and 27) | 476,241,351 | 28,069,920 | 448,171,431 | 464,795,669 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | |
| 1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above) | | | | |
| 2501. Salvage Recoverable..... | 1,000,000 | 1,000,000 | | |
| 2502. Securities Receivable..... | 1,384,107 | | 1,384,107 | |
| 2503. Advanced Loss Payment..... | 556,239 | 556,239 | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 664,541 | 325,626 | 338,915 | 22,749 |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) | 3,604,887 | 1,881,865 | 1,723,022 | 22,749 |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| 1. Losses (Part 2A, Line 35, Column 8) | 64,392,168 | 62,132,634 |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) | | |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9) | 11,497,000 | 2,875,000 |
| 4. Commissions payable, contingent commissions and other similar charges | | |
| 5. Other expenses (excluding taxes, licenses and fees) | 5,304,146 | 4,691,024 |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | 100,290 | 105,729 |
| 7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses)). | | |
| 7.2 Net deferred tax liability | | |
| 8. Borrowed money \$ and interest thereon \$ | | |
| 9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 311,968 and including warranty reserves of \$ and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act) | 174,425,586 | 190,450,036 |
| 10. Advance premium | | |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | | |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | | |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) | | |
| 14. Amounts withheld or retained by company for account of others | | |
| 15. Remittances and items not allocated | | |
| 16. Provision for reinsurance (Schedule F, Part 7) | | |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | | |
| 19. Payable to parent, subsidiaries and affiliates | 86,112 | |
| 20. Derivatives | | |
| 21. Payable for securities | | |
| 22. Payable for securities lending | | |
| 23. Liability for amounts held under uninsured plans | | |
| 24. Capital notes \$ and interest thereon \$ | | |
| 25. Aggregate write-ins for liabilities | 75,051,366 | 97,340,130 |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) | 330,856,668 | 357,594,553 |
| 27. Protected cell liabilities | | |
| 28. Total liabilities (Lines 26 and 27) | 330,856,668 | 357,594,553 |
| 29. Aggregate write-ins for special surplus funds | | |
| 30. Common capital stock | 15,000,000 | 15,000,000 |
| 31. Preferred capital stock | | |
| 32. Aggregate write-ins for other than special surplus funds | | |
| 33. Surplus notes | | |
| 34. Gross paid in and contributed surplus | 363,974,000 | 363,974,000 |
| 35. Unassigned funds (surplus) | (261,659,237) | (271,772,884) |
| 36. Less treasury stock, at cost: | | |
| 36.1 shares common (value included in Line 30 \$) | | |
| 36.2 shares preferred (value included in Line 31 \$) | | |
| 37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39) | 117,314,763 | 107,201,116 |
| 38. Totals (Page 2, Line 28, Col. 3) | 448,171,431 | 464,795,669 |
| DETAILS OF WRITE-INS | | |
| 2501. Contingency Reserve | 73,919,115 | 96,829,169 |
| 2502. Collateral Deposit | 1,123,372 | 500,148 |
| 2503. Other Payables | 8,879 | 10,813 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 75,051,366 | 97,340,130 |
| 2901. | | |
| 2902. | | |
| 2903. | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | | |
| 3201. | | |
| 3202. | | |
| 3203. | | |
| 3298. Summary of remaining write-ins for Line 32 from overflow page | | |
| 3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above) | | |

STATEMENT OF INCOME

| | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| UNDERWRITING INCOME | | |
| 1. Premiums earned (Part 1, Line 35, Column 4) | 16,333,428 | 15,204,613 |
| DEDUCTIONS: | | |
| 2. Losses incurred (Part 2, Line 35, Column 7) | 34,002,196 | 36,145,338 |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) | 12,668,457 | 2,984,849 |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) | 22,968,905 | 18,929,944 |
| 5. Aggregate write-ins for underwriting deductions | | 12,986,882 |
| 6. Total underwriting deductions (Lines 2 through 5) | 69,639,558 | 71,047,013 |
| 7. Net income of protected cells | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | (53,306,130) | (55,842,400) |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) | 17,981,203 | 18,364,193 |
| 10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))..... | 1,648,600 | 5,113,772 |
| 11. Net investment gain (loss) (Lines 9 + 10) | 19,629,803 | 23,477,965 |
| OTHER INCOME | | |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$) | | |
| 13. Finance and service charges not included in premiums | | |
| 14. Aggregate write-ins for miscellaneous income | 7,415,322 | 8,336,095 |
| 15. Total other income (Lines 12 through 14) | 7,415,322 | 8,336,095 |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | (26,261,005) | (24,028,340) |
| 17. Dividends to policyholders | | |
| 18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17) | (26,261,005) | (24,028,340) |
| 19. Federal and foreign income taxes incurred | | (34,335) |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | (26,261,005) | (23,994,005) |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) | 107,201,116 | 137,456,387 |
| 22. Net income (from Line 20) | (26,261,005) | (23,994,005) |
| 23. Net transfers (to) from Protected Cell accounts | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (67,550) | (141,733) | 590,952 |
| 25. Change in net unrealized foreign exchange capital gain (loss) | | |
| 26. Change in net deferred income tax | (7,945,832) | (6,013,701) |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3) | 6,287,460 | 10,351,973 |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) | | |
| 29. Change in surplus notes | | |
| 30. Surplus (contributed to) withdrawn from protected cells | | |
| 31. Cumulative effect of changes in accounting principles | | |
| 32. Capital changes: | | |
| 32.1 Paid in | | |
| 32.2 Transferred from surplus (Stock Dividend) | | |
| 32.3 Transferred to surplus | | |
| 33. Surplus adjustments: | | |
| 33.1 Paid in | | |
| 33.2 Transferred to capital (Stock Dividend) | | |
| 33.3 Transferred from capital | | |
| 34. Net remittances from or (to) Home Office | | |
| 35. Dividends to stockholders | | |
| 36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1) | | |
| 37. Aggregate write-ins for gains and losses in surplus | 38,174,757 | (11,190,489) |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37) | 10,113,646 | (30,255,270) |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37) | 117,314,763 | 107,201,116 |
| DETAILS OF WRITE-INS | | |
| 0501. Lease Termination Cost..... | | 11,636,032 |
| 0502. Fixed Asset Write-off related to Lease Termination..... | | 1,350,850 |
| 0503. | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | | |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | | 12,986,882 |
| 1401. Equity Earnings in Affiliates..... | 5,427,000 | 7,659,000 |
| 1402. Litigation Settlement..... | 2,000,000 | |
| 1403. Surveillance Consent Fees..... | 163,783 | 482,187 |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | (175,461) | 194,908 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 7,415,322 | 8,336,095 |
| 3701. Change in Contingency Reserve..... | 22,910,054 | (11,190,489) |
| 3702. Correction of Prior Year Loss Reserve..... | 15,264,703 | |
| 3703. | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page | | |
| 3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) | 38,174,757 | (11,190,489) |

CASH FLOW

| | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance | 308,978 | 486,855 |
| 2. Net investment income | 19,828,487 | 19,995,196 |
| 3. Miscellaneous income | 7,415,321 | 8,336,094 |
| 4. Total (Lines 1 through 3) | 27,552,786 | 28,818,145 |
| 5. Benefit and loss related payments | 17,477,959 | 3,282,013 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 26,310,244 | 31,232,239 |
| 8. Dividends paid to policyholders | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)..... | | (51,407,611) |
| 10. Total (Lines 5 through 9) | 43,788,203 | (16,893,359) |
| 11. Net cash from operations (Line 4 minus Line 10) | (16,235,417) | 45,711,504 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 125,364,717 | 100,193,931 |
| 12.2 Stocks | 50,474 | 784,953 |
| 12.3 Mortgage loans | | |
| 12.4 Real estate | | |
| 12.5 Other invested assets | 1,148,356 | |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | | |
| 12.7 Miscellaneous proceeds | | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 126,563,547 | 100,978,884 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 121,763,052 | 160,523,521 |
| 13.2 Stocks | | |
| 13.3 Mortgage loans | | |
| 13.4 Real estate | | |
| 13.5 Other invested assets | 100,000 | |
| 13.6 Miscellaneous applications | 1,849,261 | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 123,712,313 | 160,523,521 |
| 14. Net increase (decrease) in contract loans and premium notes | | |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | 2,851,234 | (59,544,637) |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | | |
| 16.2 Capital and paid in surplus, less treasury stock | | |
| 16.3 Borrowed funds | | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 Dividends to stockholders | | |
| 16.6 Other cash provided (applied)..... | 240,858 | 2,201,602 |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | 240,858 | 2,201,602 |
| 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)..... | (13,143,325) | (11,631,531) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 25,999,053 | 37,630,584 |
| 19.2 End of year (Line 18 plus Line 19.1) | 12,855,728 | 25,999,053 |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

| Line of Business | | 1 Net Premiums Written per Column 6, Part 1B | 2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1 | 3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A | 4 Premiums Earned During Year (Cols. 1 + 2 - 3) |
|--|--|---|---|---|--|
| 1. | Fire | | | | |
| 2. | Allied lines | | | | |
| 3. | Farmowners multiple peril | | | | |
| 4. | Homeowners multiple peril | | | | |
| 5. | Commercial multiple peril | | | | |
| 6. | Mortgage guaranty | | | | |
| 8. | Ocean marine | | | | |
| 9. | Inland marine | | | | |
| 10. | Financial guaranty | 308,978 | 190,450,036 | 174,425,586 | 16,333,428 |
| 11.1 | Medical professional liability - occurrence | | | | |
| 11.2 | Medical professional liability - claims-made | | | | |
| 12. | Earthquake | | | | |
| 13. | Group accident and health | | | | |
| 14. | Credit accident and health (group and individual) | | | | |
| 15. | Other accident and health | | | | |
| 16. | Workers' compensation | | | | |
| 17.1 | Other liability - occurrence | | | | |
| 17.2 | Other liability - claims-made | | | | |
| 17.3 | Excess workers' compensation | | | | |
| 18.1 | Products liability - occurrence | | | | |
| 18.2 | Products liability - claims-made | | | | |
| 19.1,19.2 Private passenger auto liability | | | | | |
| 19.3,19.4 Commercial auto liability | | | | | |
| 21. | Auto physical damage | | | | |
| 22. | Aircraft (all perils) | | | | |
| 23. | Fidelity | | | | |
| 24. | Surety | | | | |
| 26. | Burglary and theft | | | | |
| 27. | Boiler and machinery | | | | |
| 28. | Credit | | | | |
| 29. | International | | | | |
| 30. | Warranty | | | | |
| 31. | Reinsurance - nonproportional assumed property | | | | |
| 32. | Reinsurance - nonproportional assumed liability | | | | |
| 33. | Reinsurance - nonproportional assumed financial Lines | | | | |
| 34. | Aggregate write-ins for other lines of business | | | | |
| 35. | TOTALS | 308,978 | 190,450,036 | 174,425,586 | 16,333,428 |
| DETAILS OF WRITE-INS | | | | | |
| 3401. | ..... |  |  |  |  |
| 3402. | ..... |  |  |  |  |
| 3403. | ..... |  |  |  |  |
| 3498. | Sum. of remaining write-ins for Line 34 from overflow page | | | | |
| 3499. | Totals (Lines 3401 through 3403 + 3498) (Line 34 above) | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

| Line of Business | | 1 Amount Unearned (Running One Year or Less from Date of Policy) (a) | 2 Amount Unearned (Running More Than One Year from Date of Policy) (a) | 3 Earned but Unbilled Premium | 4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience | 5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4 |
|----------------------|---|---|---|--|---|---|
| 1. | Fire | | | | | |
| 2. | Allied lines | | | | | |
| 3. | Farmowners multiple peril | | | | | |
| 4. | Homeowners multiple peril | | | | | |
| 5. | Commercial multiple peril | | | | | |
| 6. | Mortgage guaranty | | | | | |
| 8. | Ocean marine | | | | | |
| 9. | Inland marine | | | | | |
| 10. | Financial guaranty | | 174,425,586 | | | 174,425,586 |
| 11.1 | Medical professional liability - occurrence | | | | | |
| 11.2 | Medical professional liability - claims-made | | | | | |
| 12. | Earthquake | | | | | |
| 13. | Group accident and health | | | | | |
| 14. | Credit accident and health (group and individual) | | | | | |
| 15. | Other accident and health | | | | | |
| 16. | Workers' compensation | | | | | |
| 17.1 | Other liability - occurrence | | | | | |
| 17.2 | Other liability - claims-made | | | | | |
| 17.3 | Excess workers' compensation | | | | | |
| 18.1 | Products liability - occurrence | | | | | |
| 18.2 | Products liability - claims-made | | | | | |
| 19.1,19.2 | Private passenger auto liability | | | | | |
| 19.3,19.4 | Commercial auto liability | | | | | |
| 21. | Auto physical damage | | | | | |
| 22. | Aircraft (all perils) | | | | | |
| 23. | Fidelity | | | | | |
| 24. | Surety | | | | | |
| 26. | Burglary and theft | | | | | |
| 27. | Boiler and machinery | | | | | |
| 28. | Credit | | | | | |
| 29. | International | | | | | |
| 30. | Warranty..... | | | | | |
| 31. | Reinsurance - nonproportional assumed property | | | | | |
| 32. | Reinsurance - nonproportional assumed liability | | | | | |
| 33. | Reinsurance - nonproportional assumed financial lines | | | | | |
| 34. | Aggregate write-ins for other lines of business | | | | | |
| 35. | TOTALS | | 174,425,586 | | | 174,425,586 |
| 36. | Accrued retrospective premiums based on experience | | | | | |
| 37. | Earned but unbilled premiums | | | | | |
| 38. | Balance (Sum of Lines 35 through 37) | | | | | 174,425,586 |
| DETAILS OF WRITE-INS | | | | | | |
| 3401. | ..... |  |  |  |  |  |
| 3402. | ..... |  |  |  |  |  |
| 3403. | ..... |  |  |  |  |  |
| 3498. | Sum. of remaining write-ins for Line 34 from overflow page | | | | | |
| 3499. | Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | | | | | |

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

UNDERWRITING AND INVESTMENT EXHIBIT

| Line of Business | | 1 Direct Business (a) | Reinsurance Assumed | | Reinsurance Ceded | | 6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5 |
|----------------------|--|--------------------------------|-------------------------|-----------------------------|-----------------------|---------------------------|---|
| | | | 2 From Affiliates | 3 From Non-Affiliates | 4 To Affiliates | 5 To Non-Affiliates | |
| 1. | Fire | | | | | | |
| 2. | Allied lines | | | | | | |
| 3. | Farmowners multiple peril | | | | | | |
| 4. | Homeowners multiple peril | | | | | | |
| 5. | Commercial multiple peril | | | | | | |
| 6. | Mortgage guaranty | | | | | | |
| 8. | Ocean marine | | | | | | |
| 9. | Inland marine | | | | | | |
| 10. | Financial guaranty | 308,978 | | | | | 308,978 |
| 11.1 | Medical professional liability - occurrence | | | | | | |
| 11.2 | Medical professional liability - claims-made | | | | | | |
| 12. | Earthquake | | | | | | |
| 13. | Group accident and health | | | | | | |
| 14. | Credit accident and health (group and individual) | | | | | | |
| 15. | Other accident and health | | | | | | |
| 16. | Workers' compensation | | | | | | |
| 17.1 | Other liability - occurrence | | | | | | |
| 17.2 | Other liability - claims-made | | | | | | |
| 17.3 | Excess workers' compensation | | | | | | |
| 18.1 | Products liability - occurrence | | | | | | |
| 18.2 | Products liability - claims-made | | | | | | |
| 19.1,19.2 | Private passenger auto liability | | | | | | |
| 19.3,19.4 | Commercial auto liability | | | | | | |
| 21. | Auto physical damage | | | | | | |
| 22. | Aircraft (all perils) | | | | | | |
| 23. | Fidelity | | | | | | |
| 24. | Surety | | | | | | |
| 26. | Burglary and theft | | | | | | |
| 27. | Boiler and machinery | | | | | | |
| 28. | Credit | | | | | | |
| 29. | International | | | | | | |
| 30. | Warranty..... | | | | | | |
| 31. | Reinsurance - nonproportional assumed property | XXX | | | | | |
| 32. | Reinsurance - nonproportional assumed liability | XXX | | | | | |
| 33. | Reinsurance - nonproportional assumed financial lines | XXX | | | | | |
| 34. | Aggregate write-ins for other lines of business | | | | | | |
| 35. | TOTALS | 308,978 | | | | | 308,978 |
| DETAILS OF WRITE-INS | | | | | | | |
| 3401. | | | | | | | |
| 3402. | | | | | | | |
| 3403. | | | | | | | |
| 3498. | Sum. of remaining write-ins for Line 34 from overflow page | | | | | | |
| 3499. | Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | | | | | | |

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$308,978

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

| Line of Business | | Losses Paid Less Salvage | | | | 5 Net Losses Unpaid Current Year (Part 2A, Col. 8) | 6 Net Losses Unpaid Prior Year | 7 Losses Incurred Current Year (Cols. 4 + 5 - 6) | 8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1) |
|----------------------|--|--------------------------|-----------------------------|-------------------------------|--|--|---|---|---|
| | | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Recovered | 4 Net Payments (Cols. 1 + 2 - 3) | | | | |
| 1. | Fire | | | | | | | | |
| 2. | Allied lines | | | | | | | | |
| 3. | Farmowners multiple peril | | | | | | | | |
| 4. | Homeowners multiple peril | | | | | | | | |
| 5. | Commercial multiple peril | | | | | | | | |
| 6. | Mortgage guaranty | | | | | | | | |
| 8. | Ocean marine | | | | | | | | |
| 9. | Inland marine | | | | | | | | |
| 10. | Financial guaranty | 16,477,959 | | | 16,477,959 | 64,392,168 | 46,867,931 | 34,002,196 | 208.2 |
| 11.1 | Medical professional liability - occurrence | | | | | | | | |
| 11.2 | Medical professional liability - claims-made | | | | | | | | |
| 12. | Earthquake | | | | | | | | |
| 13. | Group accident and health | | | | | | | | |
| 14. | Credit accident and health (group and individual) | | | | | | | | |
| 15. | Other accident and health | | | | | | | | |
| 16. | Workers' compensation | | | | | | | | |
| 17.1 | Other liability - occurrence | | | | | | | | |
| 17.2 | Other liability - claims-made | | | | | | | | |
| 17.3 | Excess workers' compensation | | | | | | | | |
| 18.1 | Products liability - occurrence | | | | | | | | |
| 18.2 | Products liability - claims-made | | | | | | | | |
| 19.1,19.2 | Private passenger auto liability | | | | | | | | |
| 19.3,19.4 | Commercial auto liability | | | | | | | | |
| 21. | Auto physical damage | | | | | | | | |
| 22. | Aircraft (all perils) | | | | | | | | |
| 23. | Fidelity | | | | | | | | |
| 24. | Surety | | | | | | | | |
| 26. | Burglary and theft | | | | | | | | |
| 27. | Boiler and machinery | | | | | | | | |
| 28. | Credit | | | | | | | | |
| 29. | International | | | | | | | | |
| 30. | Warranty | | | | | | | | |
| 31. | Reinsurance - nonproportional assumed property | XXX | | | | | | | |
| 32. | Reinsurance - nonproportional assumed liability | XXX | | | | | | | |
| 33. | Reinsurance - nonproportional assumed financial lines | XXX | | | | | | | |
| 34. | Aggregate write-ins for other lines of business | | | | | | | | |
| 35. | TOTALS | 16,477,959 | | | 16,477,959 | 64,392,168 | 46,867,931 | 34,002,196 | 208.2 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 3401. | ..... |  |  |  |  |  |  |  |  |
| 3402. | ..... |  |  |  |  |  |  |  |  |
| 3403. | ..... |  |  |  |  |  |  |  |  |
| 3498. | Sum. of remaining write-ins for Line 34 from overflow page | | | | | | | | |
| 3499. | Totals (Lines 3401 through 3403 + 3498) (Line 34 above) | | | | | | | | |

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

| | | Reported Losses | | | | Incurred But Not Reported | | | 8 | 9 |
|----------------------|--|-----------------|---------------------|---|--|---------------------------|---------------------|-------------------|---|-------------------------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | |
| Line of Business | | Direct | Reinsurance Assumed | Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | Direct | Reinsurance Assumed | Reinsurance Ceded | Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | Net Unpaid Loss Adjustment Expenses |
| 1. | Fire | | | | | | | | | |
| 2. | Allied lines | | | | | | | | | |
| 3. | Farmowners multiple peril | | | | | | | | | |
| 4. | Homeowners multiple peril | | | | | | | | | |
| 5. | Commercial multiple peril | | | | | | | | | |
| 6. | Mortgage guaranty | | | | | | | | | |
| 8. | Ocean marine | | | | | | | | | |
| 9. | Inland marine | | | | | | | | | |
| 10. | Financial guaranty | 64,392,168 | | | 64,392,168 | | | | 64,392,168 | 11,497,000 |
| 11.1 | Medical professional liability - occurrence | | | | | | | | | |
| 11.2 | Medical professional liability - claims-made | | | | | | | | | |
| 12. | Earthquake | | | | | | | | | |
| 13. | Group accident and health | | | | | | | | (a) | |
| 14. | Credit accident and health (group and individual) | | | | | | | | | |
| 15. | Other accident and health | | | | | | | | (a) | |
| 16. | Workers' compensation | | | | | | | | | |
| 17.1 | Other liability - occurrence | | | | | | | | | |
| 17.2 | Other liability - claims-made | | | | | | | | | |
| 17.3 | Excess workers' compensation | | | | | | | | | |
| 18.1 | Products liability - occurrence | | | | | | | | | |
| 18.2 | Products liability - claims-made | | | | | | | | | |
| 19.1,19.2 | Private passenger auto liability | | | | | | | | | |
| 19.3,19.4 | Commercial auto liability | | | | | | | | | |
| 21. | Auto physical damage | | | | | | | | | |
| 22. | Aircraft (all perils) | | | | | | | | | |
| 23. | Fidelity | | | | | | | | | |
| 24. | Surety | | | | | | | | | |
| 26. | Burglary and theft | | | | | | | | | |
| 27. | Boiler and machinery | | | | | | | | | |
| 28. | Credit | | | | | | | | | |
| 29. | International | | | | | | | | | |
| 30. | Warranty | | | | | | | | | |
| 31. | Reinsurance - nonproportional assumed property | XXX | | | | XXX | | | | |
| 32. | Reinsurance - nonproportional assumed liability | XXX | | | | XXX | | | | |
| 33. | Reinsurance - nonproportional assumed financial lines | XXX | | | | XXX | | | | |
| 34. | Aggregate write-ins for other lines of business | | | | | | | | | |
| 35. | TOTALS | 64,392,168 | | | 64,392,168 | | | | 64,392,168 | 11,497,000 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 3401. | ..... |  |  |  |  |  |  |  |  |  |
| 3402. | ..... |  |  |  |  |  |  |  |  |  |
| 3403. | ..... |  |  |  |  |  |  |  |  |  |
| 3498. | Sum. of remaining write-ins for Line 34 from overflow page | | | | | | | | | |
| 3499. | Totals (Lines 3401 through 3403 + 3498) (Line 34 above) | | | | | | | | | |

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

| | 1 | 2 | 3 | 4 |
|--|-----------------------------|--------------------------------|------------------------|----------------|
| | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total |
| 1. Claim adjustment services: | | | | |
| 1.1 Direct | 12,668,457 | | | 12,668,457 |
| 1.2 Reinsurance assumed | | | | |
| 1.3 Reinsurance ceded | | | | |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) | 12,668,457 | | | 12,668,457 |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct, excluding contingent | | | | |
| 2.2 Reinsurance assumed, excluding contingent | | | | |
| 2.3 Reinsurance ceded, excluding contingent | | | | |
| 2.4 Contingent-direct | | | | |
| 2.5 Contingent-reinsurance assumed | | | | |
| 2.6 Contingent-reinsurance ceded | | | | |
| 2.7 Policy and membership fees | | | | |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) | | | | |
| 3. Allowances to manager and agents | | | | |
| 4. Advertising | | | | |
| 5. Boards, bureaus and associations | | 301,555 | | 301,555 |
| 6. Surveys and underwriting reports | | | | |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | | 8,937,320 | | 8,937,320 |
| 8.2 Payroll taxes | | 380,485 | | 380,485 |
| 9. Employee relations and welfare | | 1,523,923 | | 1,523,923 |
| 10. Insurance | | 833,678 | | 833,678 |
| 11. Directors' fees | | 904,558 | | 904,558 |
| 12. Travel and travel items | | 194,365 | | 194,365 |
| 13. Rent and rent items | | 354,846 | | 354,846 |
| 14. Equipment | | 159,526 | | 159,526 |
| 15. Cost or depreciation of EDP equipment and software | | 309,321 | | 309,321 |
| 16. Printing and stationery | | 119,134 | | 119,134 |
| 17. Postage, telephone and telegraph, exchange and express | | 183,362 | | 183,362 |
| 18. Legal and auditing | | 6,453,286 | 793,449 | 7,246,735 |
| 19. Totals (Lines 3 to 18) | | 20,655,359 | 793,449 | 21,448,808 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ | | (118,212) | | (118,212) |
| 20.2 Insurance department licenses and fees | | 192,309 | | 192,309 |
| 20.3 Gross guaranty association assessments | | | | |
| 20.4 All other (excluding federal and foreign income and real estate) | | 11,841 | | 11,841 |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | | 85,938 | | 85,938 |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | | | |
| 23. Reimbursements by uninsured plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | | 2,227,608 | | 2,227,608 |
| 25. Total expenses incurred | 12,668,457 | 22,968,905 | 793,449 | (a) 36,430,811 |
| 26. Less unpaid expenses - current year | 11,497,000 | 5,251,931 | 152,504 | 16,901,435 |
| 27. Add unpaid expenses - prior year | 2,875,000 | 4,648,753 | 148,000 | 7,671,753 |
| 28. Amounts receivable relating to uninsured plans, prior year | | | | |
| 29. Amounts receivable relating to uninsured plans, current year | | | | |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | 4,046,457 | 22,365,727 | 788,945 | 27,201,129 |
| DETAILS OF WRITE-INS | | | | |
| 2401. Consulting Expenses | | 2,220,677 | | 2,220,677 |
| 2402. Miscellaneous Expenses | | 6,931 | | 6,931 |
| 2403. | | | | |
| 2498. Summary of remaining write-ins for Line 24 from overflow page | | | | |
| 2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) | | 2,227,608 | | 2,227,608 |

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

EXHIBIT OF NET INVESTMENT INCOME

| | | 1 | 2 |
|----------------------|---|--------------------------|-----------------------|
| | | Collected During Year | Earned During Year |
| 1. | U.S. Government bonds | (a) .....697,380 |687,631 |
| 1.1 | Bonds exempt from U.S. tax | (a) .....199,092 |214,291 |
| 1.2 | Other bonds (unaffiliated) | (a) .....18,255,249 |17,831,844 |
| 1.3 | Bonds of affiliates | (a) ..... | ..... |
| 2.1 | Preferred stocks (unaffiliated) | (b) ..... | ..... |
| 2.11 | Preferred stocks of affiliates | (b) ..... | ..... |
| 2.2 | Common stocks (unaffiliated) ..... | ..... | ..... |
| 2.21 | Common stocks of affiliates ..... | ..... | ..... |
| 3. | Mortgage loans | (c) ..... | ..... |
| 4. | Real estate | (d) ..... | ..... |
| 5. | Contract loans..... | ..... | ..... |
| 6. | Cash, cash equivalents and short-term investments | (e) .....4,849 |4,059 |
| 7. | Derivative instruments | (f) ..... | ..... |
| 8. | Other invested assets |11,481 |11,481 |
| 9. | Aggregate write-ins for investment income |25,347 |25,347 |
| 10. | Total gross investment income | 19,193,398 | 18,774,652 |
| 11. | Investment expenses | (g) .....793,449 | |
| 12. | Investment taxes, licenses and fees, excluding federal income taxes | (g) | |
| 13. | Interest expense | (h) | |
| 14. | Depreciation on real estate and other invested assets | (i) | |
| 15. | Aggregate write-ins for deductions from investment income ..... | ..... |  |
| 16. | Total deductions (Lines 11 through 15) |793,449 | |
| 17. | Net investment income (Line 10 minus Line 16) | 17,981,203 | |
| DETAILS OF WRITE-INS | | | |
| 0901. | Accretion of Security Receivable |25,347 |25,347 |
| 0902. | ..... | ..... | ..... |
| 0903. | ..... | ..... | ..... |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page ..... | ..... | ..... |
| 0999. | Totals (Lines 0901 through 0903) plus 0998 (Line 9 above) | 25,347 | 25,347 |
| 1501. | ..... |  |  |
| 1502. | ..... |  |  |
| 1503. | ..... |  |  |
| 1598. | Summary of remaining write-ins for Line 15 from overflow page | | |
| 1599. | Totals (Lines 1501 through 1503) plus 1598 (Line 15 above) | | |

(a) Includes \$1,419,809 accrual of discount less \$2,869,185 amortization of premium and less \$249,044 paid for accrued interest on purchases.
(b) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued dividends on purchases.
(c) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued interest on purchases.
(d) Includes \$for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$1,754 accrual of discount less \$amortization of premium and less \$paid for accrued interest on purchases.
(f) Includes \$accrual of discount less \$amortization of premium.
(g) Includes \$investment expenses and \$investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$interest on surplus notes and \$ interest on capital notes.
(i) Includes \$depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | | 1 | 2 | 3 | 4 | 5. |
|----------------------|---|--|----------------------------------|--|---|---|
| | | Realized Gain (Loss) On Sales or Maturity | Other Realized Adjustments | Total Realized Capital Gain (Loss) (Columns 1 + 2) | Change in Unrealized Capital Gain (Loss) | Change in Unrealized Foreign Exchange Capital Gain (Loss) |
| 1. | U.S. Government bonds |522,207 | |522,207 | | |
| 1.1 | Bonds exempt from U.S. tax |20,534 | |20,534 |(16,283) | |
| 1.2 | Other bonds (unaffiliated) |2,415,499 |(1,418,023) |997,476 |(171,063) | |
| 1.3 | Bonds of affiliates | | | | | |
| 2.1 | Preferred stocks (unaffiliated) | | | | | |
| 2.11 | Preferred stocks of affiliates | | | | | |
| 2.2 | Common stocks (unaffiliated) | | | | | |
| 2.21 | Common stocks of affiliates |50,474 | |50,474 | | |
| 3. | Mortgage loans | | | | | |
| 4. | Real estate | | | | | |
| 5. | Contract loans | | | | | |
| 6. | Cash, cash equivalents and short-term investments | | | | | |
| 7. | Derivative instruments | | | | | |
| 8. | Other invested assets |57,911 | |57,911 |(21,938) | |
| 9. | Aggregate write-ins for capital gains (losses) | | | | | |
| 10. | Total capital gains (losses) | 3,066,624 | (1,418,023) | 1,648,601 | (209,284) | |
| DETAILS OF WRITE-INS | | | | | | |
| 0901. | ..... |  |  |  |  |  |
| 0902. | ..... |  |  |  |  |  |
| 0903. | ..... |  |  |  |  |  |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | | | | |
| 0999. | Totals (Lines 0901 through 0903) plus 0998 (Line 9 above) | | | | | |

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|--|--|----------------------------------|--|
| | Current Year Total Nonadmitted Assets | Prior Year Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D)..... | | | |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | | | |
| 2.2 Common stocks | | | |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | | | |
| 3.2 Other than first liens | | | |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | | | |
| 4.2 Properties held for the production of income..... | | | |
| 4.3 Properties held for sale | | | |
| 5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)..... | | | |
| 6. Contract loans | | | |
| 7. Derivatives (Schedule DB)..... | | | |
| 8. Other invested assets (Schedule BA) | 78,062 | | (78,062) |
| 9. Receivables for securities | | | |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | | | |
| 11. Aggregate write-ins for invested assets | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 78,062 | | (78,062) |
| 13. Title plants (for Title insurers only)..... | | | |
| 14. Investment income due and accrued | | | |
| 15. Premiums and considerations: | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | | | |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due..... | | | |
| 15.3 Accrued retrospective premiums..... | | | |
| 16. Reinsurance: | | | |
| 16.1 Amounts recoverable from reinsurers | | | |
| 16.2 Funds held by or deposited with reinsured companies | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | |
| 17. Amounts receivable relating to uninsured plans | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | |
| 18.2 Net deferred tax asset..... | 25,871,690 | 33,749,972 | 7,878,282 |
| 19. Guaranty funds receivable or on deposit | | | |
| 20. Electronic data processing equipment and software..... | | 977 | 977 |
| 21. Furniture and equipment, including health care delivery assets..... | 238,303 | 261,177 | 22,874 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | |
| 24. Health care and other amounts receivable..... | | | |
| 25. Aggregate write-ins for other than invested assets | 1,881,865 | 345,254 | (1,536,611) |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)..... | 28,069,920 | 34,357,380 | 6,287,460 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | |
| 28. Total (Lines 26 and 27) | 28,069,920 | 34,357,380 | 6,287,460 |
| DETAILS OF WRITE-INS | | | |
| 1101. | | | |
| 1102. | | | |
| 1103. | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | |
| 1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above) | | | |
| 2501. Salvage Recoverable..... | 1,000,000 | | (1,000,000) |
| 2502. Advanced Loss Payment..... | 556,239 | | (556,239) |
| 2503. Prepaid Expenses..... | 265,459 | 281,287 | 15,828 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 60,167 | 63,967 | 3,800 |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) | 1,881,865 | 345,254 | (1,536,611) |

NOTES TO FINANCIAL STATEMENTS

1. Basis of Accounting, Use of Estimates, and Summary of Significant Accounting Policies:

A. Basis of Accounting

ACA Financial Guaranty Corporation (“ACA or the “Company”, a Maryland domiciled financial guarantee insurance company – see Note 21.J. for a description of financial guarantee insurance) prepares its statutory basis financial statements in accordance with accounting practices prescribed or permitted by the Maryland Insurance Administration (the “MIA”). The MIA recognizes only statutory accounting practices prescribed or permitted by the State of Maryland for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under insurance law. The National Association of Insurance Commissioners (“NAIC”) Accounting Practices and Procedures manual (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the State of Maryland. The state has adopted certain prescribed accounting practices that differ with those found in NAIC SAP. The Maryland Insurance Commissioner has the right to permit other specific practices which deviate from prescribed practices.

With the exception of that discussed in the paragraph below, there are no differences between amounts reported in the accompanying financial statements which are prepared as prescribed or permitted by the MIA, and NAIC SAP.

In connection with ACA’s restructuring in 2008 (see Note 21.B.), the Company received a permitted accounting practice in regard to its surplus notes. As the notes have no stated maturity and no cash or other asset was received in exchange for the surplus notes, the Company recorded the surplus notes at a discount equal to 100% of their par value. This was accomplished through recording \$1.0 billion of par value surplus notes issued in the surplus note section of the accompanying Statement of Assets, Liabilities, Surplus and Other Funds along with, pursuant to the permitted accounting practice, an offsetting \$1.0 billion contra account. As a result of the establishment of the contra account pursuant to the permitted accounting practice, upon the MIA’s approval of the payment of principal (which includes accreted discount), the amount of the Company’s surplus notes and the contra account will be reduced by the amount of such payment, whereas, under NAIC SAP, a contra account would not be recorded, the notes would be recorded at their fair value, and any discount from par relating thereto would be accreted over the life of the obligation through a charge to the Company’s earnings upon the approval of the related payment.

B. Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the MIA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from estimates and those differences may be material.

C. Summary of Significant Accounting Policies

- (1) Premiums charged in connection with the issuance of the Company’s guarantees are received either upfront or in installments. Such premiums are recognized as written when due. Installment premiums written are earned ratably over the installment period, generally one year or less, which is consistent with the expiration of the underlying risk or amortization of the underlying insured principal. Upfront premiums written are earned based on the proportion of principal and interest scheduled to be paid on the underlying insured obligation during the period, as compared to the total amount of principal and interest to be paid over the contractual life of the insured debt obligation.

In addition, when an insured issue is retired early, is called by the issuer or is, in substance, paid in advance through a refunding accomplished by placing U.S. Government securities in escrow (hereafter referred to collectively as “Refundings”), the remaining unearned premium revenue relating to such insured issue is earned at that time since there is no longer risk to the Company. For the years ended December 31, 2011 and 2010, the Company recorded earned premiums of \$6.7 million and \$7.0 million, respectively, related to refundings. Unearned premiums, net of prepaid reinsurance premiums, represent the unearned portion of upfront and installment premiums written.

- (2) Short-term investments are stated at amortized cost.
- (3) Bonds and loan-backed securities assigned an NAIC Designation of 1 or 2 are valued at cost, adjusted for amortization of any premium, or accretion of any discount, which is calculated using the constant yield method. Bonds and loan-backed securities assigned an NAIC rating of 3 or lower are valued at the lower of amortized cost (adjusted for amortization of any premium, or accretion of any discount, which is calculated using the constant yield method) or fair value. The prospective method is used to value loan-backed securities. The Company employs State Street Global Services (“State Street”) as its third party investment accounting service provider. State Street uses Bloomberg L.P. as the source to determine prepayment assumptions. The following table summarizes the carrying amount of the Company’s long-term and short-term bonds and loan-backed securities by NAIC Designation at December 31, 2011.

| | | |
|--------------------|----|--------------------|
| NAIC Designation 1 | \$ | 376,627,537 |
| NAIC Designation 2 | | 59,465,487 |
| NAIC Designation 3 | | - |
| NAIC Designation 4 | | 687,438 |
| NAIC Designation 5 | | 3,330 |
| NAIC Designation 6 | | 3,447,534 |
| Total | \$ | <u>440,231,326</u> |

Realized investment gains and losses on the sale of investments are determined on the basis of specific identification and are included in net income. Decreases in the fair value of bond and stock investments below their carrying value which are determined to be “other than temporary” are reflected as realized losses and are recorded in the Statement of Income. In accordance with periodic investment reviews by management, an impairment of a bond shall be considered to have occurred if it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the security. Net investment income includes interest and dividends received or accrued on investments. It also includes amortization of any purchase premium or discount using the constant yield method, adjusted prospectively for any change in estimated yield to maturity. Investment income is recognized when earned.

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Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made, while investment income greater than 90 days past due is non-admitted and charged directly to surplus. Net investment income is reduced by investment management expenses.

- (4) The Company has no investments in common stock or other similar equity interests, other than the common stock or other similar equity interests of subsidiary, controlled or affiliated insurance and non-insurance entities. See (7) below.
- (5) The Company has no investments in preferred stocks.
- (6) The Company has no investments in mortgage loans.
- (7) Investments in the common stocks or other similar equity interests of its subsidiary, controlled or affiliated insurance or non-insurance entities are accounted and reported under the equity method as prescribed by SSAP No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities", and valued in accordance with section 3(ii)(D) of the NAIC Valuations Securities manual. Changes in the carrying value of such investments are reflected as unrealized gains or losses in capital and surplus. See Note 6 below.
- (8) The Company has no investments in joint ventures.
- (9) The Company has no investments in derivatives.
- (10) The Company has no premium deficiencies.
- (11) The Company records a loss with respect to an insurance guarantee upon a payment default by the issuer of the insured obligation (a payment default is generally considered the incident which gives rise to a claim under the Company's insurance policies and triggers loss recognition relating to the incident). The loss recorded by the Company represents its best estimate of the present value of its ultimate claim payments under the policy, net of its best estimate of the present value of any recoveries from salvage or subrogation rights under the policy. The Company's liability for losses reported on the accompanying Statement of Assets, Liabilities, Surplus and Other Funds (and also known as "loss reserves" "reserves for unpaid losses", "case reserves", or "case basis reserves") represents the present value of the Company's estimated ultimate losses that remain unpaid at the balance sheet date with respect to policies meeting the aforementioned criteria for loss recognition. Loss adjustment expenses ("LAE") are recorded by the Company in regard to insurance guarantees when costs are incurred or expected to be incurred to remediate losses under its policies. Accordingly, LAE may be recorded on policies for which claims have been paid or losses have been recognized, as well as on policies where no claim payments have been made or losses have been recorded but may be incurred in the future. LAE represents the estimated ultimate cost of remediating losses or potential losses under policies. The Company does not discount LAE.

Losses on the Company's insurance guarantees and related case reserves are determined using cash flow models to estimate the net present value of the anticipated shortfall between (i) scheduled payments on the insured obligation and (ii) anticipated cash flow from the obligor or the collateral supporting the obligation and other anticipated recoveries or cash flows. A number of quantitative and qualitative factors are considered when determining whether the Company will incur a loss and the amount of any case reserve. These factors may include the creditworthiness of the underlying issuer of the insured obligation, whether the obligation is secured or unsecured, the projected cash flow or market value of any assets that collateralize or secure the insured obligation, and the historical and projected recoveries from such assets. Other factors that may affect the actual ultimate loss include the state of the economy, market conditions for municipal bond issuance, changes in interest rates, rates of inflation and the salvage values of specific collateral. Such factors and management's assessment thereof will be subject to the specific facts and circumstances associated with the specific insured transaction being considered for loss recognition. Losses and related case reserves are generally discounted at a rate reflecting the weighted average return on the Company's invested assets. Recognition of losses and related case reserves requires the use and exercise of significant judgment by management, including estimates regarding the amount and timing of a loss on an insured obligation. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, will occur over many years in the future.

Examples of these events include changes in the level of interest rates, credit deterioration of insured obligations, and changes in the value of specific assets supporting insured obligations. Any estimate of future costs is subject to the inherent limitation on the Company's ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and LAE will vary, perhaps materially, from any estimate.

Reference should be made to Note 21.A. for further information regarding the Company's accounting policy for loss recognition on its in-force insurance guarantees, as well as in regard to losses expected to be incurred by the Company on its insurance guarantees which have not yet been recorded in the accompanying Statement of Assets, Liabilities, Surplus and Other Funds because a payment default by the issuer of the insured obligation has not yet occurred.

- (12) A statutorily mandated contingency reserve is established net of reinsurance by an appropriation of unassigned surplus and is reflected in "Aggregate write-ins for liabilities" in the Statement of Assets, Liabilities, Surplus and Other Funds. This reserve is calculated as the greater of a prescribed percentage applied to original insured principal or 50% of premiums written, net of ceded reinsurance. The prescribed percentage varies by the type of business. Once the reserve is calculated, as described above, it is incrementally recognized in the financial statements over a prescribed time period based on type of business. Reductions in the contingency reserve may be recognized under certain stipulated conditions, subject to the approval of the Maryland Insurance Commissioner. On February 17, 2011, the Maryland Insurance Commissioner approved a request by the Company to de-recognize contingency reserves on policies which were terminated or on which case reserves have been established. Such contingency reserves aggregated approximately \$42.2 million at December 31, 2010. Pursuant to the approval, the Company may release the aforementioned contingency reserves in amounts equal to future adverse loss development recorded by the Company, but up to no more than the approved aggregate amount. The Company released 34.0 million of such contingency reserves during the year ended December 31, 2011. Accordingly, as of December 31, 2011, the Company had \$8.2 million of approved contingency reserve release remaining available to it to offset future adverse loss development.
- (13) There has been no change to the Company's capitalization policy.

NOTES TO FINANCIAL STATEMENTS

(14) The Company has no pharmaceutical rebate receivables.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

ACA received a claim during 2010 on an insured exposure and recognized a loss of approximately \$16.3 million, substantially all of which was recorded as an unpaid case basis reserve for losses at December 31, 2010. Subsequent to the issuance of ACA’s 2010 Annual Statement, it was discovered that the claim received by the Company related to one of eight policies which comprised the insured exposure and, in accordance with its statutory accounting policy for loss recognition on insured guarantees, ACA should not have recognized losses on the other seven policies (as there were no payment defaults under these seven policies). As a result, ACA’s loss reserves at December 31, 2010 were overstated by approximately \$15.3 million and, accordingly, its policyholders’ surplus at such date was understated by the same amount. The Company corrected this misstatement during the quarterly period ended March 31, 2011.

3. BUSINESS COMBINATION AND GOODWILL

The Company was not party to any business combinations and has not recorded any goodwill.

4. DISCONTINUED OPERATIONS

The Company had no discontinued operations.

5. INVESTMENTS

A. Mortgage Loans

The Company had no investments in mortgage loans or mezzanine real estate loans as of December 31, 2011 and December 31, 2010.

B. Debt Restructuring

As a result of claims paid under certain of its insurance policies guaranteeing debt obligations, the Company has received salvage in the form of investment securities. Such investment securities represent restructured debt issued in place of that originally guaranteed by the Company. The Company has recorded such investment securities at fair value at the date received and recognizes interest at the stated rate on such obligations. The aggregate carrying value of such restructured debt at December 31, 2011 was \$2.4 million. The Company has no other restructured debt and has not been a party to a troubled debt restructuring by virtue of its ownership of its invested assets.

C. Reverse Mortgages

The Company had no investments in reverse mortgages as of December 31, 2011 and December 31, 2010.

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 the year ended December 31, 2011, the Company recognized an other than temporary impairment charge on the following loan-backed securities:

| CUSIP | Security Name | Amortized Cost Prior to Impairment | Impairment | Fair Value | Amortized Cost After the Impairment |
|-----------|------------------------------|---------------------------------------|------------|--------------|--|
| 1248MBAJ4 | Credit Based Asset Servicing | \$ 1,449,000 | \$ 302,700 | \$ 1,092,500 | \$ 1,146,300 |
| 76110W2X3 | Residential Asset Securities | 2,928,640 | 76,450 | 2,852,190 | 2,852,190 |
| 81375WDS2 | Securitized Asset Backed | 1,593,467 | 61,353 | 1,532,113 | 1,532,113 |
| | Total | \$ 5,971,107 | \$ 440,503 | \$ 5,476,803 | \$ 5,530,603 |

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 December 31, 2011 is \$3.0 million and \$0.1 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 at December 31, 2011 is \$40.5 million and \$0.9 million, respectively. All of the securities discussed above are rated investment grade by a nationally recognized security rating organization and have excess credit coverage within each structure and cash flows of the underlying collateral are expected to be sufficient to pay principal and interest.

- (5) None

E. Repurchase Agreements and/or Securities Lending Transactions

The Company has not used repurchase agreements and has not engaged in any securities lending transactions as of December 31, 2011 and December 31, 2010.

F. Real Estate

The Company has no real estate investments.

G. Investments in Low-Income Housing Tax Credits

The Company has no low-income housing tax credit investments.

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6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

As of December 31, 2011 and December 31, 2010, the Company held investments in ACA Service L.L.C., (“ACA Service”). Also as of December 31, 2010 the Company held an investment in ACA Singapore. Effective August 30, 2011, ACA Singapore was liquidated and the Company recorded a capital gain of \$50 thousand. The carrying value of ACA Service as of December 31, 2011 and December 31, 2010 was zero and the carrying value ACA Singapore at December 31, 2010 was zero.

On April 1, 2011, the Company formed Tactical Risk Management LLC (“TRM”) a wholly owned subsidiary. The Company has committed to capitalize TRM with up to \$100 thousand. The Company’s equity in TRM has been non-admitted as of December 31, 2011.

7. INVESTMENT INCOME

See Note 1.C.(3) above.

8. DERIVATIVE INSTRUMENTS

The Company has not purchased or sold any derivative financial instruments for hedging or other purpose.

9. INCOME TAXES

A. Components of deferred tax assets (DTAs) and deferred tax liabilities (DTLs) projected as of December 31, 2011:

| (1) DTA/DTL Components | 2011 | | | 2010 | | | Change | | |
|--|---------------|--------------|---------------|---------------|---------------|---------------|----------------|-----------------|-----------------|
| | Description | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| (a) Gross deferred tax assets | \$ 60,454,453 | \$ 3,128,835 | \$ 63,583,288 | \$ 64,746,092 | \$ 25,595,289 | \$ 90,341,381 | \$ (4,291,639) | \$ (22,466,454) | \$ (26,758,093) |
| (b) Statutory valuation allowance adjustment (enter as "-") | (34,582,763) | (3,128,835) | (37,711,598) | (30,855,883) | (25,595,289) | (56,451,172) | (3,726,880) | 22,466,454 | 18,739,574 |
| (c) Adjusted gross deferred tax assets | 25,871,690 | - | 25,871,690 | 33,890,209 | - | 33,890,209 | (8,018,519) | - | (8,018,519) |
| (d) Gross deferred tax liabilities | - | - | - | (140,237) | - | (140,237) | 140,236 | - | 140,236 |
| (e) Net deferred tax asset/(liability) before admissibility test | 25,871,690 | - | 25,871,690 | 33,749,972 | - | 33,749,972 | (7,878,283) | - | (7,878,283) |
| (f) Deferred tax assets nonadmitted | (25,871,690) | - | (25,871,690) | (33,749,972) | - | (33,749,972) | 7,878,283 | - | 7,878,283 |
| (g) Net admitted deferred tax asset/(liability) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| | 2011 | 2010 |
|--|------|------|
| (2) Has the Company elected to admit DTAs pursuant to paragraph 10.e.? ("Y" for yes or "N" for no) | N | N |

(3) Increase in admitted adjusted gross DTAs as the result of the application of paragraph 10.e.:

| Description | 2011 | | | 2010 | | | Change | | |
|---|----------|---------|-------|----------|---------|-------|----------|---------|-------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| With ¶ 10.e. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| With ¶s 10.a.-c. | - | - | - | - | - | - | - | - | - |
| Increase attributable to application of ¶ 10.e. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

(4) Admission calculation components projected as of December 31, 2011:

| Description | 2011 | | | 2010 | | | Change | | |
|---|----------|---------|------------|-----------|---------|------------|-----------|---------|-----------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Admission calculation under ¶10.a.-¶10.c. | | | | | | | | | |
| (a) Admitted pursuant to ¶10.a. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (b) Admitted pursuant to ¶10.b.(lesser of i. or ii.) | - | - | - | - | - | - | - | - | - |
| (c) ¶10.b.i. | - | - | - | N/A | N/A | - | N/A | N/A | - |
| (d) ¶10.b.ii. | N/A | N/A | 12,305,230 | N/A | N/A | 12,056,891 | N/A | N/A | 248,339 |
| (e) Admitted pursuant to ¶10.c. | - | - | - | 140,237 | - | 140,237 | (140,237) | - | (140,237) |
| (f) Total admitted under ¶¶10.a.-10.c. | - | - | - | 140,237 | - | 140,237 | (140,237) | - | (140,237) |
| Deferred tax liabilities | - | - | - | (140,237) | - | (140,237) | 140,236 | - | 140,236 |
| Net admitted deferred tax asset/liability under ¶10.a.-¶10.c. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (1) | \$ - | \$ (1) |
| Admission calculation under ¶10.e.i.-10.e.iii. | | | | | | | | | |
| (g) Admitted pursuant to ¶10.e.i. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (h) Admitted pursuant to ¶10.e.ii. (lesser of a. or b.) | - | - | - | - | - | - | - | - | - |
| (i) ¶10.e.ii.a.. | - | - | - | N/A | N/A | - | N/A | N/A | - |
| (j) ¶10.e.ii.b. | N/A | N/A | - | N/A | N/A | - | N/A | N/A | - |
| (k) Admitted pursuant to ¶10.e.iii. | - | - | - | - | - | - | - | - | - |
| (l) Total admitted under ¶10.e.i.-10.e.iii. | - | - | - | - | - | - | - | - | - |
| Deferred tax liabilities | - | - | - | - | - | - | - | - | - |
| Net admitted deferred tax asset/liability under ¶10.e. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Used in ¶10.d. | | | | | | | | | |
| (m) Total adjusted capital | N/A | N/A | 0 | N/A | N/A | 0 | N/A | N/A | 0 |
| (n) Authorized control level | N/A | N/A | 0 | N/A | N/A | 0 | N/A | N/A | 0 |
| Adjusted capital/Authorized control level | N/A | N/A | 0.00% | N/A | N/A | 0.00% | N/A | N/A | 0.00% |

(5) Impact of ¶10.e. on the following:

| Description | 2011 | | | 2010 | | | Change | | |
|---|----------|---------|-------------|----------|---------|-------------|----------|---------|--------------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Admission calculation under ¶10.a.-¶10.c. | | | | | | | | | |
| (a) Admitted DTAs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (b) Admitted assets | N/A | N/A | 448,171,431 | N/A | N/A | 464,795,669 | N/A | N/A | (16,624,238) |
| (c) Adjusted statutory surplus from most recently filed statement | N/A | N/A | 87,378,574 | N/A | N/A | 121,264,693 | N/A | N/A | (33,886,119) |
| (d) Total adjusted capital from DTAs included above | N/A | N/A | - | N/A | N/A | - | N/A | N/A | - |
| Increases due to admission under ¶10.e.i.-10.e.iii. | | | | | | | | | |
| (e) Admitted DTAs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| (f) Admitted assets | N/A | N/A | 448,171,431 | N/A | N/A | 464,795,669 | N/A | N/A | (16,624,238) |
| (g) Statutory surplus | N/A | N/A | 87,378,574 | N/A | N/A | 121,264,693 | N/A | N/A | (33,886,119) |

NOTES TO FINANCIAL STATEMENTS

(6) Impact of tax planning strategies on adjusted gross DTAs and net admitted DTAs:

| Description | Ordinary | 2011 | Total |
|--------------------------------------|----------|---------|-------|
| | | Capital | |
| Adjusted gross DTAs - Amount | - | - | - |
| (a) Adjusted gross DTAs - Percentage | 0.00% | 0.00% | 0.00% |
| Net admitted DTAs - Amount | - | - | - |
| (b) Net admitted DTAs - Percentage | 0.00% | 0.00% | 0.00% |

B. Temporary differences for which a DTL has not been established:

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

C. Current tax and change in deferred tax:

(1) Current income taxes incurred consist of the following major components:

| Description | 2011 | 2010 |
|--|-------------|-------------|
| (a) Current federal income tax expense | \$ - | \$ - |
| (b) Foreign taxes | - | - |
| (c) Subtotal | - | - |
| (d) Tax on capital gains/(losses) | 1,073,318 | 1,789,820 |
| (e) Utilization of capital loss carryforwards | (1,073,318) | (1,789,820) |
| (f) Other, including prior year underaccrual (overaccrual) | - | (34,335) |
| (g) Federal and foreign income taxes incurred | \$ - | \$ (34,335) |

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

| DTAs Resulting From | December 31, 2011 | December 31, 2010 | Change |
|--|-------------------|-------------------|--------------|
| Book/Tax Differences In (projected as of December 31, 2011) | | | |
| (a) Ordinary | | | |
| (1) Discounting of unpaid losses and LAE | \$ - | \$ 72,126 | \$ (72,126) |
| (2) Unearned premiums | 6,104,895 | 6,665,751 | (560,856) |
| (3) Policyholder reserves | - | - | - |
| (4) Investments | - | - | - |
| (5) Deferred acquisition costs | - | - | - |
| (6) Policyholder dividends accrued | - | - | - |
| (7) Fixed assets | 323,375 | - | 323,375 |
| (8) Compensation and benefit accruals | - | - | - |
| (9) Pension accruals | - | - | - |
| (10) Nonadmitted assets | - | - | - |
| (11) Net operating loss carryforward | 26,872,592 | 23,128,424 | 3,744,168 |
| (12) Tax credit carryforward | 615,212 | 615,212 | - |
| (13) Contingency Reserve | 25,871,690 | 33,890,209 | (8,018,519) |
| (14) Other (separately disclose items >5%) | 666,688 | 374,369 | 292,319 |
| Gross ordinary DTAs | 60,454,453 | 64,746,091 | (4,291,638) |
| (b) Statutory valuation adjustment adjustment - ordinary (-) | (34,582,763) | (30,855,883) | (3,726,880) |
| (c) Nonadmitted ordinary DTAs (-) | (25,871,690) | (33,749,972) | 7,878,282 |
| (d) Admitted ordinary DTAs | \$ - | \$ 140,236 | \$ (140,236) |
| (e) Capital | | | |
| (1) Investments | \$ 496,308 | \$ - | \$ 496,308 |
| (2) Net capital loss carryforward | 2,564,977 | 25,595,289 | (23,030,313) |
| (3) Real estate | - | - | - |
| (4) Other (separately disclose items >5%) | - | - | - |
| (5) Unrealized capital losses | 67,550 | - | 67,550 |
| Gross capital DTAs | 3,128,835 | 25,595,289 | (22,466,454) |
| (f) Statutory valuation adjustment adjustment - capital (-) | (3,128,835) | (25,595,289) | 22,466,454 |
| (g) Nonadmitted capital DTAs (-) | - | - | - |
| (h) Admitted capital DTAs | \$ - | \$ - | \$ - |
| (i) Admitted DTAs | \$ - | \$ 140,236 | \$ (140,236) |

| DTLs Resulting From | December 31, 2011 | December 31, 2010 | Change |
|---|-------------------|-------------------|------------|
| Book/Tax Differences In (projected as of December 31, 2011) | | | |
| (a) Ordinary | | | |
| (1) Investments | \$ - | \$ - | \$ - |
| (2) Fixed assets | - | (140,236) | 140,236 |
| (3) Deferred and uncollected premiums | - | - | - |
| (4) Policyholder reserves/salvage and subrogation | - | - | - |
| (5) Other (separately disclose items >5%) | - | - | - |
| Ordinary DTLs | \$ - | \$ (140,236) | \$ 140,236 |

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| | | | | |
|--------------------|--|-----------|----------|---------------------|
| (b) Capital | | | | |
| (1) | Investments | \$ | - | \$ - |
| (2) | Real estate | | - | - |
| (3) | Other (separately disclose items >5%) | | - | - |
| | Unrealized capital gains | | - | - |
| | | | | |
| | Capital DTLs | \$ | - | \$ - |
| | | | | |
| (c) | DTLs | \$ | - | \$ (140,236) |
| | | | | \$ 140,236 |
| | | | | |
| (4) | Net deferred tax assets/liabilities | \$ | - | \$ - |

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income taxes in the surplus section of the Annual Statement):

| | December 31, | | December 31, | | |
|--|--------------|--------------|--------------|--------------|-----------------|
| | 2011 | | 2010 | | Change |
| Total deferred tax assets | \$ | 63,583,288 | \$ | 90,341,381 | \$ (26,758,093) |
| Total deferred tax liabilities | | - | | (140,237) | 140,237 |
| Net deferred tax assets/liabilities | | 63,583,288 | | 90,201,144 | (26,617,856) |
| Statutory valuation allowance adjustment (*see explanation below) | | (37,711,598) | | (56,451,172) | 18,739,574 |
| Net deferred tax assets/liabilities after SVA | | 25,871,690 | | 33,749,972 | (7,878,282) |
| Tax effect of unrealized gains/(losses) | | (67,550) | | - | (67,550) |
| Statutory valuation allowance adjustment allocated to unrealized (+) | | - | | - | - |
| Change in net deferred income tax [(charge)/benefit] | \$ | 25,804,140 | \$ | 33,749,972 | \$ (7,945,832) |

***Statutory valuation allowance**
The Company does not forecast enough taxable income in future tax years in order to recover the deferred tax assets. As a result, a full valuation allowance is being utilized against deferred tax assets

D. Reconciliation of federal income tax rate to actual effective rate:

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 are as follows:

| Description | Amount | Tax Effect | Effective Tax Rate |
|--|-----------------|----------------|--------------------|
| Income Before Taxes | \$ (26,261,006) | \$ (9,191,352) | 35.00% |
| Tax-Exempt Interest | (214,291) | (75,002) | 0.29% |
| Equity in Affiliates | 249,597 | 87,359 | -0.33% |
| Proration | 32,144 | 11,250 | -0.04% |
| Meals & Entertainment | 26,808 | 9,383 | -0.04% |
| Statutory Valuation Allowance Adjustment | (53,541,640) | (18,739,574) | 71.36% |
| Change in Contingency Reserve | 22,910,056 | 8,018,519 | -30.53% |
| Other, Including Prior Year True-Up | 79,500,712 | 27,825,249 | -105.96% |
| Total | \$ 22,702,379 | \$ 7,945,832 | -30.26% |
| | | | |
| Federal income taxed incurred [expense/(benefit)] | | \$ - | 0.00% |
| Tax on capital gains/(losses) | | - | 0.00% |
| Change in net deferred income tax [charge/(benefit)] | | 7,945,832 | -30.26% |
| Total statutory income taxes | | \$ 7,945,832 | -30.26% |

E. Carryforwards, recoverable taxes, and IRC §6603 deposits:

| | |
|---|---------------|
| At December 31, 2011, the Company had net operating loss carryforwards expiring through the year 2031 of: | \$ 76,778,835 |
| At December 31, 2011, the Company had capital loss carryforwards expiring through the year 2014 of: | \$ 7,328,504 |
| At December 31, 2011, the Company had an AMT credit carryforwards, which does not expire, in the amount of: | \$ 615,212 |

The Company has zero income tax expense available for recoupment in the event of future net losses.

Deposits admitted under IRC § 6603

None

F. The Company's federal income tax return is consolidated with the following entities:

The Company files its tax return on a standalone basis

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 2011 or 2010.
- C. Not applicable.
- D. The Company has \$86 thousand and \$0 payable to subsidiaries at December 31, 2011 and at December 31, 2010, respectively.
- E. Except as discussed in Note 6, the Company has no guarantees or undertakings for the benefit of an affiliate or related party.
- F. The Company has no material management or service contract with any related parties.

NOTES TO FINANCIAL STATEMENTS

- G. The Company’s 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 Manifold Capital Corp. (“ACACH”), formerly ACA Capital holdings, Inc., a Delaware corporation. Effective at the closing of the restructuring transaction entered into on August 8, 2008, ACACH and its wholly owned subsidiaries disclaimed control over the Company. This disclaimer of control was approved by the MIA. See Note 21.B. 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 21.B. 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 subsidiary, controlled or affiliated entity that exceeds 10% of its admitted assets.
- J. The Company did not impair any subsidiary, controlled or affiliated in 2011 or 2010.
- K. Not applicable.
- L. The Company does not hold an investment in a downstream noninsurance holding company.

11. DEBT

As of December 31, 2011 and December 31, 2010, the Company had no capital notes or other 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 qualified 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 to the plan are based on a fixed percentage of employees' contributions subject to IRS limitations. At December 31, 2011 and December 31, 2010, the fair values of plan assets were \$5.4 million and \$6.1 million, respectively. For the years ended December 31, 2011 and December 31, 2010, the Company recognized expense in the amount of \$245.3 thousand and \$230.0 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 stock authorized, issued and outstanding with a par value of \$15.00 per share. See Note 10.G.
- (2) The Company has no preferred stock outstanding.
- (3) As part of the Company’s restructuring discussed in Note 21.B. below, the MIA Order restricts the Company from paying dividends without the prior approval of the Commissioner.
- (4) No dividends were paid in 2011 or 2010.
- (5) The Company had negative earned surplus at December 31, 2011 and December 31, 2010; therefore no dividends can be paid in 2011.
- (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 \$209,289.
- (11) The following table sets forth certain information regarding the Company’s surplus notes:

| 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 |

NOTES TO FINANCIAL STATEMENTS

As part of the restructuring transaction which took place on August 8, 2008, surplus notes with a face amount of \$1 billion were issued. See Note 21.B. 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 by ACA upon their issuance (see Note 1.A.). All payments made under the surplus notes require advance approval of the MIA.

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

14. CONTINGENCIES

A. Contingency Commitments

The Company has no contingent commitments.

B. Assessments

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

C. Gain Contingencies

Except for that discussed below, the Company has no gain contingencies.

On January 6, 2011, the Company commenced a lawsuit against Goldman, Sachs & Co. (“Goldman”) in the Supreme Court of the State of New York, County of New York (the “Lawsuit”). The lawsuit seeks compensatory damages against Goldman in the amount of at least \$30 million and punitive damages in the amount of at least \$90 million in connection with the development of a structured finance product, a synthetic collateralized debt obligation called ABACUS 2007-AC1. On April 25, 2011, the Company filed its First Amended Complaint. On June 3, 2011, Goldman moved to dismiss the First Amended Complaint, which the Company has opposed. Goldman’s motion to dismiss is fully briefed. Oral argument took place on October 25, 2011. Goldman’s motion to dismiss remains *sub judice*.

D. Claims Related Extra-Contractual Obligations and Bad Faith Contingency Losses Stemming from Lawsuits

The Company is one of two 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. On October 22, 2009, the Company filed a demurrer seeking to have the case dismissed. In response, plaintiffs filed a second amended complaint. The Company filed a demurrer to dismiss that complaint on June 25, 2010 and argument was held on August 16, 2010. On November 22, 2010, the Court dismissed the contract, implied contract and negligence claims on the theory that the parties’ insurance contract did not contain a requirement that ACA maintain an “A” rating, but did not dismiss the fraud, negligent misrepresentation and unfair competition claims. The plaintiffs filed a third amended complaint on January 12, 2011. On March 29, 2011, the Court again dismissed plaintiffs’ contract and implied contract claims, this time with prejudice. On April 19, 2011, the plaintiffs filed a fourth amended complaint, asserting causes of action for fraud, negligent misrepresentation and violations of California’s unfair competition law. The Company responded on May 10, 2011. Discovery was ongoing until it was stayed by the Court due to Plaintiffs filing of the motion to strike a cross-claim asserted by Cain Brothers LLC (the other defendant in the lawsuit) against Plaintiffs. Once that motion is resolved, discovery will recommence.

The Company (specifically, ACA Management, LLC) is one of several defendants in an action pending in New Mexico state court brought by Frank Foy on behalf of the State of New Mexico. The complaint alleges that Vanderbilt Capital Advisors (and certain affiliates) engaged in an unlawful “pay to play” scheme with various New Mexico state officials, causing New Mexico state agencies to purchase certain worthless CDO investments, including some with which the Company was allegedly connected. The complaint seeks compensatory damages in excess of \$90 million, plus interest and civil penalties which Plaintiff asserts raise the claim to several hundred million dollars, under certain New Mexico statutes, including the Fraud Against Taxpayers Act (“FATA”). The Company moved to dismiss the complaint for lack of jurisdiction. On April 28, 2010, without ruling on the Company’s jurisdictional motion, the Court dismissed the complaint in its entirety on a number of grounds including constitutionality and lack of standing. Just before this dismissal was issued, the plaintiff filed an amended complaint which added a number of additional plaintiffs and legal theories. The Court subsequently entered an order striking all portions of the amended complaint inconsistent with the April 28 dismissal. The only surviving portions of the amended complaint are allegations of FATA violations occurring after July 1, 2007. The Company has renewed its motion to dismiss for lack of personal jurisdiction, and has also joined in a motion by all defendants to dismiss the amended complaint for failure to state a claim and for lack of subject matter jurisdiction. These motions have been stayed pending jurisdictional discovery, which is currently underway. In addition, the New Mexico Attorney General has asked the Court to dismiss portions of the lawsuit relating to “pay to play” allegations concerning the New Mexico State Investment Council in favor of lawsuits filed by the New Mexico Attorney General relating to the underlying “pay to play” scheme (the Company is not named in those lawsuits). That motion has been granted.

The Company is named as a defendant in a putative class-action in the United States District Court for the Northern District of Mississippi. The putative class purports to consist of all owners and/or holders of Connector 2000 Association, Inc. Toll Road Revenue Bonds (the “Connector Bonds”) insured by the Company. The issuer of the Connector Bonds, Connector 2000 Association, Inc. (the “Issuer”), successfully confirmed a Chapter 9 plan (the “Plan”) and emerged from its bankruptcy proceeding on April 1, 2011. Pursuant to the terms of the Plan and by operation of law, the Connector Bonds were exchanged for new obligations of the Issuer (the “New Obligations”) and were effectively cancelled. As a result, the Company asserts that the Connector Bonds are no longer enforceable obligations, and as such, neither is the guaranty obligation originally provided by the Company under its secondary market insurance policies. Because the Connector Bonds are no longer effective or enforceable obligations by virtue of the exchange effected under the Plan, and because the original guaranty issued by the Company in connection with the Connector Bonds under the Policy was not extended under the Plan or otherwise to the New Obligations, the Company asserts that it has no further liability or obligation under its policies. The Company also contends that, by reason of the

NOTES TO FINANCIAL STATEMENTS

cancellation of the Connector Bonds, the Company no longer has any liability under its policies pursuant to the plain language thereof. Based on the foregoing, the Company filed a motion to dismiss the complaint in its entirety, which motion was fully briefed on October 11, 2011. On November 21, 2011, before the Court ruled on the Company's motion to dismiss, the plaintiff filed a motion to amend his complaint to, *inter alia*, add another plaintiff, Francois Kohlman, add more specific allegations and add a claim for breach of fiduciary duty. The Court granted the plaintiff's motion to amend on January 5, 2012, and plaintiff's filed their amended complaint on January 10, 2012. The Company filed a motion to dismiss plaintiffs' amended complaint in its entirety on January 26, 2012. The plaintiffs' opposition to ACA's motion to dismiss is currently due by February 24, 2012, and the Company's reply on its motion to dismiss is currently due by March 9, 2012.

Subsequent to the commencement of the above-referenced putative class-action pending in the United States District Court for the Northern District of Mississippi, the Company has been named as a defendant in an action filed in the Supreme Court of the State of New York in and for New York County, in which the plaintiffs therein seek a declaration of the Company's obligations under certain of the secondary market insurance policies the Company issued in connection with the Connector Bonds. The Company's position on its lack of any continuing obligation under these secondary market insurance policies is essentially the same in both lawsuits. On December 19, 2011, the Company moved for summary judgment seeking, *inter alia*, an order denying the declaratory relief sought by the plaintiffs in their complaint and declaring that the Company is relieved of liability of any further payment obligations under its secondary market insurance policies. On January 18, 2012, the plaintiffs filed their opposition to the Company's motion for summary judgment. The Company's opposition to the plaintiff's cross-motion for summary judgment and its reply on its own motion for summary judgment was filed on February 8, 2012. The plaintiffs' reply on its cross-motion for summary judgment is presently due to be filed by February 22, 2012.

The Company was initially a third-party defendant in a suit filed in the Fourth Judicial Circuit in Duval County, Florida. The Company insured \$11.65 million of bonds issued for the construction of a hospital and nursing facility in Maccleenny, Florida. The bond documents required the hospital (*i.e.*, the entity responsible for servicing the bonds insured by the Company) to procure and maintain a certain type of professional liability insurance. The hospital failed to comply with the professional liability insurance requirements under the bond documents and had initially commenced this action against the bond trustee to, among other things, be relieved of such obligation. In response, the bond trustee commenced a third party action against the Company demanding that the Company indemnify it for any liability the bond trustee may have to the hospital. The Company, in turn, brought a third-party action against the hospital and others seeking a declaration, *inter alia*, that the Company is either excused from its obligation under the bond insurance policy or that the hospital must procure professional liability insurance as required by the bond documents. Thereafter, the Company successfully moved to strike a number of the hospital's affirmative defenses to the Company's third-party complaint and successfully defended against the bond trustee's motion to dismiss certain claims in the Company's third-party complaint. On November 23, 2011, the Court granted the hospital's motion to amend its complaint to assert claims directly against the Company for breach of contract, tortious interference and negligence. On January 6, 2012, the Company moved to dismiss the hospital's claims for tortious interference and negligence, answered the remainder of the hospital's amended complaint, and asserted counterclaims against the hospital, cross-claims against the bond trustee and a third-party complaint against the Baker County Hospital Authority for declaratory judgment regarding the Company's rights and obligations under the bond documents, and alternatively for breach of contract. Despite the amendment of the pleadings, the parties are currently engaged in discovery regarding the parties' outstanding claims.

The Company recently settled the suit in which it was a named defendant in New York State Supreme Court in a suit brought by Manifold Capital Corporation (f/k/a ACA Capital Holdings, Inc.) ("Manifold") for alleged breaches of an Intercompany Agreement dated August 6, 2008 (the "Intercompany Agreement") and entered into among the Company, Manifold, and their affiliates. In exchange for a release of claims, including relinquishing all further rights under the Intercompany Agreement, the Company received a cash payment from an escrow indemnity account to resolve the dispute.

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from such litigation 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.

In 2010, ACA finalized a sublease of new office space at 600 Fifth Avenue running through September 30, 2016. Minimum future lease payments under the lease are: 2012- \$0.5 million; 2013- \$0.5 million; 2014- \$0.6 million; 2015- \$0.6 million; and 2016- \$0.5 million. The Company took possession of this space in July 2010.

The Company's rental expense for the years ended December 31, 2011 and 2010 was \$0.3 million and \$1.0 million, respectively.

- B. Not applicable.

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

Except for that discussed below, the Company has no financial instruments with off-balance sheet risk.

While the Company establishes reserves for losses and loss adjustment expenses on obligations on which it has received a claim notice (see Note 1.C.(11) and Note 21. A.), the risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed (see description of financial guarantee insurance in Note 21.J.). The tables below reflect certain information regarding the Company's in-force par exposure at December 31, 2011 and December 31, 2010:

NOTES TO FINANCIAL STATEMENTS

| (\$ in millions) | December 31, 2011 | | December 31, 2010 | |
|--------------------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| | Net Par Outstanding | % of Net Par Outstanding | Net Par Outstanding | % of Net Par Outstanding |
| Tax-exempt obligations: | | | | |
| Healthcare | 559 | 10.7% | 708 | 11.9% |
| Tax backed | 620 | 11.9% | 663 | 11.2% |
| Higher education | 1,136 | 21.8% | 1,241 | 20.9% |
| Long-term care | 474 | 9.1% | 461 | 7.8% |
| General obligations | 1,032 | 19.8% | 1,047 | 17.6% |
| Utilities | 106 | 2.0% | 118 | 2.0% |
| Transportation | 407 | 7.8% | 419 | 7.1% |
| Housing | 260 | 5.0% | 283 | 4.8% |
| Not for Profit | 407 | 7.8% | 444 | 7.5% |
| Other, net of HCC cover (\$50) | 207 | 4.0% | 238 | 4.0% |
| Total municipal obligation | 5,208 | 99.9% | 5,622 | 94.8% |
| Taxable obligations | | | | |
| Other | 6 | 0.1% | 311 | 5.2% |
| Total | \$ 5,214 | 100.0% | \$ 5,933 | 100.0% |

| (\$ in millions) | December 31, 2011 | | December 31, 2010 | |
|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| | Net Par Outstanding | % of Net Par Outstanding | Net Par Outstanding | % of Net Par Outstanding |
| PAR EXPOSURE BY STATE | | | | |
| California | \$ 1,029 | 19.8% | \$ 1,036 | 18.4% |
| New York | 765 | 14.7% | 827 | 14.7% |
| Texas | 338 | 6.5% | 358 | 6.4% |
| Washington | 296 | 5.7% | 329 | 5.8% |
| Massachusetts | 292 | 5.6% | 301 | 5.4% |
| Other states | 2,488 | 47.8% | 2,771 | 49.3% |
| Total municipal obligations | \$ 5,208 | 100.0% | \$ 5,622 | 100.0% |

NET PAR OUTSTANDING BY MATURITY

| (\$ in millions) | December 31, 2011 | |
|-------------------|------------------------|--|
| | Net Par Outstanding | |
| Terms of Maturity | | |
| 0 to 5 years | \$ 931 | |
| 5 to 10 years | 1,077 | |
| 10 to 15 years | 1,270 | |
| 15 to 20 years | 1,133 | |
| 20 and above | 803 | |
| Total | \$ 5,214 | |

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 ADMINISTRATORS

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

20. FAIR VALUE MEASUREMENT

With the exception of certain investments in bonds and loan-backed securities that are reported at the lower of cost or fair value, or such securities on which an other than temporary impairment has been recognized as of the balance sheet date, the Company has no assets or liabilities reported in the accompanying Statement of Assets, Liabilities, Surplus and Other Funds that are measured at fair value (see Note 1.C.(3)). The aforementioned securities which are reported at fair value in the accompanying financial statements represent securities that are reported at fair value on a non-recurring basis. The carrying value of such securities in the Company’s financial statements as of December 31, 2011 aggregated \$11.9 million and the fair values of such securities were based on “Significant other observable inputs (Level 2), as defined in SSAP No. 100 – Fair Value Measurements.

NOTES TO FINANCIAL STATEMENTS

21. OTHER ITEMS

A. Description of Significant Risks and Uncertainties and the Company's On-Going Strategic Plan

Description of Significant Risks and Uncertainties

- As discussed in Note 1.C. (11), ACA recognizes losses and establishes related loss reserves on bond obligations it has insured only upon the initial payment default by the issuer of such bond obligations (under the Company's accounting policy, the initial payment default is generally considered the incident which gives rise to a claim and triggers loss recognition relating to the incident). The loss recognized by ACA upon a payment default represents the Company's best estimate of its ultimate loss over the life of the policy, discounted to reflect the time value of money (not the amount of the claim under the policy received upon the initial payment default which generally reflects the shortfall by the obligor of the scheduled principal and/or interest payment then due under the terms of the bond indenture). However, ACA has policies in-force upon which it expects that payment defaults will occur in the future resulting in losses that will be incurred by the Company. Such expected future losses are not recorded by the Company in the accompanying Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2011 because a payment default has not yet occurred. With consideration of the inherent uncertainty of estimating losses discussed further below, the Company's estimate of the ultimate losses that it will incur in the future on such policies (where payment defaults have not yet occurred but are expected) ranged from \$100 million to \$125 million at December 31, 2011, on a discounted basis. Accordingly, the Company believes it will incur material losses in the future which will materially adversely affect its policyholders' surplus. Notwithstanding the de-recognition of the Company's contingency reserves approved by the Maryland Insurance Commissioner discussed in Note 1.C.(12) and any further de-recognition of contingency reserves that may be approved by the Maryland Insurance Commissioner in the future, no assurance can be given that the recognition of such losses in the future will not cause the Company to fail to comply with its regulatory required minimum policyholders' surplus requirement of \$750,000. However, the Company believes that its policyholders' surplus will be in excess of the required minimum policyholders' surplus over the twelve months succeeding the date of the accompanying statement of Assets, Liabilities, Surplus and Other Funds and, that it has sufficient liquidity resources to satisfy its financial obligations as they come due for the foreseeable future.
- The Company is materially exposed to risks associated with deterioration in the tax exempt bond market through its insurance guarantees (see Note 16), as well as to the economy generally. The extent and duration of any future deterioration in the tax exempt bond market is unknown, as is the effect, if any, on potential claim payments and the ultimate amount of losses the Company may incur on obligations it has guaranteed. As discussed in Note 36, the Company classifies its insured in-force portfolio in one of four credit quality categories. As noted therein, as of December 31, 2011, the Company had insured obligations with outstanding principal totaling \$402.5 million classified in category 4, which means that it either has paid claims on such exposures or expects to pay claims on such exposures in the future. In addition, as of such date, the Company had insured obligations with outstanding principal totaling \$374.7 million classified in category 3, which means those credits have materially violated financial and operational covenants and require remedial action to avoid further performance deterioration. As discussed in Note 16, the risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed. No assurance can be provided that further deterioration in ACA's insured guarantees will not occur resulting in a further migration of exposure to categories 3 and 4 or that ACA will not incur losses that may be materially in excess of what it currently estimates.
- Establishment of case basis reserves for unpaid losses and loss adjustment expenses on the Company's insured guarantees requires the use and exercise of significant judgment by management, including estimates regarding the probability of default, the severity of loss upon default and the amount and timing of claim payments and recoveries on a guaranteed obligation. Case basis reserves reflect management's best estimate of the present value of the Company's ultimate loss and not the worst possible outcome. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, will occur over many years in the future. Examples of these events include changes in the level of interest rates, credit deterioration of guaranteed obligations, changes in the value of specific assets supporting guaranteed obligations, and changes in the timing, and level of success of recoveries. Both qualitative and quantitative factors are used in making such estimates. Each quarter, in connection with the preparation of its financial statements, the Company reevaluates all such estimates. Changes in these estimates may be material and may result in material changes in the Company's policyholders' surplus. Any estimate of future costs is subject to the inherent limitation on management's ability to predict the aggregate course of future events. It should, therefore, be expected that the actual emergence of losses and claims will vary, perhaps materially, from any estimate. The risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed (see Note 16).
- The Company is involved in a number of legal proceedings, both as plaintiff and defendant, as well as regulatory inquiries and investigations. Management cannot predict the outcomes of these proceedings and other contingencies with certainty. In addition, it is not possible to predict whether additional suits will be filed or whether additional inquiries or investigations will be commenced. The outcome of some of these proceedings and other contingencies could require the Company to take or refrain from taking actions which could have a material adverse effect on its business, financial position or cash flows or could require the Company to pay (or fail to receive) substantial amounts of money. Additionally, prosecuting and defending these lawsuits and proceedings may involve significant expense and diversion of resources from other matters. See Notes 14.C. and 14.D.
- ACA has experienced and likely will continue to experience substantial tax losses in the conduct of its business. Section 382 of the Internal Revenue Code ("Section 382") contains rules that limit the ability of a corporation that experiences an "ownership change" to utilize its net operating loss carryforwards ("NOLs") and certain built-in losses recognized in periods following the ownership change. An ownership change is generally any change in ownership of more than 50 percentage points of a corporation's stock over a 3-year period. These rules generally operate by focusing on ownership changes among shareholders owning directly or indirectly 5% or more of the stock of a corporation or any change in ownership arising from a new issuance of stock by the corporation. For purposes of the aforementioned test, ACA's surplus notes are considered stock and ACA's surplus note holders are considered shareholders.

If ACA undergoes an ownership change for purposes of Section 382 as a result of future transactions involving its surplus notes, ACA's ability to utilize its NOLs and recognize certain built-in losses would be subject to further limitations under Section 382.

NOTES TO FINANCIAL STATEMENTS

Depending on the resulting limitation, a significant portion of ACA's NOLs could be deferred or could expire before it would be able to use them to offset positive taxable income in current or future tax periods. ACA's inability to utilize its NOLs could have a significant adverse effect on its financial position and results of operations.

Description of the Company's On-Going Strategic Plan

Management is actively seeking to (i) remediate deteriorated insured exposures to minimize claim payments, maximize recoveries and mitigate ultimate expected losses, (ii) increase the Company's capital, surplus, liquidity and claims paying resources, (iii) realize maximum value from various legal proceedings described in Note 14.C. and from any other rights and remedies the Company may have, and (iv) take other actions to enhance its financial position (hereafter collectively referred to as "Strategic Actions"). In regard to the Strategic Actions, the Company is actively pursuing or exploring a number of options available to it to enhance the Company's policyholders' surplus or liquidity position or address other challenges that the Company faces. No assurances can be given that the Company will be successful in completing any of the aforementioned actions. Furthermore, certain of the Strategic Actions contemplated by the Company may be outside the ordinary course of the Company's operations or its control and may require consents or approvals of parties outside of the Company, including the MIA.

B. Restructuring Transaction

As a result of adverse developments in the credit markets generally and the mortgage market specifically that began in the second half of 2007 and continued to deepen in 2008 and thereafter, the Company experienced material adverse effects on its business, results of operations, and financial condition, which resulted in significant downgrades of the Company's financial strength ratings by Standard & Poor's Ratings Services ("S&P") and, ultimately, a restructuring of the Company to avoid a regulatory proceeding (the "Restructuring Transaction"). The Restructuring Transaction, which was consummated on August 8, 2008, was comprised of 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 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. Of the total cash settlement, approximately \$32 million was paid out of a cash collateral account supporting the issued note 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. In addition, 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 well as a second indemnification collateralized with a \$5.0 million escrow, for certain other claims. The Company's claims under the second indemnification were disputed by ACACH and, as discussed in Note 14.D, this dispute was recently settled.

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.

C. Extraordinary items

The Company had no extraordinary items during 2011 and 2010.

D. Troubled Debt Restructurings

The Company had no troubled debt restructuring during 2011 and 2010. See also Note 5.B.

E. Assets on Deposit with States and Other Collateral Deposits

Assets with a carrying value of \$4.7 million at December 31, 2011 and December 31, 2010 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 \$60 thousand in security deposits outstanding for lease obligations. This collateral deposit is treated as a non-admitted asset as of December 31, 2011 and December 31, 2010.

F. Uncollected Balances

The Company had no uncollectible balances.

G. Business Interruption Insurance Recoveries

Not applicable.

NOTES TO FINANCIAL STATEMENTS

H. State Transferable Tax Credits

The Company had no state transferable credits.

I. Subprime Exposure Related Risk

- (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 21.B. The one remaining exposure has a par amount of \$5.7 million at December 31, 2011 and the Company has an outstanding loss reserve against this exposure in the amount of \$1.8 million.
- (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 December 31, 2011:

| | 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 | \$ 31,759,319 | \$ 31,871,328 | \$ 32,369,050 | \$ 440,503 |
| b. Commercial mortgage backed securities | | | | |
| c. Collateralized debt obligations | 5 | - | - | - |
| d. Structured securities | | | | |
| e. Equity investment in SCAs | | | | |
| f. Other assets | | | | |
| g. Total | \$ 31,759,324 | \$ 31,871,328 | \$ 32,369,050 | \$ 440,503 |

- (4) As stated in I (1) above, the Company has an outstanding loss reserve in the amount of \$1.8 million.

J. Description of Financial Guarantee Insurance

Description of Financial Guarantee Insurance

Financial guarantee insurance provides an unconditional and irrevocable guarantee to the holder of a valid debt obligation with an enforceable guaranty of full and timely payment of the guaranteed principal and interest thereon when due. Financial guarantee insurance adds another potential source of repayment of principal and interest for an investor, namely the credit quality of the financial guarantor. Generally, in the event of any default on an insured debt obligation, payments made pursuant to the applicable insurance policy may not be accelerated by the holder of the insured debt obligation without the approval of the insurer. While the holder of such an insured debt obligation continues to receive guaranteed payments of principal and interest on schedule, as if no default had occurred, and each subsequent purchaser of the obligation generally receives the benefit of such guarantee, the insurer normally retains the option to pay the debt obligation in full at any time. Also, the insurer generally has recourse against the issuer of the defaulted obligation and/or any related collateral for amounts paid under the terms of the insurance policy as well as pursuant to general rights of subrogation. The issuer of an insured debt obligation generally pays the premium for financial guarantee insurance, either in full at the inception of the policy, as is the case in most public finance transactions, or in periodic installments funded by the cash flow generated by related pledged collateral, as is the case in most structured finance and international transactions. Typically, premium rates paid by an issuer are stated as a percentage of the total principal (in the case of structured finance and international transactions) or principal and interest (in the case of public finance transactions) of the insured obligation. Premiums are almost always non-refundable and are invested upon receipt. See Note 1for a description of NAIC SAP for premium revenue recognition.

22. EVENTS SUBSEQUENT

The Company has evaluated all subsequent events through February 27, 2012, the date the financial statements were issued. Except for that discussed below, there were no other events that required adjustment to or disclosure in the financial statements.

In January 2012, the Company made a claim payment on an insured debt obligation on which reserves for losses had not previously been established. As a result, the Company expects to record approximately \$7.6 million of incurred losses and \$7.3 million of related reserves relating thereto during the quarterly period ended March 31, 2012. The aggregate par insured exposure on this debt obligation at December 31, 2011 was \$49.5 million.

23. 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

NOTES TO FINANCIAL STATEMENTS

| | Assumed Reinsurance | | Ceded Reinsurance | | Net | |
|------------|---------------------|-------------------|-------------------|-------------------|-----------------|-------------------|
| | Premium Reserve | Commission Equity | Premium Reserve | Commission Equity | Premium Reserve | Commission Equity |
| Affiliates | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| All other | 5,765,285 | - | 311,968 | - | 5,453,317 | - |
| Total | \$ 5,765,285 | \$ - | \$ 311,968 | \$ - | \$ 5,453,317 | \$ - |

Direct Unearned Premium Reserve \$168,972,269

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 of ceded reinsurance in 2011.

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.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

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

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

For the year ended December 31, 2011, the Company recorded a provision for losses of \$34.0 million, which consisted of \$4.7 million of adverse loss development related to reserves established in years prior to 2011 (“prior accident year claims”), and \$29.3 million of incurred losses relating to the current accident year. As of December 31, 2011, the Company’s liability for unpaid losses was \$64.4 million, which related to nine insured transactions, with a remaining aggregate in-force par outstanding of \$54.3 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of \$54.3 million represents the remaining maximum amount of exposure to loss the Company has in regard to these nine insured transactions. See Note 36(3)b for additional information regarding the Company’s reserves for losses and loss adjustment expenses.

For the year ended December 31, 2010, the Company recorded a provision for losses of \$36.1 million, which consisted of \$34.4 million of incurred losses related to current accident year claims and \$1.7 million of incurred losses related to prior accident year claims. As of December 31, 2010, the Company’s liability for unpaid losses was \$62.1 million, which related to six insured transactions, with a remaining aggregate par outstanding of \$57.4 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of \$57.4 million represents the remaining maximum amount of exposure to loss the Company has in regard to these six insured transactions.

Refer to Note 1.C.(11) and Note 21.A. for further information regarding the Company’s reserves for losses and loss adjustment expenses.

26. INTERCOMPANY POOLING ARRANGEMENTS

The Company has no intercompany pooling arrangements.

27. STRUCTURED SETTLEMENTS

- A. The Company has not entered into any structured settlements for reserves no longer being carried.
- B. The Company does not hold any annuities under which the Company is the payee and the recorded asset balance due exceeds 1% of surplus.

28. HEALTH CARE RECEIVABLE

- A. The Company has no pharmaceutical rebate receivables as of December 31, 2011 and December 31, 2010.
- B. The Company has no risk sharing receivables as of December 31, 2011 and December 31, 2010.

29. PARTICIPATING POLICIES

The Company never issued participating policies.

NOTES TO FINANCIAL STATEMENTS

30. PREMIUM DEFICIENCY RESERVE

The Company has no premium deficiency reserves.

31. HIGH DEDUCTIBLES ON UNPAID CLAIMS

The Company has no high deductibles on unpaid claims.

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

The Company's case reserves for unpaid losses are discounted on a non-tabular basis. The discount rate used at December 31, 2011 and 2010 was 4.15% and 4.5%, respectively. The discount rate is based on the weighted average return on the Company's invested assets. The amount of discount associated with the Company's loss reserves at December 31, 2011 was \$ 14.9 million. Loss adjustment expenses are not discounted.

33. ASBESTOS/ENVIRONMENTAL RESERVES

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

34. SUBSCRIBER SAVINGS ACCOUNTS

The Company has no subscriber savings accounts.

35. MULTIPLE PERIL CROP INSURANCE

The Company has never written this line of business.

36. FINANCIAL GUARANTY INSURANCE

A.

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

Premiums charged in connection with the issuance of financial guarantee insurance are received either upfront at the inception of an insurance contract or in installments (usually monthly, quarterly, semi-annually or annually) over the life of the underlying insured obligation. All of the Company's remaining in-force business was written on an upfront basis with the exception of a de minimis amount of business written on an installment basis.

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

- (2) a. The amount of premium revenue that has been accelerated during the years ended December 31, 2011 and 2010 was \$6.7 million and \$7.0 million, respectively. The acceleration was due to the prepayments or advance refunding of credits.

- b. Schedule of the future expected earned premium revenue on contracts written on an upfront basis as of December 31, 2011:

| | | | |
|----|-------------------|----|-------------|
| 1. | 1st Quarter 2012 | \$ | 2,099,169 |
| | 2nd Quarter 2012 | | 1,858,401 |
| | 3rd Quarter 2012 | | 2,661,577 |
| | 4th Quarter 2012 | | 2,239,050 |
| | Year 2013 | | 8,748,855 |
| | Year 2014 | | 8,822,878 |
| | Year 2015 | | 8,591,472 |
| | Year 2016 | | 8,802,546 |
| 2. | 2017 through 2021 | | 43,020,090 |
| | 2022 through 2026 | | 37,560,580 |
| | 2027 through 2031 | | 29,856,255 |
| | 2032 through 2036 | | 18,359,893 |
| | 2037 through 2041 | | 1,604,655 |
| | 2042 through 2045 | | 200,165 |
| | Total | \$ | 174,425,586 |

- (3) Claim liability:

- a. The Company used a rate of 4.15% to discount the claim liability.

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

NOTES TO FINANCIAL STATEMENTS

| | Debit (Credit) |
|--|-----------------------------|
| Reserves for losses at December 31,2010 | \$ 62,132,634 |
| Change in reserves | |
| Correction for misstatement (see Note 2) | (15,264,703) |
| Prior accident years | (10,183,064) ⁽²⁾ |
| Current accident year | 27,707,301 |
| Sub-total change in reserves | 2,259,534 ⁽¹⁾ |
| Reserves for losses at December 31, 2011 | \$ 64,392,168 |

⁽¹⁾ During the 12 months ending December 31, 2011 paid losses were \$16,477,959 which when aggregated with the change in reserves during the period equal losses incurred for the 12 months ending December 31, 2011 of \$34,002,196.

⁽²⁾ Includes \$1,521,417 of discount accretion recorded during the 12 months ending December 31, 2011.

- (4) The Company's credit quality classifications are:
- 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. Credit quality classifications of insured transactions 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 | 329 | 96 | 24 | 38 | 487 |
| Remaining weighted-average contract period (in years) | 12 | 12 | 14 | 13 | |
| Insured contractual payments outstanding: | | | | | |
| Principal | \$ 3,521,111,135 | \$ 915,937,753 | \$ 374,698,165 | \$ 402,529,635 | \$ 5,214,276,687 |
| Interest | 2,358,849,185 | 605,860,374 | 329,203,012 | 379,689,317 | 3,673,601,889 |
| Total | \$ 5,879,960,320 | \$ 1,521,798,127 | \$ 703,901,177 | \$ 782,218,952 | \$ 8,887,878,576 |
| Gross claim and LAE liability | \$ 60,000 | \$ 174,000 | \$ 282,000 | \$ 146,733,845 | \$ 147,249,845 |
| Less: | | | | | |
| Gross potential recoveries | - | - | - | 56,509,685 | 56,509,685 |
| Discount, net | - | - | - | 14,850,992 | 14,850,992 |
| Net claim and LAE liability | \$ 60,000 | \$ 174,000 | \$ 282,000 | \$ 75,373,168 | \$ 75,889,168 |
| Unearned premium revenue | \$ 95,889,809 | \$ 34,865,264 | \$ 18,452,183 | \$ 25,218,330 | \$ 174,425,586 |
| Claim and LAE liability reported in the balance sheet | \$ 60,000 | \$ 174,000 | \$ 282,000 | \$ 75,373,168 | \$ 75,889,168 |
| Reinsurance recoverables | \$ - | \$ - | \$ - | \$ - | \$ - |

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

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

Yes [] No [X]
- 1.2

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

Yes [] No [] NA []
- 1.3

State Regulating?

MARYLAND
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:
- 3.1

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

12/31/2007
- 3.2

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

12/31/2007
- 3.3

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

05/07/2009
- 3.4

By what department or departments?

MARYLAND INSURANCE ADMINISTRATION
- 3.5

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

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

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

Yes [X] No [] NA []
- 4.1

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

sales of new business?

Yes [] No [X]
- 4.12

renewals?

Yes [] No [X]
- 4.2

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

sales of new business?

Yes [] No [X]
- 4.22

renewals?

Yes [] No [X]
- 5.1

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

Yes [] No [X]
- 5.2

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

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

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

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

Yes [] No [X]
- 7.2

If yes,
- 7.21

State the percentage of foreign control
- 7.22

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

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |
| | |
| | |

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

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

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

9.

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

DELOITTE & TOUCHE, LLP. TWO WORLD FINANCIAL CENTER, NEW YORK, NY 10281-1414
- 10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [] No [X]
- 10.2

If the response to 10.1 is yes, provide information related to this exemption:
- 10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [] No [X]
- 10.4

If the response to 10.3 is yes, provide information related to this exemption:
- 10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [X] No [] NA []
- 10.6

If the response to 10.5 is no or n/a, please explain
11.

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

JOEL CHANSKY, MILLIMAN USA (ACTUARIAL CONSULTANTS), 289 EDGEWATER DRIVE, WAKEFIELD, MA. 01880
- 12.1

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

Yes [] No [X]
- 12.11

Name of real estate holding company
- 12.12

Number of parcels involved
- 12.13

Total book/adjusted carrying value

\$.
- 12.2

If yes, provide explanation
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2

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

Yes [] No []
- 13.3

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

Yes [] No []
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 14.1

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 []
- 14.1.1

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- 14.1.2

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- 14.1.3

Compliance with applicable governmental laws, rules and regulations;
- 14.1.4

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- 14.1.5

Accountability for adherence to the code.
- 14.11

If the response to 14.1 is no, please explain:
- 14.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3

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

Yes [] No [X]
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

BOARD OF DIRECTORS

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below?.....
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.
- Yes [] No [X]

| 1 American Bankers Association (ABA) Routing Number | 2 Issuing or Confirming Bank Name | 3 Circumstances That Can Trigger the Letter of Credit | 4 Amount |
|--|--------------------------------------|--|-------------|
| | | | |
| | | | |

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?.....
- Yes [X] No []
- Yes [X] No []
- Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers . \$.....

20.12 To stockholders not officers .. \$.....

20.13 Trustees, supreme or grand (Fraternal only) \$.....
- 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers .. \$.....

20.22 To stockholders not officers ... \$.....

20.23 Trustees, supreme or grand (Fraternal only) \$.....
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others \$.....

21.22 Borrowed from others \$.....

21.23 Leased from others \$.....

21.24 Other \$.....
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.....

22.22 Amount paid as expenses \$.....

22.23 Other amounts paid \$.....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....\$.....0
- Yes [] No [X]
- Yes [X] No []
- Yes [] No [X]

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3).....
- 24.2 If no, give full and complete information, relating thereto
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?.....
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$.....
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$.....
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?.....
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?.....
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?.....
- Yes [] No [] NA [X]
- Yes [] No [] NA [X]
- Yes [] No [] NA [X]
- Yes [] No [] NA [X]
- Yes [] No [] NA [X]

GENERAL INTERROGATORIES

- 25.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3)

Yes [X] No []
- 25.2

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

25.21

Subject to repurchase agreements

\$

25.22

Subject to reverse repurchase agreements

\$

25.23

Subject to dollar repurchase agreements

\$

25.24

Subject to reverse dollar repurchase agreements

\$

25.25

Pledged as collateral

\$

25.26

Placed under option agreements

\$

25.27

Letter stock or securities restricted as to sale

\$

25.28

On deposit with state or other regulatory body

\$

4,703,797

25.29

Other

\$

25.3 For category (25.27) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |
| | | |

- 26.1

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

Yes [] No [X]
- 26.2

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

Yes [] No [] NA []
- 27.1

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

Yes [] No [X]
- 27.2

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

\$

28.

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 [X] No []

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

| 1 Name of Custodian(s) | 2 Custodian's Address |
|---------------------------------|---|
| U.S. BANK, NATIONAL ASSOCIATION | 1025 CONNECTICUT AVENUS NW, SUITE 517, WASHINGTON, DC 20036 |

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

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

- 28.03

Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [] No [X]
- 28.04

If yes, give full and complete information relating thereto:

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

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

| 1 Central Registration Depository Number(s) | 2 Name | 3 Address |
|--|----------------------------|-------------------------------------|
| 107038 | JP MORGAN ASSET MANAGEMENT | 245 PARK AVENUE, NEW YOUR, NY 10167 |

GENERAL INTERROGATORIES

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?..... Yes [] No [X]

29.2 If yes, complete the following schedule:

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------|--------------------------|-----------------------------------|
| | | |
| | | |
| 29.2999 TOTAL | | |

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

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

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

| | 1 Statement (Admitted) Value | 2 Fair Value | 3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+) |
|----------------------------|------------------------------------|-----------------|--|
| 30.1 Bonds..... | 440,231,327 | 461,051,775 | 20,820,448 |
| 30.2 Preferred Stocks..... | | | |
| 30.3 Totals | 440,231,327 | 461,051,775 | 20,820,448 |

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

BOND PRICING VENDORS: IDC, KENNY AND BLOOMBERG.....

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?..... Yes [] No []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

INDUSTRY WIDE RECOGNIZED BOND PRICING VENDORS AS DESCRIBED IN 30.4 ABOVE.....

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

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

- 33.1 Amount of payments to Trade associations, service organizations and statistical or rating bureaus, if any?.....\$129,111
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------------------------|------------------|
| STANDARD & POORS..... |31,574 |
| MOODY'S ANALYTICS, INC..... |54,517 |

- 34.1 Amount of payments for legal expenses, if any?.....\$6,129,916
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|---|------------------|
| FRIED, FRANK, HARRIS, SHRIVER & JACOBSON..... |3,052,929 |
| KASOWITZ, BERSON, TORRES & FRIEDMAN, LLP..... |1,611,018 |

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?....\$
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |
| | |

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. \$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
- 1.31 Reason for excluding
.....

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$
- 1.6 Individual policies:

- Most current three years:
- 1.61 Total premium earned \$
- 1.62 Total incurred claims \$
- 1.63 Number of covered lives
- All years prior to most current three years:
- 1.64 Total premium earned \$
- 1.65 Total incurred claims \$
- 1.66 Number of covered lives

- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$
- 1.72 Total incurred claims \$
- 1.73 Number of covered lives
- All years prior to most current three years:
- 1.74 Total premium earned \$
- 1.75 Total incurred claims \$
- 1.76 Number of covered lives

2. Health Test:

| | | | 1 | | 2 |
|-----|-------------------------|----|------------------|----|------------------|
| | | | Current Year | | Prior Year |
| 2.1 | Premium Numerator | \$ | ..... | \$ | ..... |
| 2.2 | Premium Denominator | \$ |16,333,428 | \$ |15,204,613 |
| 2.3 | Premium Ratio (2.1/2.2) |  | ..... |  | ..... |
| 2.4 | Reserve Numerator | \$ | ..... | \$ | ..... |
| 2.5 | Reserve Denominator | \$ |250,314,754 | \$ |255,457,670 |
| 2.6 | Reserve Ratio (2.4/2.5) |  | ..... |  | ..... |

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [] No [X]
- 3.2 If yes, state the amount of calendar year premiums written on:
- 3.21 Participating policies..... \$
- 3.22 Non-participating policies..... \$

4. For Mutual reporting entities and Reciprocal Exchanges only:
- 4.1 Does the reporting entity issue assessable policies?..... Yes [] No []
- 4.2 Does the reporting entity issue non-assessable policies?..... Yes [] No []
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders?..... %
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums..... \$

5. For Reciprocal Exchanges Only:
- 5.1 Does the exchange appoint local agents?..... Yes [] No []
- 5.2 If yes, is the commission paid:

- 5.21 Out of Attorney's-in-fact compensation..... Yes [] No [] NA []
- 5.22 As a direct expense of the exchange..... Yes [] No [] NA []

- 5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?
.....
- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?..... Yes [] No []
- 5.5 If yes, give full information
.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- ## 16.1

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

11.1

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

Yes [] No [X]

11.2

If yes, give full information

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11

Unpaid losses

\$

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$

12.2

Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?

\$

12.3

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

Yes [] No [] NA [X]

12.4

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

12.41

From

%

12.42

To

%

12.5

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

Yes [] No [X]

12.6

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

12.61

Letters of Credit

\$

12.62

Collateral and other funds

\$

13.1

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

\$189,999,999

13.2

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

Yes [] No [X]

13.3

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

14.1

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

Yes [] No [X]

14.2

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

14.3

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

Yes [] No []

14.4

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

Yes [] No []

14.5

If the answer to 14.4 is no, please explain:

15.1

Has the reporting entity guaranteed any financed premium accounts?

Yes [] No [X]

15.2

If yes, give full information

16.1

Does the reporting entity write any warranty business?

Yes [] No [X]

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

1

2

3

4

5

Direct Losses

Direct Losses

Direct Written

Direct Premium

Direct Premium

Incurred

Unpaid

Premium

Unearned

Earned

16.11

Home

\$

\$

\$

\$

\$

16.12

Products

\$

\$

\$

\$

\$

16.13

Automobile

\$

\$

\$

\$

\$

16.14

Other*

\$

\$

\$

\$

\$

* Disclose type of coverage:

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

18.1 Do you act as a custodian for health savings accounts?..... Yes [] No [X]
18.2 If yes, please provide the amount of custodial funds held as of the reporting date..... \$.....
18.3 Do you act as an administrator for health savings accounts?..... Yes [] No [X]
18.4 If yes, please provide the balance of the funds administered as of the reporting date..... \$.....

FIVE-YEAR HISTORICAL DATA

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

| | 1 2011 | 2 2010 | 3 2009 | 4 2008 | 5 2007 |
|---|--------------|--------------|--------------|---------------|-------------|
| Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3) | | | | | |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 308,978 | 486,855 | 864,387 | (17,133,192) | 107,003,274 |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 6. Total (Line 35) | 308,978 | 486,855 | 864,387 | (17,133,192) | 107,003,274 |
| Net Premiums Written (Page 8, Part 1B, Col. 6) | | | | | |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 308,978 | 486,855 | 864,387 | (17,165,492) | 105,470,974 |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 12. Total (Line 35) | 308,978 | 486,855 | 864,387 | (17,165,492) | 105,470,974 |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | (53,306,130) | (55,842,400) | (17,008,402) | (274,671,830) | 8,612,649 |
| 14. Net investment gain (loss) (Line 11) | 19,629,803 | 23,477,965 | 1,747,638 | (18,727,140) | 25,882,816 |
| 15. Total other income (Line 15) | 7,415,322 | 8,336,095 | 8,781,995 | 25,223,974 | 148,168 |
| 16. Dividends to policyholders (Line 17) | | | | | |
| 17. Federal and foreign income taxes incurred (Line 19) | | (34,335) | (55,235,704) | 779,877 | 3,806,331 |
| 18. Net income (Line 20) | (26,261,005) | (23,994,005) | 48,756,935 | (268,954,873) | 30,837,302 |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3) | 448,171,431 | 464,795,669 | 463,463,937 | 441,209,412 | 691,791,549 |
| 20. Premiums and considerations (Page 2, Col. 3) | | | | | |
| 20.1 In course of collection (Line 15.1) | | | | | |
| 20.2 Deferred and not yet due (Line 15.2) | | | | | 15,375 |
| 20.3 Accrued retrospective premiums (Line 15.3) | | | | | |
| 21. Total liabilities excluding protected cell business (Page 3, Line 26) | 330,856,668 | 357,594,553 | 326,007,550 | 339,923,018 | 462,651,493 |
| 22. Losses (Page 3, Line 1) | 64,392,168 | 62,132,634 | 29,269,309 | 19,781,236 | 7,373,268 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 11,497,000 | 2,875,000 | 1,960,489 | 1,191,909 | 562,331 |
| 24. Unearned premiums (Page 3, Line 9) | 174,425,586 | 190,450,036 | 205,167,794 | 219,749,396 | 263,012,701 |
| 25. Capital paid up (Page 3, Lines 30 & 31) | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| 26. Surplus as regards policyholders (Page 3, Line 37) | 117,314,763 | 107,201,116 | 137,456,387 | 101,286,394 | 229,140,057 |
| Cash Flow (Page 5) | | | | | |
| 27. Net cash from operations (Line 11) | (16,235,417) | 45,711,504 | 9,534,006 | (248,514,272) | 64,024,123 |
| Risk-Based Capital Analysis | | | | | |
| 28. Total adjusted capital | | | | | |
| 29. Authorized control level risk-based capital | | | | | |
| Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 12, Col. 3) x 100.0 | | | | | |
| 30. Bonds (Line 1) | 97.1 | 94.1 | 90.5 | 85.0 | 87.9 |
| 31. Stocks (Lines 2.1 & 2.2) | | | | | 0.1 |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2) | | | | | |
| 33. Real estate (Lines 4.1, 4.2 & 4.3) | | | | | |
| 34. Cash, cash equivalents and short-term investments (Line 5) | 2.9 | 5.6 | 9.2 | 14.7 | 9.1 |
| 35. Contract loans (Line 6) | | | | | |
| 36. Derivatives (Line 7) | | | XXX | XXX | XXX |
| 37. Other invested assets (Line 8) | | 0.2 | 0.3 | 0.3 | 2.9 |
| 38. Receivables for securities (Line 9) | 0.0 | | | | 0.0 |
| 39. Securities lending reinvested collateral assets (Line 10) | | | XXX | XXX | XXX |
| 40. Aggregate write-ins for invested assets (Line 11) | | | | | |
| 41. Cash, cash equivalents and invested assets (Line 12) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1) | | | | | |
| 43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1) | | | | | |
| 44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1) | | 0 | 769,815 | 769,815 | 763,291 |
| 45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10) | | | | | |
| 46. Affiliated mortgage loans on real estate | | | | | |
| 47. All other affiliated | | | | | |
| 48. Total of above Lines 42 to 47 | | 0 | 769,815 | 769,815 | 763,291 |
| 49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0) | | | 0.6 | 0.8 | 0.3 |

FIVE-YEAR HISTORICAL DATA

| | 1 2011 | 2 2010 | 3 2009 | 4 2008 | 5 2007 |
|--|------------|--------------|------------|---------------|--------------|
| Capital and Surplus Accounts (Page 4) | | | | | |
| 50. Net unrealized capital gains (losses) (Line 24) | (141,733) | 590,952 | 598,349 | 24,752,611 | (29,961,174) |
| 51. Dividends to stockholders (Line 35) | | | | | (3,810,636) |
| 52. Change in surplus as regards policyholders for the year (Line 38) | 10,113,646 | (30,255,270) | 36,170,000 | (127,853,660) | (44,503,710) |
| Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2) | | | | | |
| 53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 54. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 16,477,959 | 3,282,013 | 934,031 | 238,524,097 | 24,130,609 |
| 57. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 58. Total (Line 35) | 16,477,959 | 3,282,013 | 934,031 | 238,524,097 | 24,130,609 |
| Net Losses Paid (Page 9, Part 2, Col. 4) | | | | | |
| 59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 60. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | 16,477,959 | 3,282,013 | 934,031 | 238,524,097 | 24,130,609 |
| 63. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 64. Total (Line 35) | 16,477,959 | 3,282,013 | 934,031 | 238,524,097 | 24,130,609 |
| Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0 | | | | | |
| 65. Premiums earned (Line 1) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 66. Losses incurred (Line 2) | 208.2 | 237.7 | 67.5 | 961.5 | 40.6 |
| 67. Loss expenses incurred (Line 3) | 77.6 | 19.6 | 30.7 | 73.8 | 0.7 |
| 68. Other underwriting expenses incurred (Line 4) | 140.6 | 124.5 | 111.9 | 117.2 | 49.4 |
| 69. Net underwriting gain (loss) (Line 8) | (326.4) | (367.3) | (110.1) | (1,052.5) | 9.3 |
| Other Percentages | | | | | |
| 70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0) | 5,033.9 | 4,843.5 | 984.3 | (31.3) | 43.1 |
| 71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) | 285.7 | 257.4 | 98.2 | 1,035.3 | 41.3 |
| 72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0) | 0.3 | 0.5 | 0.6 | (16.9) | 46.0 |
| One Year Loss Development (000 omitted) | | | | | |
| 73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11) | (8,690) | 3,162 | 8,247 | (2,852) | 4,718 |
| 74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0) | (8.1) | 2.3 | 8.1 | (1.2) | 1.7 |
| Two Year Loss Development (000 omitted) | | | | | |
| 75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12) | 6,419 | 5,243 | (1,445) | 10,255 | 1,941 |
| 76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0) | 4.7 | 5.2 | (0.6) | 3.7 | 0.7 |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []

If no, please explain:

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE F - PART 1

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

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE F - PART 2

| Premium Portfolio Reinsurance Effected or (Canceled) during Current Year | 2019 | 2018 | 2017 |
|--|---------|---------|---------|
| Reinsurance Effected | \$1,000 | \$1,000 | \$1,000 |
| Reinsurance Canceled | \$1,000 | \$1,000 | \$1,000 |
| Net Reinsurance Effected or (Canceled) | \$2,000 | \$2,000 | \$2,000 |

| 1 Federal ID Number | 2 NAIC Company Code | 3 Name of Company | 4 Date of Contract | 5 Original Premium | 6 Reinsurance Premium |
|------------------------------|------------------------------|----------------------|-----------------------|-----------------------|-----------------------------|
| <h1>NONE</h1> | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE F - PART 3

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

| 1 Federal ID Number | 2 NAIC Company Code | 3 Name of Reinsurer | 4 Domiciliary Jurisdiction | 5 Reinsurance Contracts Ceding 75% or More of Direct Premiums Written | 6 Reinsurance Premiums Ceded | Reinsurance Recoverable On | | | | | | | | | Reinsurance Payable | | 18 Net Amount Recoverable From Reinsurers Cols. 15 - [16 + 17] | 19 Funds Held By Company Under Reinsurance Treaties |
|---|----------------------------------|----------------------------|--------------------------------------|--|---|----------------------------|----------------------|---|---|---------------------------------|--------------------------------|--------------------------------|--|--|--|--|--|--|
| | | | | | | 7 Paid Losses | 8 Paid LAE | 9 Known Case Loss Reserves | 10 Known Case LAE Reserves | 11 IBNR Loss Reserves | 12 IBNR LAE Reserves | 13 Unearned Premiums | 14 Contingent Commis- sions | 15 Cols. 7 thru 14 Totals | 16 Ceded Balances Payable | 17 Other Amounts Due to Reinsurers | | |
| 0199999 - Authorized - Affiliates - U.S. Intercompany Pooling | | | | | | | | | | | | | | | | | | |
| 0299999 - Authorized - Affiliates - U.S. Non-Pool | | | | | | | | | | | | | | | | | | |
| 0399999 - Authorized - Affiliates - Other (Non-U.S.) | | | | | | | | | | | | | | | | | | |
| 0499999 - Total - Authorized - Affiliates | | | | | | | | | | | | | | | | | | |
| 52-1533088.....30180.....Assured Guaranty Corp..... | | | MD..... | | | | | | | | | 128 | | 128 | | 128 | | |
| 0599998 - Other U.S. Unaffil Insurers (Under \$100,000) | | | | | | | | | | | | | | | | | | |
| 0599999 - Authorized - Other U.S. Unaffiliated Insurers | | | | | | | | | | | | 128 | | 128 | | 128 | | |
| 0699999 - Authorized - Pools - Mandatory Pools | | | | | | | | | | | | | | | | | | |
| 0799999 - Authorized - Pools - Voluntary Pools | | | | | | | | | | | | | | | | | | |
| 0899998 - Authorized - Other Non-U.S. Insurers (Under \$100,000) | | | | | | | | | | | | | | | | | | |
| 0899999 - Authorized - Other Non-U.S. Insurers | | | | | | | | | | | | | | | | | | |
| 0999999 - Total - Authorized | | | | | | | | | | | | 128 | | 128 | | 128 | | |
| 1099999 - Unauthorized - Affiliates - U.S. Intercompany Pooling | | | | | | | | | | | | | | | | | | |
| 1199999 - Unauthorized - Affiliates - U.S. Non-Pool | | | | | | | | | | | | | | | | | | |
| 1299999 - Unauthorized - Affiliates - Other (Non-U.S.) | | | | | | | | | | | | | | | | | | |
| 1399999 - Total - Unauthorized - Affiliates | | | | | | | | | | | | | | | | | | |
| 1499998 - Unauthorized - Other U.S. Unaffiliated Insurers (Under \$100,000) | | | | | | | | | | | | | | | | | | |
| 1499999 - Unauthorized - Other U.S. Unaffiliated Insurers | | | | | | | | | | | | | | | | | | |
| 1599999 - Unauthorized - Pools - Mandatory Pools | | | | | | | | | | | | | | | | | | |
| 1699999 - Unauthorized - Pools - Voluntary Pools | | | | | | | | | | | | | | | | | | |
| AA-1320035.....00000.....AXA Re..... | | | FR..... | | | | | | | | | 184 | | 184 | | 281 | (97) | |
| 1799998 - Unauthorized - Other Non-U.S. Insurers (Under \$100,000) | | | | | | | | | | | | | | | | | | |
| 1799999 - Unauthorized - Other Non-U.S. Insurers | | | | | | | | | | | | 184 | | 184 | | 281 | (97) | |
| 1899999 - Total - Unauthorized | | | | | | | | | | | | 184 | | 184 | | 281 | (97) | |
| 1999999 - Total - Authorized and Unauthorized | | | | | | | | | | | | 312 | | 312 | | 281 | 31 | |
| 2099999 - Total - Protected Cells | | | | | | | | | | | | | | | | | | |
| 9999999 Totals | | | | | | | | | | | | 312 | | 312 | | 281 | 31 | |

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

| | 1 | 2 | 3 |
|----|-------------------|-----------------|---------------|
| | Name of Reinsurer | Commission Rate | Ceded Premium |
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. | | | |

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

| | 1 | 2 | 3 | 4 |
|----|-------------------|--------------------|----------------|----------------|
| | Name of Reinsurer | Total Recoverables | Ceded Premiums | Affiliated |
| 1. | | | | Yes [] No [] |
| 2. | | | | Yes [] No [] |
| 3. | | | | Yes [] No [] |
| 4. | | | | Yes [] No [] |
| 5. | | | | Yes [] No [] |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE F - PART 4

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

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE F - PART 5

Provision for Unauthorized Reinsurance as of December 31, Current Year (000 OMITTED)[illegible]

1. Amounts in dispute totaling \$ are included in Column 5.
2. Amounts in dispute totaling \$ are excluded from Column 16.

| (a) | American Bankers Association (ABA) Routing Number | | Bank Name |
|-----|---|--|-----------|
| | Code | | |
| | | | |

Schedule F - Part 6

NONE

Schedule F - Part 7

NONE

SCHEDULE F - PART 8

| Restatement of Balance Sheet to Identify Net Credit for Reinsurance | | | |
|--|------------------------------------|---------------------------------|-----------------------------------|
| | 1 As Reported (Net of Ceded) | 2 Restatement Adjustments | 3 Restated (Gross of Ceded) |
| <u>ASSETS</u> (Page 2, Col. 3) | | | |
| 1. Cash and invested assets (Line 12) | 443,234,359 | | 443,234,359 |
| 2. Premiums and considerations (Line 15) | | | |
| 3. Reinsurance recoverable on loss and loss adjustment expense payments (Line 16.1)..... | | | |
| 4 Funds held by or deposited with reinsured companies (Line 16.2)..... | | | |
| 5. Other assets | 4,937,072 | | 4,937,072 |
| 6. Net amount recoverable from reinsurers | | 410,315 | 410,315 |
| 7. Protected cell assets (Line 27) | | | |
| 8. Totals (Line 28) | 448,171,431 | 410,315 | 448,581,746 |
| <u>LIABILITIES</u> (Page 3) | | | |
| 9. Losses and loss adjustment expenses (Lines 1 through 3) | 75,889,168 | | 75,889,168 |
| 10. Taxes, expenses, and other obligations (Lines 4 through 8) | 5,404,436 | | 5,404,436 |
| 11. Unearned premiums (Line 9) | 174,425,586 | 311,968 | 174,737,554 |
| 12. Advance premiums (Line 10) | | | |
| 13. Dividends declared and unpaid (Line 11.1 and 11.2) | | | |
| 14. Ceded reinsurance premiums payable (net of ceding commissions) (Line 12) | | | |
| 15. Funds held by company under reinsurance treaties (Line 13) | | | |
| 16. Amounts withheld or retained by company for account of others (Line 14) | | | |
| 17. Provision for reinsurance (Line 16) | | | |
| 18. Other liabilities | 75,137,478 | 98,347 | 75,235,825 |
| 19. Total liabilities excluding protected cell business (Line 26) | 330,856,668 | 410,315 | 331,266,983 |
| 20. Protected cell liabilities (Line 27) | | | |
| 21. Surplus as regards policyholders (Line 37) | 117,314,763 | X X X | 117,314,763 |
| 22. Totals (Line 38) | 448,171,431 | 410,315 | 448,581,746 |

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

If yes, give full explanation:
.....

Schedule H - Part 1

NONE

Schedule H - Part 2

NONE

Schedule H - Part 3

NONE

Schedule H - Part 4

NONE

Schedule H - Part 5

NONE

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

(\$000 Omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|--|-----------------|----------------------|-----------------------|--------------------------------|-----------------------|--|-----------------------|---------------------------------|---|---|---------|--|
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | Number of Claims Reported - Direct and Assumed |
| | | | | 4 | 5 | 6 | 7 | 8 | 9 | | | |
| | | | | | | | | | | | | |
| Direct and Assumed | Ceded | Net (Cols. 1 - 2) | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | | |
| 1. Prior | XXX | XXX | XXX | | | | | | | | XXX | |
| 2. 2002 | 17,650 | 6,200 | 11,449 | 2,722 | 265 | 2 | | | | 5,036 | 2,459 | XXX |
| 3. 2003 | 25,956 | 5,888 | 20,068 | | | | | | | | | XXX |
| 4. 2004 | 36,048 | 7,861 | 28,187 | 19,789 | | 6,000 | | | | | 25,789 | XXX |
| 5. 2005 | 51,224 | 4,634 | 46,589 | 5,985 | | 1,871 | | | | | 7,856 | XXX |
| 6. 2006 | 72,477 | 3,202 | 69,275 | | | 4,565 | | | | | 4,565 | XXX |
| 7. 2007 | 94,135 | 1,842 | 92,293 | 24,048 | | 15 | | | | | 24,062 | XXX |
| 8. 2008 | 26,172 | 74 | 26,098 | 243,997 | | 19,287 | | | | 2,513 | 263,284 | XXX |
| 9. 2009 | 15,533 | 87 | 15,446 | 1,974 | | 850 | | | | 73 | 2,824 | XXX |
| 10. 2010 | 15,250 | 46 | 15,205 | 13,891 | | 1,746 | | | | 1,000 | 15,636 | XXX |
| 11. 2011 | 16,397 | 63 | 16,333 | 1,547 | | 2,257 | | | | | 3,804 | XXX |
| 12. Totals | XXX | XXX | XXX | 313,952 | 265 | 36,592 | | | | 8,622 | 350,279 | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding - Direct and Assumed |
|------------|------------------------------|-----------------|------------------------------|-----------------|-------------------------------------|-----------------|------------------------------|-----------------|----------------------------|----|---|--|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | | | | | |
| 1. | | | | | | | | | | | | | XXX |
| 2. | | | | | | | | | | | | | XXX |
| 3. | | | | | | | | | | | | | XXX |
| 4. | | | | | | | | | | | | | XXX |
| 5. | 1,832 | | | | | | | | | | | 1,832 | XXX |
| 6. | | | | | | | | | | | | | XXX |
| 7. | | | | | | | | | | | | | XXX |
| 8. | 26,865 | | | | 1,081 | | | | | | | 27,946 | XXX |
| 9. | 19,656 | | | | 508 | | | | | | | 20,164 | XXX |
| 10. | (83) | | | | 1,222 | | | | | | 8,750 | 1,139 | XXX |
| 11. | 30,973 | | | | 8,686 | | | | | | 47,760 | 39,659 | XXX |
| 12. Totals | 79,243 | | | | 11,497 | | | | | | 56,510 | 90,740 | XXX |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|------------|---|-------|---------|---|-------|---------|---------------------|--------------|--|---|----------------------|
| | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | | 35 | 36 |
| | Direct and Assumed | Ceded | Net | Direct and Assumed | Ceded | Net | Loss | Loss Expense | | Losses Unpaid | Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | 2,724 | 265 | 2,459 | 15.4 | 4.3 | 21.5 | | | | | |
| 3. | | | | | | | | | | | |
| 4. | 25,789 | | 25,789 | 71.5 | | 91.5 | | | | | |
| 5. | 9,688 | | 9,688 | 18.9 | | 20.8 | 55 | | | 1,777 | |
| 6. | 4,565 | | 4,565 | 6.3 | | 6.6 | | | | | |
| 7. | 24,062 | | 24,062 | 25.6 | | 26.1 | | | | | |
| 8. | 291,230 | | 291,230 | 1,112.8 | | 1,115.9 | 10,197 | | | 16,668 | 1,081 |
| 9. | 22,988 | | 22,988 | 148.0 | | 148.8 | 7,355 | | | 12,301 | 508 |
| 10. | 16,775 | | 16,775 | 110.0 | | 110.3 | (6,021) | | | 5,938 | 1,222 |
| 11. | 43,464 | | 43,464 | 265.1 | | 266.1 | 3,266 | | | 27,707 | 8,686 |
| 12. Totals | XXX | XXX | XXX | XXX | XXX | XXX | 14,851 | | XXX | 64,392 | 11,497 |

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

SCHEDULE P - PART 2 - SUMMARY

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|----------------|----------------|
| | 1 2002 | 2 2003 | 3 2004 | 4 2005 | 5 2006 | 6 2007 | 7 2008 | 8 2009 | 9 2010 | 10 2011 | 11 One Year | 12 Two Year |
| 1. Prior | | | | | | | | | | | | |
| 2. 2002 | 0 | 0 | 3,353 | 3,173 | 3,152 | 3,153 | 2,953 | 2,459 | 2,459 | 2,459 | | |
| 3. 2003 | XXX | | | | | | | | | | | |
| 4. 2004 | XXX | XXX | 21,131 | 22,009 | 22,046 | 26,227 | 25,789 | 25,789 | 25,789 | 25,789 | | |
| 5. 2005 | XXX | XXX | XXX | 11,241 | 8,241 | 8,985 | 14,160 | 12,821 | 9,641 | 9,688 | 47 | (3,133) |
| 6. 2006 | XXX | XXX | XXX | XXX | 331 | 124 | 1,124 | 4,364 | 5,465 | 4,565 | (900) | 201 |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | 32,450 | 24,062 | 24,062 | 24,062 | 24,062 | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | 284,664 | 291,505 | 290,580 | 291,230 | 650 | (274) |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 13,363 | 19,528 | 22,988 | 3,460 | 9,625 |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 28,722 | 16,775 | (11,947) | XXX |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 43,464 | XXX | XXX |
| 12. Totals | | | | | | | | | | | (8,690) | 6,419 |

SCHEDULE P - PART 3 - SUMMARY

| Years in Which Losses Were Incurred | CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | 11 | 12 |
|---|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|---|---|
| | 1 2002 | 2 2003 | 3 2004 | 4 2005 | 5 2006 | 6 2007 | 7 2008 | 8 2009 | 9 2010 | 10 2011 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| 1. Prior | 000 | | | | | | | | | | XXX | XXX |
| 2. 2002 | 2,303 | 4,563 | 7,887 | 11,286 | 8,661 | 7,406 | 3,702 | 2,459 | 2,459 | 2,459 | XXX | XXX |
| 3. 2003 | XXX | | | | | | | | | | XXX | XXX |
| 4. 2004 | XXX | XXX | 12,600 | 25,370 | 25,869 | 25,869 | 25,789 | 25,789 | 25,789 | 25,789 | XXX | XXX |
| 5. 2005 | XXX | XXX | XXX | 793 | 2,943 | 5,001 | 7,241 | 7,856 | 7,856 | 7,856 | XXX | XXX |
| 6. 2006 | XXX | XXX | XXX | XXX | 96 | 112 | 299 | 3,164 | 4,565 | 4,565 | XXX | XXX |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | 23,964 | 24,062 | 24,062 | 24,062 | 24,062 | XXX | XXX |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | 258,403 | 260,203 | 261,717 | 263,284 | XXX | XXX |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 870 | 1,846 | 2,824 | XXX | XXX |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 1,462 | 15,636 | XXX | XXX |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 3,804 | XXX | XXX |

SCHEDULE P - PART 4 - SUMMARY

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | 1 2002 | 2 2003 | 3 2004 | 4 2005 | 5 2006 | 6 2007 | 7 2008 | 8 2009 | 9 2010 | 10 2011 |
| 1. Prior | | | | | | | | | | |
| 2. 2002 | | | | | | | | | | |
| 3. 2003 | XXX | | | | | | | | | |
| 4. 2004 | XXX | XXX | 131 | | | | | | | |
| 5. 2005 | XXX | XXX | XXX | | | | | | | |
| 6. 2006 | XXX | XXX | XXX | XXX | | | | | | |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | | | | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | | | | |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

Schedule P - Part 1A - Home/Farm

NONE

Schedule P - Part 1B - Private Passenger

NONE

Schedule P - Part 1C - Comm Auto/Truck

NONE

Schedule P - Part 1D - Workers' Comp

NONE

Schedule P - Part 1E - Comm Multi Peril

NONE

Schedule P - Part 1F - Prof. Liab. Occur

NONE

Schedule P - Part 1F - Prof. Liab. Claim

NONE

Schedule P - Part 1G - Special Liability

NONE

Schedule P - Part 1H - Other Liab Occur

NONE

Schedule P - Part 1H - Other Liab Claims

NONE

Schedule P - Part 1I - Special Property

NONE

Schedule P - Part 1J - Auto Physical
NONE

Schedule P - Part 1K - Fidelity/Surety
NONE

Schedule P - Part 1L - Other
NONE

Schedule P - Part 1M - International
NONE

Schedule P - Part 1N - Reinsurance A
NONE

Schedule P - Part 1O - Reinsurance B
NONE

Schedule P - Part 1P - Reinsurance C
NONE

Schedule P - Part 1R - Prod Liab Occur
NONE

Schedule P - Part 1R - Prod Liab Claims
NONE

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

| (\$000 Omitted) | | | | | | | | | | | | |
|--|--------------------|-------|-------------------|--------------------------------|-------|---------------------------------------|-------|------------------------------|-------|----------------------------------|--|--|
| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
| | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | Number of Claims Reported - Direct and Assumed |
| | | | | 4 | 5 | 6 | 7 | 8 | 9 | | | |
| | Direct and Assumed | Ceded | Net (Cols. 1 - 2) | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | |
| 1. Prior | XXX | XXX | XXX | 2,096 | | 449 | | | | 2,513 | 2,546 | XXX |
| 2. 2010 | 15,250 | 46 | 15,205 | 13,891 | | 1,746 | | | | 1,000 | 15,636 | XXX |
| 3. 2011 | 16,397 | 63 | 16,333 | 1,547 | | 2,257 | | | | | 3,804 | XXX |
| 4. Totals | XXX | XXX | XXX | 17,534 | | 4,453 | | | | 3,513 | 21,986 | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding - Direct and Assumed |
|----|------------------------------|-----------------|------------------------------|-----------------|-------------------------------------|-----------------|------------------------------|-----------------|------------------------------|-----------------|---|--|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | 21 Direct and Assumed | 22 Ceded | | | |
| 1. | 48,353 | | | | 1,589 | | | | | | | 49,942 | 4 |
| 2. | (83) | | | | 1,222 | | | | | | 8,750 | 1,139 | 2 |
| 3. | 30,973 | | | | 8,686 | | | | | | 47,760 | 39,659 | 3 |
| 4. | 79,243 | | | | 11,497 | | | | | | 56,510 | 90,740 | 9 |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|----|---|-------|--------|---|-------|-------|---------------------|--------------|--|---|----------------------|
| | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | | 35 | 36 |
| | Direct and Assumed | Ceded | Net | Direct and Assumed | Ceded | Net | Loss | Loss Expense | | Losses Unpaid | Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | 17,606 | | XXX | 30,747 | 1,589 |
| 2. | 16,775 | | 16,775 | 110.0 | | 110.3 | (6,021) | | | 5,938 | 1,222 |
| 3. | 43,464 | | 43,464 | 265.1 | | 266.1 | 3,266 | | | 27,707 | 8,686 |
| 4. | XXX | XXX | XXX | XXX | XXX | XXX | 14,851 | | XXX | 64,392 | 11,497 |

Schedule P - Part 1T - Warranty

NONE

Schedule P - Part 2A

NONE

Schedule P - Part 2B

NONE

Schedule P - Part 2C

NONE

Schedule P - Part 2D

NONE

Schedule P - Part 2E

NONE

Schedule P - Part 2F - Prof. Liab. Occur

NONE

Schedule P - Part 2F - Prof. Liab. Claim

NONE

Schedule P - Part 2G

NONE

Schedule P - Part 2H - Other Liab Occur

NONE

Schedule P - Part 2H - Other Liab Claim

NONE

Schedule P - Part 2I
NONE

Schedule P - Part 2J
NONE

Schedule P - Part 2K
NONE

Schedule P - Part 2L
NONE

Schedule P - Part 2M
NONE

Schedule P - Part 2N
NONE

Schedule P - Part 2O
NONE

Schedule P - Part 2P
NONE

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

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|---|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|----------------|----------------|
| | 1 2002 | 2 2003 | 3 2004 | 4 2005 | 5 2006 | 6 2007 | 7 2008 | 8 2009 | 9 2010 | 10 2011 | 11 One Year | 12 Two Year |
| 1. Prior | | | | | | | | | | | | |
| 2. 2002 | | | | | | | | | | | | |
| 3. 2003 | XXX | | | | | | | | | | | |
| 4. 2004 | XXX | XXX | | | | | | | | | | |
| 5. 2005 | XXX | XXX | XXX | | | | | | | | | |
| 6. 2006 | XXX | XXX | XXX | XXX | | | | | | | | |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | | | | | | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | | | | | | |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | | |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | XXX |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| 12. Totals | | | | | | | | | | | | |

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

| | | | | | | | | | | | | |
|------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|-----|-----|
| 1. Prior | | | | | | | | | | | | |
| 2. 2002 | | | | | | | | | | | | |
| 3. 2003 | XXX | | | | | | | | | | | |
| 4. 2004 | XXX | XXX | | | | | | | | | | |
| 5. 2005 | XXX | XXX | XXX | | | | | | | | | |
| 6. 2006 | XXX | XXX | XXX | XXX | | | | | | | | |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | | | | | | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | | | | | | |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | | |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | XXX |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| 12. Totals | | | | | | | | | | | | |

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

| | | | | | | | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|-----|--------|--------|--------|----------|-------|
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 49,959 | 53,121 | 56,378 | 3,257 | 6,419 |
| 2. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 28,722 | 16,775 | (11,947) | XXX |
| 3. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 43,464 | XXX | XXX |
| 4. Totals | | | | | | | | | | | (8,690) | 6,419 |

SCHEDULE P - PART 2T - WARRANTY

| | | | | | | | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|-----|-----|
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | | |
| 2. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | XXX |
| 3. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| 4. Totals | | | | | | | | | | | | |

Schedule P - Part 3A

NONE

Schedule P - Part 3B

NONE

Schedule P - Part 3C

NONE

Schedule P - Part 3D

NONE

Schedule P - Part 3E

NONE

Schedule P - Part 3F - Prof. Liab. Occur

NONE

Schedule P - Part 3F - Prof. Liab. Claim

NONE

Schedule P - Part 3G

NONE

Schedule P - Part 3H - Other Liab Occur

NONE

Schedule P - Part 3H - Other Liab Claims

NONE

Schedule P - Part 3I

NONE

Schedule P - Part 3J
NONE

Schedule P - Part 3K
NONE

Schedule P - Part 3L
NONE

Schedule P - Part 3M
NONE

Schedule P - Part 3N
NONE

Schedule P - Part 3O
NONE

Schedule P - Part 3P
NONE

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

| Years in Which Losses Were Incurred | CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | 11 | 12 |
|---|--|------|------|------|------|------|------|------|------|------|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | | |
| 1. Prior | .000 | | | | | | | | | | | |
| 2. 2002 | | | | | | | | | | | | |
| 3. 2003 | XXX | | | | | | | | | | | |
| 4. 2004 | XXX | XXX | | | | | | | | | | |
| 5. 2005 | XXX | XXX | XXX | | | | | | | | | |
| 6. 2006 | XXX | XXX | XXX | XXX | | | | | | | | |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | | | | | | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | | | | | | |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | | |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |

NONE

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

| | | | | | | | | | | | | |
|----------|------|-----|-----|-----|-----|-----|-----|-----|-----|--|--|--|
| 1. Prior | .000 | | | | | | | | | | | |
| 2. 2002 | | | | | | | | | | | | |
| 3. 2003 | XXX | | | | | | | | | | | |
| 4. 2004 | XXX | XXX | | | | | | | | | | |
| 5. 2005 | XXX | XXX | XXX | | | | | | | | | |
| 6. 2006 | XXX | XXX | XXX | XXX | | | | | | | | |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | | | | | | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | | | | | | |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | | |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |

NONE

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

| | | | | | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|------|-------|--------|-----|-----|
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .000 | 3,890 | 6,436 | XXX | XXX |
| 2. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 1,462 | 15,636 | XXX | XXX |
| 3. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 3,804 | XXX | XXX |

SCHEDULE P - PART 3T - WARRANTY

| | | | | | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|------|-----|--|-----|-----|
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | .000 | | | XXX | XXX |
| 2. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | XXX |
| 3. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

NONE

Schedule P - Part 4A

NONE

Schedule P - Part 4B

NONE

Schedule P - Part 4C

NONE

Schedule P - Part 4D

NONE

Schedule P - Part 4E

NONE

Schedule P - Part 4F - Prof. Liab. Occur

NONE

Schedule P - Part 4F - Prof. Liab. Claim

NONE

Schedule P - Part 4G

NONE

Schedule P - Part 4H - Other Liab Occur

NONE

Schedule P - Part 4H - Other Liab Claims

NONE

Schedule P - Part 4I - Special Property

NONE

Schedule P - Part 4J
NONE

Schedule P - Part 4K
NONE

Schedule P - Part 4L
NONE

Schedule P - Part 4M
NONE

Schedule P - Part 4N
NONE

Schedule P - Part 4O
NONE

Schedule P - Part 4P
NONE

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

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | 1 2002 | 2 2003 | 3 2004 | 4 2005 | 5 2006 | 6 2007 | 7 2008 | 8 2009 | 9 2010 | 10 2011 |
| 1. Prior | | | | | | | | | | |
| 2. 2002 | | | | | | | | | | |
| 3. 2003 | XXX | | | | | | | | | |
| 4. 2004 | XXX | XXX | | | | | | | | |
| 5. 2005 | XXX | XXX | XXX | | | | | | | |
| 6. 2006 | XXX | XXX | XXX | XXX | | | | | | |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | | | | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | | | | |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

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

| | | | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| 1. Prior | | | | | | | | | | |
| 2. 2002 | | | | | | | | | | |
| 3. 2003 | XXX | | | | | | | | | |
| 4. 2004 | XXX | XXX | | | | | | | | |
| 5. 2005 | XXX | XXX | XXX | | | | | | | |
| 6. 2006 | XXX | XXX | XXX | XXX | | | | | | |
| 7. 2007 | XXX | XXX | XXX | XXX | XXX | | | | | |
| 8. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | | | | |
| 9. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 10. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 11. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

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

| | | | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 2. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 3. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

SCHEDULE P - PART 4T - WARRANTY

| | | | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 2. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 3. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

Schedule P - Part 5A- SN1

NONE

Schedule P - Part 5A- SN2

NONE

Schedule P - Part 5A- SN3

NONE

Schedule P - Part 5B- SN1

NONE

Schedule P - Part 5B- SN2

NONE

Schedule P - Part 5B- SN3

NONE

Schedule P - Part 5C- SN1

NONE

Schedule P - Part 5C- SN2

NONE

Schedule P - Part 5C- SN3

NONE

Schedule P - Part 5D- SN1

NONE

Schedule P - Part 5D- SN2

NONE

Schedule P - Part 5D- SN3
NONE

Schedule P - Part 5E- SN1
NONE

Schedule P - Part 5E- SN2
NONE

Schedule P - Part 5E- SN3
NONE

Schedule P - Part 5F- SN1A
NONE

Schedule P - Part 5F- SN2A
NONE

Schedule P - Part 5F- SN3A
NONE

Schedule P - Part 5F- SN1B
NONE

Schedule P - Part 5F- SN2B
NONE

Schedule P - Part 5F- SN3B
NONE

Schedule P - Part 5H- SN1A
NONE

Schedule P - Part 5H- SN2A
NONE

Schedule P - Part 5H- SN3A
NONE

Schedule P - Part 5H- SN1B
NONE

Schedule P - Part 5H- SN2B
NONE

Schedule P - Part 5H- SN3B
NONE

Schedule P - Part 5R- SN1A
NONE

Schedule P - Part 5R- SN2A
NONE

Schedule P - Part 5R- SN3A
NONE

Schedule P - Part 5R- SN1B
NONE

Schedule P - Part 5R- SN2B
NONE

Schedule P - Part 5R- SN3B
NONE

Schedule P - Part 5T- SN1
NONE

Schedule P - Part 5T- SN2
NONE

Schedule P - Part 5T- SN3
NONE

Schedule P - Part 6C - SN1
NONE

Schedule P - Part 6C - SN2
NONE

Schedule P - Part 6D - SN1
NONE

Schedule P - Part 6D - SN2
NONE

Schedule P - Part 6E - SN1
NONE

Schedule P - Part 6E - SN2
NONE

Schedule P - Part 6H - SN1A
NONE

Schedule P - Part 6H - SN2A
NONE

Schedule P - Part 6H - SN1B
NONE

Schedule P - Part 6H - SN2B
NONE

Schedule P - Part 6M - SN1
NONE

Schedule P - Part 6M - SN2
NONE

Schedule P - Part 6N - SN1
NONE

Schedule P - Part 6N - SN2
NONE

Schedule P - Part 6O - SN1
NONE

Schedule P - Part 6O - SN2
NONE

Schedule P - Part 6R - SN1A
NONE

Schedule P - Part 6R - SN2A
NONE

Schedule P - Part 6R - SN1B
NONE

Schedule P - Part 6R - SN2B
NONE

Schedule P - Part 7A - Section 1
NONE

Schedule P - Part 7A - Section 2
NONE

Schedule P - Part 7A - Section 3
NONE

Schedule P - Part 7A - Section 4
NONE

Schedule P - Part 7A - Section 5
NONE

Schedule P - Part 7B - Section 1
NONE

Schedule P - Part 7B - Section 2
NONE

Schedule P - Part 7B - Section 3
NONE

Schedule P - Part 7B - Section 4
NONE

Schedule P - Part 7B - Section 5
NONE

Schedule P - Part 7B - Section 6

NONE

Schedule P - Part 7B - Section 7

NONE

SCHEDULE P INTERROGATORIES

1.

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

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

Yes [] No [X]
- 1.2

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

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

Yes [] No [X]
- 1.4

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

Yes [] No [X]
- 1.5

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

Yes [] No [] N/A [X]
- 1.6

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

| Years in Which Premiums Were Earned and Losses Were Incurred | | DDR Reserve Included in Schedule P, Part 1F, Medical Professional Liability Column 24: Total Net Losses and Expenses Unpaid | |
|--|-------------|---|------------------------|
| | | 1 | 2 |
| | | Section 1: Occurrence | Section 2: Claims-Made |
| 1.601 | Prior | | |
| 1.602 | 2002..... | | |
| 1.603 | 2003..... | | |
| 1.604 | 2004..... | | |
| 1.605 | 2005..... | | |
| 1.606 | 2006..... | | |
| 1.607 | 2007..... | | |
| 1.608 | 2008 | | |
| 1.609 | 2009..... | | |
| 1.610 | 2010 | | |
| 1.611 | 2011..... | | |
| 1.612 | Totals | | |

2.

The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses (now reported as "Defense and Cost Containment" and "Adjusting and Other") reported in compliance with these definitions in this statement?

Yes [] No [X]
3.

The Adjusting and Other expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating Adjusting and Other expense between companies in a group or a pool, the Adjusting and Other expense should be allocated in the same percentage used for the loss amounts and the claim counts. For reinsurers, Adjusting and Other expense assumed should be reported according to the reinsurance contract. For Adjusting and Other expense incurred by reinsurers, or in those situations where suitable claim count information is not available, Adjusting and Other expense should be allocated by a reasonable method determined by the company and described in Interrogatory 7, below. Are they so reported in this Statement? Answer:

Yes [X] No []
4.

Do any lines in Schedule P include reserves that are reported gross of any discount to present value of future payments, and that are reported net of such discounts on Page 10?

Yes [X] No []

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

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

Discounting is allowed only if expressly permitted by the state insurance department to which this Annual Statement is being filed.
5.

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

5.1Fidelity

5.2Surety
6.

Claim count information is reported per claim or per claimant (indicate which).....CLAIM
If not the same in all years, explain in Interrogatory 7.
- 7.1

The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things. Are there any especially significant events, coverage, retention or accounting changes that have occurred that must be considered when making such analyses?

Yes [] No [X]
- 7.2

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

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

| Allocated by States and Territories | | | | | | | | | |
|--|---------------|--|------------------------|--|--|------------------------|----------------------|--|---|
| States, etc. | 1 | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken | | 4 | 5 | 6 | 7 | 8 | 9 |
| | | 2 | 3 | | | | | | |
| | Active Status | Direct Premiums Written | Direct Premiums Earned | Dividends Paid or Credited to Policyholders on Direct Business | Direct Losses Paid (Deducting Salvage) | Direct Losses Incurred | Direct Losses Unpaid | Finance and Service Charges Not Included in Premiums | Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
| 1. Alabama | AL L | | 119,804 | | | | | | |
| 2. Alaska | AK L | | 51,227 | | | | | | |
| 3. Arizona | AZ L | | 457,419 | | | | | | |
| 4. Arkansas | AR L | | 151,032 | | | | | | |
| 5. California | CA L | | 703,941 | | 607,385 | 25,547,736 | 24,940,351 | | |
| 6. Colorado | CO L | | 315,944 | | | | | | |
| 7. Connecticut | CT L | | 45,366 | | | | | | |
| 8. Delaware | DE L | | 398,308 | | | | | | |
| 9. Dist. of Columbia | DC L | | 163,165 | | | | | | |
| 10. Florida | FL L | 96,210 | 1,091,658 | | 515,625 | 2,728,219 | 2,212,594 | | |
| 11. Georgia | GA L | | 229,566 | | | | | | |
| 12. Hawaii | HI L | | | | | | | | |
| 13. Idaho | ID L | | | | | | | | |
| 14. Illinois | IL L | 62,135 | 524,056 | | | | | | |
| 15. Indiana | IN L | | 3,585 | | | | | | |
| 16. Iowa | IA L | | | | | | | | |
| 17. Kansas | KS L | | 18,732 | | | | | | |
| 18. Kentucky | KY L | | 25,787 | | | | | | |
| 19. Louisiana | LA L | 5,150 | 503,949 | | 460,565 | 2,727,747 | 8,002,352 | | |
| 20. Maine | ME L | | | | | | | | |
| 21. Maryland | MD L | | 59,864 | | | | | | |
| 22. Massachusetts | MA L | | 210,618 | | | | | | |
| 23. Michigan | MI L | | 943,419 | | | | | | |
| 24. Minnesota | MN L | 2,878 | 489,477 | | | 63,080 | 1,777,359 | | |
| 25. Mississippi | MS L | | 141,093 | | 1,553,222 | 1,367,551 | 16,668,076 | | |
| 26. Missouri | MO L | 9,280 | 298,463 | | | | | | |
| 27. Montana | MT L | | | | | | | | |
| 28. Nebraska | NE L | | | | | | | | |
| 29. Nevada | NV L | | 220,305 | | | | | | |
| 30. New Hampshire | NH L | 44,000 | 254,101 | | | | | | |
| 31. New Jersey | NJ L | | 145,956 | | | | | | |
| 32. New Mexico | NM L | | 7,569 | | | | | | |
| 33. New York | NY L | | 2,555,761 | | 11,199,956 | (1,462,508) | 4,624,372 | | |
| 34. No. Carolina | NC L | | 27,827 | | | | | | |
| 35. No. Dakota | ND L | | 29,909 | | | | | | |
| 36. Ohio | OH L | | 50,022 | | | | | | |
| 37. Oklahoma | OK L | | 1,685,816 | | | | | | |
| 38. Oregon | OR L | | 63,956 | | | | | | |
| 39. Pennsylvania | PA L | | 328,207 | | | | | | |
| 40. Rhode Island | RI L | | 14,294 | | | | | | |
| 41. So. Carolina | SC L | | 199,861 | | 1,609,102 | 2,080,639 | 1,313,653 | | |
| 42. So. Dakota | SD L | | 30,822 | | | | | | |
| 43. Tennessee | TN L | | | | | | | | |
| 44. Texas | TX L | | 927,998 | | 108,085 | (28,643) | 4,299,055 | | |
| 45. Utah | UT L | | | | | | | | |
| 46. Vermont | VT L | | 65,738 | | | | | | |
| 47. Virginia | VA L | 89,325 | 358,170 | | 424,019 | 978,375 | 554,356 | | |
| 48. Washington | WA L | | 1,408,472 | | | | | | |
| 49. West Virginia | WV L | | | | | | | | |
| 50. Wisconsin | WI L | | 111,631 | | | | | | |
| 51. Wyoming | WY L | | | | | | | | |
| 52. American Samoa | AS N | | | | | | | | |
| 53. Guam | GU L | | 71,353 | | | | | | |
| 54. Puerto Rico | PR L | | 90,968 | | | | | | |
| 55. U.S. Virgin Islands | VI L | | 585,575 | | | | | | |
| 56. Northern Mariana Islands | MP N | | | | | | | | |
| 57. Canada | CN N | | | | | | | | |
| 58. Aggregate other alien | OT XXX | | | | | | | | |
| 59. Totals | (a) 54 | 308,978 | 16,180,784 | | 16,477,959 | 34,002,196 | 64,392,168 | | |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 5801. | XXX | | | | | | | | |
| 5802. | XXX | | | | | | | | |
| 5803. | XXX | | | | | | | | |
| 5898. Sum. of remaining write-ins for Line 58 from overflow page | XXX | | | | | | | | |
| 5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above) | XXX | | | | | | | | |

(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.

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

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

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

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

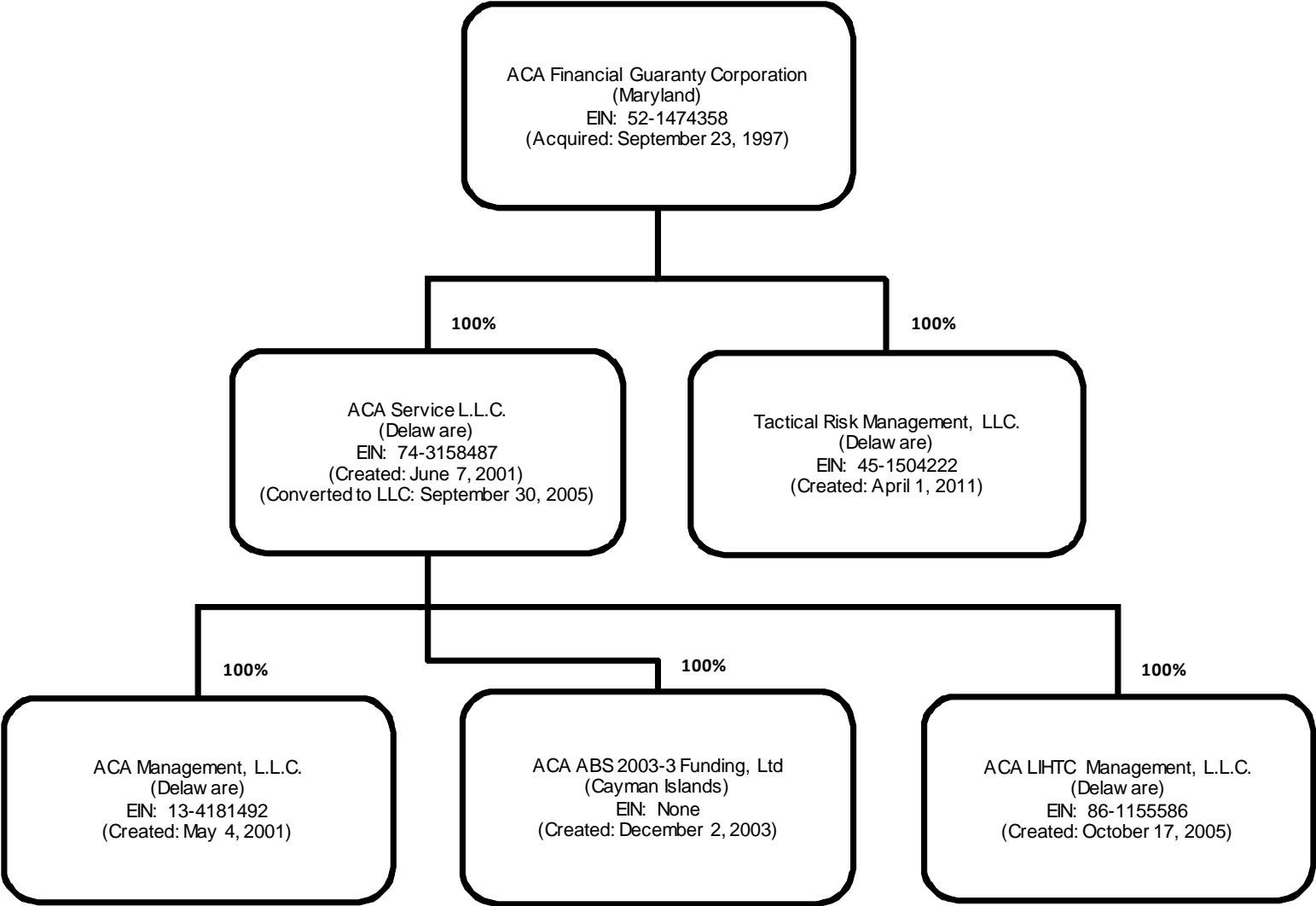
Allocated By States and Territories

| | | Direct Business Only | | | | | |
|------------------------------------|----|--------------------------------|----------------------------------|---|--|------------------------|--------|
| | | 1 | 2 | 3 | 4 | 5 | 6 |
| States, Etc. | | Life (Group and Individual) | Annuities (Group and Individual) | Disability Income (Group and Individual) | Long-Term Care (Group and Individual) | Deposit-Type Contracts | Totals |
| 1. Alabama | AL | | | | | | |
| 2. Alaska | AK | | | | | | |
| 3. Arizona | AZ | | | | | | |
| 4. Arkansas | AR | | | | | | |
| 5. California | CA | | | | | | |
| 6. Colorado | CO | | | | | | |
| 7. Connecticut | CT | | | | | | |
| 8. Delaware | DE | | | | | | |
| 9. District of Columbia | DC | | | | | | |
| 10. Florida | FL | | | | | | |
| 11. Georgia | GA | | | | | | |
| 12. Hawaii | HI | | | | | | |
| 13. Idaho | ID | | | | | | |
| 14. Illinois | IL | | | | | | |
| 15. Indiana | IN | | | | | | |
| 16. Iowa | IA | | | | | | |
| 17. Kansas | KS | | | | | | |
| 18. Kentucky | KY | | | | | | |
| 19. Louisiana | LA | | | | | | |
| 20. Maine | ME | | | | | | |
| 21. Maryland | MD | | | | | | |
| 22. Massachusetts | MA | | | | | | |
| 23. Michigan | MI | | | | | | |
| 24. Minnesota | MN | | | | | | |
| 25. Mississippi | MS | | | | | | |
| 26. Missouri | MO | | | | | | |
| 27. Montana | MT | | | | | | |
| 28. Nebraska | NE | | | | | | |
| 29. Nevada | NV | | | | | | |
| 30. New Hampshire | NH | | | | | | |
| 31. New Jersey | NJ | | | | | | |
| 32. New Mexico | NM | | | | | | |
| 33. New York | NY | | | | | | |
| 34. North Carolina | NC | | | | | | |
| 35. North Dakota | ND | | | | | | |
| 36. Ohio | OH | | | | | | |
| 37. Oklahoma | OK | | | | | | |
| 38. Oregon | OR | | | | | | |
| 39. Pennsylvania | PA | | | | | | |
| 40. Rhode Island | RI | | | | | | |
| 41. South Carolina | SC | | | | | | |
| 42. South Dakota | SD | | | | | | |
| 43. Tennessee | TN | | | | | | |
| 44. Texas | TX | | | | | | |
| 45. Utah | UT | | | | | | |
| 46. Vermont | VT | | | | | | |
| 47. Virginia | VA | | | | | | |
| 48. Washington | WA | | | | | | |
| 49. West Virginia | WV | | | | | | |
| 50. Wisconsin | WI | | | | | | |
| 51. Wyoming | WY | | | | | | |
| 52. American Samoa | AS | | | | | | |
| 53. Guam | GU | | | | | | |
| 54. Puerto Rico | PR | | | | | | |
| 55. US Virgin Islands | VI | | | | | | |
| 56. Northern Mariana Islands | MP | | | | | | |
| 57. Canada | CN | | | | | | |
| 58. Aggregate Other Alien | OT | | | | | | |
| 59. Totals | | | | | | | |

NONE

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

PART 1 - ORGANIZATIONAL CHART



ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE Y PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

[illegible]

NONE

NONE

99

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

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

| | RESPONSES |
|--|------------------|
| 1. Will an actuarial opinion be filed by March 1? |YES..... |
| 2. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? |YES..... |
| 3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1? |WAIVED..... |
| 4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required, by March 1? |WAIVED..... |

APRIL FILING

| | |
|--|---------------|
| 5. Will the Insurance Expense Exhibit be filed with the state of domicile and the NAIC by April 1? |YES..... |
| 6. Will Management's Discussion and Analysis be filed by April 1? |YES..... |
| 7. Will the Supplemental Investment Risks Interrogatories be filed by April 1? |YES..... |

MAY FILING

| | |
|---|------------------|
| 8. Will this company be included in a combined annual statement that is filed with the NAIC by May 1? |WAIVED..... |
|---|------------------|

JUNE FILING

| | |
|---|---------------|
| 9. Will an audited financial report be filed by June 1? |YES..... |
| 10. Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1? |YES..... |

AUGUST FILING

| | |
|--|---------------|
| 11. Will Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile by August 1? |YES..... |
|--|---------------|

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

MARCH FILING

| | |
|--|---------------------------|
| 12. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? |NO..... |
| 13. Will the Financial Guaranty Insurance Exhibit be filed by March 1? |YES..... |
| 14. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1? |NO..... |
| 15. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed by March 1? |NO..... |
| 16. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1? |NO..... |
| 17. Will the Premiums Attributed to Protected Cells Exhibit be filed by March 1? |NO..... |
| 18. Will the Reinsurance Summary Supplemental Filing for General Interrogatory 9 be filed with the state of domicile and the NAIC by March 1? |SEE EXPLANATION..... |
| 19. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1? |NO..... |
| 20. Will the confidential Actuarial Opinion Summary be filed with the state of domicile, if required, by March 15 (or the date otherwise specified)? |YES..... |
| 21. Will the Reinsurance Attestation Supplement be filed with the state of domicile and the NAIC by March 1? |YES..... |
| 22. Will the Exceptions to the Reinsurance Attestation Supplement be filed with the state of domicile by March 1? |SEE EXPLANATION..... |
| 23. Will the Bail Bond Supplement be filed with the state of domicile and the NAIC by March 1? |NO..... |
| 24. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC by March 1? |NO..... |
| 25. Will an approval from the reporting entity's state of domicile for relief related to the five-year rotation requirement for lead audit partner be filed electronically with the NAIC by March 1? |NO..... |
| 26. Will an approval from the reporting entity's state of domicile for relief related to the one-year cooling off period for independent CPA be filed electronically with the NAIC by March 1? |NO..... |
| 27. Will an approval from the reporting entity's state of domicile for relief related to the Requirements for Audit Committees be filed electronically with the NAIC by March 1? |NO..... |

APRIL FILING

| | |
|--|--------------|
| 28. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? |NO..... |
| 29. Will the Long-term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? |NO..... |
| 30. Will the Accident and Health Policy Experience Exhibit be filed by April 1? |NO..... |
| 31. Will the Supplemental Health Care Exhibit be filed with the state of domicile and the NAIC by April 1? |NO..... |
| 32. Will the regulator only (non-public) Supplemental Health Care Exhibit's Expense Allocation Report be filed with the state of domicile and the NAIC by April 1? |NO..... |

AUGUST FILING

| | |
|--|---------------------------|
| 33. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? |SEE EXPLANATION..... |
|--|---------------------------|

Explanation:

12.

14.

15.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

16.
17.
18. The Company has all No answers on Interrogatory 9 indicating that there is nothing to report.
19.
22. The Company does not have any exceptions to report.
23.
24.
25.
26.
27.
28.
29.
30.
31.
32.
33. The Company falls below the premium threshold, therefor is exempt from this requirement.

Bar Code:

3.

228962011390000000

4.

228962011390000000

8.

228962011211000000

12.

228962011420000000

14.

228962011360590000

15.

228962011455000000

16.

228962011490000000

17.

228962011385000000

19.

228962011365000000

23.

228962011500000000

24.

228962011505590000







25.

228962011224000000

26.

228962011225000000

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

| | |
|-----|--|
| 27. |  2 2 8 9 6 2 0 1 1 2 2 6 0 0 0 0 0 |
| 28. |  2 2 8 9 6 2 0 1 1 2 3 0 5 9 0 0 0 |
| 29. |  2 2 8 9 6 2 0 1 1 3 0 6 0 0 0 0 0 |
| 30. |  2 2 8 9 6 2 0 1 1 2 1 0 0 0 0 0 0 |
| 31. |  2 2 8 9 6 2 0 1 1 2 1 6 5 9 0 0 0 |
| 32. |  2 2 8 9 6 2 0 1 1 2 1 7 0 0 0 0 0 |

OVERFLOW PAGE FOR WRITE-INS

P002 Additional Aggregate Lines for Page 2 Line 25.
*ASSETS - Assets

| | 1 | 2 | 3 | 4 |
|--|---------|--------------------|--------------------------------------|---------------------|
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 – 2) | Net Admitted Assets |
| 2504. Collateral Deposit..... | 281,372 | | 281,372 | |
| 2505. Prepaid Expenses..... | 265,459 | 265,459 | | |
| 2506. Security Deposit..... | 60,167 | 60,167 | | |
| 2507. Other Assets..... | 57,543 | | 57,543 | 22,749 |
| 2597. Summary of remaining write-ins for Line 24 from page 2 | 664,541 | 325,626 | 338,915 | 22,749 |

P004 Additional Aggregate Lines for Page 4 Line 14.
*STMTINCOME - Statement of Income

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| 1404. Other Income..... | (175,461) | 194,908 |
| 1497. Summary of remaining write-ins for Line 14 from page 4 | (175,461) | 194,908 |

P013 Additional Aggregate Lines for Page 13 Line 25.
*EXNONADMIT - Exhibit of Nonadmitted Assets

| | 1 Current Year Total Nonadmitted Assets | 2 Prior Year Total Nonadmitted Assets | 3 Change in Total Nonadmitted Assets (C2 - C1) |
|---|--|--|---|
| 2504. Security Deposit..... | 60,167 | 63,967 | 3,800 |
| 2597. Summary of remaining write-ins for Line 24 from page 13 | 60,167 | 63,967 | 3,800 |

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|---|---------------------------|------------|---|---|-------------------------|------------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| | Amount | Percentage | Amount | Securities Lending Reinvested Collateral Amount | Total (Col. 3+4) Amount | Percentage |
| 1. Bonds: | | | | | | |
| 1.1 U.S. treasury securities | 4,034,658 | 0.910 | 4,034,658 | | 4,034,658 | 0.910 |
| 1.2 U.S. government agency obligations (excluding mortgage-backed securities): | | | | | | |
| 1.21 Issued by U.S. government agencies | | | | | | |
| 1.22 Issued by U.S. government sponsored agencies | 1,429,912 | 0.323 | 1,429,912 | | 1,429,912 | 0.323 |
| 1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities) | | | | | | |
| 1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.: | | | | | | |
| 1.41 States, territories and possessions general obligations | | | | | | |
| 1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations | | | | | | |
| 1.43 Revenue and assessment obligations | 4,948,825 | 1.116 | 4,948,825 | | 4,948,825 | 1.117 |
| 1.44 Industrial development and similar obligations | | | | | | |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS): | | | | | | |
| 1.51 Pass-through securities: | | | | | | |
| 1.511 Issued or guaranteed by GNMA | 79,591,244 | 17.954 | 79,591,244 | | 79,591,244 | 17.957 |
| 1.512 Issued or guaranteed by FNMA and FHLMC | 25,087,146 | 5.659 | 25,087,146 | | 25,087,146 | 5.660 |
| 1.513 All other | | | | | | |
| 1.52 CMOs and REMICs: | | | | | | |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA | 45,338,775 | 10.227 | 45,338,775 | | 45,338,775 | 10.229 |
| 1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 | | | | | | |
| 1.523 All other | 53,253,673 | 12.013 | 53,253,673 | | 53,253,673 | 12.015 |
| 2. Other debt and other fixed income securities (excluding short term): | | | | | | |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities) | 154,122,201 | 34.766 | 154,122,201 | | 154,122,201 | 34.772 |
| 2.2 Unaffiliated non-U.S. securities (including Canada) | 62,551,820 | 14.110 | 62,551,820 | | 62,551,820 | 14.113 |
| 2.3 Affiliated securities | | | | | | |
| 3. Equity interests: | | | | | | |
| 3.1 Investments in mutual funds | | | | | | |
| 3.2 Preferred stocks: | | | | | | |
| 3.21 Affiliated | | | | | | |
| 3.22 Unaffiliated | | | | | | |
| 3.3 Publicly traded equity securities (excluding preferred stocks): | | | | | | |
| 3.31 Affiliated | | | | | | |
| 3.32 Unaffiliated | | | | | | |
| 3.4 Other equity securities: | | | | | | |
| 3.41 Affiliated | | | | | | |
| 3.42 Unaffiliated | | | | | | |
| 3.5 Other equity interests including tangible personal property under lease: | | | | | | |
| 3.51 Affiliated | | | | | | |
| 3.52 Unaffiliated | | | | | | |
| 4. Mortgage loans: | | | | | | |
| 4.1 Construction and land development | | | | | | |
| 4.2 Agricultural | | | | | | |
| 4.3 Single family residential properties | | | | | | |
| 4.4 Multifamily residential properties | | | | | | |
| 4.5 Commercial loans | | | | | | |
| 4.6 Mezzanine real estate loans | | | | | | |
| 5. Real estate investments: | | | | | | |
| 5.1 Property occupied by company | | | | | | |
| 5.2 Property held for the production of income (including \$of property acquired in satisfaction of debt) | | | | | | |
| 5.3 Property held for sale (including \$ property acquired in satisfaction of debt) | | | | | | |
| 6. Contract loans | | | | | | |
| 7. Derivatives | | | | | | |
| 8. Receivables for securities | 20,378 | 0.005 | 20,378 | | 20,378 | 0.005 |
| 9. Securities Lending (Line 10, Asset Page reinvested collateral) | | | | XXX | XXX | XXX |
| 10. Cash, cash equivalents and short-term investments | 12,855,729 | 2.900 | 12,855,729 | | 12,855,729 | 2.900 |
| 11. Other invested assets | 78,062 | 0.018 | | | | |
| 12. Total invested assets | 443,312,423 | 100.000 | 443,234,361 | | 443,234,361 | 100.000 |

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1. Book/adjusted carrying value, December 31 of prior year.....

2. Cost of acquired:

2.1 Actual cost at time of acquisition (Part 2, Column 6).....

2.2 Additional investment made after acquisition (Part 2, Column 7).....

3. Current year change in encumbrances:

3.1 Totals, Part 1, Column 13.....

3.2 Totals, Part 3, Column 11.....

4. Total gain (loss) on disposals, Part 3, Column 18.....

5. Deduct amounts received on disposals, Part 3, Column 15.....

6. Total foreign exchange change in book/adjusted carrying value:

6.1 Totals, Part 1, Column 15.....

6.2 Totals, Part 3, Column 13.....

7. Deduct current year's other than temporary impairment recognized:

7.1 Totals, Part 1, Column 12.....

7.2 Totals, Part 3, Column 10.....

8. Deduct current year's depreciation:

8.1 Totals, Part 1, Column 11.....

8.2 Totals, Part 3, Column 9.....

9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8).....

10. Deduct total nonadmitted amounts.....

11. Statement value at end of current period (Line 9 minus Line 10).....

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1. Book value/recorded investment excluding accrued interest, December 31 of prior year

2. Cost of acquired:

2.1 Actual cost at time of acquisition (Part 2, Column 7).....

2.2 Additional investment made after acquisition (Part 2, Column 8).....

3. Capitalized deferred interest and other:

3.1 Totals, Part 1, Column 12.....

3.2 Totals, Part 3, Column 11.....

4. Accrual of discount.....

5. Unrealized valuation increase (decrease):

5.1 Totals, Part 1, Column 9.....

5.2 Totals, Part 3, Column 8.....

6. Total gain (loss) on disposals, Part 3, Column 18.....

7. Deduct amounts received on disposals, Part 3, Column 15.....

8. Deduct amortization of premium and mortgage interest points and commitment fees.....

9. Total foreign exchange change in book value/recorded investment excluding accrued interest:

9.1 Totals, Part 1, Column 13.....

9.2 Totals, Part 3, Column 13.....

10. Deduct current year's other than temporary impairment recognized:

10.1 Totals, Part 1, Column 11.....

10.2 Totals, Part 3, Column 10.....

11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....

12. Total valuation allowance.....

13. Subtotal (Line 11 plus Line 12).....

14. Deduct total nonadmitted amounts.....

15. Statement value of mortgages owned at end of current period (Line 13 minus Line 14).....

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Other Long-Term Invested Assets

| | |
|---|-----------|
| 1. Book/adjusted carrying value, December 31 of prior year..... | 1,090,454 |
| 2. Cost of acquired: | |
| 2.1 Actual cost at time of acquisition (Part 2, Column 8)..... | 100,000 |
| 2.2 Additional investment made after acquisition (Part 2, Column 9)..... | 100,000 |
| 3. Capitalized deferred interest and other: | |
| 3.1 Totals, Part 1, Column 16..... | |
| 3.2 Totals, Part 3, Column 12..... | |
| 4. Accrual of discount..... | |
| 5. Unrealized valuation increase (decrease): | |
| 5.1 Totals, Part 1, Column 13..... | (21,938) |
| 5.2 Totals, Part 3, Column 9..... | (21,938) |
| 6. Total gain (loss) on disposals, Part 3, Column 19..... | 57,911 |
| 7. Deduct amounts received on disposals, Part 3, Column 16..... | 1,148,356 |
| 8. Deduct amortization of premium and depreciation..... | 9 |
| 9. Total foreign exchange change in book/adjusted carrying value: | |
| 9.1 Totals, Part 1, Column 17..... | |
| 9.2 Totals, Part 3, Column 14..... | |
| 10. Deduct current year's other than temporary impairment recognized: | |
| 10.1 Totals, Part 1, Column 15..... | |
| 10.2 Totals, Part 3, Column 11..... | |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)..... | 78,062 |
| 12. Deduct total nonadmitted amounts..... | 78,062 |
| 13. Statement value at end of current period (Line 11 minus Line 12)..... | 0 |

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

| | |
|--|-------------|
| 1. Book /adjusted carrying value, December 31 of prior year..... | 434,056,424 |
| 2. Cost of bonds and stocks acquired, Part 3, Column 7..... | 121,763,027 |
| 3. Accrual of discount..... | 1,419,809 |
| 4. Unrealized valuation increase (decrease): | |
| 4.1 Part 1, Column 12..... | (187,345) |
| 4.2 Part 2, Section 1, Column 15..... | |
| 4.3 Part 2, Section 2, Column 13..... | |
| 4.4 Part 4, Column 11..... | (187,345) |
| 5. Total gain (loss) on disposals, Part 4, Column 19..... | 3,008,713 |
| 6. Deduction consideration for bonds and stocks disposed of, Part 4, Column 7..... | 125,415,168 |
| 7. Deduct amortization of premium..... | 2,869,185 |
| 8. Total foreign exchange change in book/adjusted carrying value: | |
| 8.1 Part 1, Column 15..... | |
| 8.2 Part 2, Section 1, Column 19..... | |
| 8.3 Part 2, Section 2, Column 16..... | |
| 8.4 Part 4, Column 15..... | |
| 9. Deduct current year's other than temporary impairment recognized: | |
| 9.1 Part 1, Column 14..... | 1,174,186 |
| 9.2 Part 2, Section 1, Column 17..... | |
| 9.3 Part 2, Section 2, Column 14..... | |
| 9.4 Part 4, Column 13..... | 243,837 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)..... | 430,358,252 |
| 11. Deduct total nonadmitted amounts..... | |
| 12. Statement value at end of current period (Line 10 minus Line 11)..... | 430,358,252 |

SCHEDULE D - SUMMARY BY COUNTRY

| Long-Term Bonds and Stocks OWNED December 31 of Current Year | | | | | |
|---|-----------------------------------|--------------------------------------|-----------------|------------------|-------------------------|
| Description | | 1 Book/Adjusted Carrying Value | 2 Fair Value | 3 Actual Cost | 4 Par Value of Bonds |
| BONDS Governments (Including all obligations guaranteed by governments) | 1. United States | 83,625,902 | 87,513,770 | 83,719,948 | 79,561,817 |
| | 2. Canada | | | | |
| | 3. Other Countries | 1,429,912 | 1,457,250 | 1,429,773 | 1,450,000 |
| | 4. Totals | 85,055,814 | 88,971,020 | 85,149,721 | 81,011,817 |
| U. S. States, Territories and Possessions (Direct and guaranteed) | 5. Totals | | | | |
| U.S. Political Subdivisions of States, Territories and Possessions (Direct and guaranteed) | 6. Totals | | | | |
| U.S. Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions | 7. Totals | 75,536,910 | 80,630,568 | 75,739,686 | 75,636,458 |
| Industrial and Miscellaneous and Hybrid Securities (unaffiliated) | 8. United States..... | 207,213,709 | 217,137,610 | 209,206,404 | 207,530,957 |
| | 9. Canada..... | 3,037,328 | 3,231,840 | 3,056,477 | 3,000,000 |
| | 10. Other Countries | 59,514,492 | 61,207,664 | 59,431,767 | 81,622,183 |
| | 11. Totals | 269,765,529 | 281,577,114 | 271,694,648 | 292,153,140 |
| Parent, Subsidiaries and Affiliates | 12. Totals | | | | |
| | 13. Total Bonds | 430,358,253 | 451,178,702 | 432,584,055 | 448,801,415 |
| PREFERRED STOCKS Industrial and Miscellaneous (unaffiliated) | 14. United States | | | | |
| | 15. Canada | | | | |
| | 16. Other Countries | | | | |
| | 17. Totals | | | | |
| Parent, Subsidiaries and Affiliates | 18. Totals | | | | |
| | 19. Total Preferred Stocks | | | | |
| COMMON STOCKS Industrial and Miscellaneous (unaffiliated) | 20. United States | | | | |
| | 21. Canada | | | | |
| | 22. Other Countries | | | | |
| | 23. Totals | | | | |
| Parent, Subsidiaries and Affiliates | 24. Totals | | | | |
| | 25. Total Common Stocks | | | | |
| | 26. Total Stocks | | | | |
| | 27. Total Bonds and Stocks | 430,358,253 | 451,178,702 | 432,584,055 | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 1

| Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations | | | | | | | | | | | |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|-----------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|
| Quality Rating per the NAIC Designation | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 9.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
| 1. U.S. Governments | | | | | | | | | | | |
| 1.1 Class 1 | 11,799,007 | 23,383,760 | 18,446,090 | 20,190,296 | 9,806,749 | 83,625,902 | 19.0 | 90,043,288 | 20.0 | 83,625,902 | |
| 1.2 Class 2 | | | | | | | | | | | |
| 1.3 Class 3 | | | | | | | | | | | |
| 1.4 Class 4 | | | | | | | | | | | |
| 1.5 Class 5 | | | | | | | | | | | |
| 1.6 Class 6 | | | | | | | | | | | |
| 1.7 Totals | 11,799,007 | 23,383,760 | 18,446,090 | 20,190,296 | 9,806,749 | 83,625,902 | 19.0 | 90,043,288 | 20.0 | 83,625,902 | |
| 2. All Other Governments | | | | | | | | | | | |
| 2.1 Class 1 | | | | 1,429,912 | | 1,429,912 | 0.3 | | | 1,429,912 | |
| 2.2 Class 2 | | | | | | | | | | | |
| 2.3 Class 3 | | | | | | | | | | | |
| 2.4 Class 4 | | | | | | | | | | | |
| 2.5 Class 5 | | | | | | | | | | | |
| 2.6 Class 6 | | | | | | | | | | | |
| 2.7 Totals | | | | 1,429,912 | | 1,429,912 | 0.3 | | | 1,429,912 | |
| 3. U.S. States, Territories and Possessions, etc., Guaranteed | | | | | | | | | | | |
| 3.1 Class 1 | | | | | | | | | | | |
| 3.2 Class 2 | | | | | | | | | | | |
| 3.3 Class 3 | | | | | | | | | | | |
| 3.4 Class 4 | | | | | | | | | | | |
| 3.5 Class 5 | | | | | | | | | | | |
| 3.6 Class 6 | | | | | | | | | | | |
| 3.7 Totals | | | | | | | | | | | |
| 4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed | | | | | | | | | | | |
| 4.1 Class 1 | | | | | | | | | | | |
| 4.2 Class 2 | | | | | | | | | | | |
| 4.3 Class 3 | | | | | | | | | | | |
| 4.4 Class 4 | | | | | | | | | | | |
| 4.5 Class 5 | | | | | | | | | | | |
| 4.6 Class 6 | | | | | | | | | | | |
| 4.7 Totals | | | | | | | | | | | |
| 5. U.S. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed | | | | | | | | | | | |
| 5.1 Class 1 | 8,124,412 | 40,804,394 | 19,082,758 | 4,152,920 | 1,039,798 | 73,204,282 | 16.6 | 70,900,970 | 15.7 | 72,204,282 | 1,000,000 |
| 5.2 Class 2 | 757,262 | | | | | 757,262 | 0.2 | 771,411 | 0.2 | 757,262 | |
| 5.3 Class 3 | | | | | | | | | | | |
| 5.4 Class 4 | | | | | | | | | | | |
| 5.5 Class 5 | | | 3,330 | | | 3,330 | 0.0 | 3,709 | 0.0 | 3,330 | |
| 5.6 Class 6 | 26,752 | 239,476 | 538,718 | 177,491 | 616,353 | 1,598,790 | 0.4 | 2 | | 1,598,790 | |
| 5.7 Totals | 8,908,426 | 41,043,870 | 19,624,806 | 4,330,411 | 1,656,151 | 75,563,664 | 17.2 | 71,676,091 | 15.9 | 74,563,664 | 1,000,000 |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

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

| Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations | | | | | | | | | | | |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|-----------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|
| Quality Rating per the NAIC Designation | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 9.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
| 6. Industrial and Miscellaneous (unaffiliated) | | | | | | | | | | | |
| 6.1 Class 1 | 38,445,610 | 122,888,342 | 34,446,193 | 3,765,038 | 18,822,258 | 218,367,441 | 49.6 | 236,526,574 | 52.4 | 169,691,526 | 48,675,915 |
| 6.2 Class 2 | 1,814,132 | 37,994,490 | 11,251,203 | 2,200,268 | 5,448,132 | 58,708,225 | 13.3 | 49,457,209 | 11.0 | 49,995,242 | 8,712,983 |
| 6.3 Class 3 | | | | | | | | 858,500 | 0.2 | | |
| 6.4 Class 4 | | | | | 687,438 | 687,438 | 0.2 | | | 687,438 | |
| 6.5 Class 5 | | | | | | | | 767,038 | 0.2 | | |
| 6.6 Class 6 | 49,596 | 594,588 | 511,021 | 693,540 | | 1,848,745 | 0.4 | 1,787,020 | 0.4 | 1,848,745 | |
| 6.7 Totals | 40,309,338 | 161,477,420 | 46,208,417 | 6,658,846 | 24,957,828 | 279,611,849 | 63.5 | 289,396,340 | 64.2 | 222,222,951 | 57,388,898 |
| 7. Hybrid Securities | | | | | | | | | | | |
| 7.1 Class 1 | | | | | | | | | | | |
| 7.2 Class 2 | | | | | | | | | | | |
| 7.3 Class 3 | | | | | | | | | | | |
| 7.4 Class 4 | | | | | | | | | | | |
| 7.5 Class 5 | | | | | | | | | | | |
| 7.6 Class 6 | | | | | | | | | | | |
| 7.7 Totals | | | | | | | | | | | |
| 8. Parent, Subsidiaries and Affiliates | | | | | | | | | | | |
| 8.1 Class 1 | | | | | | | | | | | |
| 8.2 Class 2 | | | | | | | | | | | |
| 8.3 Class 3 | | | | | | | | | | | |
| 8.4 Class 4 | | | | | | | | | | | |
| 8.5 Class 5 | | | | | | | | | | | |
| 8.6 Class 6 | | | | | | | | | | | |
| 8.7 Totals | | | | | | | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

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

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

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|--|---------------------|-----------------------------|-------------------------------|--------------------------------|-----------------|---------------------------------|---------------------------|---------------------------------|--------------------------|-----------------------|----------------------------|
| Quality Rating per the NAIC Designation | 1 Year or Less | Over 1 Year Through 5 Years | Over 5 Years Through 10 Years | Over 10 Years Through 20 Years | Over 20 Years | Total Current Year | Col. 6 as a % of Line 9.7 | Total from Col. 6 Prior Year | % From Col. 7 Prior Year | Total Publicly Traded | Total Privately Placed (a) |
| 9. Total Bonds Current Year | | | | | | | | | | | |
| 9.1 Class 1 | (d) .....58,369,029 |187,076,496 |71,975,041 |29,538,166 |29,668,805 |376,627,537 |85.6 |XXX |XXX |326,951,622 |49,675,915 |
| 9.2 Class 2 | (d) .....2,571,394 |37,994,490 |11,251,203 |2,200,268 |5,448,132 |59,465,487 |13.5 |XXX |XXX |50,752,504 |8,712,983 |
| 9.3 Class 3 | (d) | | | | | | |XXX |XXX | | |
| 9.4 Class 4 | (d) | | | |687,438 |687,438 |0.2 |XXX |XXX |687,438 | |
| 9.5 Class 5 | (d) | |3,330 | | | ^(c) .....3,330 |0.0 |XXX |XXX |3,330 | |
| 9.6 Class 6 | (d) .....76,348 |834,064 |1,049,739 |871,031 |616,353 | ^(c) .....3,447,535 |0.8 |XXX |XXX |3,447,535 | |
| 9.7 Totals |61,016,771 |225,905,050 |84,279,313 |32,609,465 |36,420,728 | ^(b) .....440,231,327 |100.0 |XXX |XXX |381,842,429 |58,388,898 |
| 9.8 Line 9.7 as a % of Col. 6 |13.9 |51.3 |19.1 |7.4 |8.3 |100.0 |XXX |XXX |XXX |86.7 |13.3 |
| 10. Total Bonds Prior Year | | | | | | | | | | | |
| 10.1 Class 1 |62,353,541 |194,469,715 |65,176,210 |25,680,635 |49,790,730 |XXX |XXX |397,470,831 |88.1 |355,368,452 |42,102,381 |
| 10.2 Class 2 |3,432,454 |40,143,445 | |266,499 |6,386,222 |XXX |XXX |50,228,621 |11.1 |43,842,573 |6,386,047 |
| 10.3 Class 3 | | | | |858,500 |XXX |XXX |858,500 |0.2 |858,500 | |
| 10.4 Class 4 | | | | | |XXX |XXX | |0.1 | | |
| 10.5 Class 5 | |337,038 |3,709 | |430,000 |XXX |XXX | ^(c) .....770,747 |0.1 |340,746 |430,000 |
| 10.6 Class 6 |51,429 |267,069 |529,907 |938,614 |2 |XXX |XXX | ^(c) .....1,787,021 |0.4 |1,787,022 | |
| 10.7 Totals |65,837,424 |235,217,268 |65,709,826 |26,885,748 |57,465,452 |XXX |XXX | ^(b) .....451,115,720 |100.0 |402,197,294 |48,918,428 |
| 10.8 Line 10.7 as a % of Col. 8 |15.0 |52.0 |15.0 |6.0 |13.0 |XXX |XXX |100.0 |XXX |88.0 |10.8 |
| 11. Total Publicly Traded Bonds | | | | | | | | | | | |
| 11.1 Class 1 |44,373,437 |163,375,972 |67,770,170 |28,326,257 |23,105,787 |326,951,623 |74.3 |355,368,452 |78.0 |326,951,623 |XXX |
| 11.2 Class 2 |2,571,394 |31,717,819 |9,962,260 |2,200,268 |4,300,763 |50,752,504 |11.5 |43,842,573 |9.7 |50,752,504 |XXX |
| 11.3 Class 3 | | | | | |858,500 | |858,500 |0.2 |XXX |XXX |
| 11.4 Class 4 | | | | |687,438 |687,438 |0.2 | | |687,438 |XXX |
| 11.5 Class 5 | | |3,330 | | |3,330 |0.0 |340,746 |0.1 |3,330 |XXX |
| 11.6 Class 6 |76,348 |834,064 |1,049,738 |871,031 |616,353 |3,447,534 |0.8 |1,787,022 |0.4 |3,447,534 |XXX |
| 11.7 Totals |47,021,179 |195,927,855 |78,785,498 |31,397,556 |28,710,341 |381,842,429 |86.7 |402,197,294 |88.4 |381,842,429 |XXX |
| 11.8 Line 11.7 as a % of Col. 6 |12.3 |51.3 |20.6 |8.2 |7.5 |100.0 |XXX |XXX |XXX |100.0 |XXX |
| 11.9 Line 11.7 as a % of Line 9.7, Col. 6, Section 9 |10.7 |44.5 |17.9 |7.1 |6.5 |86.7 |XXX |XXX |XXX |86.7 |XXX |
| 12. Total Privately Placed Bonds | | | | | | | | | | | |
| 12.1 Class 1 |13,995,592 |23,700,525 |4,204,871 |1,211,909 |6,563,019 |49,675,916 |11.3 |42,102,381 |10.1 |XXX |49,675,916 |
| 12.2 Class 2 | |6,276,671 |1,288,944 | |1,147,369 |8,712,984 |2.0 |6,386,047 |1.4 |XXX |8,712,984 |
| 12.3 Class 3 | | | | | | | | | |XXX | |
| 12.4 Class 4 | | | | | | | | |0.1 |XXX | |
| 12.5 Class 5 | | | | | | | |430,000 | |XXX | |
| 12.6 Class 6 | | | | | | | | | |XXX | |
| 12.7 Totals |13,995,592 |29,977,196 |5,493,815 |1,211,909 |7,710,388 |58,388,900 |13.3 |48,918,428 |11.6 |XXX |58,388,900 |
| 12.8 Line 12.7 as a % of Col. 6 |24.0 |51.3 |9.4 |2.1 |13.2 |100.0 |XXX |XXX |XXX |XXX |100.0 |
| 12.9 Line 12.7 as a % of Line 9.7, Col. 6, Section 9 |3.2 |6.8 |1.2 |0.3 |1.8 |13.3 |XXX |XXX |XXX |XXX |13.3 |

(a) Includes \$58,388,899 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes \$1,935,827 current year, \$48,803 prior year of bonds with Z designations and \$70,914,340 the current year, prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.

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

(d) Includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....26,752 .

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1A - SECTION 2

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

| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 9.5 | 8 Total from Col 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|-----------------------------------|-------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| 1. U.S. Governments | | | | | | | | | | | |
| 1.1 Issuer Obligations | 4,034,658 | | | | | 4,034,658 | 0.9 | 13,019,856 | 2.9 | 4,034,658 | |
| 1.2 Residential Mortgage-Backed Securities | 7,764,349 | 23,383,760 | 18,446,090 | 20,190,296 | 9,806,749 | 79,591,244 | 18.1 | 77,023,432 | 17.1 | 79,591,244 | |
| 1.3 Commercial Mortgage-Backed Securities | | | | | | | | | | | |
| 1.4 Other Loan-Backed and Structured Securities | | | | | | | | | | | |
| 1.5 Totals | 11,799,007 | 23,383,760 | 18,446,090 | 20,190,296 | 9,806,749 | 83,625,902 | 19.0 | 90,043,288 | 20.0 | 83,625,902 | |
| 2. All Other Governments | | | | | | | | | | | |
| 2.1 Issuer Obligations | | | | 1,429,912 | | 1,429,912 | 0.3 | | | 1,429,912 | |
| 2.2 Residential Mortgage-Backed Securities | | | | | | | | | | | |
| 2.3 Commercial Mortgage-Backed Securities | | | | | | | | | | | |
| 2.4 Other Loan-Backed and Structured Securities | | | | | | | | | | | |
| 2.5 Totals | | | | 1,429,912 | | 1,429,912 | 0.3 | | | 1,429,912 | |
| 3. U.S. States, Territories and Possessions, etc., Guaranteed | | | | | | | | | | | |
| 3.1 Issuer Obligations | | | | | | | | | | | |
| 3.2 Residential Mortgage-Backed Securities | | | | | | | | | | | |
| 3.3 Commercial Mortgage-Backed Securities | | | | | | | | | | | |
| 3.4 Other Loan-Backed and Structured Securities | | | | | | | | | | | |
| 3.5 Totals | | | | | | | | | | | |
| 4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed | | | | | | | | | | | |
| 4.1 Issuer Obligations | | | | | | | | | | | |
| 4.2 Residential Mortgage-Backed Securities | | | | | | | | | | | |
| 4.3 Commercial Mortgage-Backed Securities | | | | | | | | | | | |
| 4.4 Other Loan-Backed and Structured Securities | | | | | | | | | | | |
| 4.5 Totals | | | | | | | | | | | |
| 5. U.S. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed | | | | | | | | | | | |
| 5.1 Issuer Obligations | 784,014 | 239,476 | 542,047 | 1,793,687 | 1,616,353 | 4,975,577 | 1.1 | 3,445,811 | 0.8 | 3,975,577 | 1,000,000 |
| 5.2 Residential Mortgage-Backed Securities | 8,124,412 | 40,804,394 | 19,082,758 | 2,536,724 | 39,798 | 70,588,086 | 16.0 | 68,230,280 | 15.1 | 70,588,086 | |
| 5.3 Commercial Mortgage-Backed Securities | | | | | | | | | | | |
| 5.4 Other Loan-Backed Structured Securities | | | | | | | | | | | |
| 5.5 Totals | 8,908,426 | 41,043,870 | 19,624,805 | 4,330,411 | 1,656,151 | 75,563,663 | 17.2 | 71,676,091 | 15.9 | 74,563,663 | 1,000,000 |
| 6. Industrial and Miscellaneous | | | | | | | | | | | |
| 6.1 Issuer Obligations | 14,730,055 | 115,655,290 | 40,860,723 | 2,200,268 | 10,624,461 | 184,070,798 | 41.8 | 198,780,047 | 44.1 | 149,043,248 | 35,027,550 |
| 6.2 Residential Mortgage-Backed Securities | 9,924,178 | 10,010,752 | 4,491,430 | 2,553,129 | 238,619 | 27,218,108 | 6.2 | 14,186,036 | 3.1 | 27,218,108 | |
| 6.3 Commercial Mortgage-Backed Securities | 6,900,728 | 35,297,385 | | | 8,531,729 | 50,729,842 | 11.5 | 56,728,304 | 12.6 | 44,449,887 | 6,279,954 |
| 6.4 Other Loan-Backed Structured Securities | 8,754,377 | 513,994 | 856,264 | 1,905,449 | 5,563,019 | 17,593,102 | 4.0 | 19,701,953 | 4.4 | 1,511,707 | 16,081,395 |
| 6.5 Totals | 40,309,338 | 161,477,420 | 46,208,417 | 6,658,846 | 24,957,828 | 279,611,849 | 63.5 | 289,396,340 | 64.2 | 222,222,950 | 57,388,899 |
| 7. Hybrid Securities | | | | | | | | | | | |
| 7.1 Issuer Obligations | | | | | | | | | | | |
| 7.2 Residential Mortgage-Backed Securities | | | | | | | | | | | |
| 7.3 Commercial Mortgage-Backed Securities | | | | | | | | | | | |
| 7.4 Other Loan-Backed Structured Securities | | | | | | | | | | | |
| 7.5 Totals | | | | | | | | | | | |
| 8. Parent, Subsidiaries and Affiliates | | | | | | | | | | | |
| 8.1 Issuer Obligations | | | | | | | | | | | |
| 8.2 Residential Mortgage-Backed Securities | | | | | | | | | | | |
| 8.3 Commercial Mortgage-Backed Securities | | | | | | | | | | | |
| 8.4 Other Loan-Backed Structured Securities | | | | | | | | | | | |
| 8.5 Totals | | | | | | | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

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

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

| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 9.5 | 8 Total From Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|--|---------------------|-------------------------------------|---------------------------------------|--|--------------------|----------------------------|-----------------------------------|--------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| 9. Total Bonds Current Year | | | | | | | | | | | |
| 9.1 Issuer Obligations | 19,548,728 | 115,894,766 | 41,402,770 | 5,423,867 | 12,240,814 | 194,510,945 | 44.2 | XXX | XXX | 158,483,396 | 36,027,550 |
| 9.2 Residential Mortgage-Backed Securities | 25,812,939 | 74,198,906 | 42,020,277 | 25,280,149 | 10,085,166 | 177,397,437 | 40.3 | XXX | XXX | 177,397,437 | |
| 9.3 Commercial Mortgage-Backed Securities | 6,900,728 | 35,297,385 | | 8,531,729 | 50,729,842 | 17,593,102 | 11.5 | XXX | XXX | 44,449,887 | 6,279,954 |
| 9.4 Other Loan-Backed and Structured Securities | 8,754,377 | 513,994 | 856,264 | 1,905,449 | 5,563,019 | | 4.0 | XXX | XXX | 1,511,707 | 16,081,395 |
| 9.5 Totals | 61,016,772 | 225,905,051 | 84,279,312 | 32,609,465 | 36,420,728 | 440,231,326 | 100.0 | XXX | XXX | 381,842,428 | 58,388,899 |
| 9.6 Lines 9.5 as a % of Col. 6 | 14.0 | 51.0 | 19.0 | 7.0 | 8.0 | 100.0 | | XXX | XXX | 87.0 | 13.0 |
| 10. Total Bonds Prior Year | | | | | | | | | | | |
| 10.1 Issuer Obligations | 25,915,149 | 134,076,730 | 30,857,078 | 1,888,386 | 22,508,371 | XXX | XXX | 215,245,714 | 47.7 | 186,482,451 | 28,763,262 |
| 10.2 Residential Mortgage-Backed Securities | 20,894,538 | 61,306,245 | 32,317,657 | 24,058,747 | 20,862,559 | XXX | XXX | 159,439,747 | 35.3 | 159,439,747 | |
| 10.3 Commercial Mortgage-Backed Securities | 11,629,130 | 34,562,261 | 2,005,184 | | 8,531,729 | XXX | XXX | 56,728,304 | 12.6 | 50,095,875 | 6,632,430 |
| 10.4 Other Loan-Backed and Structured Securities | 7,398,606 | 5,272,031 | 529,907 | 938,614 | 5,562,795 | XXX | XXX | 19,701,953 | 4.4 | 6,179,218 | 13,522,736 |
| 10.5 Totals | 65,837,423 | 235,217,267 | 65,709,826 | 26,885,747 | 57,465,454 | XXX | XXX | 451,115,719 | 100.0 | 402,197,291 | 48,918,428 |
| 10.6 Line 10.5 as a % of Col. 8 | 15.0 | 52.0 | 15.0 | 6.0 | 13.0 | XXX | XXX | 100.0 | | 88.0 | 12.0 |
| 11. Total Publicly Traded Bonds | | | | | | | | | | | |
| 11.1 Issuer Obligations | 19,548,728 | 87,163,156 | 36,254,199 | 5,423,867 | 10,093,445 | 158,483,396 | 36.0 | 186,482,451 | 41.1 | 158,483,396 | XXX |
| 11.2 Residential Mortgage-Backed Securities | 25,812,939 | 74,198,906 | 42,020,277 | 25,280,149 | 10,085,166 | 177,397,437 | 40.3 | 159,439,747 | 35.3 | 177,397,437 | XXX |
| 11.3 Commercial Mortgage-Backed Securities | 1,609,916 | 34,308,242 | | | 8,531,729 | 44,449,887 | 10.1 | 50,095,875 | 10.5 | 44,449,887 | XXX |
| 11.4 Other Loan-Backed and Structured Securities | 49,596 | 257,551 | 511,021 | 693,540 | | 1,511,707 | 0.3 | 6,179,218 | 1.4 | 1,511,707 | XXX |
| 11.5 Totals | 47,021,179 | 195,927,855 | 78,785,497 | 31,397,556 | 28,710,340 | 381,842,428 | 86.7 | 402,197,291 | 88.4 | 381,842,428 | XXX |
| 11.6 Line 11.5 as a % of Col. 6 | 12.0 | 51.0 | 21.0 | 8.0 | 8.0 | 100.0 | | | | 100.0 | XXX |
| 11.7 Line 11.5 as a % of Line 9.5, Col. 6, Section 9 | 11.0 | 45.0 | 18.0 | 7.0 | 7.0 | 87.0 | | | | 87.0 | XXX |
| 12. Total Privately Placed Bonds | | | | | | | | | | | |
| 12.1 Issuer Obligations | | 28,731,609 | 5,148,571 | | 2,147,369 | 36,027,550 | 8.2 | 28,763,262 | 6.6 | XXX | 36,027,550 |
| 12.2 Residential Mortgage-Backed Securities | | | | | | | | | | XXX | |
| 12.3 Commercial Mortgage-Backed Securities | 5,290,811 | 989,143 | | | | 6,279,954 | 1.4 | 6,632,430 | 2.0 | XXX | 6,279,954 |
| 12.4 Other Loan-Backed and Structured Securities | 8,704,781 | 256,443 | 345,243 | 1,211,909 | 5,563,019 | 16,081,395 | 3.7 | 13,522,736 | 3.0 | XXX | 16,081,395 |
| 12.5 Totals | 13,995,592 | 29,977,195 | 5,493,814 | 1,211,909 | 7,710,388 | 58,388,899 | 13.3 | 48,918,428 | 11.6 | XXX | 58,388,899 |
| 12.6 Line 12.5 as a % of Col. 6 | 24.0 | 51.0 | 9.0 | 2.0 | 13.0 | 100.0 | | | | XXX | 100.0 |
| 12.7 Line 12.5 as a % of Line 9.5, Col. 6, Section 9 | 3.0 | 7.0 | 1.0 | | 2.0 | 13.0 | | | | XXX | 13.0 |

SCHEDULE DA - VERIFICATION BETWEEN YEARS

| Short-Term Investments | | | | | |
|--|-------------|-------------|----------------|---------------------------------------|--|
| | 1 | 2 | 3 | 4 | 5 |
| | Total | Bonds | Mortgage Loans | Other Short-term Investment Assets(a) | Investments in Parent, Subsidiaries and Affiliates |
| 1. Book/adjusted carrying value, December 31 of prior year..... | 17,059,296 | 17,059,296 | | | |
| 2. Cost of short-term investments acquired | 116,884,833 | 116,884,833 | | | |
| 3. Accrual of discount..... | 1,754 | 1,754 | | | |
| 4. Unrealized valuation increase (decrease)..... | | | | | |
| 5. Total gain (loss) on disposals..... | | | | | |
| 6. Deduct consideration received on disposals..... | 124,072,811 | 124,072,811 | | | |
| 7. Deduct amortization of premium..... | | | | | |
| 8. Total foreign exchange change in book/adjusted carrying value..... | | | | | |
| 9. Deduct current year's other than temporary impairment recognized..... | | | | | |
| 10. Book adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)..... | 9,873,072 | 9,873,072 | | | |
| 11. Deduct total nonadmitted amounts..... | | | | | |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 9,873,072 | 9,873,072 | | | |

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

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 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

E07

E07

E07

E07

SCHEDULE BA - PART 2

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE BA - PART 3

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

| 1 | 2 | Location | | 5 | 6 | 7 | 8 | Change in Book/Adjusted Carrying Value | | | | | | 15 | 16 | 17 | 18 | 19 | 20 |
|--|---|---------------|---------|---|--------------------------|-----------------|--|---|--|---|---|--|--|--|---------------|--|----------------------------------|-------------------------------|-------------------|
| CUSIP Identification | Name or Description | City | State | Name of Purchaser or Nature of Disposal | Date Originally Acquired | Disposal Date | Book/Adjusted Carrying Value Less Encumbrances, Prior Year | 9 Unrealized Valuation Increase (Decrease) | 10 Current Year's (Depreciation) or (Amortization)/ Accretion | 11 Current Year's Other Than Temporary Impairment Recognized | 12 Capitalized Deferred Interest and Other | 13 Total Change in B./A.C.V. (9+10-11+12) | 14 Total Foreign Exchange Change in B./A.C.V. | Book/Adjusted Carrying Value Less Encumbrances on Disposal | Consideration | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Investment Income |
| 64952G-AE-8 | New York Life Insurance Series 144A 5 | New York..... | NY..... | Jefferies Co - Bond Division..... | 05/05/2003..... | 01/13/2011..... | 1,090,454 | (8) | | | | (8) | | 1,090,445 | 1,148,356 | | 57,911 | 57,911 | 11,489 |
| 2199999 | - Surplus Debentures, etc. - Unaffiliated | | | | | | 1,090,454 | (8) | | | | (8) | | 1,090,445 | 1,148,356 | | 57,911 | 57,911 | 11,489 |
| | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | | |
| 3999999 – Subtotal Unaffiliated | | | | | | | 1,090,454 | | (8) | | | (8) | | 1,090,445 | 1,148,356 | | 57,911 | 57,911 | 11,489 |
| 4099999 – Subtotal Affiliated | | | | | | | | | | | | | | | | | | | |
| 4199999 Totals | | | | | | | 1,090,454 | | (8) | | | (8) | | 1,090,445 | 1,148,356 | | 57,911 | 57,911 | 11,489 |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

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

| 1 | 2 | Codes | | | 6 | 7 | Fair Value | | 10 | 11 | Change in Book Adjusted Carrying Value | | | | Interest | | | | | Dates | |
|---|---|-------|---------------------------------|--------------|---------------------|----------------|---|---------------|--------------|---|--|---|---|---|------------|-------------------------|--------------|---|----------------------------------|------------|------------|
| | | 3 | 4 | 5 | | | 8 | 9 | | | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| CUSIP Identification | Description | Code | F o r e i g n | Bond CHAR | NAIC Designation | Actual Cost | Rate Used To Obtain Fair Value | Fair Value | Par Value | Book / Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Rate of | Effective Rate of | When Paid | Admitted Amount Due & Accrued | Amount Rec. During Year | Acquired | Maturity |
| 912827-7L-0. | US Treasury Note | SD | | | 1 | 4,038,783 | | 4,057,838 | 4,035,000 | 4,034,658 | | (984) | | | 4.875 | 4.855 | FA | 74,299 | 196,706 | 08/09/2006 | 02/15/2012 |
| 0199999 - U.S. Governments - Issuer Obligations | | | | | | 4,038,783 | XXX | 4,057,838 | 4,035,000 | 4,034,658 | | (984) | | | XXX | XXX | XXX | 74,299 | 196,706 | XXX | XXX |
| 36200A-BE-8. | GNMA Pool 595037 | | | 2. | 1. | 5,705 | 113.8060 | 6,306 | 5,541 | 5,685 | | (1) | | | 6.000 | 5.519 | MON. | 28 | 332 | 11/04/2003 | 10/15/2032 |
| 36200A-CW-7. | GNMA Pool 595085 | | | 2. | 1. | 151,637 | 113.8060 | 167,596 | 147,265 | 151,377 | | (28) | | | 6.000 | 5.010 | MON. | 736 | 8,836 | 11/04/2003 | 10/15/2032 |
| 36200E-TY-7. | GNMA Pool 599167 | | | 2. | 1. | 294,798 | 113.8380 | 325,917 | 286,299 | 292,963 | | (254) | | | 6.000 | 5.780 | MON. | 1,432 | 17,178 | 11/04/2003 | 12/15/2033 |
| 36200M-AT-0. | GNMA Pool 604018 | | | 2. | 1. | 1,939,719 | 113.5470 | 2,140,454 | 1,885,082 | 1,934,819 | | (670) | | | 5.500 | 4.860 | MON. | 8,640 | 103,679 | 04/22/2003 | 02/15/2033 |
| 36200M-EN-9. | GNMA Pool 604141 | | | 2. | 1. | 68,869 | 113.8060 | 76,117 | 66,883 | 68,711 | | (64) | | | 6.000 | 5.297 | MON. | 334 | 4,013 | 11/04/2003 | 03/15/2033 |
| 36200Q-2R-4. | GNMA Pool 569684 | | | 2. | 1. | 80,550 | 113.8060 | 89,028 | 78,228 | 80,363 | | (52) | | | 6.000 | 5.236 | MON. | 391 | 4,694 | 11/04/2003 | 02/15/2032 |
| 36200R-LX-8. | GNMA Pool 570142 | | | 2. | 1. | 42,345 | 113.8060 | 46,802 | 41,124 | 42,236 | | (43) | | | 6.000 | 5.294 | MON. | 206 | 2,467 | 11/04/2003 | 02/15/2031 |
| 36200R-XT-4. | GNMA Pool 570490 | | | 2. | 1. | 4,194 | 113.8060 | 4,635 | 4,073 | 4,187 | | 3 | | | 6.000 | 4.761 | MON. | 20 | 244 | 11/04/2003 | 12/15/2031 |
| 36200S-US-7. | GNMA Pool 571293 | | | 2. | 1. | 5,973 | 113.8060 | 6,602 | 5,801 | 5,961 | | (3) | | | 6.000 | 5.075 | MON. | 29 | 348 | 11/04/2003 | 11/15/2031 |
| 36201A-PF-9. | GNMA Pool 577422 | | | 2. | 1. | 11,267 | 113.8060 | 12,453 | 10,942 | 11,248 | | 1 | | | 6.000 | 4.927 | MON. | 55 | 657 | 11/04/2003 | 01/15/2032 |
| 36201D-AX-0. | GNMA Pool 579722 | | | 2. | 1. | 88,384 | 113.8060 | 97,686 | 85,836 | 88,224 | | 31 | | | 6.000 | 5.057 | MON. | 429 | 5,150 | 11/04/2003 | 08/15/2032 |
| 36201E-AG-5. | GNMA Pool 580607 | | | 2. | 1. | 24,198 | 113.8060 | 26,745 | 23,500 | 24,149 | | (2) | | | 6.000 | 5.203 | MON. | 118 | 1,410 | 11/04/2003 | 02/15/2033 |
| 36201F-AF-4. | GNMA Pool 581506 | | | 2. | 1. | 5,530 | 113.8060 | 6,112 | 5,371 | 5,520 | | 1 | | | 6.000 | 5.122 | MON. | 27 | 322 | 11/04/2003 | 04/15/2033 |
| 36201K-JQ-0. | GNMA Pool 585371 | | | 2. | 1. | 46,537 | 113.8060 | 51,435 | 45,195 | 46,223 | | (253) | | | 6.000 | 5.767 | MON. | 226 | 2,712 | 11/04/2003 | 04/15/2032 |
| 36201Y-FD-3. | GNMA Pool 606864 | | | 2. | 1. | 16,547 | 113.8060 | 18,288 | 16,070 | 16,476 | | (52) | | | 6.000 | 5.643 | MON. | 80 | 964 | 11/04/2003 | 10/15/2033 |
| 36202F-JQ-0. | GNMA II Pool 4771 | | | 2. | 1. | 13,258,588 | 109.3560 | 13,761,530 | 12,584,156 | 13,244,037 | | (8,252) | | | 4.500 | 3.772 | MON. | 47,191 | 566,287 | 08/19/2010 | 08/20/2040 |
| 36202F-KN-5. | GNMA II Pool 4801 | | | 2. | 1. | 14,562,356 | 109.3560 | 15,099,079 | 13,807,271 | 14,548,084 | | (10,005) | | | 4.500 | 3.705 | MON. | 51,777 | 621,327 | 09/29/2010 | 09/20/2040 |
| 36202F-LP-9. | GNMA II Pool 4834 | | | 2. | 1. | 10,482,426 | 109.3560 | 10,599,854 | 9,692,979 | 10,481,679 | | (747) | | | 4.500 | 3.242 | MON. | 36,349 | 72,697 | 10/28/2011 | 10/20/2040 |
| 36207E-ND-2. | GNMA Pool 429788 | | | 2. | 1. | 69,799 | 113.8060 | 77,145 | 67,786 | 69,699 | | 7 | | | 6.000 | 4.884 | MON. | 339 | 4,067 | 11/04/2003 | 12/15/2033 |
| 3620C4-2P-4. | GNMA Pool 748782 | | | 2. | 1. | 15,269,016 | 109.8970 | 15,821,040 | 14,396,244 | 15,243,639 | | (20,381) | | | 4.500 | 3.961 | MON. | 53,986 | 647,831 | 09/29/2010 | 09/15/2040 |
| 36210J-HW-1. | GNMA Pool 493545 | | | 2. | 1. | 3,775 | 113.8060 | 4,172 | 3,666 | 3,753 | | (17) | | | 6.000 | 5.689 | MON. | 18 | 220 | 11/04/2003 | 03/15/2031 |
| 36213F-U4-3. | GNMA Pool 553303 | | | 2. | 1. | 1,529 | 114.1500 | 1,696 | 1,485 | 1,520 | | (8) | | | 6.000 | 5.766 | MON. | 7 | 89 | 11/04/2003 | 06/15/2033 |
| 36213R-2A-4. | GNMA Pool 562469 | | | 2. | 1. | 608,067 | 111.4090 | 673,993 | 604,972 | 607,895 | | (14) | | | 5.000 | 4.730 | MON. | 2,521 | 30,249 | 02/13/2004 | 02/15/2034 |
| 36213R-ZF-7. | GNMA Pool 562442 | | | 2. | 1. | 287,434 | 112.5100 | 314,832 | 279,826 | 287,134 | | 42 | | | 5.500 | 4.201 | MON. | 1,283 | 15,390 | 01/16/2004 | 01/15/2034 |
| 36213T-GW-7. | GNMA Pool 563713 | | | 2. | 1. | 79,004 | 113.8060 | 87,319 | 76,726 | 78,774 | | (93) | | | 6.000 | 5.434 | MON. | 384 | 4,604 | 11/04/2003 | 01/15/2033 |
| 36213U-EZ-9. | GNMA Pool 564552 | | | 2. | 1. | 5,345 | 113.8060 | 5,907 | 5,190 | 5,311 | | (27) | | | 6.000 | 5.731 | MON. | 26 | 311 | 11/04/2003 | 12/15/2031 |
| 36213V-GN-2. | GNMA Pool 565505 | | | 2. | 1. | 4,621 | 113.8060 | 5,108 | 4,488 | 4,602 | | (13) | | | 6.000 | 5.607 | MON. | 22 | 269 | 11/04/2003 | 09/15/2032 |
| 36241K-YU-6. | GNMA Pool 782523 | | | 2. | 1. | 7,476,601 | 111.1290 | 7,725,629 | 6,951,947 | 7,467,234 | | (4,917) | | | 5.000 | 3.115 | MON. | 28,966 | 347,597 | 09/10/2010 | 11/15/2035 |
| 36290X-PM-6. | GNMA Pool 620628 | | | 2. | 1. | 71,226 | 113.8060 | 78,722 | 69,172 | 71,114 | | (26) | | | 6.000 | 4.996 | MON. | 346 | 4,150 | 11/04/2003 | 09/15/2033 |
| 36290X-PT-1. | GNMA Pool 620634 | | | 2. | 1. | 98,230 | 113.8060 | 108,569 | 95,398 | 97,613 | | (83) | | | 6.000 | 5.777 | MON. | 477 | 5,724 | 11/04/2003 | 09/15/2033 |
| 36290Y-TN-8. | GNMA Pool 621657 | | | 2. | 1. | 2,041 | 113.8060 | 2,256 | 1,982 | 2,028 | | (2) | | | 6.000 | 5.780 | MON. | 10 | 119 | 11/04/2003 | 12/15/2033 |
| 36291C-PV-1. | GNMA Pool 624236 | | | 2. | 1. | 15,327 | 113.8380 | 16,944 | 14,885 | 15,232 | | (74) | | | 6.000 | 5.777 | MON. | 74 | 893 | 11/04/2003 | 12/15/2033 |
| 36291E-AD-3. | GNMA Pool 625604 | | | 2. | 1. | 19,723 | 113.8060 | 21,799 | 19,154 | 19,687 | | (2) | | | 6.000 | 5.180 | MON. | 96 | 1,149 | 11/04/2003 | 12/15/2033 |
| 36291E-AV-3. | GNMA Pool 625620 | | | 2. | 1. | 4,038 | 113.8060 | 4,463 | 3,921 | 4,021 | | (11) | | | 6.000 | 5.640 | MON. | 20 | 235 | 11/04/2003 | 12/15/2033 |
| 36296X-H8-0. | GNMA Pool 704155 | | | 2. | 1. | 14,575,765 | 112.9530 | 15,969,701 | 14,138,359 | 14,560,045 | | (7,103) | | | 5.500 | 4.995 | MON. | 64,801 | 777,610 | 12/18/2008 | 01/15/2039 |
| 0299999 - U.S. Governments - Residential Mortgage-Backed Securities | | | | | | 79,681,165 | XXX | 83,455,932 | 75,526,817 | 79,591,244 | | (53,112) | | | XXX | XXX | XXX | 301,443 | 3,253,826 | XXX | XXX |
| 0599999 - Subtotals - U.S. Governments | | | | | | 83,719,948 | XXX | 87,513,770 | 79,561,817 | 83,625,902 | | (54,095) | | | XXX | XXX | XXX | 375,742 | 3,450,533 | XXX | XXX |
| 857524-AB-8. | Republic of Poland | | | F | 1FE | 1,429,773 | | 1,457,250 | 1,450,000 | 1,429,912 | | 139 | | | 5.000 | 5.176 | MS | 11,681 | | 10/27/2011 | 03/23/2022 |
| 0699999 - All Other Government - Issuer Obligations | | | | | | 1,429,773 | XXX | 1,457,250 | 1,450,000 | 1,429,912 | | 139 | | | XXX | XXX | XXX | 11,681 | | XXX | XXX |
| 1099999 - Subtotals - All Other Governments | | | | | | 1,429,773 | XXX | 1,457,250 | 1,450,000 | 1,429,912 | | 139 | | | XXX | XXX | XXX | 11,681 | | XXX | XXX |
| 14052W-AP-2. | Capital Tr Agy Fla Rev Seminole Tribe Co. | | | 1. | 1FE | 1,000,000 | 108.4630 | 1,084,630 | 1,000,000 | 1,000,000 | | | | | 8.950 | 8.950 | AO | 22,375 | 89,500 | 05/15/2003 | 10/01/2033 |
| 20786L-CS-8. | Connector 2000 Assn Inc S C To | | | 1. | 6Z | 8,500 | 34.0000 | 8,500 | | 8,500 | | (186) | 186 | | 5.250 | 20.278 | JJ | 656 | | 07/15/2011 | 01/01/2023 |
| 20786L-DA-6. | Connector 2000 Assn Inc S C To Series A | | | | 6Z | 43,182 | 96.3580 | 44,226 | 45,898 | 44,226 | | | 1,044 | | | 3.780 | MAT | | | 05/02/2011 | 01/01/2013 |
| 20786L-DB-4. | Connector 2000 Assn Inc S C To Series A | | | | 6Z | 43,258 | 92.3820 | 44,352 | 48,009 | 44,352 | | | 1,094 | | | 4.123 | MAT | | | 05/02/2011 | 01/01/2014 |
| 20786L-DC-2. | Connector 2000 Assn Inc S C To Series A | | | | 6Z | 44,581 | 88.1330 | 45,752 | 51,912 | 45,752 | | | 1,171 | | | 4.488 | MAT | | | 05/02/2011 | 01/01/2015 |
| 20786L-DD-0. | Connector 2000 Assn Inc S C To Series A | | | | 6Z | 46,616 | 82.8560 | 47,942 | 57,862 | 47,942 | | | 1,326 | | | 5.173 | MAT | | | 05/02/2011 | 01/01/2016 |
| 20786L-DE-8. | Connector 2000 Assn Inc S C To Series A | | | | 6Z | 59,400 | 78.0860 | 61,128 | 78,283 | 61,128 | | | 1,728 | | | 5.613 | MAT | | | 05/02/2011 | 01/01/2017 |
| 20786L-DF-5. | Connector 2000 Assn Inc S C To Series A | | | | 6Z | 60,571 | 72.1700 | 62,436 | 86,513 | 62,436 | | | 1,865 | | | 6.427 | MAT | | | 05/02/2011 | 01/01/2018 |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

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

| 1 | 2 | Codes | | | 6 | 7 | Fair Value | | 10 | 11 | Change in Book Adjusted Carrying Value | | | | Interest | | | | | Dates | |
|--|--|-------|---------------------------------|--------------|---------------------|----------------|---|---------------|--------------|---|--|---|---|---|------------|-------------------------|--------------|---|----------------------------------|--------------|--------------|
| | | 3 | 4 | 5 | | | 8 | 9 | | | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| CUSIP Identification | Description | Code | F o r e i g n | Bond CHAR | NAIC Designation | Actual Cost | Rate Used To Obtain Fair Value | Fair Value | Par Value | Book / Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Rate of | Effective Rate of | When Paid | Admitted Amount Due & Accrued | Amount Rec. During Year | Acquired | Maturity |
| 20786L-DG-3. | Connector 2000 Assn Inc S C To Series A. | | | | 6Z | .61,380 | .67,1990 | .63,290 | .94,183 | .63,290 | | .1,909 | | | | .6,973 | .MAT. | | | .05/02/2011. | .01/01/2019. |
| 20786L-DH-1. | Connector 2000 Assn Inc S C To Series A. | | | | 6Z | .63,134 | .63,4950 | .65,046 | 102,443 | .65,046 | | .1,913 | | | | .7,187 | .MAT. | | | .05/02/2011. | .01/01/2020. |
| 20786L-DJ-7. | Connector 2000 Assn Inc S C To Series A. | | | | 6Z | .69,215 | .58,6980 | .71,324 | 121,510 | .71,324 | | .2,109 | | | | .7,818 | .MAT. | | | .05/02/2011. | .01/01/2021. |
| 20786L-DK-4. | Connector 2000 Assn Inc S C To Series A. | | | | 6Z | .69,051 | .55,3320 | .71,099 | 128,496 | .71,099 | | .2,048 | | | | .8,073 | .MAT. | | | .05/02/2011. | .01/01/2022. |
| 20786L-DL-2. | Connector 2000 Assn Inc S C To Series A. | | | 1. | 6Z | .231,452 | .36,4950 | 236,331 | .647,577 | 236,331 | | .4,879 | | | | .8,701 | .MAT. | | | .05/02/2011. | .01/01/2032. |
| 20786L-DM-0. | Connector 2000 Assn Inc S C To Series A. | | | 1. | 6Z | .85,089 | .17,2740 | .86,646 | .501,608 | .86,646 | | .1,558 | | | | .15,964 | .MAT. | | | .05/02/2011. | .01/01/2042. |
| 20786L-DN-8. | Connector 2000 Assn Inc S C To Series A. | | | 1. | 6Z | .21,679 | .7,5910 | .22,015 | .290,007 | .22,015 | | .336 | | | | .30,772 | .MAT. | | | .05/02/2011. | .07/22/2051. |
| 20786L-DP-3. | Connector 2000 Assn Inc S C To Series B. | | | 1. | 6Z | .81,871 | .37,3700 | .83,573 | .223,635 | .83,573 | | .1,702 | | | | .8,380 | .MAT. | | | .05/02/2011. | .01/01/2032. |
| 20786L-DQ-1. | Connector 2000 Assn Inc S C To Series A. | | | 1. | 6Z | .8,022 | .7,2400 | .8,147 | .112,521 | .8,147 | | .125 | | | | .32,387 | .MAT. | | | .05/02/2011. | .07/22/2051. |
| 453419-AT-0. | Independence Cnty Ark Hydroele. | | | 1. | 6Z | .172,500 | .76,5910 | 191,478 | 250,000 | .178,488 | | .5,988 | | | 4,875 | 10,577 | .MN. | 2,031 | .12,188 | .01/11/2011. | .05/01/2019. |
| 453419-BX-0. | Independence Cnty Ark Hydroele. | | | 1. | 6Z | .3,700 | .54,7200 | 5,472 | 10,000 | 3,837 | | .137 | | | 4,800 | 16,780 | .MN. | .80 | .480 | .01/20/2011. | .05/01/2024. |
| 524805-F4-5. | Lehigh Cnty Pa Gen Purp Auth. | | | 1. | 5FE | .3,550 | .66,5920 | 3,330 | .5,000 | 3,330 | .(490) | .111 | | | 6,000 | .11,000 | .MN. | .50 | .300 | .04/30/2009. | .11/01/2018. |
| 546279-RE-2. | Louisiana Loc Govt Envir Facs Series A. | | | | 6Z | .58,000 | .71,5050 | .57,204 | .80,000 | .57,204 | .(1,065) | .269 | | | 4,400 | 20,543 | .MS. | 1,173 | | .12/14/2011. | .03/01/2014. |
| 546279-RG-7. | Louisiana Loc Govt Envir Facs Series A. | | | 1. | 6Z | .37,400 | .67,2810 | .37,005 | .55,000 | .37,005 | .(453) | .58 | | | 5,250 | 12,420 | .MS. | .963 | | .12/14/2011. | .09/01/2018. |
| 546279-RK-8. | Louisiana Loc Govt Envir Facs Ser A. | | | 1. | 6Z | .104,518 | .53,4010 | 125,492 | .235,000 | .105,223 | | .706 | | | 5,250 | 12,628 | .MS. | 4,113 | .8,138 | .03/08/2011. | .09/01/2035. |
| 73358W-AH-7. | Port Auth N Y & N J. | | | | 1FE | 1,622,525 | .119,2810 | 1,801,143 | 1,510,000 | 1,616,196 | | .(5,692) | | | 5,859 | 5,108 | .JD. | 7,373 | .88,471 | .11/18/2010. | .12/01/2024. |
| 745190-LV-8. | Puerto Rico Hwy & Trans Rev. | SD | | | 2FE | .860,633 | .102,0800 | 765,600 | .750,000 | .757,262 | | .(14,149) | | | 5,500 | 3,529 | .JJ. | 20,625 | .41,250 | .09/18/2003. | .07/01/2012. |
| 882385-AC-1. | Texas Dorm Fin Auth Inc. | | | 1. | 6Z | .38,250 | .54,0860 | .37,860 | .70,000 | .37,860 | .(1,127) | .737 | | | 5,875 | 13,985 | .MS. | 1,371 | .2,056 | .06/02/2011. | .09/01/2022. |
| 882385-AD-9. | Texas Dorm Fin Auth Inc. | | | 1. | 6Z | .62,288 | .53,5190 | .56,195 | .105,000 | .56,195 | | .800 | | | 5,750 | .11,212 | .MS. | 2,013 | .4,456 | .04/20/2011. | .09/01/2027. |
| 882385-AE-7. | Texas Dorm Fin Auth Inc. | | | 1. | 6Z | .80,050 | .53,1540 | .74,416 | .140,000 | .74,416 | .(6,069) | .434 | | | 6,000 | .11,285 | .MS. | 2,800 | .4,200 | .04/29/2011. | .09/01/2033. |
| 2599999 - U.S. Special Revenue - Issuer Obligations | | | | | | 5,040,414 | .XXX | 5,261,633 | 6,825,457 | 4,948,824 | .(16,282) | 14,393 | | | .XXX. | .XXX. | .XXX. | .65,622 | 251,038 | .XXX. | .XXX. |
| 31359S-2G-4. | Fanniemae Whole Loan NW 2001-W1 AF6 | | | 2. | 1. | .161,141 | .122,3700 | 189,917 | .155,199 | .162,165 | | .(5,750) | | | 6,902 | 4,517 | .MON. | .893 | .10,712 | .02/20/2004. | .03/25/2018. |
| 31387C-M3-2. | FNMA Pool 580078 | | | 2. | 1. | .16,574 | .116,2760 | 18,748 | .16,123 | .16,475 | | .(27) | | | 7,000 | 6,680 | .MON. | .94 | .1,129 | .03/06/2002. | .09/01/2031. |
| 31393W-K4-0. | Freddie Mac 2643 OH | | | 2. | 1. | 4,509,375 | .112,4420 | 5,622,100 | 5,000,000 | 4,660,730 | | 34,911 | | | 5,000 | 6,251 | .MON. | 20,833 | 250,000 | .06/07/2007. | .09/15/2032. |
| 31394D-EA-4. | Fannie Mae 2005-22 KJ | | | 2. | 1. | 2,170,433 | .103,1040 | 2,127,442 | 2,063,394 | 2,133,999 | | .(20,447) | | | 5,000 | 1,485 | .MON. | 8,597 | 103,170 | .04/14/2010. | .07/25/2014. |
| 31394D-JJ-0. | Fannie Mae 2005-29 QE | | | 2. | 1. | 4,497,656 | .112,5940 | 5,629,700 | 5,000,000 | 4,648,740 | | 41,877 | | | 5,000 | 6,257 | .MON. | 20,833 | 250,000 | .06/07/2007. | .12/25/2033. |
| 31394Y-KX-1. | Freddie Mac 2791 UG | | | 2. | 1. | 3,182,562 | .110,5370 | 3,548,962 | 3,210,655 | 3,196,603 | | 2,648 | | | 5,000 | 5,140 | .MON. | 13,378 | 160,533 | .11/08/2004. | .11/15/2018. |
| 31395J-W5-1. | Freddie Mac 2888 HG | | | 2. | 1. | 2,843,438 | .112,4940 | 3,374,820 | 3,000,000 | 2,901,501 | | 5,777 | | | 5,000 | 5,564 | .MON. | 12,500 | 150,000 | .11/02/2004. | .05/15/2034. |
| 31402D-F7-0. | FNMA Pool 725690 | | | 2. | 1. | 8,047,888 | .111,1290 | 8,654,819 | 7,788,083 | 8,032,505 | | .(2,755) | | | 6,000 | 4,970 | .MON. | 38,940 | .467,285 | .01/20/2005. | .08/01/2034. |
| 31402D-PT-1. | FNMA Pool 725934 | | | 2. | 1. | 6,374,484 | .108,0250 | 6,480,022 | 5,998,632 | 6,334,660 | | .(21,594) | | | 5,000 | 2,491 | .MON. | 24,994 | 299,932 | .04/19/2010. | .11/01/2019. |
| 31405R-AR-7. | FNMA Pool 796616 | | | 2. | 1. | 8,249,189 | .109,2540 | 8,875,962 | 8,124,153 | 8,242,574 | | .597 | | | 5,500 | 4,835 | .MON. | 37,236 | .446,829 | .11/09/2004. | .10/01/2034. |
| 31407U-EK-9. | FNMA Pool 840838 | | | 2. | 1. | 2,460,116 | .109,1910 | 2,721,089 | 2,492,045 | 2,460,932 | | .84 | | | 5,500 | 6,063 | .MON. | 11,422 | 137,062 | .10/27/2005. | .11/01/2035. |
| 383742-UK-7. | Government National Mortgage GNR 2008-6. | | | 2. | 1. | .10,054,860 | .105,6930 | 10,025,739 | 9,485,717 | 9,840,267 | | .(141,422) | | | 4,000 | 2,217 | .MON. | 31,619 | 379,429 | .08/23/2010. | .12/20/2014. |
| 38374H-EW-6. | Government National Mortgage A GNR 2004. | | | 2. | 1. | 4,485,000 | .112,8120 | 4,512,480 | 4,000,000 | 4,343,708 | | .(104,551) | | | 5,500 | 2,548 | .MON. | 18,333 | 220,000 | .09/03/2010. | .09/16/2016. |
| 38376V-BM-8. | Government National Mortgage Series GNR. | | | 2. | 1. | 8,780,932 | .109,5600 | 8,739,601 | 7,977,000 | 8,755,122 | | .(25,810) | | | 4,500 | 2,295 | .MON. | 29,914 | 59,828 | .10/26/2011. | .02/16/2018. |
| 38377D-FE-1. | Government National Mortgage Series GNR. | | | 2. | 1. | 4,865,625 | .107,7230 | 4,847,535 | 4,500,000 | 4,858,106 | | .(7,519) | | | 4,000 | 2,316 | .MON. | 15,000 | 15,000 | .11/16/2011. | .04/01/2018. |
| 2699999 - U.S. Special Revenue - Residential Mortgage-Backed Securities | | | | | | 70,699,272 | .XXX | 75,368,935 | 68,811,001 | 70,588,086 | | .(243,981) | | | .XXX. | .XXX. | .XXX. | 284,587 | 2,950,907 | .XXX. | .XXX. |
| 3199999 - Subtotals - U.S. Special Revenue and Special Assessment Obligations and all Non Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions | | | | | | 75,739,686 | .XXX | 80,630,568 | 75,636,458 | 75,536,910 | .(16,282) | .(229,588) | | | .XXX. | .XXX. | .XXX. | 350,209 | 3,201,945 | .XXX. | .XXX. |
| 00184A-AC-9. | Time Warner Inc. | | | | 2FE | 1,127,179 | .129,0880 | 1,200,518 | .930,000 | 1,100,148 | | .(4,589) | | | 7,625 | 6,009 | .AO. | 14,970 | 70,913 | .01/04/2005. | .04/15/2031. |
| 00206R-AP-7. | AT&T Inc. | | | | 1FE | 1,090,510 | .110,2410 | 1,102,410 | 1,000,000 | 1,037,373 | | .(18,735) | | | 6,700 | 4,590 | .MN. | 8,561 | 67,000 | .01/09/2009. | .11/15/2013. |
| 00206R-AW-2. | AT&T Inc. | | | | 1FE | 1,996,360 | .104,2140 | 2,084,280 | 2,000,000 | 1,996,791 | | .431 | | | 2,950 | 2,989 | .MN. | 7,539 | 32,122 | .04/26/2011. | .05/15/2016. |
| 020002-AN-1. | Allstate Corporation. | | | | 1FE | 1,617,660 | .100,5210 | 1,507,815 | 1,500,000 | 1,501,891 | | .(16,657) | | | 6,125 | 4,972 | .FA. | 34,708 | 91,875 | .09/11/2003. | .02/15/2012. |
| 02209S-AC-7. | Altria Group Inc. | | | | 2FE | 4,310,124 | .112,8950 | 4,346,458 | 3,850,000 | 4,060,441 | | .(105,949) | | | 8,500 | 5,354 | .MN. | 46,360 | 327,250 | .09/23/2009. | .11/10/2013. |
| 0258M0-CY-3. | Amer Express Credit Co. | | | | 1FE | 3,336,540 | .108,5260 | 3,255,780 | 3,000,000 | 3,147,347 | | .(85,422) | | | 7,300 | 4,159 | .FA. | 79,692 | 219,000 | .09/18/2009. | .08/20/2013. |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

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

| 1 | 2 | Codes | | | 6 | 7 | Fair Value | | 10 | 11 | Change in Book Adjusted Carrying Value | | | | | Interest | | | | | Dates | |
|-------------------------|-----------------------------------|-------|--------------------------------------|--------------|---------------------|----------------|---|---------------|--------------|---|--|---|---|---|------------|-------------------------|--------------|---|----------------------------------|------------|------------|--|
| | | 3 | 4 F o r e i g n | 5 | | | 8 | 9 | | | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | |
| CUSIP Identification | Description | Code | | Bond CHAR | NAIC Designation | Actual Cost | Rate Used To Obtain Fair Value | Fair Value | Par Value | Book / Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Rate of | Effective Rate of | When Paid | Admitted Amount Due & Accrued | Amount Rec. During Year | Acquired | Maturity | |
| 026870-BG-1 | Amer Intl Group | | | | 2FE | 399,636 | | 385,536 | 400,000 | 399,763 | | 35 | | | 5.600 | 5.612 | AO | 4,542 | 22,400 | 10/13/2006 | 10/18/2016 | |
| 03073E-AJ-4 | Amerisourcebergen Corp | | | 1 | 1FE | 1,697,586 | | 1,745,747 | 1,700,000 | 1,697,562 | | (24) | | | 3.500 | 3.517 | MN | 7,768 | | 11/08/2011 | 11/15/2021 | |
| 031162-AZ-3 | Amgen Inc | | | | 2FE | 997,770 | | 1,124,590 | 1,000,000 | 998,272 | | 187 | | | 5.700 | 5.729 | FA | 23,750 | 57,000 | 01/13/2009 | 02/01/2019 | |
| 031162-BM-1 | Amgen Inc | | | 1 | 2FE | 1,994,400 | | 2,018,220 | 2,000,000 | 1,994,389 | | (11) | | | 3.875 | 3.909 | MN | 10,979 | | 11/07/2011 | 11/15/2021 | |
| 039483-BB-7 | Archer Daniels | | | | 1FE | 2,014,580 | | 2,265,580 | 2,000,000 | 2,013,659 | | (921) | | | 4.479 | 4.387 | MS | 29,860 | 45,195 | 03/30/2011 | 03/01/2021 | |
| 04044T-AE-6 | Aristotle Holding Inc Series 144A | | | | 2FE | 1,288,911 | | 1,345,201 | 1,300,000 | 1,288,944 | | 33 | | | 4.750 | 4.859 | MN | 6,861 | | 11/14/2011 | 11/15/2021 | |
| 04650N-AB-0 | AT&T Inc | | | | 1FE | 739,888 | | 831,301 | 739,000 | 739,883 | | (5) | | | 5.350 | 5.341 | MS | 13,179 | 19,768 | 05/12/2011 | 09/01/2040 | |
| 06050T-JN-3 | Bank Of America NA Series BKNT | | | | 1FE | 2,019,050 | | 2,019,050 | 2,500,000 | 2,019,050 | 41,758 | 279,792 | | | 0.826 | 2.458 | MJSD | 975 | 14,731 | 12/20/2010 | 06/15/2016 | |
| 06051G-EH-8 | Bank Of America Corp Series MTN | | | | 1FE | 3,982,600 | | 3,643,320 | 4,000,000 | 3,983,220 | 620 | | | | 5.000 | 5.056 | MN | 26,667 | 100,000 | 05/10/2011 | 05/13/2021 | |
| 079860-AK-8 | Bellsouth Corp | | | | 1FE | 950,745 | | 1,060,916 | 935,000 | 949,050 | (288) | | | | 6.000 | 5.879 | MN | 7,168 | 56,100 | 01/04/2005 | 11/15/2034 | |
| 097014-AH-7 | Boeing Capital Corp | | | | 1FE | 430,020 | | 421,436 | 400,000 | 404,175 | (3,840) | | | | 5.800 | 4.756 | JJ | 10,698 | 23,200 | 02/12/2004 | 01/15/2013 | |
| 120568-AH-3 | Bunge LTD Finance Corp | | | | 2FE | 1,043,648 | | 1,040,810 | 1,000,000 | 1,007,665 | (5,300) | | | | 5.875 | 5.283 | MN | 7,507 | 58,750 | 10/14/2003 | 05/15/2013 | |
| 14040H-AS-4 | Capital One Financial Co | | | | 2FE | 3,367,050 | | 3,296,130 | 3,000,000 | 3,198,991 | (77,208) | | | | 7.375 | 4.422 | MN | 23,354 | 221,250 | 10/01/2009 | 05/23/2014 | |
| 172967-BU-4 | Citigroup Inc | | | | 2FE | 1,045,588 | | 1,048,438 | 1,250,000 | 1,046,567 | (652) | 292,824 | | | 5.875 | 5.317 | FA | 26,315 | 73,438 | 02/08/2005 | 02/22/2033 | |
| 172967-DY-4 | Citigroup Inc | | | | 2FE | 1,992,380 | | 2,015,100 | 2,000,000 | 1,995,451 | 726 | | | | 5.500 | 5.550 | FA | 41,556 | 110,000 | 02/05/2007 | 02/15/2017 | |
| 172967-EM-9 | Citigroup Inc | | | | 1FE | 2,987,160 | | 3,201,690 | 3,000,000 | 2,991,275 | 1,162 | | | | 6.125 | 6.183 | MN | 20,417 | 183,750 | 11/14/2007 | 11/21/2017 | |
| 191216-AK-6 | Coca - Cola Co | | | | 1FE | 4,742,923 | | 5,702,470 | 4,750,000 | 4,745,182 | 636 | | | | 5.350 | 5.369 | MN | 32,472 | 254,125 | 10/29/2007 | 11/15/2017 | |
| 191216-AU-4 | Coca - Cola Co | | | | 1FE | 2,029,715 | | 2,034,300 | 2,000,000 | 2,029,414 | (302) | | | | 1.800 | 1.473 | MS | 14,100 | | 12/13/2011 | 09/01/2016 | |
| 20030N-AC-5 | Comcast Corp | | | | 2FE | 1,406,991 | | 1,522,903 | 1,205,000 | 1,382,354 | (4,173) | | | | 7.050 | 5.830 | MS | 25,014 | 84,953 | 02/08/2005 | 03/15/2033 | |
| 20825C-AE-4 | Conocophillips | | | | 1FE | 574,571 | | 581,871 | 565,000 | 565,999 | (1,261) | | | | 4.750 | 4.511 | AO | 5,666 | 26,838 | 02/10/2004 | 10/15/2012 | |
| 20825R-AB-7 | Conocophillips | | | | 1FE | 1,488,660 | | 1,588,605 | 1,500,000 | 1,497,433 | 1,767 | | | | 5.500 | 5.632 | AO | 17,417 | 82,500 | 04/13/2006 | 04/15/2013 | |
| 224044-BH-9 | Cox Communications | | | | 2FE | 1,512,420 | | 1,687,845 | 1,500,000 | 1,504,642 | (1,121) | | | | 5.500 | 5.405 | AO | 20,625 | 82,500 | 09/24/2003 | 10/01/2015 | |
| 25179S-AD-2 | Devon Financing Corp | | | | 2FE | 864,793 | | 919,432 | 650,000 | 834,734 | (5,087) | | | | 7.875 | 5.497 | MS | 12,939 | 51,188 | 02/08/2005 | 09/30/2031 | |
| 254687-AW-6 | Walt Disney Company | | | | 1FE | 990,260 | | 1,076,380 | 1,000,000 | 995,879 | 1,956 | | | | 4.500 | 4.722 | JD | 2,000 | 45,000 | 12/17/2008 | 12/15/2013 | |
| 25468P-BX-3 | Walt Disney Company | | | | 1FE | 1,083,370 | | 1,009,010 | 1,000,000 | 1,001,713 | (11,026) | | | | 6.375 | 5.227 | MS | 21,250 | 63,750 | 11/20/2002 | 03/01/2012 | |
| 25746U-AN-9 | Dominion Resources Inc | | | | 2FE | 664,908 | | 749,928 | 600,000 | 656,730 | (1,382) | | | | 6.300 | 5.536 | MS | 11,130 | 37,800 | 02/08/2005 | 03/15/2033 | |
| 263534-BQ-1 | Dupont El Nemour | | | | 1FE | 996,540 | | 1,168,370 | 1,000,000 | 998,033 | 334 | | | | 5.250 | 5.295 | JD | 2,333 | 52,500 | 12/12/2006 | 12/15/2016 | |
| 26884A-AZ-6 | Erp Operation Lp | | | | 2FE | 796,952 | | 815,800 | 800,000 | 796,945 | (7) | | | | 4.625 | 4.673 | JD | 1,953 | | 12/07/2011 | 12/15/2021 | |
| 291011-AT-1 | Emerson Electric | | | | 1FE | 826,954 | | 868,022 | 830,000 | 829,465 | 348 | | | | 4.500 | 4.546 | MN | 6,225 | 37,350 | 04/24/2003 | 05/01/2013 | |
| 302182-AF-7 | Express Scripts Inc | | | | 2FE | 1,505,055 | | 1,508,310 | 1,500,000 | 1,504,416 | (639) | | | | 3.125 | 3.052 | MN | 5,990 | 25,130 | 04/29/2011 | 05/15/2016 | |
| 30277M-AB-0 | Fuel Trust Seires 144A | | | | 2FE | 3,000,000 | | 2,999,580 | 3,000,000 | 3,000,000 | | | | | 3.984 | 3.984 | JD | 5,312 | 59,096 | 06/14/2011 | 06/15/2016 | |
| 369626-AC-5 | General Elec Cap Corp | | | | 1FE | 4,367,880 | | 4,380,600 | 4,000,000 | 4,200,422 | (79,722) | | | | 5.900 | 3.668 | MN | 31,467 | 236,000 | 11/05/2009 | 05/13/2014 | |
| 369626-ZY-3 | General Elec Cap Corp | | | | 1FE | 1,040,460 | | 1,046,260 | 1,000,000 | 1,005,582 | (5,136) | | | | 5.450 | 4.890 | JJ | 25,131 | 54,500 | 12/30/2003 | 01/15/2013 | |
| 375558-AU-7 | Gilead Sciences Inc | | | 1 | 2FE | 1,995,400 | | 2,117,380 | 2,000,000 | 1,995,375 | (25) | | | | 4.400 | 4.429 | JD | 4,400 | | 12/06/2011 | 12/01/2021 | |
| 38141E-AZ-5 | Goldman Sachs Group Inc | | | | 1FE | 1,814,443 | | 2,043,159 | 1,850,000 | 1,821,935 | 2,831 | | | | 7.500 | 7.779 | FA | 52,417 | 138,750 | 01/29/2009 | 02/15/2019 | |
| 38141G-EG-5 | Goldman Sachs Group Inc | | | | 1FE | 1,857,800 | | 1,726,320 | 2,000,000 | 1,889,502 | 24,497 | | | | 1.020 | 2.347 | MJSD | 567 | 15,273 | 09/10/2010 | 03/22/2016 | |
| 38141G-FD-1 | Goldman Sachs Group Inc | | | | 1FE | 596,718 | | 558,306 | 600,000 | 596,798 | 44 | | | | 6.750 | 6.793 | AO | 10,125 | 40,500 | 09/26/2007 | 10/01/2037 | |
| 38141G-FG-4 | Goldman Sachs Group Inc | | | | 1FE | 1,525,986 | | 1,433,908 | 1,400,000 | 1,505,933 | (14,934) | | | | 5.950 | 4.506 | JJ | 37,716 | 83,300 | 08/18/2010 | 01/18/2018 | |
| 40414L-AC-3 | HCP Inc | | | | 2FE | 1,992,020 | | 2,034,940 | 2,000,000 | 1,993,357 | 1,337 | | | | 3.750 | 3.838 | FA | 31,250 | 38,958 | 01/19/2011 | 02/01/2016 | |
| 40429C-FR-8 | HSBC Finance Corp | | | | 1FE | 898,700 | | 836,510 | 1,000,000 | 920,222 | 16,647 | | | | 0.957 | 2.617 | MJSD | 824 | 7,365 | 09/10/2010 | 06/01/2016 | |
| 40429C-FW-7 | HSBC Finance Corp | | | | 1FE | 3,795,415 | | 3,718,044 | 3,641,000 | 3,718,176 | (35,584) | | | | 5.250 | 4.154 | JJ | 88,143 | 191,153 | 10/05/2009 | 01/15/2014 | |
| 428236-BM-4 | Hewlett-Packard Co | | | | 1FE | 1,995,980 | | 2,050,860 | 2,000,000 | 1,996,110 | 130 | | | | 4.300 | 4.325 | JD | 7,167 | 43,239 | 05/25/2011 | 06/01/2021 | |
| 428236-BP-7 | Hewlett-Packard Co | | | | 1FE | 1,995,680 | | 2,014,100 | 2,000,000 | 1,995,853 | 173 | | | | 3.000 | 3.047 | MS | 17,000 | | 09/13/2011 | 09/15/2016 | |
| 459200-GM-7 | IBM Corp | | | | | | | | | | | | | | | | | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

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

| 1 | 2 | Codes | | | 6 | 7 | Fair Value | | 10 | 11 | Change in Book Adjusted Carrying Value | | | | Interest | | | | | Dates | |
|----------------------|--|-------|---------------------------------|-----------|------------------|-------------|--------------------------------|------------|-------------|--------------------------------|---|--|---|--|----------|-------------------|-----------|-------------------------------|-------------------------|----------------|---------------|
| | | 3 | 4 | 5 | | | 8 | 9 | | | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| CUSIP Identification | Description | Code | F o r e i g n | Bond CHAR | NAIC Designation | Actual Cost | Rate Used To Obtain Fair Value | Fair Value | Par Value | Book / Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Rate of | Effective Rate of | When Paid | Admitted Amount Due & Accrued | Amount Rec. During Year | Acquired | Maturity |
| 88732J-AQ-1.. | Time Warner Cable Inc..... | | | | 2FE | 4,105,500 | | 112,7160 | 3,500,000 | 3,805,842 | | (135,929) | | | 8.250 | 3.910 | FA | 109,885 | 288,750 | ..09/23/2009.. | ..02/14/2014. |
| 90130N-AB-9.. | 21st Century Insurance..... | | | | 2FE | 1,997,464 | | 102,6710 | 2,000,000 | 1,999,309 | | .291 | | | 5.900 | 5.917 | JD | 5,244 | 118,000 | ..07/08/2004.. | ..12/15/2013. |
| 907818-BY-3.. | Union Pacific Corp..... | | | | 2FE | 272,645 | | 128.2760 | | 235,000 | | (1,113) | | | 7.125 | 5.871 | FA | 6,977 | 16,744 | ..02/10/2004.. | ..02/01/2028. |
| 91913Y-AE-0.. | Valero Energy Corp..... | | | | 2FE | 468,020 | | 117.0050 | 468,020 | 468,020 | | (2,620) | 31,053 | | 7.500 | 5.464 | AO | 6,333 | 30,000 | ..02/08/2005.. | ..04/15/2032. |
| 92344G-AX-4.. | Verizon Global..... | | | | 1FE | 1,191,432 | | 119.4760 | 1,200,000 | 1,192,116 | | .148 | | | 5.850 | 5.901 | MS | 20,670 | 70,200 | ..09/08/2005.. | ..09/15/2035. |
| 92344S-AJ-9.. | Cellco Part/Veri Wireless..... | | | | 1FE | 2,144,310 | | 111.3440 | 2,000,000 | 2,070,953 | | (35,210) | | | 7.375 | 5.353 | MN | 18,847 | 147,500 | ..11/10/2009.. | ..11/15/2013. |
| 92553P-AE-2.. | Viacom Inc..... | | | | 2FE | 4,095,000 | | 107.1250 | 4,000,000 | 4,055,114 | | (19,049) | | | 4.375 | 3.832 | MS | 51,528 | 175,000 | ..11/04/2009.. | ..09/15/2014. |
| 94980V-AF-5.. | Wells Fargo Bank Na..... | | | | 1FE | 1,766,980 | | 87.9050 | 2,000,000 | 1,771,464 | | 4,484 | | | 0.671 | 3.460 | FMAN | 1,714 | | ..11/22/2011.. | ..05/16/2016. |
| C06305-25-1.. | Bank of Hawaii C.D..... | SD | | | 1. | 50,000 | | 50,000 | 50,000 | 50,000 | | | | | 0.300 | 0.300 | MAT | .77 | | ..06/30/2011.. | ..06/30/2013. |
| 15135U-AB-5.. | Cenovus Energy Inc..... | | A | | 2FE | 3,056,477 | | 107.7280 | 3,000,000 | 3,037,328 | | (12,869) | | | 4.500 | 4.008 | MS | 39,750 | 135,000 | ..06/30/2010.. | ..09/15/2014. |
| 00279V-CA-1.. | 144A..... | | F | | 1FE | 3,999,080 | | 93.8510 | 4,000,000 | 3,999,302 | | .178 | | | 3.875 | 3.880 | MN | 21,958 | 155,000 | ..11/04/2009.. | ..11/10/2014. |
| 034863-AB-8.. | Anglo America Capital Series 144A..... | | F | | 2FE | 3,511,260 | | 114.1540 | 3,000,000 | 3,276,671 | | (112,552) | | | 9.375 | 5.018 | AO | 64,844 | 281,250 | ..11/05/2009.. | ..04/08/2014. |
| 04530D-AB-8.. | Aspen Insurance..... | | F | | 2FE | 1,066,956 | | 106.0810 | 1,070,000 | 1,068,914 | | .341 | | | 6.000 | 6.039 | FA | 24,253 | 64,200 | ..04/04/2005.. | ..08/15/2014. |
| 055299-AJ-0.. | BBVA US Senior SA Uniper..... | | F | | 1FE | 3,496,150 | | 94.7230 | 3,500,000 | 3,496,825 | | .675 | | | 3.250 | 3.289 | MN | 14,219 | 56,243 | ..05/11/2011.. | ..05/16/2014. |
| 05567L-T3-1.. | BNP Paribas Series BKNT..... | | F | | 1FE | 2,002,300 | | 96.2490 | 2,000,000 | 2,002,255 | | (45) | | | 5.000 | 4.984 | JJ | 46,111 | 49,167 | ..04/06/2011.. | ..01/15/2021. |
| 05571A-AB-1.. | Groupe Bpce Series 144A..... | | F | | 1FE | 2,965,860 | | 96.8550 | 3,000,000 | 2,976,943 | | 11,083 | | | 2.375 | 2.825 | AO | 17,219 | 70,854 | ..02/09/2011.. | ..10/04/2013. |
| 06739F-FZ-9.. | Barclays Bank Plc..... | | F | | 1FE | 3,163,380 | | 103.0820 | 3,000,000 | 3,090,479 | | (33,458) | | | 5.200 | 3.933 | JJ | 74,100 | 156,000 | ..10/01/2009.. | ..07/10/2014. |
| 11102A-AA-9.. | British Telecom Plc..... | | F | | 2FE | 2,183,460 | | 110.5080 | 2,000,000 | 2,181,828 | | (1,632) | | | 5.950 | 4.228 | JJ | 54,872 | | ..12/05/2011.. | ..01/15/2018. |
| 22546Q-AA-5.. | Credit Suisse New York..... | | F | | 1FE | 3,245,850 | | 103.9420 | 3,000,000 | 3,130,345 | | (52,741) | | | 5.500 | 3.541 | MN | 27,500 | 165,000 | ..10/01/2009.. | ..05/01/2014. |
| 268317-AA-2.. | Electricite De France 144A..... | | F | | 1FE | 1,992,060 | | 106.7970 | 2,000,000 | 1,996,355 | | 1,577 | | | 5.500 | 5.592 | JJ | 47,361 | 110,000 | ..01/21/2009.. | ..01/26/2014. |
| 404280-AK-5.. | HSBC Holdings PLC..... | | F | | 1FE | 1,995,660 | | 106.2590 | 2,000,000 | 1,995,750 | | .90 | | | 5.100 | 5.128 | AO | 24,367 | 51,000 | ..03/29/2011.. | ..04/05/2021. |
| 539473-AG-3.. | Lloyds Tsb bank PLC..... | | F | | 1FE | 1,998,420 | | 97.4580 | 2,000,000 | 1,998,632 | | .212 | | | 4.875 | 4.893 | JJ | 43,333 | 48,750 | ..01/13/2011.. | ..01/12/2016. |
| 55608J-AA-6.. | Macquarie Group Ltd Series 144A..... | | F | | 1FE | 3,170,430 | | 104.1100 | 3,000,000 | 3,096,598 | | (33,724) | | | 7.300 | 5.934 | FA | 91,250 | 219,000 | ..09/18/2009.. | ..08/01/2014. |
| 677788-AA-9.. | Oil Casualty Insurance Series 144A..... | | F | | 2FE | 1,146,973 | | 107.5730 | 1,155,000 | 1,147,369 | | .112 | | | 8.000 | 8.062 | MS | 27,207 | 92,400 | ..09/14/2004.. | ..09/15/2034. |
| 693483-AB-5.. | POSCO Series 144A..... | | F | | 1FE | 1,861,740 | | 96.8370 | 2,000,000 | 1,864,692 | | 3,542 | 130,013 | | 4.250 | 4.305 | AO | 14,875 | 85,000 | ..10/21/2010.. | ..10/28/2020. |
| 81013T-AB-7.. | Scottish Power PLC..... | | F | | 1FE | 934,935 | | 105.1930 | 935,000 | 934,890 | | .8 | | | 5.375 | 5.376 | MS | 14,798 | 50,256 | ..03/15/2005.. | ..03/15/2015. |
| 853254-AD-2.. | Standard Chartered Plc Series 144A..... | | F | | 1FE | 4,296,080 | | 105.8590 | 4,000,000 | 4,194,396 | | (62,881) | | | 5.500 | 3.704 | MN | 26,278 | 220,000 | ..05/10/2010.. | ..11/18/2014. |
| 87927V-AL-2.. | Telecom Italia Capital..... | | F | | 2FE | 4,140,200 | | 92.8200 | 4,000,000 | 4,082,035 | | (27,722) | | | 4.950 | 4.150 | MS | 50,050 | 198,000 | ..11/04/2009.. | ..09/30/2014. |
| 980888-AF-8.. | Woolworths Limited Series 144A..... | | F | | 1FE | 1,994,760 | | 107.2400 | 2,000,000 | 1,994,936 | | .176 | | | 4.550 | 4.583 | AO | 19,969 | 45,500 | ..04/05/2011.. | ..04/12/2021. |
| 329999-9 - | Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations | | | | | 177,231,099 | | XXX | 172,205,000 | 174,224,478 | | (171,063) | (1,117,780) | | XXX | XXX | XXX | 2,175,942 | 7,919,332 | XXX | XXX |
| 00764M-FQ-5.. | Aegis Asset Backed Securities 2005-3 A3..... | | | 2. | 1FM | 1,341,805 | | 98.2460 | 1,367,009 | 1,347,063 | | 5,259 | | | 0.664 | 5.424 | MON | 125 | 1,486 | ..10/26/2011.. | ..07/25/2012. |
| 03072S-LD-5.. | Ameriquest Mortgage Securities 2003-1A1..... | | | 2. | 1FM | 1,190,919 | | 100.0910 | 1,190,919 | 1,190,919 | | | | | 4.965 | 4.959 | MON | 4,927 | 59,129 | ..10/21/2003.. | ..10/25/2015. |
| 03072S-XN-0.. | Ameriquest Mortgage Securities 2004-R12..... | | | 2. | 1FM | 1,833,750 | | 94.5940 | 1,899,030 | 1,849,292 | | 15,542 | | | 0.764 | 3.626 | MON | 201 | 8,925 | ..04/27/2011.. | ..11/25/2013. |
| 1248MB-AJ-4.. | Credit-Based Asset Sevicng 2007-CB2 A2C..... | | | 2. | 1FM | 1,146,300 | | 52.5640 | 2,000,000 | 1,146,300 | | | 302,700 | | 5.623 | 12.594 | MON | 9,372 | 110,132 | ..02/26/2007.. | ..05/25/2034. |
| 126671-R4-0.. | Countrywide Asset-Backed Certs 2003-5 MF..... | | | 2. | 1FM | 258,805 | | 61.9230 | | 394,124 | | | | | 5.413 | 16.688 | MON | 1,778 | 21,334 | ..01/26/2005.. | ..10/25/2026. |
| 126671-UU-8.. | Countrywide Asset-Backed Certs 2003-BG1..... | | | 2. | 1FM | 1,394,164 | | 78.3090 | 1,789,709 | 1,405,834 | | 11,670 | | | 1.094 | 5.628 | MON | 270 | 12,009 | ..05/26/2011.. | ..09/25/2028. |
| 173076-CU-0.. | Credit Based Asset Service CMLTI 2003-HE..... | | | 2. | 1FM | 1,896,557 | | 85.5000 | 2,081,984 | 1,910,477 | | 13,920 | | | 0.674 | 2.685 | MON | 193 | 12,883 | ..01/19/2011.. | ..07/26/2021. |
| 32027N-MH-1.. | First Franklin Mtg Loan Asset FFML 2004..... | | | 2. | 1FM | 1,440,192 | | 94.3200 | 1,481,869 | 1,442,677 | | 2,485 | | | 0.834 | 1.343 | MON | 170 | 9,597 | ..02/28/2011.. | ..08/25/2032. |
| 45254N-JG-3.. | Impac CMB Trust IMM 2004-5 1A1..... | | | 2. | 1FM | 2,515,536 | | 86.1540 | 2,779,598 | 2,523,831 | | 5,874 | | | 1.014 | 2.585 | MON | 389 | 26,782 | ..09/27/2010.. | ..10/27/2031. |
| 57643L-BY-1.. | Mastr Asset Backed Sec Trust 2003-WMC2..... | | | 2. | 1FM | 2,404,540 | | 96.0680 | 2,527,769 | 2,407,397 | | 2,856 | | | 1.344 | 2.332 | MON | 469 | 13,914 | ..08/12/2011.. | ..12/26/2029. |
| 68383N-AA-1.. | Opteum Mortgage Acceptance OPMAC 2005-1..... | | | 2. | 1FM | 2,188,456 | | 92.3130 | 2,298,152 | 2,224,289 | | 30,630 | | | 0.594 | 3.998 | MON | 187 | 12,356 | ..10/12/2010.. | ..12/26/2013. |
| 759950-BG-2.. | Renaissance Home Equity Loan 2003-3 M1..... | | | 2. | 1FM | 650,066 | | 66.4490 | 928,665 | 660,536 | | 10,471 | | | 1.024 | 8.649 | MON | 131 | 6,010 | ..05/02/2011.. | ..01/25/2027. |
| 76110W-2X-3.. | Residential Asset Securities C RASC 2005..... | | | 2. | 1FM | 2,852,190 | | 95.0730 | 3,000,000 | 2,852,190 | | 71,457 | 76,450 | | 0.734 | 7.742 | MON | 306 | 20,123 | ..10/14/2010.. | ..06/25/2013. |
| 76110W-W6-9.. | Residential Asset Securities C RASC 2005..... | | | 2. | 1FE | 2,274,739 | | 96.1120 | 2,400,780 | 2,291,348 | | 16,609 | | | 0.744 | 8.410 | MON | 248 | 4,269 | ..10/04/2011.. | ..03/25/2013. |
| 81375W-DS-2.. | Securitized Asset Backed Rec SABR 2005-F..... | | | 2. | 1FM | 1,532,113 | | 93.8760 | 1,632,061 | 1,532,113 | | 1,373 | 61,353 | | 0.969 | 1.805 | MON | 218 | 14,981 | ..09/24/2010.. | ..09/26/2033. |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

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

| 1 | 2 | Codes | | | 6 | 7 | Fair Value | | 10 | 11 | Change in Book Adjusted Carrying Value | | | | Interest | | | | | Dates | |
|---|---|-------|---------------------------------|-----------|------------------|-------------|--------------------------------|-------------|-------------|--------------------------------|---|--|---|--|----------|-------------------|-----------|-------------------------------|-------------------------|-------------|-------------|
| | | 3 | 4 | 5 | | | 8 | 9 | | | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| CUSIP Identification | Description | Code | F o r e i g n | Bond CHAR | NAIC Designation | Actual Cost | Rate Used To Obtain Fair Value | Fair Value | Par Value | Book / Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Rate of | Effective Rate of | When Paid | Admitted Amount Due & Accrued | Amount Rec. During Year | Acquired | Maturity |
| .83611M-GS-1. | Soundview Home Equity Loan SVHE 2005-OPT. | | | 2 | 1FM | 2,160,832 | .91.7050 | 2,082,844 | 2,271,244 | 2,175,035 | | 14,203 | | | 0.594 | 3.316 | MON. | 185 | 8,515 | 09/28/2011. | 04/27/2015. |
| 3399999 - Industrial and Miscellaneous (Unaffiliated) - Residential Mortgage-Backed Securities | | | | | | 27,080,965 | .XXX | 26,542,314 | 30,042,913 | 27,218,108 | | 202,348 | 440,503 | | XXX. | XXX. | XXX. | 19,168 | 342,447 | XXX. | XXX. |
| .05947U-W2-1. | Banc of America Comm Mort BACM 2005-2 A5. | | | 2 | 1FM | 3,931,719 | 108.3160 | 4,332,640 | 4,000,000 | 3,969,558 | | 7,199 | | | 4.857 | 5.128 | MON. | 16,190 | 194,280 | 01/20/2006. | 05/10/2015. |
| .07383F-7W-2. | Bear Stearns Commerical Mtg 2005-PWR8 A4. | | | 2 | 1FM | 5,887,266 | 107.5670 | 6,454,020 | 6,000,000 | 5,955,281 | | 12,400 | | | 4.674 | 4.962 | MON. | 23,370 | 280,440 | 08/03/2005. | 06/11/2015. |
| .07387B-AH-6. | Bear Stearns Commerical Mort 2005-PWR9 A. | | | 2 | 1FM | 1,005,490 | 108.4580 | 1,084,580 | 1,000,000 | 1,001,488 | | (615) | | | 4.871 | 4.831 | MON. | 4,059 | 48,710 | 09/11/2005. | 08/11/2015. |
| .07387B-CL-5. | Bear Stearns Commerical Mort BSCMS 2005. | | | 2 | 1FM | 4,081,410 | 110.5900 | 4,489,954 | 4,060,000 | 4,064,983 | | (2,803) | | | 5.145 | 5.106 | MON. | 17,408 | 211,499 | 01/12/2006. | 09/12/2015. |
| .12513E-AG-9. | Citigroup Deutsche Bank 2005-CD1 A4 Commercial Mortgage Pass-Throu COMM | | | 2 | 1FM | 2,502,140 | 110.5180 | 2,762,950 | 2,500,000 | 2,502,140 | | | | | 5.225 | 5.279 | MON. | 10,886 | 132,382 | 10/27/2005. | 09/15/2015. |
| .126164-AS-1. | 2005 Commercial Mtg Pass-Through 2005-C6 | | | 2 | 1FM | 1,720,013 | .96.5670 | 1,748,384 | 1,810,540 | 1,804,560 | | 15,193 | | | 0.528 | 8.063 | MON. | 452 | 8,809 | 09/17/2010. | 01/15/2012. |
| .126171-AF-4. | A5A Commercial Mortgage Pass Throu | | | 2 | 1FM | 6,029,589 | 109.6370 | 6,578,220 | 6,000,000 | 6,029,589 | | | | | 5.116 | 5.089 | MON. | 25,580 | 306,960 | 08/05/2005. | 07/10/2015. |
| .12623D-AA-1. | Series 20. | | | 2 | 1FM | 1,941,691 | .99.4720 | 1,981,336 | 1,991,853 | 1,947,863 | | 6,173 | | | 2.181 | 4.435 | MON. | 1,810 | 7,235 | 10/07/2011. | 12/17/2013. |
| .173067-EE-5. | Citigroup Commercial Mtg Trust Cgcmt 200. | | | 2 | 1FM | 3,014,802 | 106.5380 | 3,196,140 | 3,000,000 | 3,000,313 | | (2,492) | | | 4.733 | 4.688 | MON. | 11,833 | 141,916 | 12/15/2004. | 10/15/2014. |
| .20047N-AD-4. | Commercial Mortgage Pass-Throu Comm 2004. | | | 2 | 1FM | 1,034,950 | 100.1670 | 1,031,555 | 1,029,835 | 1,028,590 | | (787) | | | 4.584 | 4.518 | MON. | 3,934 | 47,208 | 10/27/2004. | 01/15/2013. |
| .36228C-VU-4. | GS Mortgage Securities Corp 2005-664 A4A | | | 2 | 1FM | 5,924,297 | 106.7510 | 6,405,060 | 6,000,000 | 5,968,517 | | 9,611 | | | 4.751 | 4.956 | MON. | 23,755 | 285,060 | 08/03/2005. | 05/10/2015. |
| .52108H-ZX-5. | LB-UBS Commercial Mtg Trust 2004-C2 A3. | | | 2 | 1FM | .499,504 | 101.5380 | 538,664 | 530,505 | 524,203 | | 3,386 | | | 3.973 | 5.254 | MON. | 1,171 | 21,077 | 02/01/2007. | 11/15/2013. |
| .52521T-AC-1. | Lehman Brothers LBFRC 2006-LLFA A2. | | | 2 | 1FM | 838,288 | .96.7660 | 841,476 | 869,599 | 851,664 | | 7,213 | | | 0.398 | 6.714 | MON. | 164 | 1,818 | 12/22/2011. | 08/15/2012. |
| .59022H-NC-2. | Merrill Lynch Mortgage Trust 2005-LC1 A4. | | | 2 | 1FM | 4,021,814 | 110.6010 | 4,424,040 | 4,000,000 | 4,003,726 | | (3,912) | | | 5.291 | 5.246 | MON. | 17,637 | 211,640 | 12/16/2005. | 12/12/2015. |
| .61746W-MV-9. | Morgan Stanley Dean Witter Cap MSDWC 200. | | | 2 | 1FM | 407,724 | 100.0290 | 392,997 | 392,884 | 393,748 | | (11,686) | | | 6.510 | 0.641 | MON. | 2,131 | 26,277 | 10/21/2010. | 02/15/2012. |
| .61750W-AX-1. | Morgan Stanley Capital I Series 2006-101. | | | 2 | 1FM | 1,005,429 | 111.7750 | 1,117,750 | 1,000,000 | 1,001,874 | | (844) | | | 5.332 | 5.288 | MON. | 4,443 | 53,320 | 12/14/2006. | 11/15/2016. |
| .61752L-AA-3. | Morgan Stanley Capital I MSC 2007-XLFA A. | | | 2 | 1FM | 857,175 | .99.4720 | 874,512 | 879,154 | 877,239 | | 20,064 | | | 0.338 | 5.270 | MON. | 140 | 2,342 | 01/21/2011. | 01/15/2012. |
| .92976B-BN-1. | Wachovia Bank Commercial Mort. 2005-C22. | | | 2 | 1FM | 4,019,876 | 110.0380 | 4,401,520 | 4,000,000 | 4,004,111 | | (3,182) | | | 5.269 | 5.233 | MON. | 17,563 | 213,684 | 12/15/2005. | 11/15/2015. |
| .92976B-HJ-4. | Wachovia Bank Commercial Mort. WBCMT 200. | | | 2 | 1FM | 742,325 | .95.0700 | 763,071 | 802,641 | 798,628 | | 36,337 | | | 0.368 | 11.940 | MON. | 140 | 2,602 | 10/19/2010. | 01/15/2012. |
| .92978P-AE-9. | Wachovia Bank Commerical Mort Series 200. | | | 2 | 1FM | 1,004,947 | 109.5800 | 1,095,800 | 1,000,000 | 1,001,766 | | (700) | | | 5.308 | 5.273 | MON. | 4,423 | 53,080 | 12/13/2006. | 11/15/2016. |
| 3499999 - Industrial and Miscellaneous (Unaffiliated) - Commercial Mortgage-Backed Securities | | | | | | 50,470,448 | .XXX | 54,514,670 | 50,867,011 | 50,729,842 | | 90,553 | | | XXX. | XXX. | XXX. | 187,089 | 2,250,339 | XXX. | XXX. |
| .09774X-AK-8. | Bombardier Capital Mortgage Se 1998-B M1. | | | 2,4 | 6FE | 1,613,545 | 40.1500 | 2,721,781 | | 1,511,707 | | (38,324) | | | 6.810 | 25.617 | MON. | 38,471 | 461,652 | 09/19/2007. | 03/15/2026. |
| .12496B-AB-7. | C-Bass Ltd CBGL 7A B CDO. | | | 2 | 1FE | 1,199,471 | .98.3600 | 1,255,106 | 1,276,033 | 1,273,435 | | 28,360 | | | 1.644 | 10.015 | FMAN. | 3,030 | 19,207 | 10/27/2010. | 01/10/2012. |
| .17308B-AH-1. | Citibank Omni Master Trust COMM1 2009-A8. | | | 2 | 1FE | 3,832,906 | 100.6140 | 3,823,332 | 3,800,000 | 3,822,684 | | (10,222) | | | 2.378 | 0.785 | MON. | 4,268 | 15,309 | 12/21/2011. | 05/15/2012. |
| .00083P-AA-2. | ACA ABS 2007-3 144A CDO. | .F. | | 2 | 1FE | 4,636,593 | 47.5600 | 7,375,129 | 15,507,000 | 5,302,215 | | 169,420 | | | | 5.686 | FMAN. | | | 06/30/2007. | 05/07/2047. |
| .03702L-AA-6. | Anthracite CDO Ltd 2002-CIBA A 144A CDO. | .F. | | 2 | 1FE | 2,797,538 | .94.4740 | 2,696,466 | 2,854,189 | 2,843,244 | | 45,706 | | | 0.744 | 6.877 | MON. | 460 | 12,038 | 07/05/2011. | 01/24/2012. |
| .226062-AA-5. | Crest Clarendon Street CRSTC 2002-1A 144. | .F. | | 2 | 1FE | 697,881 | .95.8110 | 682,293 | 712,124 | 703,903 | | 6,022 | | | 1.056 | 3.420 | MJSD. | 84 | 4,274 | 04/01/2011. | 09/28/2012. |
| .26156F-AA-1. | Dresdner Fndg Trust I Series 144A. | .F. | | 1 | 1AM | 430,000 | 65.0000 | 325,000 | 500,000 | 430,000 | | | | | 8.151 | 9.741 | JD. | 113 | 40,758 | 02/08/2005. | 06/30/2031. |
| .89288T-AA-0. | Trainer Wortham First Republic 2004-4A A. | .F. | | 2 | 1FE | 1,704,197 | .94.2370 | 1,659,932 | 1,761,444 | 1,705,913 | | 1,716 | | | 0.985 | 1.269 | FMAN. | 2,651 | 7,421 | 05/11/2011. | 11/06/2034. |
| .98935V-AA-3. | Zenith Funding LTD 2004-1A C CDO. | .F. | | 2 | 6Z | | | | 5,000,000 | | | | | | 3.528 | | MJSD. | | | 12/21/2004. | 12/06/2039. |
| .G00620-AA-5. | ACA ABS 2003-3 144A. | .F. | | 2 | 6Z | 5 | | | 7,627,428 | | | | | | | | MJSD. | | | 08/08/2008. | 09/10/2033. |
| 3599999 - Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities | | | | | | 16,912,137 | .XXX | 20,539,039 | 39,038,216 | 17,593,102 | | 202,679 | | | XXX. | XXX. | XXX. | 49,077 | 560,659 | XXX. | XXX. |
| 3899999 - Subtotals - Industrial and Miscellaneous (Unaffiliated) | | | | | | 271,694,648 | .XXX | 281,577,114 | 292,153,140 | 269,765,529 | | (171,063) | (622,200) | 1,174,186 | XXX. | XXX. | XXX. | 2,431,277 | 11,072,777 | XXX. | XXX. |
| 7799999 - Subtotals - Issuer Obligations | | | | | | 187,740,069 | .XXX | 190,757,812 | 184,515,457 | 184,637,872 | | (187,345) | (1,104,232) | 733,682 | XXX. | XXX. | XXX. | 2,327,544 | 8,367,076 | XXX. | XXX. |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1

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

| 1 | 2 | Codes | | | 6 | 7 | Fair Value | | 10 | 11 | Change in Book Adjusted Carrying Value | | | | Interest | | | | | Dates | |
|---|-------------|-------|---------------------------------|-----------|------------------|-------------|--------------------------------|-------------|-------------|--------------------------------|---|--|---|--|----------|-------------------|-----------|-------------------------------|-------------------------|----------|----------|
| | | 3 | 4 | 5 | | | 8 | 9 | | | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| CUSIP Identification | Description | Code | F o r e i g n | Bond CHAR | NAIC Designation | Actual Cost | Rate Used To Obtain Fair Value | Fair Value | Par Value | Book / Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Rate of | Effective Rate of | When Paid | Admitted Amount Due & Accrued | Amount Rec. During Year | Acquired | Maturity |
| 7899999 - Subtotals - Residential Mortgage-Backed Securities | | | | | | 177,461,402 | XXX | 185,367,181 | 174,380,732 | 177,397,437 | | (94,744) | 440,503 | | XXX | XXX | XXX | 605,198 | 6,547,179 | XXX | XXX |
| 7999999 - Subtotals - Commercial Mortgage-Backed Securities | | | | | | 50,470,448 | XXX | 54,514,670 | 50,867,011 | 50,729,842 | | 90,553 | | | XXX | XXX | XXX | 187,089 | 2,250,339 | XXX | XXX |
| 8099999 - Subtotals - Other Loan-Backed and Structured Securities | | | | | | 16,912,137 | XXX | 20,539,039 | 39,038,216 | 17,593,102 | | 202,679 | | | XXX | XXX | XXX | 49,077 | 560,659 | XXX | XXX |
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| 8399999 Totals | | | | | | 432,584,055 | XXX | 451,178,702 | 448,801,415 | 430,358,253 | (187,345) | (905,744) | 1,174,186 | | XXX | XXX | XXX | 3,168,909 | 17,725,255 | XXX | XXX |

Schedule D - Part 2 - Section 1

NONE

Schedule D - Part 2 - Section 2

NONE

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 3

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|----------------------|--|---------|---------------|--------------------------------|---------------------------|-------------|------------|---|
| CUSIP Identification | Description | Foreign | Date Acquired | Name of Vendor | Number of Shares of Stock | Actual Cost | Par Value | Paid for Accrued Interest and Dividends |
| 36202F-LP-9 | GNMA II Pool 4834 4.500% 10/20/40 | | 10/28/2011 | Barclays Capital Inc - NY Fins | | 10,482,426 | 9,692,979 | 36,349 |
| 0599999 - Bonds | - U.S. Governments | | | | | 10,482,426 | 9,692,979 | 36,349 |
| 857524-AB-8 | Republic of Poland 5.000% 03/23/22 | F | 10/27/2011 | HSBC Securities | | 1,429,773 | 1,450,000 | |
| 1099999 - Bonds | - All Other Governments | | | | | 1,429,773 | 1,450,000 | |
| 20786L-CS-8 | Connector 2000 Assn Inc S C To | | 07/15/2011 | Calton & Associates Inc | | 8,500 | 25,000 | 69 |
| 20786L-DA-6 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 43,182 | 45,898 | |
| 20786L-DB-4 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 43,258 | 48,009 | |
| 20786L-DC-2 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 44,581 | 51,912 | |
| 20786L-DD-0 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 46,616 | 57,862 | |
| 20786L-DE-8 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 59,400 | 78,283 | |
| 20786L-DF-5 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 60,571 | 86,513 | |
| 20786L-DG-3 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 61,380 | 94,183 | |
| 20786L-DH-1 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 63,134 | 102,443 | |
| 20786L-DJ-7 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 69,215 | 121,510 | |
| 20786L-DK-4 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 69,051 | 128,496 | |
| 20786L-DL-2 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 231,452 | 647,577 | |
| 20786L-DM-0 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 85,089 | 501,608 | |
| 20786L-DN-8 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 21,679 | 290,007 | |
| 20786L-DP-3 | Connector 2000 Assn Inc S C To Series B | | 05/02/2011 | Obligor | | 81,871 | 223,635 | |
| 20786L-DQ-1 | Connector 2000 Assn Inc S C To Series A | | 05/02/2011 | Obligor | | 8,022 | 112,521 | |
| 38376V-BM-8 | Government National Mortgage Series GNR | | 10/26/2011 | Wells Fargo Securities LLC | | 8,780,932 | 7,977,000 | 29,914 |
| 38377D-FE-1 | Government National Mortgage Series GNR | | 11/16/2011 | Direct Issue | | 4,865,625 | 4,500,000 | 10,000 |
| 453419-AT-0 | Independence Cnty Ark Hydroele | | 01/11/2011 | Sterling Grace Municipal Secur | | 172,500 | 250,000 | 2,471 |
| 453419-BX-0 | Independence Cnty Ark Hydroele | | 01/20/2011 | Carlton & Associates | | 3,700 | 10,000 | 112 |
| 546279-RE-2 | Louisiana Loc Govt Envir Facs Series A | | 12/14/2011 | JP Morgan Securities | | 58,000 | 80,000 | 1,056 |
| 546279-RG-7 | Louisiana Loc Govt Envir Facs Series A | | 12/14/2011 | JP Morgan Securities | | 37,400 | 55,000 | 866 |
| 546279-RK-8 | Louisiana Loc Govt Envir Facs Ser A | | 03/08/2011 | Carlton & Associates | | 104,518 | 235,000 | 1,908 |
| 882385-AC-1 | Texas Dorm Fin Auth Inc | | 06/02/2011 | Various | | 38,250 | 70,000 | 1,000 |
| 882385-AD-9 | Texas Dorm Fin Auth Inc | | 04/20/2011 | Various | | 62,288 | 105,000 | 1,449 |
| 882385-AE-7 | Texas Dorm Fin Auth Inc | | 04/29/2011 | Various | | 80,050 | 140,000 | 1,307 |
| 3199999 - Bonds | - U.S. Special Revenue | | | | | 15,200,264 | 16,037,457 | 50,151 |
| 00206R-AW-2 | AT&T Inc 2.950% 05/15/16 | | 04/26/2011 | Bank of America Securities Llc | | 1,996,360 | 2,000,000 | |
| 00764M-FQ-5 | Aegis Asset Backed Securities 2005-3 A3 | | 10/26/2011 | Goldman Sachs | | 1,341,805 | 1,367,009 | 140 |
| 03072S-XN-0 | Ameriquest Mortgage Securities 2004-R12 | | 04/27/2011 | Goldman Sachs | | 1,833,750 | 1,899,030 | 252 |
| 03073E-AJ-4 | Amerisourcebergen Corp | | 11/08/2011 | Bank of America Securities Llc | | 1,697,586 | 1,700,000 | |
| 031162-BM-1 | Amgen Inc 3.875% 11/15/21 | | 11/07/2011 | Bank of America Securities Llc | | 1,994,400 | 2,000,000 | |
| 039483-BB-7 | Archer Daniels 4.479% 03/01/21 | | 03/30/2011 | Bank of America Securities Llc | | 2,014,580 | 2,000,000 | 8,617 |
| 04044T-AE-6 | Aristotle Holding Inc Series 144A | | 11/14/2011 | Credit Suisse First Boston | | 1,288,911 | 1,300,000 | |
| 04650N-AB-0 | AT&T Inc 5.350% 09/01/40 | | 05/12/2011 | Tax Free Exchange | | 739,888 | 739,000 | 7,797 |
| 06051G-EH-8 | Bank Of America Corp Series MTN | | 05/10/2011 | Bank of America Securities Llc | | 3,982,600 | 4,000,000 | |
| 12623D-AA-1 | Commercial Mortgage Pass Throu Series 20 | | 10/07/2011 | Deutsche Bank Securities, Inc | | 1,941,691 | 1,991,853 | |
| 126671-UU-8 | Countrywide Asset-Backed Certs 2003-BC1 | | 05/26/2011 | Various | | 1,394,164 | 1,789,709 | 1,144 |
| 17307G-CU-0 | Credit Based Asset Service CMLTI 2003-HE | | 01/19/2011 | Citigroup Global Markets | | 1,896,557 | 2,081,984 | 1,037 |
| 17308B-AH-1 | Citibank Omni Master Trust COMNI 2009-A8 | | 12/21/2011 | Various | | 3,832,906 | 3,800,000 | 2,560 |
| 191216-AU-4 | Coca - Cola Co 1.800% 09/01/16 | | 12/13/2011 | Tax Free Exchange | | 2,029,715 | 2,000,000 | 12,300 |
| 26884A-AZ-6 | Erp Operation Lp 4.625% 12/15/21 | | 12/07/2011 | Morgan Stanley & Co | | 796,952 | 800,000 | |
| 302182-AF-7 | Express Scripts Inc 3.125% 05/15/16 | | 04/29/2011 | Cantor Fitzgerald | | 1,505,055 | 1,500,000 | 260 |
| 30277M-AB-0 | Fuel Trust Seires 144A | | 06/14/2011 | Bank of America Securities Llc | | 3,000,000 | 3,000,000 | |
| 32027N-MH-1 | First Franklin Mtg Loan Asset FFWL 2004- | | 02/28/2011 | Citigroup Global Markets | | 1,440,192 | 1,481,869 | 198 |
| 375558-AU-7 | Gilead Sciences Inc 4.400% 12/01/21 | | 12/06/2011 | Bank of America Securities Llc | | 1,995,400 | 2,000,000 | |
| 40414L-AC-3 | HCP Inc 3.750% 02/01/16 | | 01/19/2011 | UBS Securities Inc | | 1,992,020 | 2,000,000 | |
| 428236-BM-4 | Hewlett-Packard Co 4.300% 06/01/21 | | 05/25/2011 | RBS | | 1,995,980 | 2,000,000 | |
| 428236-BP-7 | Hewlett-Packard Co 3.000% 09/15/16 | | 09/13/2011 | Barclays Capital Inc - NY Fins | | 1,995,680 | 2,000,000 | |
| 52521T-AC-1 | Lehman Brothers LBFRC 2006-LLFA A2 | | 12/22/2011 | Various | | 431,185 | 444,426 | 78 |
| 57643L-BY-1 | Mastr Asset Backed Sec Trust 2003-WMC2 | | 08/12/2011 | Pershing & Co | | 2,404,540 | 2,527,769 | 1,998 |
| 61752L-AA-3 | Morgan Stanley Capital I MSC 2007-XLFA A | | 01/21/2011 | Amherst Securities Group Ilc | | 857,175 | 879,154 | 86 |
| 759950-BG-2 | Renaissance Home Equity Loan 2003-3 M1 | | 05/02/2011 | Goldman Sachs | | 650,066 | 928,665 | 243 |
| 76110W-WG-9 | Residential Asset Securities C RASC 2005 | | 10/04/2011 | Jefferies Co - Bond Division | | 2,274,739 | 2,400,780 | 502 |
| 83611M-GS-1 | Soundview Home Equity Loan SVHE 2005-OPT | | 09/28/2011 | Various | | 2,160,832 | 2,271,244 | 409 |
| 94980V-AF-5 | Wells Fargo Bank Na 0.671% 05/16/16 | | 11/22/2011 | Bank of America Securities Llc | | 1,766,980 | 2,000,000 | 447 |

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ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

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

| 1 | 2 | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Change in Book/Adjusted Carrying Value | | | | | 16 | 17 | 18 | 19 | 20 | 21 | |
|--|-------------------------|----------------------------|---------|---------------|--------------------------|---------------------------|---------------|------------|-------------|---|--|---------------------------------------|---|--|--|---|--|----------------------------------|-------------------------------|--|---------------|------------|
| CUSIP Identification | Description | | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/(Decrease) | Current Year (Amortization)/Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change in B/A. C.V. (11 + 12 - 13) | Total Foreign Exchange Change in B/A. C.V. | Book/Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Maturity Date | |
| 31359M-HK-2 | FNMA | 5.500% 03/15/11 | | 03/15/2011 | Maturity | | 3,500,000 | 3,500,000 | 3,608,469 | 3,504,364 | | | (4,364) | (4,364) | | 3,500,000 | | | | 96,250 | 03/15/2011 | |
| 31359M-UT-8 | FNMA | 4.125% 04/15/14 | | 04/06/2011 | Citigroup Global Markets | | 5,062,413 | 4,701,000 | 4,500,502 | 4,622,225 | | | 6,427 | 6,427 | | 4,628,653 | | | 433,760 | 433,760 | 94,804 | 04/15/2014 |
| 36200A-BE-8 | GNMA Pool | 595037 6.000% 10/15/32 | | 12/01/2011 | Paydown | | 694 | 694 | 715 | 712 | | | (18) | (18) | | 694 | | | | | 16 | 10/15/2032 |
| 36200A-CW-7 | GNMA Pool | 595085 6.000% 10/15/32 | | 12/01/2011 | Paydown | | 42,672 | 42,672 | 43,939 | 43,871 | | | (1,200) | (1,200) | | 42,672 | | | | 1,205 | 10/15/2032 | |
| 36200E-TY-7 | GNMA Pool | 599167 6.000% 12/15/33 | | 12/01/2011 | Paydown | | 5,818 | 5,818 | 5,990 | 5,958 | | | (141) | (141) | | 5,818 | | | | 191 | 12/15/2033 | |
| 36200M-AT-0 | GNMA Pool | 604018 5.500% 02/15/33 | | 12/01/2011 | Paydown | | 318,561 | 318,561 | 327,794 | 327,079 | | | (8,518) | (8,518) | | 318,561 | | | | 7,739 | 02/15/2033 | |
| 36200M-EN-9 | GNMA Pool | 604141 6.000% 03/15/33 | | 12/01/2011 | Paydown | | 13,714 | 13,714 | 14,121 | 14,101 | | | (388) | (388) | | 13,714 | | | | 447 | 03/15/2033 | |
| 36200O-2R-4 | GNMA Pool | 599684 6.000% 02/15/32 | | 12/01/2011 | Paydown | | 18,285 | 18,285 | 18,828 | 18,796 | | | (511) | (511) | | 18,285 | | | | 619 | 02/15/2032 | |
| 36200R-LX-8 | GNMA Pool | 570142 6.000% 12/15/31 | | 12/01/2011 | Paydown | | 9,150 | 9,150 | 9,421 | 9,407 | | | (257) | (257) | | 9,150 | | | | 280 | 12/15/2031 | |
| 36200R-XT-4 | GNMA Pool | 570490 6.000% 12/15/31 | | 12/01/2011 | Paydown | | 1,565 | 1,565 | 1,611 | 1,608 | | | (43) | (43) | | 1,565 | | | | 32 | 12/15/2031 | |
| 36200S-US-7 | GNMA Pool | 571293 6.000% 11/15/31 | | 12/01/2011 | Paydown | | 1,765 | 1,765 | 1,817 | 1,815 | | | (50) | (50) | | 1,765 | | | | 45 | 11/15/2031 | |
| 36201A-PF-9 | GNMA Pool | 577422 6.000% 01/15/32 | | 12/01/2011 | Paydown | | 5,526 | 5,526 | 5,690 | 5,680 | | | (154) | (154) | | 5,526 | | | | 198 | 01/15/2032 | |
| 36201D-AX-0 | GNMA Pool | 579722 6.000% 08/15/32 | | 12/01/2011 | Paydown | | 26,972 | 26,972 | 27,773 | 27,712 | | | (741) | (741) | | 26,972 | | | | 991 | 08/15/2032 | |
| 36201E-AG-5 | GNMA Pool | 580607 6.000% 02/15/33 | | 12/01/2011 | Paydown | | 5,238 | 5,238 | 5,394 | 5,383 | | | (145) | (145) | | 5,238 | | | | 157 | 02/15/2033 | |
| 36201F-AF-4 | GNMA Pool | 581506 6.000% 04/15/33 | | 12/01/2011 | Paydown | | 1,101 | 1,101 | 1,134 | 1,131 | | | (30) | (30) | | 1,101 | | | | 34 | 04/15/2033 | |
| 36201K-JQ-0 | GNMA Pool | 585371 6.000% 04/15/32 | | 12/01/2011 | Paydown | | 1,093 | 1,093 | 1,125 | 1,124 | | | (31) | (31) | | 1,093 | | | | 37 | 04/15/2032 | |
| 36201Y-FD-3 | GNMA Pool | 606864 6.000% 10/15/33 | | 12/01/2011 | Paydown | | 1,222 | 1,222 | 1,258 | 1,257 | | | (35) | (35) | | 1,222 | | | | 25 | 10/15/2033 | |
| 36202F-JQ-0 | GNMA II Pool | 4771 4.500% | | 08/20/40 | Paydown | | 1,256,250 | 1,256,250 | 1,323,577 | 1,322,949 | | | (57,078) | (57,078) | | 1,265,871 | | (9,621) | (9,621) | 35,931 | 08/20/2040 | |
| 36202F-KN-5 | GNMA II Pool | 4801 4.500% | | 09/20/40 | Paydown | | 1,577,539 | 1,577,539 | 1,663,810 | 1,663,323 | | | (85,784) | (85,784) | | 1,577,539 | | | | 43,628 | 09/20/2040 | |
| 36207E-ND-2 | GNMA Pool | 429788 6.000% 12/15/33 | | 12/01/2011 | Paydown | | 26,187 | 26,187 | 26,965 | 26,924 | | | (736) | (736) | | 26,187 | | | | 891 | 12/15/2033 | |
| 3620C4-2P-4 | GNMA Pool | 748782 4.500% 09/15/40 | | 12/01/2011 | Paydown | | 537,719 | 537,719 | 570,318 | 570,131 | | | (32,413) | (32,413) | | 537,719 | | | | 16,691 | 09/15/2040 | |
| 36210J-HW-1 | GNMA Pool | 493545 6.000% 03/15/31 | | 12/01/2011 | Paydown | | 211 | 211 | 217 | 216 | | | (6) | (6) | | 211 | | | | 7 | 03/15/2031 | |
| 36213F-U4-3 | GNMA Pool | 553303 6.000% 06/15/33 | | 12/01/2011 | Paydown | | 42 | 42 | 44 | 44 | | | (1) | (1) | | 42 | | | | 2 | 06/15/2033 | |
| 36213R-2A-4 | GNMA Pool | 562469 5.000% 02/15/34 | | 12/01/2011 | Paydown | | 311,185 | 311,185 | 312,777 | 312,696 | | | (1,511) | (1,511) | | 311,185 | | | | 7,543 | 02/15/2034 | |
| 36213R-ZF-7 | GNMA Pool | 562442 5.500% 01/15/34 | | 12/01/2011 | Paydown | | 148,105 | 148,105 | 152,132 | 151,951 | | | (3,846) | (3,846) | | 148,105 | | | | 4,062 | 01/15/2034 | |
| 36213T-GW-7 | GNMA Pool | 563713 6.000% 01/15/33 | | 12/01/2011 | Paydown | | 12,628 | 12,628 | 13,003 | 12,981 | | | (352) | (352) | | 12,628 | | | | 346 | 01/15/2033 | |
| 36213U-EZ-9 | GNMA Pool | 564552 6.000% 12/15/31 | | 12/01/2011 | Paydown | | 252 | 252 | 260 | 259 | | | (7) | (7) | | 252 | | | | 8 | 12/15/2031 | |
| 36213V-GN-2 | GNMA Pool | 565505 6.000% 09/15/32 | | 12/01/2011 | Paydown | | 408 | 408 | 420 | 419 | | | (12) | (12) | | 408 | | | | 8 | 09/15/2032 | |
| 36241K-YU-6 | GNMA Pool | 782523 5.000% 11/15/35 | | 12/01/2011 | Paydown | | 1,593,666 | 1,593,666 | 1,713,939 | 1,712,918 | | | (119,252) | (119,252) | | 1,593,666 | | | | 41,729 | 11/15/2035 | |
| 36290X-PM-6 | GNMA Pool | 620628 6.000% 09/15/33 | | 12/01/2011 | Paydown | | 23,285 | 23,285 | 23,976 | 23,947 | | | (663) | (663) | | 23,285 | | | | 651 | 09/15/2033 | |
| 36290X-PT-1 | GNMA Pool | 620634 6.000% 09/15/33 | | 12/01/2011 | Paydown | | 21,237 | 21,237 | 21,867 | 21,748 | | | (512) | (512) | | 21,237 | | | | 1,208 | 09/15/2033 | |
| 36290Y-TN-8 | GNMA Pool | 621657 6.000% 12/15/33 | | 12/01/2011 | Paydown | | 39 | 39 | 41 | 40 | | | (1) | (1) | | 39 | | | | 2 | 12/15/2033 | |
| 36291C-PV-1 | GNMA Pool | 624236 6.000% 12/15/33 | | 12/01/2011 | Paydown | | 334 | 334 | 344 | 343 | | | (9) | (9) | | 334 | | | | 11 | 12/15/2033 | |
| 36291E-AD-3 | GNMA Pool | 625604 6.000% 12/15/33 | | 12/01/2011 | Paydown | | 3,740 | 3,740 | 3,851 | 3,844 | | | (104) | (104) | | 3,740 | | | | 55 | 12/15/2033 | |
| 36291E-AV-3 | GNMA Pool | 625620 6.000% 12/15/33 | | 12/01/2011 | Paydown | | 300 | 300 | 309 | 308 | | | (8) | (8) | | 300 | | | | 8 | 12/15/2033 | |
| 36296X-HB-0 | GNMA Pool | 704155 5.500% 01/15/39 | | 12/01/2011 | Paydown | | 1,524,588 | 1,524,588 | 1,571,755 | 1,570,826 | | | (46,238) | (46,238) | | 1,524,588 | | | | 33,974 | 01/15/2039 | |
| 912828-CT-5 | US Treasury N/B | 4.250% 08/15/14 | | 11/16/2011 | UBS Securities Inc. | | 945,443 | 855,000 | 861,413 | 857,625 | | | (628) | (628) | | 856,997 | | 88,446 | 88,446 | 46,014 | 08/15/2014 | |
| 0699999 - Bonds - U.S. Governments | | | | | | | 16,998,947 | 16,547,091 | 16,836,599 | 16,845,715 | | | (359,360) | (359,360) | | 16,486,362 | | 512,585 | 512,585 | 435,839 | XXX | |
| 31359S-2G-4 | Fanniemae Whole Loan NW | 2001-W1 AF6 | | 12/01/2011 | Paydown | | 24,995 | 24,995 | 25,952 | 27,043 | | | (2,048) | (2,048) | | 24,995 | | | | 808 | 03/25/2018 | |
| 31387C-M3-2 | FNMA Pool | 580078 7.000% 09/01/31 | | 12/01/2011 | Paydown | | 1,001 | 1,001 | 1,029 | 1,024 | | | (23) | (23) | | 1,001 | | | | 40 | 09/01/2031 | |
| 31394D-EA-4 | FNMA Pool | 2005-22 KJ 5.000% 07/25/33 | | 12/01/2011 | Paydown | | 1,327,856 | 1,327,856 | 1,396,739 | 1,386,451 | | | (58,594) | (58,594) | | 1,327,856 | | | | 34,490 | 07/25/2014 | |
| 31402D-F7-0 | FNMA Pool | 725690 6.000% 08/01/34 | | 12/01/2011 | Paydown | | 2,200,329 | 2,200,329 | 2,273,730 | 2,270,163 | | | (69,834) | (69,834) | | 2,200,329 | | | | 67,279 | 08/01/2034 | |
| 31402D-PT-1 | FNMA Pool | 725934 5.000% 11/01/19 | | 12/01/2011 | Paydown | | 2,496,356 | 2,496,356 | 2,652,769 | 2,645,182 | | | (148,826) | (148,826) | | 2,496,356 | | | | 66,077 | 11/01/2019 | |
| 31405R-AR-7 | FNMA Pool | 796616 5.500% 10/01/34 | | 12/01/2011 | Paydown | | 3,225,156 | 3,225,156 | 3,274,794 | 3,271,931 | | | (46,774) | (46,774) | | 3,225,156 | | | | 84,703 | 10/01/2034 | |
| 31407U-EK-9 | FNMA Pool | 840838 5.500% 11/01/35 | | 12/01/2011 | Paydown | | 1,461,269 | 1,461,269 | 1,442,547 | 1,442,976 | | | 18,293 | 18,293 | | 1,461,269 | | | | 37,824 | 11/01/2035 | |
| 3199999 - U.S. Special Revenue and Special Assessment Obligations and all Non Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions | | | | | | | 10,736,962 | 10,736,962 | 11,0 | | | | | | | | | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Change in Book/Adjusted Carrying Value | | | | | 16 | 17 | 18 | 19 | 20 | 21 |
|---|--|---------|---------------|--------------------------------|---------------------------|---------------|-------------|-------------|---|---|--|---|--|--|--|--|----------------------------------|-------------------------------|--|---------------|
| | | | | | | | | | | 11 | 12 | 13 | 14 | 15 | | | | | | |
| CUSIP Identification | Description | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change in B/A. C.V. (11 + 12 - 13) | Total Foreign Exchange Change in B/A. C.V. | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Maturity Date |
| 12496B-AB-7 | C-Bass Ltd CBCL 7A B CDO | | 11/10/2011 | Paydown | | 2,223,967 | 2,223,967 | 2,090,529 | 2,170,011 | | 53,956 | | 53,956 | | 2,223,967 | | | | 20,204 | 01/10/2012 |
| 126164-AS-1 | Commercial Mortgage Pass-Throu COMM 2005 | | 01/15/2011 | Paydown | | 6,870 | 6,870 | 6,526 | 6,789 | | 80 | | 80 | | 6,870 | | | | 3 | 01/15/2012 |
| 171232-AF-8 | Chubb Corporation 6.000% | | 11/15/11 | Maturity | | 365,000 | 365,000 | 401,985 | 369,796 | | (4,796) | | (4,796) | | 365,000 | | | | 21,900 | 11/15/2011 |
| 172967-CS-8 | Citigroup Inc 0.715% 11/05/14 | | 03/07/2011 | Citigroup Global Markets | | 1,945,210 | 2,000,000 | 1,836,380 | 1,847,478 | | 7,026 | | 7,026 | | 1,854,504 | | 90,706 | 90,706 | | 11/05/2014 |
| 17305E-DF-9 | Citibank Credit Card Issuance 2006-A4 A4 | | 05/10/2011 | Paydown | | 2,950,000 | 2,950,000 | 2,946,873 | 2,949,531 | | 469 | | 469 | | 2,950,000 | | | | 80,388 | 05/10/2011 |
| 17308B-AH-1 | Citibank Omni Master Trust COMM 2009-A8 | | 10/26/2011 | Various | | 4,564,523 | 4,500,000 | 4,552,734 | 4,544,855 | | (10,928) | | (10,928) | | 4,533,927 | | 30,596 | 30,596 | 41,012 | 05/15/2012 |
| 191219-BT-0 | Coca Cola Enterprises 7.375% | | 03/03/14 | Taxable Exchange | | 2,281,997 | 2,000,000 | 2,238,040 | 2,153,523 | | (28,387) | | (28,387) | | 2,125,137 | | 156,861 | 156,861 | 207,655 | 03/03/2014 |
| 200476-AA-7 | Commercial Mortgage Pass-Throu Comm 2007 | | 11/15/2011 | Paydown | | 2,620,724 | 2,620,724 | 2,535,551 | 2,576,804 | | 43,920 | | 43,920 | | 2,620,724 | | | | 3,237 | 02/15/2011 |
| 20047N-AD-4 | Commercial Mortgage Pass-Throu Comm 2004 | | 12/01/2011 | Paydown | | 1,100,165 | 1,100,165 | 1,105,629 | 1,099,675 | | (524) | | (524) | | 1,099,152 | | 1,013 | 1,013 | 37,007 | 01/15/2013 |
| 209111-EP-4 | Consolidated Edison 5.300% | | 12/01/16 | Fidelity Capital Markets Fins. | | 1,107,090 | 1,000,000 | 997,160 | 998,095 | | (4) | | (4) | | 998,091 | | 108,999 | 108,999 | 10,747 | 12/01/2016 |
| 22238H-GQ-7 | Countrywide Finl Corp MTN | | 09/16/2011 | Bank of America Securities LLC | | 1,516,050 | 1,500,000 | 1,497,105 | 1,499,011 | | 372 | | 372 | | 1,499,383 | | 16,667 | 16,667 | 68,633 | 06/07/2012 |
| 26442C-AA-2 | Duke Energy Carolinas | | 01/13/2011 | Pershing & Co | | 1,305,684 | 1,200,000 | 1,199,844 | 1,199,764 | | (31) | | (31) | | 1,199,733 | | 105,951 | 105,951 | 9,760 | 06/01/2037 |
| 341081-EU-7 | Florida Pwr & Light 5.400% | | 01/13/2011 | HSBC Securities | | 1,166,425 | 1,140,000 | 1,134,676 | 1,135,061 | | 23 | | 23 | | 1,135,083 | | 31,342 | 31,342 | 23,598 | 09/01/2035 |
| 369626-2V-5 | General Elec Cap Corp SERIES MTN | | 04/28/2011 | Jefferies Co - Bond Division | | 1,923,044 | 2,000,000 | 1,840,120 | 1,848,043 | | 8,926 | | 8,926 | | 1,856,970 | | 66,074 | 66,074 | 4,731 | 05/11/2016 |
| 40429C-FR-8 | HSBC Finance Corp 0.957% | | 05/11/2011 | HSBC Securities | | 963,600 | 1,000,000 | 898,700 | 903,575 | | 6,148 | | 6,148 | | 909,723 | | 53,877 | 53,877 | 3,378 | 06/01/2016 |
| 416515-AQ-7 | Hartford Financial 5.250% | | 10/15/11 | Maturity | | 2,170,000 | 2,170,000 | 2,167,678 | 2,169,423 | | 577 | | 577 | | 2,170,000 | | | | 113,925 | 10/15/2011 |
| 441812-KD-5 | Household Finance Corp | | 03/29/2011 | Cortview Capital LLC | | 2,137,580 | 2,000,000 | 1,939,680 | 1,981,374 | | 1,622 | | 1,622 | | 1,982,995 | | 154,585 | 154,585 | 67,556 | 07/15/2013 |
| 45254N-JG-3 | Impac CMB Trust IMM 2004-5 1A1 | | 12/27/2011 | Paydown | | 356,920 | | 356,920 | 356,920 | | 33,596 | | 33,596 | | 356,920 | | | | 1,895 | 10/27/2031 |
| 478366-AQ-0 | Johnson Controls 5.250% 01/15/11 | | 01/15/2011 | Maturity | | 725,000 | 725,000 | 724,906 | 724,963 | | 37 | | 37 | | 725,000 | | | | 19,031 | 01/15/2011 |
| 52108H-ZX-5 | LB-UBS Commercial Mtg Trust 2004-C2 A3 | | 12/11/2011 | Paydown | | 719,495 | 719,495 | 677,450 | 706,355 | | 13,140 | | 13,140 | | 719,495 | | | | 7,793 | 11/15/2013 |
| 52521T-AC-1 | Lehman Brothers LBFRC 2006-LLFA A2 | | 12/15/2011 | Paydown | | 1,374,271 | | 1,315,865 | 1,335,785 | | 38,486 | | 38,486 | | 1,374,271 | | | | 2,964 | 08/15/2012 |
| 548661-CJ-4 | Lowes Companies 5.500% 10/15/35 | | 01/13/2011 | First Tennessee | | 1,501,875 | 1,500,000 | 1,487,550 | 1,488,428 | | 8 | | 8 | | 1,488,435 | | 13,440 | 13,440 | 21,542 | 10/15/2035 |
| 58013M-EC-4 | Mcdonalds Corp 6.300% 10/15/37 | | 01/13/2011 | Morgan Stanley & Co | | 1,906,460 | 1,650,000 | 1,646,040 | 1,645,991 | | (2) | | (2) | | 1,645,989 | | 260,471 | 260,471 | 27,143 | 10/15/2037 |
| 59156R-AW-8 | MetLife Inc 2.375% 02/06/14 | | 02/09/2011 | Citigroup Global Markets | | 2,008,020 | 2,000,000 | 1,997,340 | 1,997,613 | | 104 | | 104 | | 1,997,717 | | 10,303 | 10,303 | 24,806 | 02/06/2014 |
| 595620-AF-2 | Midamerican Energy Company | | 12/23/2011 | Call 103.0325 | | 2,575,813 | 2,500,000 | 2,498,925 | 2,499,600 | | 171 | | 171 | | 2,499,771 | | 76,042 | 76,042 | 203,243 | 07/15/2012 |
| 61746B-DC-7 | Morgan Stanley Series MTN | | 10/04/2011 | Morgan Stanley & Co | | 1,455,000 | 2,000,000 | 1,557,080 | 1,773,769 | | 28,399 | 243,837 | (215,438) | | 1,558,331 | | (103,331) | (103,331) | 14,360 | 10/18/2016 |
| 61746W-MV-9 | MSDNC 200 | | 12/01/2011 | Paydown | | 1,229,451 | 1,229,451 | 1,275,892 | 1,268,727 | | (39,276) | | (39,276) | | 1,229,451 | | | | 44,274 | 02/15/2012 |
| 620076-AX-7 | Motorola Inc 8.000% 11/01/11 | | 11/01/2011 | Maturity | | 525,000 | | 525,000 | 538,067 | | (13,067) | | (13,067) | | 525,000 | | | | 42,000 | 11/01/2011 |
| 68383N-AA-1 | Opteum Mortgage Acceptance OPMAC 2005-1 | | 12/27/2011 | Paydown | | 1,117,137 | 1,117,137 | 1,063,814 | 1,066,343 | | 50,794 | | 50,794 | | 1,117,137 | | | | 2,891 | 12/26/2013 |
| 78387G-AP-8 | SBC Communications 5.100% | | 04/11/2011 | Goldman Sachs | | 1,417,365 | 1,295,000 | 1,293,588 | 1,294,250 | | 91 | | 91 | | 1,294,341 | | 123,024 | 123,024 | 38,343 | 09/15/2014 |
| 81375W-DS-2 | Securitized Asset Backed Rec SABR 2005-F | | 12/27/2011 | Paydown | | 511,846 | | 498,959 | 499,311 | | 12,534 | | 12,534 | | 511,846 | | | | 2,595 | 09/26/2033 |
| 87612E-AR-7 | Target Corp 6.500% 10/15/37 | | 01/13/2011 | Wells Fargo Securities LLC | | 1,143,860 | 1,000,000 | 997,220 | 997,231 | | (1) | | (1) | | 997,230 | | 146,630 | 146,630 | 16,972 | 10/15/2037 |
| 92344U-AA-3 | Verizon New Jersey Series A | | 12/06/2011 | HSBC Securities | | 1,508,370 | 1,500,000 | 1,585,740 | 1,512,743 | | (11,591) | | (11,591) | | 1,501,152 | | 7,218 | 7,218 | 122,885 | 01/17/2012 |
| 92976B-HJ-4 | Wachovia Bank Commercial Mort | | 12/15/2011 | Paydown | | 237,547 | | 219,696 | 225,605 | | 11,942 | | 11,942 | | 237,547 | | | | 518 | 01/15/2012 |
| 92976B-AF-8 | WBCMT 200 | | | Jefferies Co - Bond Division | | | | | | | | | | | | | | | | |
| 92976B-AF-8 | Wachovia Bank NA 0.876% 03/15/16 | | 05/11/2011 | Division | | 1,915,142 | 2,000,000 | 1,843,540 | 1,851,488 | | 10,007 | | 10,007 | | 1,861,495 | | 53,647 | 53,647 | 5,361 | 03/15/2016 |
| 983024-AL-4 | Wyeth 6.000% 02/15/36 | | 01/13/2011 | First Tennessee | | 1,095,120 | 1,000,000 | 991,344 | 991,848 | | 34 | | 34 | | 991,882 | | 103,238 | 103,238 | 25,667 | 02/15/2036 |
| C06305-25-1 | Bank of Hawaii C.D. 0.800% | | 06/30/11 | Maturity | | 50,000 | 50,000 | 50,000 | 50,000 | | | | | | 50,000 | | | | 400 | 06/30/2011 |
| 11102A-AB-7 | British Telecom Plc 5.150% | | 01/15/13 | Various | | 4,202,060 | 4,000,000 | 4,157,200 | 4,099,617 | | (28,635) | | (28,635) | | 4,070,981 | | 131,079 | 131,079 | 218,017 | 01/15/2013 |
| 902118-BM-9 | Tyco International Finan | | 04/29/2011 | Cantor Fitzgerald | | 3,207,390 | 3,000,000 | 2,989,590 | 2,991,829 | | 768 | | 768 | | 2,992,597 | | 214,793 | 214,793 | 68,406 | 10/15/2014 |
| 3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | 77,706,578 | 75,951,138 | 75,704,304 | 75,790,806 | (73,641) | 243,837 | | (317,478) | | 75,473,328 | | 2,233,251 | 2,233,251 | 2,216,029 | XXX |
| 8399997 - Subtotals - Bonds - Part 4 | | | | | | 105,442,487 | 103,235,191 | 103,608,463 | 103,681,291 | (740,807) | 243,837 | | (984,644) | | 102,696,652 | | 2,745,836 | 2,745,836 | 2,943,089 | XXX |
| 8399998 - Summary Item from Part 5 for Bonds | | | | | | 19,922,207 | 19,690,558 | 19,512,628 | 19,715 | | | | | | 19,709,803 | | 212,403 | 212,403 | 181,797 | XXX |
| 8399999 - Subtotals - Bonds | | | | | | 125,364,694 | 122,925,749 | 123,121,091 | 103,681,291 | (543,632) | 243,837 | | (787,469) | | 122,406,455 | | 2,958,239 | 2,958,239 | 3,124,886 | XXX |
| 8999998 - Summary Item from Part 5 for Preferred Stocks | | | | | | | XXX | | | | | | | | | | | | | XXX |

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ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 5

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | Change in Book/Adjusted Carrying Value | | | | | 17 | 18 | 19 | 20 | 21 |
|---|---|----|---------------|--|---------------|-------------------------------------|--|-------------|---------------|---|---|--|---|---|---|--|----------------------------------|-------------------------------|---|---|
| | | | | | | | | | | | 12 | 13 | 14 | 15 | 16 | | | | | |
| CUSIP Identification | Description | | Date Acquired | Name of Vendor | Disposal Date | Name of Purchaser | Par Value (Bonds) or Number of Shares (Stocks) | Actual Cost | Consideration | Book/ Adjusted Carrying Value at Disposal | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other than Temporary Impairment Recognized | Total Change In B./A. C.V. (12 + 13 - 14) | Total Foreign Exchange Change in B./A. C.V. | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Interest and Dividends Received During Year | Paid for Accrued Interest and Dividends |
| 36202F-LP-9... | GNMA II Pool 4834 4.500% 10/20/40..... | | 10/28/2011... | Barclays Capital Inc - NY Fins..... | 12/01/2011... | Paydown..... | 345,567 | 373,711 | 345,567 | 345,567 | | (28,145) | | (28,145) | | | | | 1,914 | 1,296 |
| 0599999 - Bonds - U.S. Governments | | | | | | | 345,567 | 373,711 | 345,567 | 345,567 | | (28,145) | | (28,145) | | | | | 1,914 | 1,296 |
| 649717-KZ-7... | New York N Y City Tr Cultural..... | | 03/08/2011... | Carlton & Associates..... | 07/22/2011... | Call 100.0000..... | 25,000 | 14,750 | 25,000 | 14,906 | | 156 | | 156 | | | 10,094 | 10,094 | 838 | 288 |
| 649717-LA-1... | New York N Y City Tr Cultural..... | | 03/08/2011... | Carlton & Associates..... | 07/22/2011... | Call 100.0000..... | 25,000 | 14,500 | 25,000 | 14,559 | | 59 | | 59 | | | 10,441 | 10,441 | 855 | 293 |
| 3199999 - Bonds - U. S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions | | | | | | | 50,000 | 29,250 | 50,000 | 29,466 | | | 216 | | 216 | | 20,534 | 20,534 | 1,692 | 581 |
| 00764M-FQ-5... | Aegis Asset Backed Securities 2005-3 A3..... | | 10/26/2011... | Goldman Sachs..... | 12/27/2011... | Paydown..... | 122,938 | 120,671 | 122,938 | 122,938 | | | 2,267 | | 2,267 | | | | 96 | 13 |
| 03072S-XN-0... | Ameritrust Mortgage Securities 2004-R12..... | | 04/27/2011... | Goldman Sachs..... | 12/27/2011... | Paydown..... | 814,942 | 786,928 | 814,942 | 814,942 | | 28,014 | | 28,014 | | | | | 2,097 | 108 |
| 03523T-BD-9... | Anheuser Busch Inbev Wor..... | | 03/14/2011... | Tax Free Exchange..... | 06/20/2011... | Call 114.4740..... | 1,850,000 | 1,849,044 | 2,117,769 | 1,849,222 | | 177 | | 177 | | | 268,547 | 268,547 | 57,350 | 22,200 |
| 12623D-AA-1... | Commercial Mortgage Pass Throu Series 20..... | | 10/07/2011... | Deutsche Bank Securities, Inc..... | 12/17/2011... | Paydown..... | 8,147 | 7,941 | 8,147 | 7,961 | | 19 | | 19 | | | 186 | 186 | 23 | |
| 126671-UU-8... | Countrywide Asset-Backed Certs 2003-BC1..... | | 05/26/2011... | Various..... | 12/27/2011... | Paydown..... | 123,086 | 95,904 | 123,086 | 123,086 | | 27,182 | | 27,182 | | | | | 429 | 80 |
| 17307G-CU-0... | Credit Based Asset Service CMLTI 2003-HE..... | | 01/19/2011... | Citigroup Global Markets..... | 12/27/2011... | Paydown..... | 353,111 | 321,662 | 353,111 | 353,111 | | 31,449 | | 31,449 | | | | | 1,205 | 176 |
| 17308B-AH-1... | Citibank Omni Master Trust COMVI 2009-A8..... | | 06/17/2011... | Morgan Stanley & Co..... | 12/27/2011... | Various..... | 1,700,000 | 1,721,449 | 1,713,055 | 1,711,151 | | (10,298) | | (10,298) | | | 1,903 | 1,903 | 18,014 | 756 |
| 191216-AS-9... | Coca - Cola Co Series 144 A..... | | 08/16/2011... | Taxable Exchange..... | 12/13/2011... | Tax Free Exchange..... | 2,000,000 | 2,031,702 | 2,029,715 | 2,029,715 | | (1,987) | | (1,987) | | | | | 12,300 | 600 |
| 302182-AF-7... | Express Scripts Inc 3.125% 05/15/16..... | | 04/29/2011... | Cantor Fitzgerald..... | 07/21/2011... | Various..... | 1,500,000 | 1,505,055 | 1,512,705 | 1,504,799 | | (256) | | (256) | | | 7,906 | 7,906 | 10,938 | 260 |
| 30277M-AA-2... | Bank of America Securities LLC..... | | 04/12/2011... | Various..... | 06/14/2011... | Various..... | 1,655,000 | 1,655,000 | 1,678,727 | 1,655,000 | | | | | | | 23,727 | 23,727 | 8,984 | |
| 32027N-MH-1... | Fuel Trust Series 144A..... | | 02/28/2011... | First Franklin Mtg Loan Asset FFML 2004..... | 12/27/2011... | Paydown..... | 437,401 | 425,099 | 437,401 | 437,401 | | 12,302 | | 12,302 | | | | | 1,688 | 58 |
| 52521T-AC-1... | Lehman Brothers LBFR 2006-LLFA A2..... | | 02/08/2011... | Wells Fargo Securities LLC..... | 12/15/2011... | Paydown..... | 310,954 | 304,735 | 310,954 | 310,954 | | 6,219 | | 6,219 | | | | | 569 | 89 |
| 57643L-BY-1... | Mastr Asset Backed Sec Trust 2003-WMC2..... | | 08/12/2011... | Pershing & Co..... | 12/27/2011... | Paydown..... | 379,384 | 360,889 | 379,384 | 379,384 | | 18,495 | | 18,495 | | | | | 1,323 | 300 |
| 61752L-AA-3... | Morgan Stanley Capital I MSC 2007-XLFA A..... | | 01/21/2011... | Amherst Securities Group llc..... | 12/15/2011... | Paydown..... | 652,611 | 636,296 | 652,611 | 652,611 | | 16,315 | | 16,315 | | | | | 1,245 | 64 |
| 759950-BG-2... | Renaissance Home Equity Loan 2003-3 M1..... | | 05/02/2011... | Goldman Sachs..... | 12/27/2011... | Paydown..... | 80,994 | 56,696 | 80,994 | 80,994 | | 24,298 | | 24,298 | | | | | 288 | 21 |
| 76110W-W6-9... | Residential Asset Securities C RASC 2005..... | | 10/04/2011... | Jefferies Co - Bond Division..... | 12/27/2011... | Paydown..... | 216,305 | 204,949 | 216,305 | 216,305 | | 11,356 | | 11,356 | | | | | 236 | 45 |
| 83611M-GS-1... | Soundview Home Equity Loan SVHE 2005-OPT..... | | 09/28/2011... | Various..... | 12/27/2011... | Paydown..... | 357,457 | 342,827 | 357,457 | 357,457 | | 14,629 | | 14,629 | | | | | 803 | 70 |
| 03702L-AA-6... | Anthracite CDO Ltd 2002-CIBA A 144A CDO..... | F. | 07/05/2011... | Citigroup Global Markets..... | 12/24/2011... | Paydown..... | 567,224 | 555,966 | 567,224 | 565,174 | | 9,208 | | 9,208 | | | 2,050 | 2,050 | 1,841 | 215 |
| 226062-AA-5... | Crest Clarendon Street CRSTC 2002-1A 144..... | F. | 04/01/2011... | Citigroup Global Markets..... | 12/28/2011... | Paydown..... | 164,155 | 160,872 | 164,155 | 164,155 | | 3,283 | | 3,283 | | | | | 592 | 32 |
| 46115H-AC-1... | Intesa Sanpaolo SPA Series 144A..... | F. | 02/14/2011... | Goldman Sachs..... | 06/24/2011... | Bank of America Securities LLC..... | 3,000,000 | 3,000,000 | 2,973,120 | 3,000,000 | | | | | | | (26,880) | (26,880) | 28,090 | |
| 83368R-AA-0... | Societe Generale Series 144A..... | F. | 04/11/2011... | SG Americas Securities llc..... | 07/18/2011... | Various..... | 2,000,000 | 1,997,240 | 1,911,558 | 1,997,128 | | (112) | | (112) | | | (85,570) | (85,570) | 26,867 | |
| 89288T-AA-0... | Trainer Wortham First Republic 2004-4A A..... | F. | 05/11/2011... | CITADEL SECURITIES LLC..... | 11/07/2011... | Paydown..... | 1,001,282 | 968,740 | 1,001,282 | 1,001,282 | | 32,542 | | 32,542 | | | | | 3,212 | 228 |
| 3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | | 19,294,991 | 19,109,667 | 19,526,641 | 19,334,771 | | 225,104 | | 225,104 | | | 191,869 | 191,869 | 178,190 | 25,316 |
| 8399998 - Subtotal Bonds | | | | | | | 19,690,558 | 19,512,628 | 19,922,207 | 19,709,803 | | 197,175 | | 197,175 | | | 212,403 | 212,403 | 181,797 | 27,193 |
| | | | | | | | | | | | | | | | | | | | | |
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| | 9999999 Totals | |
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SCHEDULE D - PART 6 - SECTION 1

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

SCHEDULE D - PART 6 - SECTION 2

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE DA - PART 1

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

| 1 | 2 | Codes | | 5 | 6 | 7 | 8 | Change In Book/Adjusted Carrying Value | | | | 13 | 14 | Interest | | | | | | 21 |
|----------------------|---|-------|---------|---------------|----------------|---------------|-------------------------------|---|---|---|--|-----------|-------------|---|------------------------------|---------|-------------------|-----------|-----------------------------|---------------------------|
| | | 3 | 4 | | | | | 9 | 10 | 11 | 12 | | | 15 | 16 | 17 | 18 | 19 | 20 | |
| CUSIP Identification | Description | Code | Foreign | Date Acquired | Name of Vendor | Maturity Date | Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization) / Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Par Value | Actual Cost | Amount Due And Accrued Dec. 31 of Current Year On Bond Not In Default | Non-Admitted Due and Accrued | Rate of | Effective Rate of | When Paid | Amount Received During Year | Paid for Accrued Interest |
| 0199999 | - U.S. Governments - Issuer Obligations | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0299999 | - U.S. Governments - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0399999 | - U.S. Governments - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0499999 | - U.S. Governments - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0599999 | - Subtotals - U.S. Governments | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0699999 | - All Other Governments - Issuer Obligations | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0799999 | - All Other Governments - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0899999 | - All Other Governments - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 0999999 | - All Other Governments - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1099999 | - Subtotals - All Other Governments | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1199999 | - U.S. States, Territories and Possessions - Issuer Obligations | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1299999 | - U.S. States, Territories and Possessions - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1399999 | - U.S. States, Territories and Possessions - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1499999 | - U.S. States, Territories and Possessions - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1799999 | - Subtotals - U.S. States, Territories and Possessions (Direct and Guaranteed) | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1899999 | - U.S. Political Subdivisions - Issuer Obligations | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 1999999 | - U.S. Political Subdivisions - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 2099999 | - U.S. Political Subdivisions - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 2199999 | - U.S. Political Subdivisions - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 2499999 | - Subtotals - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| | Connector 2000 Assoc. Inc S C To Series | | | 05/02/2011 | Obligor..... | 01/01/2012 | 26,752 | | 557 | | | 26,752 | 26,195 | | | | 3.200 | MAT | | |
| 2599999 | - U.S. Special Revenue - Issuer Obligations | | | | | | 26,752 | | 557 | | | 26,752 | 26,195 | | | XXX | XXX | XXX | | |
| 2699999 | - U.S. Special Revenue - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 2799999 | - U.S. Special Revenue - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 2899999 | - U.S. Special Revenue - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 3199999 | - Subtotals - U.S. Special Revenue and Special Assessment Obligations and all Non Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions Governments and Their Political Subdivisions | | | | | | 26,752 | | 557 | | | 26,752 | 26,195 | | | XXX | XXX | XXX | | |
| 3299999 | - Industrial and Miscellaneous - Issuer Obligations | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 3399999 | - Industrial and Miscellaneous - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 3499999 | - Industrial and Miscellaneous - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 3599999 | - Industrial and Miscellaneous - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 3899999 | - Subtotals - Industrial and Miscellaneous (Unaffiliated) | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 4299999 | - Hybrid Securities - Issuer Obligations | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 4399999 | - Hybrid Securities - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 4499999 | - Hybrid Securities - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 4599999 | - Hybrid Securities - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 4899999 | - Subtotals - Hybrid Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 4999999 | - Parent, Subsidiaries and Affiliates - Issuer Obligations | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 5099999 | - Parent, Subsidiaries and Affiliates - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 5199999 | - Parent, Subsidiaries and Affiliates - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 5299999 | - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 5599999 | - Subtotals - Parent, Subsidiaries and Affiliates Bonds | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 7799999 | - Subtotals - Issuer Obligations | | | | | | 26,752 | | 557 | | | 26,752 | 26,195 | | | XXX | XXX | XXX | | |
| 7899999 | - Subtotals - Residential Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 7999999 | - Subtotals - Commercial Mortgage-Backed Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 8099999 | - Subtotals - Other Loan-Backed and Structured Securities | | | | | | | | | | | | | | | XXX | XXX | XXX | | |
| 8399999 | - Subtotals - Bonds | | | | | | 26,752 | | 557 | | | 26,752 | 26,195 | | | XXX | XXX | XXX | | |
| 8499999 | - Parent, Subsidiaries and Affiliates - Mortgage Loans | | | | | | | | | | | XXX | | | | XXX | XXX | XXX | | |
| 8599999 | - Parent, Subsidiaries and Affiliates - Other Short-Term Invested Assets | | | | | | | | | | | XXX | | | | XXX | XXX | XXX | | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE DA - PART 1

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

| 1 | 2 | Codes | | 5 | 6 | 7 | 8 | Change In Book/Adjusted Carrying Value | | | | 13 | 14 | Interest | | | | | | 21 | | |
|---|--------------------------------------|-------|---------|------------------|----------------|------------------|--|--|--|--|--|-----------|-------------|--|------------------------------------|---------|----------------------|--------------|--------------------------------|---------------------------------|--|--|
| | | 3 | 4 | | | | | 9 | 10 | 11 | 12 | | | 15 | 16 | 17 | 18 | 19 | 20 | | | |
| CUSIP Identification | Description | Code | Foreign | Date Acquired | Name of Vendor | Maturity Date | Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization) / Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Foreign Exchange Change in B./A.C.V. | Par Value | Actual Cost | Amount Due And Accrued Dec. 31 of Current Year On Bond Not In Default | Non-Admitted Due and Accrued | Rate of | Effective Rate of | When Paid | Amount Received During Year | Paid for Accrued Interest | | |
| 8699999 - Subtotals - Parent, Subsidiaries and Affiliates | | | | | | | | | | | | XXX | | | | | XXX | XXX | XXX | | | |
| 8799999 - Mortgage Loans | | | | | | | | | | | | | XXX | | | | | XXX | XXX | XXX | | |
| 8899999 - Exempt Money Market Mutual Funds | | | | | | | | | | | | | XXX | | | | | XXX | XXX | XXX | | |
| 31846V-80-7 | First Amer'n Fds Inc Prime Obli MMKT | | | 12/29/2011 | Direct Issue | | 7,375,457 | | | | | | 7,375,457 | | | | | | MON | | | |
| 94975H-29-6 | Wells Fargo Adv TR PL MM-INS | SD | | 12/30/2011 | Various | | 61,859 | | | | | | 61,859 | | | | | | MON | 9 | | |
| 949917-39-7 | Wells Fargo Adv Her MMKT-Ins MMKT | | | 12/07/2011 | Various | | 420,755 | | | | | | 420,755 | 5 | | | | | MON | 153 | | |
| 949921-23-3 | Wells Fargo Adv HER-SER MMKT | | | 09/06/2011 | Various | | 1,988,249 | | | | | | 1,988,249 | 16 | | | | | MON | 99 | | |
| 8999999 - Class One Money Market Mutual Funds | | | | | | | 9,846,320 | | | | | XXX | 9,846,320 | 21 | | | XXX | XXX | XXX | 262 | | |
| 9099999 - Other Short-Term Invested Assets | | | | | | | | | | | | XXX | | | | | XXX | XXX | XXX | | | |
| | | | | | | | | | | | | | | | | | | | | | | |
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Schedule DB - Part A - Section 1

NONE

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

NONE

Schedule DB - Part A - Section 2

NONE

Sch. DB - Pt. A - Sn. 2 - Footnote (a)

NONE

Schedule DB - Part B - Section 1- Future

NONE

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

NONE

Schedule DB - Part B - Section 2- Future

NONE

Sch. DB - Pt. B - Sn. 2 - Footnotes

NONE

Schedule DB - Part D

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

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 | | | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ACA Financial Guaranty Corporation

SCHEDULE E PART 3 - SPECIAL DEPOSITS

| | | 1 | 2 | Deposits For The Benefit of All Policyholders | | All Other Special Deposits | |
|------------------------------|--|---------------------|----------------------------|--|--------------------|--------------------------------------|--------------------|
| | | | | 3 Book/Adjusted Carrying Value | 4 Fair Value | 5 Book/Adjusted Carrying Value | 6 Fair Value |
| States, Etc. | | Type of Deposits | Purpose of Deposits | | | | |
| 1. Alabama | AL | | | | | | |
| 2. Alaska | AK | | | | | | |
| 3. Arizona | AZ | | | | | | |
| 4. Arkansas | AR | | | | | | |
| 5. California | CA | | | | | | |
| 6. Colorado | CO | | | | | | |
| 7. Connecticut | CT | | | | | | |
| 8. Delaware | DE | | | | | | |
| 9. District of Columbia | DC | | | | | | |
| 10. Florida | FL | | | | | | |
| 11. Georgia | GA | ST | RSD for financial guaranty | | | 61,859 | 61,859 |
| 12. Hawaii | HI | | | | | | |
| 13. Idaho | ID | | | | | | |
| 14. Illinois | IL | | | | | | |
| 15. Indiana | IN | | | | | | |
| 16. Iowa | IA | | | | | | |
| 17. Kansas | KS | | | | | | |
| 18. Kentucky | KY | | | | | | |
| 19. Louisiana | LA | | | | | | |
| 20. Maine | ME | | | | | | |
| 21. Maryland | MD | B | RSD for financial guaranty | 2,399,797 | 2,413,584 | | |
| 22. Massachusetts | MA | B | RSD for financial guaranty | | | 99,992 | 100,566 |
| 23. Michigan | MI | | | | | | |
| 24. Minnesota | MN | | | | | | |
| 25. Mississippi | MS | | | | | | |
| 26. Missouri | MO | | | | | | |
| 27. Montana | MT | | | | | | |
| 28. Nebraska | NE | | | | | | |
| 29. Nevada | NV | | | | | | |
| 30. New Hampshire | NH | | | | | | |
| 31. New Jersey | NJ | | | | | | |
| 32. New Mexico | NM | B | RSD for financial guaranty | | | 99,992 | 100,566 |
| 33. New York | NY | | | | | | |
| 34. North Carolina | NC | B | RSD for financial guaranty | | | 199,983 | 201,132 |
| 35. North Dakota | ND | | | | | | |
| 36. Ohio | OH | | | | | | |
| 37. Oklahoma | OK | | | | | | |
| 38. Oregon | OR | B | RSD for financial guaranty | | | 259,978 | 261,472 |
| 39. Pennsylvania | PA | | | | | | |
| 40. Rhode Island | RI | | | | | | |
| 41. South Carolina | SC | | | | | | |
| 42. South Dakota | SD | | | | | | |
| 43. Tennessee | TN | | | | | | |
| 44. Texas | TX | | | | | | |
| 45. Utah | UT | | | | | | |
| 46. Vermont | VT | | | | | | |
| 47. Virginia | VA | B | RSD for financial guaranty | | | 274,977 | 276,557 |
| 48. Washington | WA | | | | | | |
| 49. West Virginia | WV | | | | | | |
| 50. Wisconsin | WI | | | | | | |
| 51. Wyoming | WY | | | | | | |
| 52. American Samoa | AS | | | | | | |
| 53. Guam | GU | C | RSD for financial guaranty | | | 50,000 | 50,000 |
| 54. Puerto Rico | PR | B | RSD for financial guaranty | | | 757,262 | 765,600 |
| 55. US Virgin Islands | VI | B | RSD for financial guaranty | | | 499,958 | 502,830 |
| 56. Northern Mariana Islands | MP | | | | | | |
| 57. Canada | CN | | | | | | |
| 58. Aggregate Other Alien | OT | XXX | XXX | | | | |
| 59. Total | XXX | | XXX | 2,399,797 | 2,413,584 | 2,304,001 | 2,320,582 |
| DETAILS OF WRITE-INS | | | | | | | |
| 5801. | | | | | | | |
| 5802. | | | | | | | |
| 5803. | | | | | | | |
| 5898. | Summary of remaining write-ins for Line 58 from overflow page | XXX | XXX | | | | |
| 5899. | Totals (Lines 5801 - 5803 + 5898)(Line 58 above) | XXX | XXX | | | | |

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