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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2013

OF THE CONDITION AND AFFAIRS OF THE

ACA Financial Guaranty Corporation

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

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

Country of Domicile United States

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

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

Main Administrative Office 600 Fifth Avenue, 2nd Floor (Street and Number) New York, NY, USA 10020 (City or Town, State, Country and Zip Code) 212-375-2000 (Area Code) (Telephone Number)

Mail Address 600 Fifth Avenue, 2nd Floor (Street and Number or P.O. Box), New York, NY, USA 10020 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 600 Fifth Avenue, 2nd Floor (Street and Number) New York, NY, USA 10020 (City or Town, State, Country and Zip Code) 212-375-2000 (Area Code) (Telephone Number)

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

Statutory Statement Contact Eugene Thomas Carew (Name) 212-375-2041 (Area Code) (Telephone Number) (Extension)

ecarew@aca.com (E-mail Address) 212-375-2100 (Fax Number)

OFFICERS

Name	Title	Name	Title
Steven Joseph Berkowitz	President and CEO	Carl Benedict McCarthy #	Secretary
Arnold Barry Jay Brousell	Treasurer and CFO		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Steven Joseph Berkowitz #	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.

Steven Joseph Berkowitz	Carl Benedict McCarthy	Arnold Barry Jay Brousell
President and CEO	Secretary	Treasurer and CFO

Subscribed and sworn to before me this day of November, 2013

Luis Lozada,
01/14/2017

LUIS LOZADA
Notary Public - State of New York
No. 01LO6274617
Qualified in Rockland County
My Commission Expires 1/14/17

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 Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	386,301,290		386,301,290	397,472,162
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less $ encumbrances)			0	0
4.2 Properties held for the production of income (less $ encumbrances)			0	0
4.3 Properties held for sale (less $ encumbrances)			0	0
5. Cash ($ 6,696,915), cash equivalents ($ 0) and short-term investments ($ 5,433,813)	12,130,727		12,130,727	24,241,349
6. Contract loans (including $ premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	83,774	83,774	0	0
9. Receivables for securities			0	3,000
10. Securities lending reinvested collateral assets			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	398,515,791	83,774	398,432,017	421,716,511
13. Title plants less $ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	3,058,570		3,058,570	2,836,056
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection			0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)			0	0
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	0
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset	27,646,432	27,646,432	0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software	86,121		86,121	33,467
21. Furniture and equipment, including health care delivery assets ($)	135,800	135,800	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	0
24. Health care ($) and other amounts receivable			0	0
25. Aggregate write-ins for other than invested assets	1,117,742	1,113,478	4,264	4,429
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	430,560,456	28,979,484	401,580,972	424,590,463
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	430,560,456	28,979,484	401,580,972	424,590,463
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Salvage Recoverable	1,000,000	1,000,000	0	0
2502. Prepaid Expenses	60,211	60,211	0	0
2503. Security Deposit	53,267	53,267	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	4,264	0	4,264	4,429
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,117,742	1,113,478	4,264	4,429

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 7,353,290)	78,086,715	78,234,876
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses	6,077,000	8,345,000
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	5,425,360	3,839,829
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	99,083	99,737
7.1 Current federal and foreign income taxes (including $ on realized capital gains (losses))	0	0
7.2 Net deferred tax liability		0
8. Borrowed money $ and interest thereon $		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 147,293 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)	123,728,780	146,732,137
10. Advance premium		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)		0
13. Funds held by company under reinsurance treaties		0
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated		0
16. Provision for reinsurance (including $ certified)		0
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	83,774	82,578
20. Derivatives		0
21. Payable for securities		0
22. Payable for securities lending		0
23. Liability for amounts held under uninsured plans		0
24. Capital notes $ and interest thereon $		0
25. Aggregate write-ins for liabilities	86,046,069	78,062,386
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	299,546,781	315,396,543
27. Protected cell liabilities		0
28. Total liabilities (Lines 26 and 27)	299,546,781	315,396,543
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	15,000,000	15,000,000
31. Preferred capital stock		0
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes		0
34. Gross paid in and contributed surplus	363,974,000	363,974,000
35. Unassigned funds (surplus)	(276,939,809)	(269,780,080)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 $)		0
36.2 shares preferred (value included in Line 31 $)		0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	102,034,191	109,193,920
38. Totals (Page 2, Line 28, Col. 3)	401,580,972	424,590,463
DETAILS OF WRITE-INS		
2501. Contingency Reserve	85,202,744	76,918,825
2502. Collateral Deposit	842,000	1,123,272
2503. Other Payables	1,325	20,289
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	86,046,069	78,062,386
2901.		0
2902.		0
2903.		0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 58,130)	22,427,866	18,298,975	27,676,480
1.2 Assumed (written $)	652,538	187,906	224,684
1.3 Ceded (written $)	18,917	79,100	145,758
1.4 Net (written $ 58,130)	23,061,487	18,407,781	27,755,406
DEDUCTIONS:			
2. Losses incurred (current accident year $ 11,623,290):			
2.1 Direct	21,279,878	26,720,131	30,257,267
2.2 Assumed		0	0
2.3 Ceded		0	0
2.4 Net	21,279,878	26,720,131	30,257,267
3. Loss adjustment expenses incurred	1,613,712	862,199	941,624
4. Other underwriting expenses incurred	15,466,703	18,631,640	25,311,540
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	38,360,293	46,213,970	56,510,431
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(15,298,806)	(27,806,189)	(28,755,025)
INVESTMENT INCOME			
9. Net investment income earned	11,350,412	12,719,015	16,594,130
10. Net realized capital gains (losses) less capital gains tax of $	1,542,174	493,778	1,018,165
11. Net investment gain (loss) (Lines 9 + 10)	12,892,586	13,212,793	17,612,295
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $)		0	0
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income	3,440,500	4,047,018	5,189,607
15. Total other income (Lines 12 through 14)	3,440,500	4,047,018	5,189,607
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,034,280	(10,546,378)	(5,953,123)
17. Dividends to policyholders		0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	1,034,280	(10,546,378)	(5,953,123)
19. Federal and foreign income taxes incurred		0	0
20. Net income (Line 18 minus Line 19)(to Line 22)	1,034,280	(10,546,378)	(5,953,123)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	109,193,920	117,314,763	117,314,763
22. Net income (from Line 20)	1,034,280	(10,546,378)	(5,953,123)
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of $	(133,134)	189,336	189,856
25. Change in net unrealized foreign exchange capital gain (loss)		0	0
26. Change in net deferred income tax	755,661	63,711	1,019,080
27. Change in nonadmitted assets	(532,617)	712,957	(376,946)
28. Change in provision for reinsurance		0	0
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	(8,283,919)	(182,032)	(2,999,710)
38. Change in surplus as regards policyholders (Lines 22 through 37)	(7,159,729)	(9,762,406)	(8,120,843)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	102,034,191	107,552,357	109,193,920
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Equity Earnings in Affiliates	3,300,000	3,935,000	4,935,000
1402. Surveillance Consent Fees	140,500	108,499	221,499
1403. Other Income		3,519	33,108
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	3,440,500	4,047,018	5,189,607
3701. Change in Contingency Reserve	(8,283,919)	(182,032)	(2,999,710)
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(8,283,919)	(182,032)	(2,999,710)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	58,130	59,588	61,957
2. Net investment income	12,425,452	13,703,181	18,616,025
3. Miscellaneous income	3,440,500	4,047,018	5,189,607
4. Total (Lines 1 to 3)	15,924,082	17,809,787	23,867,589
5. Benefit and loss related payments	21,428,038	13,303,720	16,414,559
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	17,660,220	20,096,868	30,873,742
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	0	0	0
10. Total (Lines 5 through 9)	39,088,258	33,400,588	47,288,301
11. Net cash from operations (Line 4 minus Line 10)	(23,164,176)	(15,590,801)	(23,420,712)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	130,016,336	83,945,928	120,281,295
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	4,196	3,795,024	1,960,168
12.8 Total investment proceeds (Lines 12.1 to 12.7)	130,020,532	87,740,952	122,241,463
13. Cost of investments acquired (long-term only):			
13.1 Bonds	118,744,225	66,804,345	87,751,415
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	3,534
13.7 Total investments acquired (Lines 13.1 to 13.6)	118,744,225	66,804,345	87,754,949
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	11,276,307	20,936,607	34,486,514
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	(222,752)	444,912	319,819
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(222,752)	444,912	319,819
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)	(12,110,621)	5,790,718	11,385,621
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	24,241,349	12,855,728	12,855,728
19.2 End of period (Line 18 plus Line 19.1)	12,130,728	18,646,446	24,241,349

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 guaranty insurance company – see Note 21.C.(4) for a description of financial guaranty 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.C.(2)), the Company received a permitted accounting practice in regard to its surplus notes. These notes have been recorded in the surplus notes section of the Statements of Assets, Liabilities, Surplus and Other Funds with an offsetting entry to a contra account. Payment of principal or interest on the surplus notes may not be recognized until approved by the MIA. 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. In addition, any other distributions (including dividends or interest) relating to the surplus notes will only be recognized upon the approval by the MIA for such payment. As the accounting for interest accretion described above deviates from NAIC SAP, the Company requested and received approval from the MIA for such accounting. Under NAIC SAP, the accretion of the discount is recorded in the Company's income statement. This represents the only deviation from NAIC SAP and it does not have a net impact on the Company's policyholders' surplus.

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 guaranties 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 nine month periods ended September 30, 2013 and 2012, the Company recorded earned premiums of $17.5 million and $12.4 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. Commencing January 1, 2013, the Company employs Clearwater Analytics, LLC ("Clearwater") as its third party investment accounting service provider. Clearwater uses Bloomberg L.P. as the source to determine prepayment assumptions. Prior to January 1, 2013, the Company employed State Street Global Services as its third party investment accounting service provider. 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 September 30, 2013.

NAIC Designation 1	$	292,481,732
NAIC Designation 2		96,214,627
NAIC Designation 3		-
NAIC Designation 4		-
NAIC Designation 5		-
NAIC Designation 6		3,038,744
Total	$	391,735,103

Realized capital 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 capital losses and are recorded in the Statement of Income. Factors considered in evaluating whether a decline in value is other than temporary include: 1) whether the decline is attributable to credit related or interest rate related factors, 2) whether the decline is substantial; 3) the amount of time that the fair value has been continuously less than cost; 4) the financial condition and near-term prospects of the issuer; and 5) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value.

Net investment income includes interest and dividends received and 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

NOTES TO FINANCIAL STATEMENTS

yield to maturity. Investment income is recognized when earned. 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 one preferred stock with a carrying value of zero at September 30, 2013.

(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 for and reported in accordance with 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 capital 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 guaranty 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 net 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 guaranties 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 guaranties 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 discounted at a rate reflecting the average rate of return on the Company's admitted 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 guaranteed obligations, changes in the value of specific assets supporting guaranteed obligations, and changes in the expected timing of claims payments and recoveries, and the amounts of expected claims payments and recoveries. 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.C.(1) for further information regarding the Company's accounting policy for loss recognition on its in-force insurance guaranties, as well as in regard to losses expected to be incurred by the Company on its insurance guaranties 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. The remaining amount of the approved contingency reserve release was de-recognized during the year ended December 31, 2012.

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

(14) The Company has no pharmaceutical rebate receivables.

NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

Not applicable.

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 September 30, 2013 and December 31, 2012.

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. The aggregate carrying value of such restructured debt at September 30, 2013 and December 31, 2012 was $1.0 million and $2.6 million, respectively. 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 does not investment in reverse mortgages.

D. Loan-Backed Securities

(1) 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.

(2) During the nine month period ended September 30, 2013, 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
17307GCU0	CMLTI 2003-HE3 A	$ 1,452,475	$ 30,433	$ 1,422,043	$ 1,422,043
	Total	$ 1,452,475	$ 30,433	$ 1,422,043	$ 1,422,043

(3) N/A

(4) The Company had no 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 September 30, 2013. 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 September 30, 2013 is $28.8 million and $1.0 million, respectively. All of the securities discussed above are rated investment grade by a nationally recognized statistical ratings organization and have excess credit coverage within each structure and projected cash flows from the underlying collateral that 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.

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.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

As of September 30, 2013 and December 31, 2012, the Company held an investment in ACA Service L.L.C., ("ACA Service"). The carrying value of such investment as of September 30, 2013 and December 31, 2012 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 September 30, 2013 and December 31, 2012.

7. INVESTMENT INCOME

See Note 1.C. (3) above.

NOTES TO FINANCIAL STATEMENTS

8. DERIVATIVE INSTRUMENTS

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

9. INCOME TAXES

A. Components of deferred tax assets (DTAs) and deferred tax liabilities (DTLs):

(1) DTA/DTL Components

	Description	2013 Ordinary	2013 Capital	2013 Total	2012 Ordinary	2012 Capital	2012 Total	Change Ordinary	Change Capital	Change Total
(a)	Gross deferred tax assets	$ 94,006,867	$ 3,437,747	$ 97,444,615	$ 94,238,115	$ 3,801,003	$ 98,039,118	$ (231,248)	$ (363,256)	$ (594,503)
(b)	Statutory valuation allowance adjustment	(65,733,594)	(3,437,747)	(69,171,342)	(67,316,528)	(3,801,003)	(71,117,531)	1,582,934	363,256	1,946,189
(c)	Adjusted gross deferred tax assets	28,273,273	-	28,273,273	26,921,587	-	26,921,587	1,351,686	-	1,351,686
(d)	Adjusted gross deferred tax assets nonadmitted	(27,646,432)	-	(27,646,432)	(26,890,770)	-	(26,890,770)	(755,662)	-	(755,662)
(e)	Subtotal admitted adjusted gross deferred tax asset	626,841	-	626,841	30,817	-	30,817	596,024	-	596,024
(f)	Gross deferred tax liabilities	(626,841)	-	(626,841)	(30,817)	-	(30,817)	(596,024)	-	(596,024)
(g)	Net admitted deferred tax asset/(liability)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(2) Admission calculation components:

	Description	2013 Ordinary	2013 Capital	2013 Total	2012 Ordinary	2012 Capital	2012 Total	Change Ordinary	Change Capital	Change Total
	Admission calculation under ¶11.a.-¶11.c.									
(a)	Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(b)	Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From a, above) After Application of the Threshold Limitation. (The Lesser of b.i. and b.ii. Below)	-	-	-	-	-	-	-	-	-
(i)	Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-	-	-	-	-	-	-
(ii)	Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	-	N/A	N/A	-	N/A	N/A	-
(c)	Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From a. and b. above) Offset by Gross Deferred Tax Liabilities.	626,841	-	626,841	30,817	-	30,817	596,024	-	596,024
(d)	**Deferred Tax Assets Admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)**	$ 626,841	$ -	$ 626,841	$ 30,817	$ -	$ 30,817	$ 596,024	$ -	$ 596,024

(3) Used in ¶11.b.

		2013	2012
(a)	Applicable ratio for realization limitation threshold table	101.38%	112.00%

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

	Description	2013 Ordinary	2013 Capital	2013 Total	2012 Ordinary	2012 Capital	2012 Total
(a)	Adjusted gross DTAs - Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(b)	Admitted adjusted gross DTAs - Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(c)	**Do TPS include a reinsurance strategy? Yes or No.**		No			No	

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. Significant components of income taxes incurred.

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

	Description	2013	2012
(a)	Current federal income tax expense / (benefit)	$ -	$ -
(b)	Foreign Income tax expense / (benefit)	-	-
(c)	Subtotal	-	-
(d)	Tax expense on realized capital gains	363,256	356,358
(e)	Utilization of capital loss carryforwards	(363,256)	(356,358)
(f)	Other, including prior year underaccrual (overaccrual)	-	-
(g)	Federal and foreign income taxes incurred	$ -	$ -

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

(2)	DTAs Resulting From Book/Tax Differences In	September 30, 2013	December 31, 2012	Change
(a)	**Ordinary**			
(1)	Discounting of unpaid losses and LAE	$ 146,546	$ -	$ 146,546
(2)	Unearned premiums	3,993,239	5,101,677	(1,108,438)
(3)	Policyholder reserves	-	-	-
(4)	Investments	-	-	-
(5)	Deferred acquisition costs	-	-	-
(6)	Policyholder dividends accrued	-	-	-
(7)	Fixed assets	-	-	-
(8)	Compensation and benefit accruals	-	-	-
(9)	Pension accruals	-	-	-
(10)	Nonadmitted assets	-	-	-
(11)	Net operating loss carryforward	61,602,774	61,596,086	6,688
(12)	Tax credit carryforward	615,212	615,212	-
(13)	Contingency Reserve	27,646,432	26,921,588	724,844
(14)	Other (separately disclose items >5%)	2,664	3,552	(888)
(99)	Substotal - Gross ordinary DTAs	94,006,867	94,238,115	(231,248)
(b)	Statutory valuation adjustment adjustment - ordinary (-)	(65,733,594)	(67,316,528)	1,582,934
(c)	Nonadmitted ordinary DTAs (-)	(27,646,432)	(26,890,770)	(755,662)
(d)	Admitted ordinary DTAs	$ 626,841	$ 30,817	$ 596,024
(e)	**Capital**			
(1)	Investments	$ 496,308	$ 496,308	$ -
(2)	Net capital loss carryforward	2,941,439	3,304,695	(363,256)
(3)	Real estate	-	-	-
(4)	Other (separately disclose items >5%)	-	-	-
	Unrealized capital losses	-	-	-
(99)	Gross capital DTAs	3,437,747	3,801,003	(363,256)
(f)	Statutory valuation adjustment adjustment - capital (-)	(3,437,747)	(3,801,003)	363,256
(g)	Nonadmitted capital DTAs (-)	-	-	-
(h)	Admitted capital DTAs	$ -	$ -	$ -
(i)	**Admitted DTAs**	**$ 626,841**	**$ 30,817**	**$ 596,024**

NOTES TO FINANCIAL STATEMENTS

		September 30, 2013	December 31, 2012	Change
(3)	**DTLs Resulting From Book/Tax Differences In**			
(a)	**Ordinary**			
(1)	Investments	$ -	$ -	$ -
(2)	Fixed assets	(57,297)	(30,817)	(26,480)
(3)	Deferred and uncollected premiums	-	-	-
(4)	Policyholder reserves/salvage and subrogation	-	-	-
(5)	Other (separately disclose items >5%)	-	-	-
(99)	Ordinary DTLs	$ (57,297)	$ (30,817)	$ (26,480)
(b)	**Capital**			
(1)	Investments	(569,544)	-	(569,544)
(2)	Real estate	-	-	-
(3)	Other (separately disclose items >5%)	-	-	-
	Unrealized capital gains	-	-	-
(99)	Capital DTLs	$ (569,544)	$ -	$ (569,544)
(c)	**DTLs**	**$ (626,841)**	**$ (30,817)**	**$ (596,024)**
(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):

	September 30, 2013	December 31, 2012	Bal. Sheet Change
Total deferred tax assets	$ 97,444,615	$ 98,039,118	$ (594,503)
Total deferred tax liabilities	(626,841)	(30,817)	(596,024)
Net deferred tax assets/liabilities	96,817,773	98,008,301	(1,190,528)
Statutory valuation allowance adjustment (*see explanation below)	(69,171,342)	(71,117,531)	1,946,189
Net deferred tax assets/liabilities after SVA	$ 27,646,432	$ 26,890,770	755,662
Tax effect of unrealized gains/(losses)			-
Statutory valuation allowance adjustment allocated to unrealized (+)			-
Other intraperiod allocation of deferred tax movement			-
Change in net deferred income tax [(charge)/benefit]			$ 755,662

*** Statutory valuation allowance**

Due to a recent history of losses, the Company believes the negative evidence outweighs the positive evidence and that it is more likely than not that the net DTA will expire before it will be utilized. As such, a full valuation allowance has been recorded.

D. 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 2013 or 2012.

C. Not applicable.

D. The Company has $84 thousand payable to subsidiaries at September 30, 2013 and December 31, 2012.

E. Except as discussed in Note 6, the Company has no guaranties 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.

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.C.(2) 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.C.(2) for information regarding the ownership structure of the Company following the closing of its restructuring transaction that took place on August 8, 2008. See Note 21.C.(2) for a discussion of the restructuring transaction.

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 entity in 2013 or 2012.

K. Not applicable.

L. The Company does not hold an investment in a downstream noninsurance holding company.

11. DEBT

As of September 30, 2013 and December 31, 2012, the Company had no capital notes or other debt.

NOTES TO FINANCIAL STATEMENTS

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 September 30, 2013 and December 31, 2012, the fair values of plan assets were $6.7 million and $5.7 million, respectively. For the nine month periods ended September 30, 2013 and 2012, the Company recognized expense in the amount of $281.2 thousand and $311.4 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.C.(2) below, the MIA Order restricts the Company from paying dividends without the prior approval of the Commissioner.

(4) No dividends were paid in 2013 or 2012.

(5) The Company had negative earned surplus at September 30, 2013 and December 31, 2012; therefore no dividends can be paid in 2013 pursuant to Maryland Insurance Law.

(6) There are no restrictions on unassigned surplus.

(7) The Company is not a mutual company.

(8) The Company holds no stock for special purposes.

(9) The Company holds no special surplus funds.

(10) The portion of unassigned surplus represented by cumulative unrealized capital losses is $152,565.

(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
8/8/2008	no stated rate	$1,000,000,000	-	-	-	-	Within 30 days after the expiration, commutation or bulk reinsurance of the last insurance policy issued by the Company

As part of the restructuring transaction which took place on August 8, 2008, surplus notes with a face amount of $1 billion were issued. See Note 21.C.(2) for a description of the notes. These notes were recorded in the surplus notes section of the balance sheet along with an offsetting entry to a contra account (see Note 1.A.). All payments made under the surplus notes require advance approval of the MIA.

The Surplus Notes provide that, on or before July 15, 2013 and on every anniversary thereafter, ACA, as obligor, shall seek regulatory approval from the MIA to make a payment on the Surplus Notes to the holders thereof. On July 8, 2013, ACA made the aforementioned request to the MIA. On July 30, 2013, the Company was advised by the MIA that it had denied the Company's request.

(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.

NOTES TO FINANCIAL STATEMENTS

- 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 ("ABACUS"). On April 25, 2011, the Company filed its First Amended Complaint. On June 3, 2011, Goldman moved to dismiss the First Amended Complaint. On April 23, 2012, the Court issued an order denying Goldman's motion to dismiss ACA's fraud claims and granting Goldman's motion to dismiss ACA's unjust enrichment claim (the "Order"). On May 29, 2012, Goldman served notice of its intent to appeal the Order. Also on May 29, 2012, Goldman served its answer, asserting counterclaims for breach of contract and fraudulent inducement, together with a third-party complaint against ACA Management LLC ("ACAM"), asserting claims for breach of contract, unjust enrichment and indemnification. Goldman does not specify the amount of damages it seeks. Oral arguments were heard on Goldman's appeal of the Order on January 2, 2013. Also on January 2, 2013, the Company filed for leave to amend its First Amended Complaint to add Paulson & Co. ("Paulson") as an additional defendant, incorporating new allegations of fraud against both parties. On January 30, 2013 the Court granted ACA's motion for leave to file a second amended complaint. On January 31, 2013 the Company filed its Second Amended Complaint. The Second Amended Complaint adds Paulson as an additional defendant and alleges that Paulson and Goldman conspired to fraudulently induce the Company to provide financial guaranty insurance for ABACUS by deceiving ACA into believing that Paulson was to be the equity investor in the product. On March 18, 2013 Paulson moved to dismiss the Second Amended Complaint. On April 17, 2013 Goldman answered the Second Amended Complaint. On May 14, 2013, the Appellate Division of the Supreme Court of the State of New York ordered the dismissal of ACA's legal action against Goldman. The decision reversed the lower court's order of April 23, 2012 denying Goldman's motion to dismiss. ACA has filed a motion for reargument with the Supreme Court and intends to appeal the Supreme Court's decision should this motion not be granted. All lower court action has been stayed pending appeal.

- As a result of actions taken by the trustee in one particular ACA insured transaction, ACA expects to ultimately recognize salvage and subrogation recoveries in excess of its expected aggregate claim payments on the transaction. As a result, as of September 30, 2013, ACA expects to recognize a gain aggregating approximately $10.6 million on a net present value basis, with recoveries expected to begin decades in the future. Pursuant to ACA's accounting policy, however, this estimated gain must be deferred and recognized only when the actual receipts of such recoveries exceed the cumulative amounts paid out pursuant to claims. Accordingly, no assurance can be given that any or all expected recoveries will be received or that the amount of actual recoveries will not differ materially from that expected.

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

No losses were paid or incurred on claims related extra-contractual obligations and bad faith contingency losses stemming from lawsuits during the period of this statement.

Set forth below are descriptions of lawsuits where the Company is currently defending itself which could possibly result in loss payments.

The Company is one of several defendants in a lawsuit in the Superior Court of the State of California (Los Angeles County) brought in December 2008 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 in December 2007, the plaintiffs were forced to refinance their securities. In response to various legal motions, as of March 29, 2011, the Court had dismissed with prejudice the plaintiffs' contract, implied contract and negligence claims, but did not dismiss the fraud, negligent misrepresentation and unfair competition claims.. 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. Since June 2012, following a period of stay, the parties have engaged in discovery.

The Company (specifically, ACA Management, LLC) is one of many defendants in an action pending in New Mexico state court brought in 2009 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 two New Mexico state agencies, the State Investment Council and Employee Retirement Board, 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 the plaintiffs assert raise the claim to several hundred million dollars under certain New Mexico statutes, including the Fraud Against Taxpayers Act ("FATA"). As a result of various successful motions and defenses, the only surviving portions of the amended complaint are allegations of FATA violations occurring after July 1, 2007. In a companion case filed by Foy, the New Mexico Court of Appeals affirmed that FATA did not apply retroactively from its July 1, 2007 effective date. The New Mexico Supreme Court accepted Foy's petition for certiorari in the companion case and will review the Court of Appeals Opinion. The trial court otherwise denied a group motion to dismiss the balance of the claim for failure to state a claim. Independently, the New Mexico Attorney General asked the Court to dismiss portions of the lawsuit relating to "pay to play" allegations concerning the State Investment Council in favor of lawsuits filed by the Attorney General relating to the underlying "pay to play" scheme (the Company is not named in the Attorney General's lawsuits). That motion has been granted, narrowing the Foy case against all defendants to claims for other alleged conduct associated with the State Investment Council's investment with Vanderbilt. The plaintiffs' claims as to the Employee Retirement Board's investment with Vanderbilt were unaffected by the grant of the Attorney General's motion. In January, Vanderbilt and the State of New Mexico reached a settlement contingent on district court approval. If approved, the settlement funded by Vanderbilt will result in the release and dismissal of claims against most defendants, including claims against the Company. Foy moved to stay the district court proceedings pending the New Mexico Supreme Court's review of the Court of Appeals opinion that FATA did not apply retroactively. The motions by Vanderbilt and the State of New Mexico for approval of the settlement are fully briefed. Specifically with respect to the Company, early in the proceedings, it moved to dismiss the complaint for lack of personal jurisdiction. The trial court deferred ruling on the Company's jurisdictional motion pending jurisdictional discovery. The Company responded to Foy's discovery requests and, months ago, served its own discovery requests upon Foy, with no substantive response to date. If the Vanderbilt/New Mexico settlement is not approved, the Company intends renew the motion.

NOTES TO FINANCIAL STATEMENTS

The Company is named as a defendant in a suit in the United States District Court for the Northern District of Mississippi (the "Mississippi Connector Action"). Plaintiffs in the Mississippi Connector Action, owners/holders of certain Connector 2000 Association, Inc. Toll Road Revenue Bonds (the "Connector Bonds") insured by the Company, allege breach of contract and certain tort claims arising from the Company's decision on July 7, 2011 to deny coverage on secondary market policies insuring principal and interest payments on certain Connector Bonds.

The issuer of the Connector Bonds, Connector 2000 Association, Inc. (the "Issuer"), had 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, based on the plain language of the relevant insurance policies and other legal theories, the Company had asserted that it had no further liability or payment obligations under its secondary market insurance policies.

Subsequent to the commencement of the Mississippi Connector Action, the Company was named as a defendant in an action filed in the Supreme Court of the State of New York in and for New York County (the "New York Connector Action"), in which the plaintiffs therein, representing approximately 84% of the relevant outstanding policies, sought a declaration of the Company's obligations under the secondary market insurance policies the Company issued in connection with the Connector Bonds. The Company moved for summary judgment in the New York Connector Action and the plaintiffs therein opposed the Company's motion and cross-moved for summary judgment on their claims for declaratory relief. On July 23, 2012, the New York Court denied the Company's motion for summary judgment and granted the plaintiffs' cross-motion for summary judgment. Notice of entry of the judgment was entered on September 14, 2012. The Company appealed the decision, and oral arguments were heard on March 19, 2013. On September 3, 2013, the New York Appellate Division, First Department, affirmed the order granting summary judgment in favor of the plaintiffs in the New York Connector Action and clarified certain matters of law. On September 24, 2013, the Company publically announced that it would honor the order of the New York Appellate Division in the New York Connector Action (the "Order") as if it applied to *all* Connector Bonds that had been insured by the Company, not just the 84% subject of the New York Connector Action. On October 1, 2013, consistent with the Order and its public notice distributed via DTC, the Company made payments in arrears on the policies covering Connector Bonds that had payments due, net of amounts owed and received under the New Obligations. Consistent with the Order, the Company also received corresponding New Obligations to the extent such payments by the Company represented principal payments due on the original Connector Bonds.

During the pendency of the New York Connector Action, the Mississippi Connector Action had been effectively stayed, although the Mississippi Court issued an order on May 9, 2013 denying Mississippi plaintiffs' motion for class certification. On September 18, 2013, plaintiffs in the Northern District of Mississippi were granted leave to amend their complaint to add thirty-three plaintiffs in addition to the sole extant plaintiff. Plaintiffs hold approximately $2.5 million par and/or fully accreted amount of Connector Bonds that were insured by the Company, out of approximately $51 million aggregate par and/or fully accreted amount of bonds originally insured by the Company. As of October 6, 2013, the Company had filed a series of motions with the Mississippi Court to the effect that the Mississippi case should be dismissed because the Company was honoring the policies in full following the New York Court's Order and its good faith albeit unsuccessful denial of coverage. Plaintiffs have sought discovery pending the outcome of such motions.

The Company is currently a defendant in an action commenced by Baker County Medical Services, Inc. (the "Hospital") in the Fourth Judicial Circuit in Duval County, Florida (the "Florida Action"). The Florida Action involves the Hospital's failure to purchase and maintain a certain type and level of professional liability insurance required pursuant to the bond documents executed in connection with the issuance of $11.65 million of bonds insured by the Company. In its second amended complaint, the Hospital asserts, among other things, breach of contract, tortious interference and negligence claims against the Company. The Company has answered the second amended complaint and asserted various cross and counter claims against the Hospital and the trustee. Discovery is almost complete. Each of the parties has filed separate motions for summary judgment in advance of the trial. The Court, however, removed the hearing on the summary judgment motions and the trial from the court's calendar; new dates have yet to be scheduled.

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

Also, see Note 14.C. discussion of the Goldman Lawsuit for a description of the potential loss related to the counter-claims filed by Goldman.

E. Product Warranties

Not Applicable.

F. All Other Contingencies

Not Applicable.

15. LEASES

A. Lessee Operating Lease

(1) ACA subleases office space at 600 Fifth Avenue running through September 30, 2016. The Company's rental expense for the nine month periods ended September 30, 2013 and 2012 was $410.0 thousand.

(2) At October 1, 2013, the minimum future lease payments under the lease are as follows (dollars in thousands):

Year Ending December 31,	Operating Leases
2013 (1)	$ 148
2014	594
2015	624
2016	479
2017	-
Total	$ 1,845

(1) **Represents the remaining minimum future lease payments for 2013 covering the period from October 1, 2013 through December 31, 2013.**

NOTES TO FINANCIAL STATEMENTS

B. Lessor Leases

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 on obligations which are in default as to payment (see Note 1.C.(11) and Note 21.C.(1)), the risk of loss under the Company's guaranties extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed (see description of financial guaranty insurance in Note 21.C.(4)). The tables below reflect certain information regarding the Company's in-force par exposure at September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
($ in millions)	**Net Par Outstanding**	**% of Net Par Outstanding**	**Net Par Outstanding**	**% of Net Par Outstanding**
Tax-exempt obligations:				
Healthcare	$ 349	9.5%	$ 407	9.3%
Tax backed	334	9.1%	526	12.1%
Higher education	765	20.8%	904	20.7%
Long-term care	193	5.2%	298	6.8%
General obligations	955	26.0%	1,003	23.0%
Utilities	85	2.3%	93	2.1%
Transportation	269	7.3%	308	7.1%
Housing	201	5.5%	244	5.6%
Not for Profit	360	9.8%	386	8.8%
Other	163	4.4%	187	4.3%
Total municipal obligation	**3,674**	**99.8%**	**4,356**	**99.9%**
Taxable obligations				
Other	6	0.2%	6	0.1%
Total	$ 3,680	100.0%	$ 4,362	100.0%

For the nine months ended September 30, 2013, the Company reported a decrease in net par outstanding of $698 million, of which $596 million was attributable to Refundings (See Note 1.C.(1)).

PAR EXPOSURE BY STATE	September 30, 2013		December 31, 2012	
($ in millions)	**Net Par Outstanding**	**% of Net Par Outstanding**	**Net Par Outstanding**	**% of Net Par Outstanding**
California	$ 737	20.1%	$ 814	18.7%
New York	627	17.1%	678	15.6%
Massachusetts	248	6.8%	267	6.1%
Texas	196	5.3%	300	6.9%
Washington	181	4.9%	277	6.4%
Other states	1,685	45.9%	2,020	46.4%
Total municipal obligations	$ 3,674	100.0%	$ 4,356	100.0%

NET PAR OUTSTANDING BY MATURITY

($ in millions)	**September 30, 2013**
Terms of Maturity	**Net Par Outstanding**
0 to 5 years	$ 602
5 to 10 years	780
10 to 15 years	928
15 to 20 years	869
20 and above	501
Total	**$ 3,680**

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.

NOTES TO FINANCIAL STATEMENTS

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 September 30, 2013 and December 31, 2012 aggregated $1.1 million and $2.7 million, respectively. The fair values of such securities were based on "Significant other observable inputs (Level 2), as defined in SSAP No. 100 – Fair Value Measurements.

21. OTHER ITEMS

A. Extraordinary items

The Company had no extraordinary items during 2013 and 2012.

B. Troubled Debt Restructurings: Debtors

The Company had no troubled debt restructurings during 2013 and 2012. See also Note 5.B.

C. Other Disclosures

(1) 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 (hereafter referred to as "Expected Future Losses") are not recorded by the Company in the accompanying Statement of Assets, Liabilities, Surplus and Other Funds at September 30, 2013 and December 31, 2012 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 $90 million to $110 million at September 30, 2013, 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 guaranties (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 September 30, 2013, the Company had insured obligations with outstanding principal totaling $377.9 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 $232.6 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 guaranties 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 guaranties will not occur resulting in a further migration of insured exposure to categories 3 and 4 or that ACA will not incur losses that may be materially in excess of what it currently estimates.

- Losses incurred and reserves for losses are reported by the Company net of estimated recoveries from salvage and subrogation. Estimated salvage and subrogation are a material component of the Company's incurred losses and reserves for losses (both on-balance sheet and off-balance sheet). Pursuant to the Company's policies of insurance, should the Company pay a claim under a policy it is subrogated in regard to the rights of the policyholder and by virtue thereof has the ability to pursue the obligor for recovery of all claims paid or losses incurred. In other cases, the Company may be assigned the rights to certain salvage as reimbursement for any claims paid or losses incurred. An important characteristic to recognize with respect to estimated salvage and subrogation recoveries is that such estimates are subject to both timing and credit risk. In many instances the timing of such recoveries is expected to occur significantly later than the associated claim payments the Company is trying to recover. In addition, in regard to subrogation, credit risk exists with respect to the obligor's ability to ultimately honor the insurer's claim for recoveries, and in respect of salvage, risk exists as to whether such salvage will ultimately be sufficient to recover all of the insurer's claims for recoveries. No assurance can be provided that estimated salvage and subrogation recoveries will be fully collected and any uncollected amount may be material to the Company's financial position and results of operations.

- Establishment of case basis reserves for unpaid losses and loss adjustment expenses on the Company's insured guaranties 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

NOTES TO FINANCIAL STATEMENTS

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 expected timing of claims payments and recoveries, and the amounts of expected claims payments and 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 guaranties 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 has caused the Company to incur significant expenses. The Company expects to continue to incur significant expenses in this regard in the near term. In addition, such expenses may continue to be significant beyond the near term and may cause 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 rolling 3-year period. Accordingly, the aggregate ownership change ("Aggregate Ownership Change") at any particular date represents the summation of the amount of ownership change resulting from all transactions in a corporation's stock occurring during the three year period ended on such date. 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.

  Depending on the resulting limitation, a significant portion of ACA's NOLs could be deferred or could expire before ACA would be able to use them to offset positive taxable income in current or future tax periods. ACA's inability to utilize its NOLs without limitation could have an adverse effect on its financial position and results of operations.

  As of September 30, 2013, ACA's Aggregate Ownership Change was approximately 46%. Transactions comprising the Aggregate Ownership Change of 46% at September 30, 2013 will be excluded from such calculation after three years, as discussed above. Currently there are no significant transactions expected to be excluded until 2016.

(2) 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 (see also Note 10.G.).

The first component of the Restructuring Transaction consisted of a Global Settlement Agreement whereby insured credit swap counterparties' claims were settled in consideration for a cash payment of approximately $209 million and surplus notes with a face value of approximately $950 million. In the aggregate $1 billion face amount of surplus notes were issued in connection with the Restructuring Transaction. Of such amount, the aforementioned insured credit swap counterparties' received $950 million as previously discussed and the balance of $50 million was issued to ACACH. While certain of the surplus notes issued to the insured credit swap counterparties were issued to be non-voting at the request of certain of such counterparties, the surplus notes issued to the counterparties, in the aggregate, represent a 100% voting interest in the Company. The surplus notes issued to ACACH are all non-voting.

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.

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

NOTES TO FINANCIAL STATEMENTS

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.

(3) 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.

(4) Description of Financial Guaranty Insurance

Financial guaranty insurance provides an unconditional and irrevocable guaranty 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 guaranty 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 guaranty, 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 guaranty 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 1.C.(1) for a description of NAIC SAP for premium revenue recognition.

(5) Assets on Deposit with States and Other Collateral Deposits

Assets with a carrying value of $4.8 million and $4.7 million at September 30, 2013 and December 31, 2012 were on deposit with state authorities or trustees as required by state licensing regulations. In addition, the Company currently has $53 thousand in security deposits outstanding in connection with certain obligations. These deposits are treated as non-admitted assets as of September 30, 2013 and December 31, 2012.

D. Uncollected Balances

The Company had no uncollectible balances.

E. Business Interruption Insurance Recoveries

Not applicable.

F. State Transferable Tax Credits

The Company had no state transferable credits.

G. Subprime Exposure Related Risk

(1) Except for one insured securitization of manufactured housing mortgages, as of September 30, 2013 and December 31, 2012, the Company had no exposure to subprime mortgages among its in-force guaranties. With the exception of the aforementioned securitization, all other subprime mortgage exposure of the Company was extinguished in the Global Settlement Agreement described in Note 21.C.(2). The remaining par exposure relating to the manufactured housing mortgage securitization was $4.8 million and $4.9 million at September 30, 2013 and December 31, 2012, respectively. The Company has a loss reserve against this exposure in the amount of $1.0 million and $0.9 million at September 30, 2013 and December 31, 2012, respectively.

(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 September 30, 2013:

	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	$ 18,610,050	$ 18,962,446	$ 19,899,514	$ 30,433
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investment in SCAs				
f. Other assets				
g. Total	$ 18,610,050	$ 18,962,446	$ 19,899,514	$ 30,433

NOTES TO FINANCIAL STATEMENTS

(4) As stated in G. (1) above, the Company has an outstanding loss reserve in the amount of $1.0 million:

	Losses Paid in the Current Year	Losses Incurred in the Current Year	Case Reserves at End of Current Period	IBNR Reserves at End of Current Period
a. Mortgage guaranty coverage	$ -	$ -	$ -	$ -
b. Financial guaranty coverage	-	136,278	1,028,962	-
c. Other lines	-	-	-	-
d. Total	$ -	$ 136,278	$ 1,028,962	$ -

22. EVENTS SUBSEQUENT

The Company has evaluated all subsequent events through November 6, 2013, the date the financial statements were issued. There were no events that required adjustment to or disclosure in the financial statements.

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

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	$ -	$ -	$ -	$ -	$ -	$ -
All other	4,888,063	-	147,293	-	4,740,770	-
Total	$ 4,888,063	$ -	$ 147,293	$ -	$ 4,740,770	$ -

Direct Unearned Premium Reserve $118,988,010

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 2013.

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 nine month period ended September 30, 2013, the Company recorded a provision for losses of $21.3 million, which consisted of $2.7 million of adverse loss development relating to reserves established in years prior to 2013 ("prior accident year claims") and $18.6 million of incurred losses relating to the current accident year. As of September 30, 2013, the Company's liability for unpaid losses was $78.1 million, which related to eighteen insured transactions, with a remaining aggregate in-force par outstanding of $100.6 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of $100.6 million represents the remaining maximum amount of par exposure subject to loss in regard to these eighteen insured transactions. See Note 36A.(3)b for additional information regarding the Company's reserves for losses and loss adjustment expenses.

For the nine months ended September 30, 2012, the Company recorded a provision for losses of $26.7 million, which consisted of $13.6 thousand of favorable loss development related to reserves established in years prior to 2012 ("prior accident year claims"), and $26.7 million of incurred losses relating to the current accident year. As of September 30, 2012, the Company's liability for unpaid losses was $77.8 million, which related to fourteen insured transactions, with a remaining aggregate in-force par outstanding of $101.5 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of $101.5 million represents the remaining maximum amount of exposure subject to loss in regard to these fourteen insured transactions.

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

NOTES TO FINANCIAL STATEMENTS

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 September 30, 2013 and December 31, 2012.

B. The Company has no risk sharing receivables as of September 30, 2013 and December 31, 2012.

29. PARTICIPATING POLICIES

The Company never issued participating policies.

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 September 30, 2013 and December 31, 2012 was 3.65%. The discount rate is based on the average rate of return on the Company's admitted assets. The net amount of discount associated with the Company's loss reserves at September 30, 2013 was $(0.3) 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 guaranty 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 nine month periods ended September 30, 2013 and 2012 was $17.5 million and $12.4 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 September 30, 2013:

1.

4th Quarter 2013	$ 1,809,171
Year 2014	6,708,063
Year 2015	6,436,490
Year 2016	6,520,332
Year 2017	6,632,683
Subtotal	28,106,738

2.

2018 through 2022	31,801,549
2023 through 2027	28,168,523
2028 through 2032	22,261,561
2033 through 2037	12,545,118
2038 through 2042	695,185
2043 through 2046	150,106
Total	$ 123,728,780

NOTES TO FINANCIAL STATEMENTS

(3) Claim liability:

a. The Company used a rate of 3.65% to discount the claim liability.

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

Reserves for losses at December 31, 2012	$ 78,234,876
Accretion of the discount	4,130,322
New reserves for defaults of insured contracts	7,353,290 (1)
Development on prior accident years reserves	(11,631,773) (2)
Change in deficiency reserves	-
Change in incurred but not reported claims	-
Total change in reserves	(148,161)
Reserves for losses at September 30, 2013	$ 78,086,715

(1) Represents 2013 accident year loss development of $18,587,715 less claim payments of $11,234,425.
(2) Represents favorable development of $1,438,159 and claim payments of $10,193,614.

(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				
	1	2	3	4	Total
Number of policies	218	69	15	36	338
Remaining weighted-average contract period (in years)	12	11	12	13	12
Insured contractual payments outstanding:					
Principal	$ 2,341,558,113	$ 728,236,256	$ 232,586,319	$ 377,934,539	$ 3,680,315,227
Interest	1,503,412,206	439,152,894	210,617,530	337,555,367	2,490,737,997
Total	$ 3,844,970,319	$ 1,167,389,150	$ 443,203,849	$ 715,489,905	$ 6,171,053,223
Gross claim and LAE liability	$ -	$ 251,000	$ 285,000	$ 138,993,159	$ 139,529,159
Less:					
Gross potential recoveries	-	-	-	55,667,799	55,667,799
Discount, net	-	-	-	(302,355)	(302,355)
Net claim and LAE liability	$ -	$ 251,000	$ 285,000	$ 83,627,715	$ 84,163,715
Unearned premium revenue	$ 59,300,119	$ 29,815,075	$ 11,240,830	$ 23,372,756	$ 123,728,780
Claim and LAE liability reported in the balance sheet	$ -	$ 251,000	$ 285,000	$ 83,627,715	$ 84,163,715
Reinsurance recoverables	$ -	$ -	$ -	$ -	$ -

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

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

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

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

2.2 If yes, date of change:

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

3.2 If the response to 3.1 is yes, provide a brief description of those changes.

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

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

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

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

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2012

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

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

6.4 By what department or departments?

Maryland Insurance Administration

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

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

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

7.2 If yes, give full information:

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

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

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

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

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

GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

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

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

(c) Compliance with applicable governmental laws, rules and regulations;

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

(e) Accountability for adherence to the code.

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

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

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

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

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

FINANCIAL

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

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

INVESTMENT

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

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

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

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

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

14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21	Bonds	$	$
14.22	Preferred Stock	$	$
14.23	Common Stock	$ 0	$ 0
14.24	Short-Term Investments	$	$
14.25	Mortgage Loans on Real Estate	$	$
14.26	All Other	$	$
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 0	$ 0
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above	$	$

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

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]

If no, attach a description with this statement.

GENERAL INTERROGATORIES

16 For the reporting entity's security lending program, state the amount of the following as of the current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $ 0

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $ 0

16.3 Total payable for securities lending reported on the liability page $ 0

17. 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 [ ]

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

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

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

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

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [ ] No [X]

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

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

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

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

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

18.2 If no, list exceptions:

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

   If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]

   If yes, attach an explanation.

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

3.2 If yes, give full and complete information thereto.

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

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
Financial Guaranty		3.650	(302,355)			(302,355)	(8,272,167)			(8,272,167)
		TOTAL	(302,355)	0	0	(302,355)	(8,272,167)	0	0	(8,272,167)

5. Operating Percentages:

   5.1 A&H loss percent 0.0 %

   5.2 A&H cost containment percent 0.0 %

   5.3 A&H expense percent excluding cost containment expenses 0.0 %

6.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date. $

6.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

6.4 If yes, please provide the balance of the funds administered as of the reporting date. $

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama AL	L		0		0		0
2. Alaska AK	L		0		0		0
3. Arizona AZ	L		0		0		0
4. Arkansas AR	L		0	703,446	695,907	12,123,464	13,206,979
5. California CA	L		0	6,964,425	809,940	23,490,131	24,255,966
6. Colorado CO	L		0		0		0
7. Connecticut CT	L		0		0		0
8. Delaware DE	L		0		0		0
9. Dist. Columbia DC	L		0		0		0
10. Florida FL	L		0	836,036	2,278,057	626,102	(1,456,645)
11. Georgia GA	L		0	1,275,000	1,690,954	5,839,626	6,675,984
12. Hawaii HI	L		0		0		0
13. Idaho ID	L		0		0		0
14. Illinois IL	L		0		0		0
15. Indiana IN	L		0		0		0
16. Iowa IA	L		0		0		0
17. Kansas KS	L		0		0		0
18. Kentucky KY	L		0		0		0
19. Louisiana LA	L	4,035	4,528	465,110	660,281	7,633,746	7,689,670
20. Maine ME	L		0		0		0
21. Maryland MD	L		0		0		0
22. Massachusetts MA	L		0	20,090	5,100,011	527,110	518,106
23. Michigan MI	L		0		0		0
24. Minnesota MN	L	2,151	2,186	270,000	0	8,229,533	897,407
25. Mississippi MS	L		0	4,892,340	452,439	10,564,646	16,682,699
26. Missouri MO	L	7,945	8,875	80,606	0	1,134,208	0
27. Montana MT	L		0		0		0
28. Nebraska NE	L		0		0		0
29. Nevada NV	L		0		0		0
30. New Hampshire NH	L	44,000	44,000		0		0
31. New Jersey NJ	L		0		0		0
32. New Mexico NM	L		0		0		0
33. New York NY	L		0	1,394,808	1,398,591	2,047,896	3,405,528
34. No. Carolina NC	L		0		0		0
35. No. Dakota ND	L		0		0		0
36. Ohio OH	L		0		0		0
37. Oklahoma OK	L		0		0		0
38. Oregon OR	L		0		0		0
39. Pennsylvania PA	L		0		0		0
40. Rhode Island RI	L		0		0		0
41. So. Carolina SC	L		0		(98,877)	1,510,591	1,334,157
42. So. Dakota SD	L		0		0		0
43. Tennessee TN	L		0		0		0
44. Texas TX	L		0	195,000	200,705	4,300,152	4,152,600
45. Utah UT	L		0		0		0
46. Vermont VT	L		0		0		0
47. Virginia VA	L		0	331,177	115,713	59,510	446,128
48. Washington WA	L		0	4,000,000	0		0
49. West Virginia WV	L		0		0		0
50. Wisconsin WI	L		0		0		0
51. Wyoming WY	L		0		0		0
52. American Samoa AS	N		0		0		0
53. Guam GU	L		0		0		0
54. Puerto Rico PR	L		0		0		0
55. U.S. Virgin Islands VI	L		0		0		0
56. Northern Mariana Islands MP	N		0		0		0
57. Canada CAN	N		0		0		0
58. Aggregate Other Alien OT	XXX	0	0	0	0	0	0
59. Totals	(a) 54	58,131	59,589	21,428,038	13,303,721	78,086,715	77,808,579
DETAILS OF WRITE-INS							
58001.	XXX						
58002.	XXX						
58003.	XXX						
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	0	0	0	0	0	0

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

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

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.

Schedule Y - Part 1

NONE

Schedule Y - Part 1A

NONE

PART 1 - LOSS EXPERIENCE

	Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1.	Fire			0.0	0.0
2.	Allied lines			0.0	0.0
3.	Farmowners multiple peril			0.0	0.0
4.	Homeowners multiple peril			0.0	0.0
5.	Commercial multiple peril			0.0	0.0
6.	Mortgage guaranty			0.0	0.0
8.	Ocean marine			0.0	0.0
9.	Inland marine			0.0	0.0
10.	Financial guaranty	22,427,866	21,279,878	94.9	146.0
11.1	Medical professional liability -occurrence			0.0	0.0
11.2	Medical professional liability -claims made			0.0	0.0
12.	Earthquake			0.0	0.0
13.	Group accident and health			0.0	0.0
14.	Credit accident and health			0.0	0.0
15.	Other accident and health			0.0	0.0
16.	Workers' compensation			0.0	0.0
17.1	Other liability occurrence			0.0	0.0
17.2	Other liability-claims made			0.0	0.0
17.3	Excess Workers' Compensation			0.0	0.0
18.1	Products liability-occurrence			0.0	0.0
18.2	Products liability-claims made			0.0	0.0
19.1,19.2	Private passenger auto liability			0.0	0.0
19.3,19.4	Commercial auto liability			0.0	0.0
21.	Auto physical damage			0.0	0.0
22.	Aircraft (all perils)			0.0	0.0
23.	Fidelity			0.0	0.0
24.	Surety			0.0	0.0
26.	Burglary and theft			0.0	0.0
27.	Boiler and machinery			0.0	0.0
28.	Credit			0.0	0.0
29.	International			0.0	0.0
30.	Warranty			0.0	0.0
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business	0	0	0.0	0.0
35.	TOTALS	22,427,866	21,279,878	94.9	146.0
	DETAILS OF WRITE-INS				
3401.					
3402.					
3403.					
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

	Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1.	Fire	0		0
2.	Allied lines	0		0
3.	Farmowners multiple peril	0		0
4.	Homeowners multiple peril	0		0
5.	Commercial multiple peril	0		0
6.	Mortgage guaranty	0		0
8.	Ocean marine	0		0
9.	Inland marine	0		0
10.	Financial guaranty	45,862	58,130	59,588
11.1	Medical professional liability-occurrence	0		0
11.2	Medical professional liability-claims made	0		0
12.	Earthquake	0		0
13.	Group accident and health	0		0
14.	Credit accident and health	0		0
15.	Other accident and health	0		0
16.	Workers' compensation	0		0
17.1	Other liability occurrence	0		0
17.2	Other liability-claims made	0		0
17.3	Excess Workers' Compensation	0		0
18.1	Products liability-occurrence	0		0
18.2	Products liability-claims made	0		0
19.1,19.2	Private passenger auto liability	0		0
19.3,19.4	Commercial auto liability	0		0
21.	Auto physical damage	0		0
22.	Aircraft (all perils)	0		0
23.	Fidelity	0		0
24.	Surety	0		0
26.	Burglary and theft	0		0
27.	Boiler and machinery	0		0
28.	Credit	0		0
29.	International	0		0
30.	Warranty	0		0
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business	0	0	0
35.	TOTALS	45,862	58,130	59,588
	DETAILS OF WRITE-INS			
3401.				
3402.				
3403.				
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2013 Loss and LAE Payments on Claims Reported as of Prior Year-End	2013 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2013 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2010 + Prior	36,634		36,634	8,732	26	8,758	27,952			27,952	50	26	76
2. 2011	30,612		30,612	2,626	3	2,629	30,156			30,156	2,170	3	2,173
3. Subtotals 2011 + prior	67,246	0	67,246	11,358	29	11,387	58,108	0	0	58,108	2,220	29	2,249
4. 2012	19,334		19,334	2,368	3	2,371	18,369			18,369	1,403	3	1,406
5. Subtotals 2012 + prior	86,580	0	86,580	13,725	32	13,757	76,477	0	0	76,477	3,623	32	3,655
6. 2013	XXX	XXX	XXX	XXX	11,552	11,552	XXX	7,686		7,686	XXX	XXX	XXX
7. Totals	86,580	0	86,580	13,725	11,585	25,310	76,477	7,686	0	84,164	3,623	32	3,655
8. Prior Year-End Surplus As Regards Policy-holders	109,194										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. 4.2	2. 0.0	3. 4.2
													Col. 13, Line 7 Line 8
													4. 3.3

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing 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.

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

Explanation:

1.

2.

3.

4.

Bar Code:

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

2. 2 2 8 9 6 2 0 1 3 4 5 5 0 0 0 3

3. 2 2 8 9 6 2 0 1 3 3 6 5 0 0 0 3

4. 2 2 8 9 6 2 0 1 3 5 0 5 0 0 0 3

OVERFLOW PAGE FOR WRITE-INS

PQ002 Additional Aggregate Lines for Page 02 Line 25.
*ASSETS

	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
2504. Other Assets	4,264		4,264	4,429
2597. Summary of remaining write-ins for Line 25 from Page 02	4,264	0	4,264	4,429

SCHEDULE A – VERIFICATION

Real Estate

NONE

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

SCHEDULE B – VERIFICATION

Mortgage Loans

NONE

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

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	84,192	78,062
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)	(418)	6,130
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and depreciation		0
9. Total foreign exchange change in book/adjusted carrying value		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	83,774	84,192
12. Deduct total nonadmitted amounts	83,774	84,192
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	397,472,164	430,358,252
2. Cost of bonds and stocks acquired	118,744,222	87,751,415
3. Accrual of discount	994,054	1,637,417
4. Unrealized valuation increase (decrease)	(132,715)	183,729
5. Total gain (loss) on disposals	3,113,626	1,015,723
6. Deduct consideration for bonds and stocks disposed of	130,016,336	120,281,296
7. Deduct amortization of premium	2,302,276	3,193,078
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized	1,571,449	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	386,301,290	397,472,162
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	386,301,290	397,472,162

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	302,685,118	153,738,840	158,695,681	(5,246,545)	313,674,527	302,685,118	292,481,732	317,249,083
2. Class 2 (a)	99,286,322	17,533,815	25,510,344	4,904,835	97,641,179	99,286,322	96,214,627	90,224,857
3. Class 3 (a)	0				0	0	0	0
4. Class 4 (a)	0				0	0	0	858,500
5. Class 5 (a)	0				0	0	0	0
6. Class 6 (a)	3,106,585	72,500	2,959	(137,382)	4,452,069	3,106,585	3,038,744	4,509,182
7. Total Bonds	405,078,024	171,345,155	184,208,984	(479,092)	415,767,775	405,078,024	391,735,103	412,841,622
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	0				0	0	0	0
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	405,078,024	171,345,155	184,208,984	(479,092)	415,767,775	405,078,024	391,735,103	412,841,622

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

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	5,433,813	XXX	5,433,813	4	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	15,369,461	9,873,072
2. Cost of short-term investments acquired	157,014,427	120,468,762
3. Accrual of discount		0
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		0
6. Deduct consideration received on disposals	166,950,074	114,972,373
7. Deduct amortization of premium		0
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	5,433,813	15,369,461
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	5,433,813	15,369,461

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E - Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
912828-VH-0	US TREASURY N/B		08/21/2013	VARIOUS		25,026,289	25,000,000	10,139	1
0599999 - Bonds - U.S. Governments						25,026,289	25,000,000	10,139	XXX
Bonds - U.S. Political Subdivisions of States, Territories and Possessions									
661765-AQ-0	NORTH RANGE MET #1		07/18/2013	BEDROCK SECURITIES LLC		44,125	50,000	238	
2499999 - Bonds - U.S. Political Subdivisions of States, Territories and Possessions						44,125	50,000	238	XXX
Bonds - U.S. Special Revenue									
515847-AZ-4	LANGSTON ECON-A-LANGS		07/25/2013	BEDROCK SECURITIES LLC		1,950,000	2,000,000	24,722	2FE
544566-AP-7	L A ZONE SANTEE CRT		08/01/2013	KEYBANC CAPITAL MARKETS INC		72,500	100,000	889	6*
57583R-FT-7	MA DEV-A-ACADEMY PACI		09/20/2013	BEDROCK SECURITIES LLC		257,125	275,000	4,463	1Z
57583R-HP-3	MA DEV BOSTON ARCHITE		07/31/2013	BEDROCK SECURITIES LLC		972,130	1,000,000	4,722	1Z
57583R-HQ-1	MA DEV BOSTON ARCHITE		09/18/2013	BEDROCK SECURITIES LLC		903,750	1,000,000	11,389	1Z
665588-ND-7	NTHRN PALM BCH #43-B		07/30/2013	VARIOUS		96,625	100,000	1,015	1Z
717868-CB-7	PHILA REDEV BEECH-A		08/27/2013	KEYBANC CAPITAL MARKETS INC		1,424,235	1,500,000	13,521	1Z
723161-FK-6	PINELLAS EDL-ECKERD C		07/18/2013	BEDROCK SECURITIES LLC		23,875	25,000	369	1Z
88276P-AR-7	TX FIN-A-KIPP INC ED		07/23/2013	BEDROCK SECURITIES LLC		4,265,625	4,375,000	97,551	2FE
88276P-BM-7	TX SCH-EDU-A-IDEA PUB		07/24/2013	BEDROCK SECURITIES LLC		2,970,000	3,000,000	68,333	2FE
88276P-BS-4	TX SCH-EDU-A-IDEA PUB		09/06/2013	PENSON FINANCIAL SERVICES INC.		599,375	685,000	2,474	2FE
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Government and Their Political Subdivisions						13,535,240	14,060,000	229,449	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)									
00083M-AG-6	CDO - ACABS 2007-3A A5L	R	08/07/2013	Obligor			35,699		6FE
00083M-AH-4	CDO - ACABS 2007-3A B1L	R	08/07/2013	Obligor			46,669		6
00083M-AJ-0	CDO - ACABS 2007-3A B2L	R	08/07/2013	Obligor			51,413		6FE
0258M0-DH-9	AMERICAN EXPRESS CREDIT		07/24/2013	BARCLAYS CAPITAL INC FIXED INC		1,000,000	1,000,000		1FE
03063X-AF-2	ABS - AMCAR 2012-4 C		09/19/2013	Wells Fargo		1,999,063	2,000,000	1,716	1FE
06052Y-AE-9	ABS - BAAT 2012-1 B		08/22/2013	Nomura International Trust Co		826,887	820,000	435	1FE
073879-MC-9	RMBS - BSABS 2004-SD4 A1		08/26/2013	Direct		0	0		1FM
12613S-AC-6	ABS - CNH 2013-C A3		08/20/2013	CREDIT SUISSE SECURITIES (USA)		1,999,769	2,000,000		1FE
14912L-5S-6	CATERPILLAR FINANCIAL SE		09/03/2013	BARCLAYS CAPITAL INC FIXED INC		2,099,685	2,100,000		1FE
17305E-FE-0	ABS - CCCIT 2013-A6 A6		09/13/2013	CITIGROUP GLOBAL MARKETS INC.		4,999,718	5,000,000		1FE
2027A0-GW-3	COMMONWEALTH BANK AUST	R	09/16/2013	CITIGROUP GLOBAL MARKETS INC.		1,000,000	1,000,000		1FE
23311V-AA-5	DCP MIDSTREAM OPERATING		09/19/2013	STERNE, AGEE & LEACH, INC.		1,551,315	1,500,000	23,427	2FE
34528Q-CV-4	ABS - FORDF 2013-5 A1		09/10/2013	BARCLAYS CAPITAL INC FIXED INC		1,799,618	1,800,000		1FE
44890Q-AC-7	ABS - HART 2013-C A3		09/11/2013	CITIGROUP GLOBAL MARKETS INC.		599,893	600,000		1FE
477879-AC-4	ABS - JDOT 2013-B A3		09/01/2013	Adjustment		1,999,727	2,000,000		1FE
617451-FL-8	CMBS - MSC 2006-HQ8 A4		09/25/2013	Goldman Sachs		4,298,281	4,000,000	18,034	1FM
628530-AL-1	MYLAN INC		09/18/2013	BARCLAYS CAPITAL INC FIXED INC		2,287,500	2,000,000	29,750	2FE
6AMCD9-1K-4	BANK OF HAWAII		07/01/2013	Adjustment		50,000	50,000		1FE
71085P-BM-4	RMBS - PCHLT 2005-1 M3		08/22/2013	Amherst Securities Group LLC		1,989,700	2,020,000	59	1FE
90521A-PG-7	UNION BANK NA		09/19/2013	Morgan Stanley		1,000,000	1,000,000		1FE
90521A-PH-5	UNION BANK NA		09/19/2013	Morgan Stanley		1,097,206	1,100,000		1FE
92343V-BL-7	VERIZON COMMUNICATIONS		09/11/2013	Morgan Stanley		400,000	400,000		2FE
92343V-BN-3	VERIZON COMMUNICATIONS		09/11/2013	Morgan Stanley		1,323,980	1,325,000		2FE
98417E-AB-6	XSTRATA FINANCE CANADA	I	09/18/2013	BARCLAYS CAPITAL INC FIXED INC		2,186,020	2,000,000	41,244	2FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						34,508,361	33,848,782	114,665	XXX
8399997 - Subtotals- Bonds - Part 3						73,114,015	72,958,782	354,491	XXX
8399999 - Subtotals - Bonds						73,114,015	72,958,782	354,491	XXX
9999999 Totals						73,114,015	XXX	354,491	XXX

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

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Desig-nation or Market Indicator (a)
Bonds - U.S. Governments																					
36200A-BE-8	RMBS - GN 595037		09/16/2013	Direct		24	24	25	25		(1)		(1)		24			0	1	10/15/2032	1
36200A-CW-7	RMBS - GN 595085		09/16/2013	Direct		18,654	18,654	19,207	19,124		(470)		(470)		18,654			0	711	10/15/2032	1
36200E-TY-7	RMBS - GN 599167		09/16/2013	Direct		694	694	715	714		(20)		(20)		694		0	0	28	12/15/2033	1
36200M-AT-0	RMBS - GN 604018		09/16/2013	Direct		36,930	36,930	38,000	37,895		(965)		(965)		36,930			0	1,354	02/15/2033	1
36200M-EN-9	RMBS - GN 604141		09/16/2013	Direct		5,865	5,865	6,039	6,027		(162)		(162)		5,865			0	228	03/15/2033	1
36200Q-2R-4	RMBS - GN 569684		09/16/2013	Direct		3,277	3,277	3,374	3,366		(89)		(89)		3,277			0	129	02/15/2032	1
36200R-LX-8	RMBS - GN 570142		09/16/2013	Direct		2,171	2,171	2,236	2,231		(59)		(59)		2,171			0	81	12/15/2031	1
36200R-XT-4	RMBS - GN 570490		09/16/2013	Direct		23	23	24	24		(1)		(1)		23		0	0	1	12/15/2031	1
36200S-US-7	RMBS - GN 571293		09/16/2013	Direct		23	23	24	24		(1)		(1)		23			0	1	11/15/2031	1
36201A-PF-9	RMBS - GN 577422		09/16/2013	Direct		535	535	551	550		(15)		(15)		535		0	0	19	01/15/2032	1
36201D-AX-0	RMBS - GN 579722		09/16/2013	Direct		530	530	546	544		(14)		(14)		530			0	21	08/15/2032	1
36201E-AG-5	RMBS - GN 580607		09/16/2013	Direct		1,324	1,324	1,364	1,361		(36)		(36)		1,324			0	53	02/15/2033	1
36201F-AF-4	RMBS - GN 581506		09/16/2013	Direct		597	597	615	614		(17)		(17)		597			0	25	04/15/2033	1
36201K-JQ-0	RMBS - GN 585371		09/16/2013	Direct		96	96	99	99		(3)		(3)		96		0	0	4	04/15/2032	1
36201Y-FD-3	RMBS - GN 606864		09/16/2013	Direct		56	56	58	58		(2)		(2)		56			0	2	10/15/2033	1
36202F-JQ-0	RMBS - G2 4771		07/22/2013	VARIOUS		9,034,580	8,537,531	8,995,089	8,985,973		(96)		(96)		8,985,877		48,703	48,703	233,430	08/20/2040	1
36202F-KN-5	RMBS - G2 4801		09/20/2013	VARIOUS		10,021,505	9,419,891	9,935,041	9,924,289		(20,336)		(20,336)		9,903,954		117,551	117,551	332,947	09/20/2040	1
36207E-ND-2	RMBS - GN 429788		09/16/2013	Direct		2,524	2,524	2,599	2,594		(70)		(70)		2,524			0	101	12/15/2033	1
3620C4-2P-4	RMBS - GN 748782		09/16/2013	Direct		420,686	420,686	446,190	445,032		(24,346)		(24,346)		420,686			0	12,891	09/15/2040	1
36210J-HW-1	RMBS - GN 493545		09/16/2013	Direct		20	20	20	20		(1)		(1)		20			0	1	03/15/2031	1
36213F-U4-3	RMBS - GN 553303		09/16/2013	Direct		11	11	11	11		0		0		11			0	0	06/15/2033	1
36213R-2A-4	RMBS - GN 562469		09/16/2013	Direct		3,262	3,262	3,278	3,274		(13)		(13)		3,262			0	109	02/15/2034	1
36213R-ZF-7	RMBS - GN 562442		09/16/2013	Direct		1,753	1,753	1,800	1,788		(36)		(36)		1,753			0	64	01/15/2034	1
36213T-GW-7	RMBS - GN 563713		09/16/2013	Direct		2,630	2,630	2,708	2,701		(70)		(70)		2,630			0	104	01/15/2033	1
36213U-EZ-9	RMBS - GN 564552		09/16/2013	Direct		17	17	17	17		0		0		17			0	1	12/15/2031	1
36213V-GN-2	RMBS - GN 565505		09/16/2013	Direct		420	420	432	431		(12)		(12)		420			0	18	09/15/2032	1
36241K-YU-6	RMBS - GN 782523		09/16/2013	Direct		404,007	404,007	434,497	433,795		(29,788)		(29,788)		404,007			0	13,281	11/15/2035	1
36290X-PM-6	RMBS - GN 620628		09/16/2013	Direct		9,410	9,410	9,689	9,672		(262)		(262)		9,410			0	422	09/15/2033	1
36290X-PT-1	RMBS - GN 620634		09/16/2013	Direct		263	263	271	270		(7)		(7)		263		0	0	11	09/15/2033	1
36290Y-TN-8	RMBS - GN 621657		09/16/2013	Direct		11	11	12	12		0		0		11			0	0	12/15/2033	1
36291C-PV-1	RMBS - GN 624236		09/16/2013	Direct		110	110	113	112		(2)		(2)		110			0	4	12/15/2033	1
36291E-AD-3	RMBS - GN 625604		09/16/2013	Direct		115	115	118	118		(3)		(3)		115		0	0	5	12/15/2033	1
36291E-AV-3	RMBS - GN 625620		09/16/2013	Direct		118	118	121	121		(3)		(3)		118			0	5	12/15/2033	1
36296X-H8-0	RMBS - GN 704155		09/16/2013	Direct		816,066	816,066	841,313	840,542		(24,476)		(24,476)		816,066			0	29,252	01/15/2039	1
383742-UK-7	CMO/RMBS - GNR 2008-6 EC		09/20/2013	Direct		1,412,632	1,412,632	1,497,390	1,442,175		(29,543)		(29,543)		1,412,632			0	39,825	08/20/2032	1
38376V-BM-8	CMO/RMBS - GNR 2010-20 PU		09/16/2013	Direct		2,020,657	2,020,657	2,224,301	2,150,611		(129,954)		(129,954)		2,020,657			0	59,879	10/16/2036	1
912828-VH-0	US TREASURY N/B		09/27/2013	VARIOUS		6,009,766	6,000,000	6,008,438			(852)		(852)		6,007,586		2,180	2,180	5,543	06/30/2015	1
0599999 - Bonds - U.S. Governments						30,231,360	29,122,931	30,476,325	24,316,213	0	(261,725)	0	(261,725)	0	30,062,926	0	168,434	168,434	730,552	XXX	XXX
Bonds - All Other Governments																					
857524-AB-8	REPUBLIC OF POLAND	R	09/23/2013	Goldman Sachs		1,569,770	1,450,000	1,429,773	1,431,351		1,290		1,290		1,432,641		137,129	137,129	72,903	03/23/2022	1FE
1099999 - Bonds - All Other Governments						1,569,770	1,450,000	1,429,773	1,431,351	0	1,290	0	1,290	0	1,432,641	0	137,129	137,129	72,903	XXX	XXX
Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																					
31359S-2G-4	RMBS - FNW 2001-W1 AF6		09/25/2013	Direct		4,670	4,670	4,849	5,050		(380)		(380)		4,670			0	215	07/25/2031	1
31387C-M3-2	RMBS - FN 580078		09/25/2013	Direct		1,557	1,557	1,600	1,598		(41)		(41)		1,557			0	81	09/01/2031	1
31394D-EA-4	CMO/RMBS - FNR 2005-22 KJ		08/26/2013	Direct		138,936	138,936	146,143	141,434		(2,498)		(2,498)		138,936			0	4,290	07/25/2033	1
31394Y-KX-1	CMO/RMBS - FHR 2791 UG		09/16/2013	Direct		330,556	330,556	327,663	329,324		1,231		1,231		330,556		0	0	11,104	05/15/2019	1
31402D-F7-0	RMBS - FN 725690		09/25/2013	Direct		524,042	524,042	541,524	540,466		(16,424)		(16,424)		524,042			0	20,785	08/01/2034	1
31402D-PT-1	RMBS - FN 725934		09/25/2013	Direct		344,785	344,785	366,388	362,761		(17,976)		(17,976)		344,785		0	0	11,495	11/01/2019	1
31405R-AR-7	RMBS - FN 796616		09/25/2013	Direct		487,381	487,381	494,882	494,429		(7,049)		(7,049)		487,381			0	17,559	10/01/2034	1
31407U-EK-9	RMBS - FN 840838		09/25/2013	Direct		67,613	67,613	66,747	66,776		837		837		67,613		0	0	2,504	11/01/2035	1
73358W-AH-7	PORT AUTH NY/NJ- 158		08/14/2013	MERRILL LYNCH PIERCE FENNER		1,739,777	1,510,000	1,622,525	1,610,210		(3,878)		(3,878)		1,606,332		133,444	133,444	63,404	12/01/2024	1FE
882385-AC-1	TX DORM STD HSG JR-A		09/03/2013	Redemption		5,000	5,000	2,732	2,884		75		75		2,959		2,041	2,041	294	09/01/2022	6*
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						3,644,316	3,414,539	3,575,053	3,554,931	0	(46,100)	0	(46,100)	0	3,508,831	0	135,485	135,485	131,731	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
00764M-FQ-5	RMBS - AABST 2005-3 A3		09/25/2013	Direct		149,652	149,652	146,892	148,738		914		914		149,652			0	578	08/25/2035	1FM
0258M0-CY-3	AMER EXPRESS CREDIT CO		08/20/2013	Maturity		3,000,000	3,000,000	3,336,540	3,058,335		(58,335)		(58,335)		3,000,000			0	219,000	08/20/2013	1FE
03072S-LD-5	RMBS - AMSI 2003-IA1 A4		09/25/2013	Direct		107,574	107,574	107,574	107,574				0		107,574		0	0	3,427	11/25/2033	1FM
03072S-XN-0	RMBS - AMSI 2004-R12 A4		09/25/2013	Direct		494,427	494,427	477,431	486,985		7,442		7,442		494,427			0	2,376	01/25/2035	1FM
03073E-AJ-4	AMERISOURCEBERGEN CORP		08/20/2013	U.S. Bank		1,678,971	1,700,000	1,697,586	1,697,771		186		186		1,697,957		(18,986)	(18,986)	45,947	11/15/2021	1FE
031162-BM-1	AMGEN INC		08/20/2013	Morgan Stanley		1,982,800	2,000,000	1,994,400	1,994,873		383		383		1,995,256		(12,456)	(12,456)	59,847	11/15/2021	2FE

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value 11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Desig-nation or Market Indicator (a)
039483-BB-7	ARCHER-DANIELS-MIDLAND C		08/14/2013	BARCLAYS CAPITAL INC FIXED INC		2,139,040	2,000,000	2,014,580	2,012,409		(710)		(710)		2,011,699		127,341	127,341	86,594	03/01/2021	1FE
07383F-7W-2	CMBS - BSCMS 2005-PWR8 A4		09/11/2013	Direct		50,929	50,929	49,972	50,669		260		260		50,929		0	0	1,720	06/11/2041	1FM
073879-MC-9	RMBS - BSABS 2004-SD4 A1		07/01/2013	Adjustment		0							0				0	0		08/25/2044	1FM
09774X-AK-8	ABS - BCM 1998-B M1		09/01/2013					25,656	23,749		(22,448)		(22,448)					0		10/15/2028	6FE
10112R-AU-8	BOSTON PROPERTIES LP		09/16/2013	Wells Fargo		1,936,820	2,000,000	1,995,580	1,995,647		306		306		1,995,953		(59,133)	(59,133)	87,267	02/01/2023	2FE
1248MB-AJ-4	RMBS - CBASS 2007-CB2 A2C		09/25/2013	Direct		9,248	9,248	5,300	5,300		3,947		3,947		9,248			0	401	02/25/2037	1FM
126164-AS-1	CMBS - COMM 2005-FL11 B		08/16/2013	Direct		1,456,174	1,456,174	1,383,366	1,453,752		2,422		2,422		1,456,174			0	4,424	11/15/2017	1FM
12623D-AA-1	CMBS - COMM 2011-FL1 A		07/18/2013	Direct		176,846	176,846	172,392	174,801		2,045		2,045		176,846			0	2,595	07/17/2028	1FM
126671-R4-0	RMBS - CWL 2003-5 MF1		09/25/2013	Direct		73,018	73,018	47,948	47,948		25,070		25,070		73,018		0	0	2,623	01/25/2034	1FM
15135U-AB-5	CENOVUS ENERGY INC	I	09/16/2013	Redemption		3,118,860	3,000,000	3,056,477	3,023,938		(9,649)		(9,649)		3,014,289		104,571	104,571	135,375	09/15/2014	2FE
17307G-CU-0	RMBS - CMLTI 2003-HE3 A		09/25/2013	Direct		87,071	87,071	79,188	80,444		8,323	1,695	6,628		87,071		0	0	338	12/25/2033	1FM
20047N-AD-4	CMBS - COMM 2004-LB4A A4		09/16/2013	Direct		115,556	115,556	116,130	115,355		201		201		115,556		0	0	3,685	10/15/2037	1FM
222862-AJ-3	COVENTRY HEALTH CARE INC		09/12/2013	JEFFERIES & CO. - BONDS DIRECT		1,091,010	1,000,000	1,107,570	1,099,363		(7,359)		(7,359)		1,092,004		(994)	(994)	41,026	06/15/2021	2FE
26884A-AZ-6	ERP OPERATING LP		08/14/2013	Stifel Nicolaus & Co.		845,280	800,000	796,952	797,196		179		179		797,375		47,905	47,905	25,078	12/15/2021	2FE
32027N-MH-1	RMBS - FFML 2004-FF10 A3		09/25/2013	Direct		220,814	220,814	214,604	218,803		2,011		2,011		220,814			0	1,666	09/25/2034	1FM
375558-AU-7	GILEAD SCIENCES INC		09/12/2013	Morgan Stanley		2,102,920	2,000,000	1,995,400	1,995,702		347		347		1,996,049		106,871	106,871	69,667	12/01/2021	2FE
38141G-FD-1	GOLDMAN SACHS GROUP INC		08/08/2013	CORTVIEW CAPITAL LLC		630,750	600,000	596,718	596,845		115		115		596,960		33,790	33,790	35,100	10/01/2037	2FE
45254N-JG-3	CMO/RMBS - IMM 2004-5 1A1		09/25/2013	Direct		182,508	182,508	165,170	166,515		15,992		15,992		182,508		0	0	1,118	10/25/2034	1FM
460146-CG-6	INTL PAPER CO		09/16/2013	BNY/SUNTRUST CAPITAL MARKETS		2,074,900	2,000,000	2,116,940	2,110,951		(7,513)		(7,513)		2,103,438		(28,538)	(28,538)	103,972	02/15/2022	2FE
494550-BL-9	KINDER MORGAN ENER PART		08/20/2013	BARCLAYS CAPITAL INC FIXED INC		966,710	1,000,000	998,140	998,201		140		140		998,341		(31,631)	(31,631)	38,622	09/01/2022	2FE
50076Q-AZ-9	KRAFT FOODS GROUP INC		08/08/2013	CITIGROUP GLOBAL MARKETS INC.		1,993,620	2,000,000	1,982,000	1,982,835		1,012		1,012		1,983,847		9,773	9,773	48,028	06/06/2022	2FE
52108H-ZX-5	CMBS - LBUBS 2004-C2 A3		08/16/2013	Direct		309,454	309,454	291,371	307,612		1,842		1,842		309,454		0	0	7,875	03/15/2029	1FM
52521T-AC-1	CMBS - LBFRC 2006-LLFA A2		09/16/2013	Direct		783,536	783,536	755,324	775,494		8,043		8,043		783,536			0	1,898	09/15/2021	1FM
55616X-AF-4	MACYS RETAIL HLDGS INC		08/20/2013	UBS FINANCIAL SERVICES INC.		989,020	1,000,000	991,890	992,530		463		463		992,993		(3,973)	(3,973)	42,840	01/15/2022	2FE
570535-AK-0	MARKEL CORPORATION		08/08/2013	MERRILL LYNCH PROF CLRING CORP		2,141,260	2,000,000	1,997,040	1,997,153		148		148		1,997,301		143,959	143,959	109,161	07/01/2022	2FE
57643L-BY-1	RMBS - MABS 2003-WMC2 M1		09/25/2013	Direct		259,756	259,756	247,092	248,332		11,424		11,424		259,756		0	0	2,295	08/25/2033	1FM
59022H-NC-2	CMBS - MLMT 2005-LC1 A4		09/12/2013	Direct		83,122	83,122	83,576	83,122		0		0		83,122		0	0	2,862	01/12/2044	1FM
60871R-AC-4	MOLSON COORS BREWING CO		08/20/2013	RBC CAPITAL MARKETS		1,953,260	2,000,000	1,992,980	1,993,301		459		459		1,993,760		(40,500)	(40,500)	56,778	05/01/2022	2FE
68383N-AA-1	CMO/RMBS - OPMAC 2005-1 A1A		09/25/2013	Direct		299,921	299,921	285,605	292,096		7,826		7,826		299,921		0	0	1,028	02/25/2035	1FM
693483-AB-5	POSCO	R	08/20/2013	MLPFS INC FIXED INCOME		1,989,600	2,000,000	1,861,740	1,877,109		8,495		8,495		1,885,604		103,996	103,996	69,653	10/28/2020	2FE
6AMCD2-9M-7	BANK OF HAWAII		07/01/2013	Adjustment		50,000	50,000	50,000					0		50,000			0		06/30/2015	1FE
718546-AC-8	PHILLIPS 66		07/17/2013	MLPFS INC FIXED INCOME		2,079,800	2,000,000	2,074,280	2,070,645		(3,471)		(3,471)		2,067,174		12,626	12,626	69,517	04/01/2022	2FE
759950-BG-2	RMBS - RAMC 2003-3 M1		09/25/2013	Direct		0	0	0	0				0		0			0		12/25/2033	1FM
76110W-2X-3	RMBS - RASC 2005-KS7 M1		09/25/2013	Direct		501,120	501,120	476,429	488,630		12,489		12,489		501,120			0	2,093	08/25/2035	1FM
76110W-W6-9	RMBS - RASC 2005-KS5 M2		09/25/2013	Direct		306,683	306,683	290,582	300,405		6,278		6,278		306,683		0	0	1,372	06/25/2035	1FM
81375W-DS-2	RMBS - SABR 2005-FR1 M1		09/25/2013	Direct		270,374	270,374	253,816	255,144		15,229		15,229		270,374		0	0	1,521	12/25/2034	1FM
81744Y-AA-4	CMO/RMBS - SEMT 2013-4 A1		09/25/2013	Direct		80,252	80,252	78,697			1,555		1,555		80,252		0	0	473	04/25/2043	1FE
83611M-GS-1	RMBS - SVHE 2005-OPT3 A4		09/25/2013	Direct		183,264	183,264	174,355	177,796		5,469		5,469		183,264		0	0	630	11/25/2035	1FM
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						38,965,920	38,351,299	38,585,284	38,304,065	0	41,532	1,695	39,837	0	38,471,299	0	494,621	494,621	1,390,471	XXX	XXX
8399997 - Subtotals - Bonds - Part 4						74,411,366	72,338,770	74,066,435	67,606,560	0	(265,004)	1,695	(266,698)	0	73,475,696	0	935,669	935,669	2,325,657	XXX	XXX
8399999 - Subtotals - Bonds						74,411,366	72,338,770	74,066,435	67,606,560	0	(265,004)	1,695	(266,698)	0	73,475,696	0	935,669	935,669	2,325,657	XXX	XXX
9999999 Totals						74,411,366	XXX	74,066,435	67,606,560	0	(265,004)	1,695	(266,698)	0	73,475,696	0	935,669	935,669	2,325,657	XXX	XXX

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

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter 6 First Month	7 Second Month	8 Third Month	9 *
Open Depositories								
J.P. Morgan Chase Bank New York, NY					5,486,545	2,985,545	6,696,364	XXX
0199998 Deposits in ... depositories that do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Total Open Depositories	XXX	XXX	0	0	5,486,545	2,985,545	6,696,364	XXX
0399999 Total Cash on Deposit	XXX	XXX	0	0	5,486,545	2,985,545	6,696,364	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX	528	528	551	XXX
0599999 Total	XXX	XXX	0	0	5,487,073	2,986,073	6,696,915	XXX

STATEMENT AS OF SEPTEMBER 30, 2013 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 Total Cash Equivalents					0	0	0