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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2015

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 and General Counsel
Sean Thomas Leonard #	Treasurer and CFO		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Steven Joseph Berkowitz	John Raymond Brecker #	Richard Joseph Caplan	Roger Dale Cunningham
Bradley Irving Dietz	Kevin John Doyle	Sharon Faybelle Manewitz #	Charles Richard Schuler #
Anne Gram Shean			

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 President and CEO	Carl Benedict McCarthy Secretary and General Counsel	Sean Thomas Leonard Treasurer and CFO

Subscribed and sworn to before me this 13th day of November, 2015

Louis Lozada, Notary Public
1/15/2017

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	325,572,546		325,572,546	364,588,427
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 ($ 2,605,685), cash equivalents ($ 0) and short-term investments ($ 2,524,682)	5,130,367		5,130,367	4,040,018
6. Contract loans (including $ .... premium notes)			0	0
7. Derivatives	0		0	0
8. Other invested assets	82,782	82,782	0	0
9. Receivables for securities			0	0
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)	330,785,695	82,782	330,702,913	368,628,445
13. Title plants less $ .... charged off (for Title insurers only)			0	0
14. Investment income due and accrued	1,969,552		1,969,552	2,202,406
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	0
18.2 Net deferred tax asset	32,246,762	32,246,762	0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software	7,640		7,640	32,587
21. Furniture and equipment, including health care delivery assets ($ ....)	8,501	8,501	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	1,544,961	1,095,782	449,179	2,031
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	366,563,111	33,433,827	333,129,284	370,865,469
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	366,563,111	33,433,827	333,129,284	370,865,469
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	488,772	42,515	446,257	0
2503. Security Deposit	53,267	53,267	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	2,922	0	2,922	2,031
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,544,961	1,095,782	449,179	2,031

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $)	82,187,642	105,551,542
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses	3,715,668	4,565,000
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	2,236,174	4,253,611
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	100,287	98,293
7.1 Current federal and foreign income taxes (including $ on realized capital gains (losses))		0
7.2 Net deferred tax liability		0
8. Borrowed money $ and interest thereon $		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 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)	79,072,403	92,643,742
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	81,464	83,260
20. Derivatives	0	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	96,767,559	96,767,895
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	264,161,197	303,963,343
27. Protected cell liabilities		0
28. Total liabilities (Lines 26 and 27)	264,161,197	303,963,343
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)	(310,005,913)	(312,071,874)
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)	68,968,087	66,902,126
38. Totals (Page 2, Line 28, Col. 3)	333,129,284	370,865,469
DETAILS OF WRITE-INS		
2501. Contingency Reserve	95,925,559	95,925,559
2502. Collateral Deposit	842,000	842,000
2503. Other Payables	0	336
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)	96,767,559	96,767,895
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 $ 15,539)	13,319,103	20,731,925	26,758,342
1.2 Assumed (written $)	267,775	320,464	357,237
1.3 Ceded (written $)		19,004	94,496
1.4 Net (written $ 15,539)	13,586,878	21,033,385	27,021,083
DEDUCTIONS:			
2. Losses incurred (current accident year $ 13,323,693):			
2.1 Direct	15,290,431	7,249,715	41,890,427
2.2 Assumed		0	0
2.3 Ceded		0	0
2.4 Net	15,290,431	7,249,715	41,890,427
3. Loss adjustment expenses incurred	637,901	691,598	2,029,047
4. Other underwriting expenses incurred	7,053,276	12,090,397	16,488,628
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	22,981,608	20,031,710	60,408,102
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(9,394,730)	1,001,675	(33,387,019)
INVESTMENT INCOME			
9. Net investment income earned	9,678,811	11,860,231	15,314,305
10. Net realized capital gains (losses) less capital gains tax of $	2,106,902	421,994	495,010
11. Net investment gain (loss) (Lines 9 + 10)	11,785,713	12,282,225	15,809,315
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	0	202,500	3,305,000
15. Total other income (Lines 12 through 14)	0	202,500	3,305,000
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	2,390,983	13,486,400	(14,272,704)
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)	2,390,983	13,486,400	(14,272,704)
19. Federal and foreign income taxes incurred		0	0
20. Net income (Line 18 minus Line 19)(to Line 22)	2,390,983	13,486,400	(14,272,704)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	66,902,127	89,047,048	89,047,048
22. Net income (from Line 20)	2,390,983	13,486,400	(14,272,704)
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of $	(489,747)	19,294	30,905
25. Change in net unrealized foreign exchange capital gain (loss)		0	0
26. Change in net deferred income tax	(228,393)	2,315,802	2,315,920
27. Change in nonadmitted assets	421,513	(2,245,316)	(2,254,929)
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	(28,396)	(7,964,113)	(7,964,113)
38. Change in surplus as regards policyholders (Lines 22 through 37)	2,065,960	5,612,067	(22,144,921)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	68,968,087	94,659,115	66,902,127
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. Surveillance Consent Fees		202,500	205,000
1402. Other income		0	3,100,000
1403.		0	0
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)	0	202,500	3,305,000
3701. Change in Contingency Reserve		(7,964,113)	(7,964,113)
3702. Prior Period Adjustment	(28,396)	0	0
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(28,396)	(7,964,113)	(7,964,113)

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	15,539	58,866	61,969
2. Net investment income	11,279,400	13,475,983	17,269,044
3. Miscellaneous income	0	202,500	3,305,000
4. Total (Lines 1 to 3)	11,294,939	13,737,349	20,636,013
5. Benefit and loss related payments	38,654,332	14,824,586	19,671,259
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	10,324,575	15,043,508	19,588,496
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	196,144	0	0
10. Total (Lines 5 through 9)	49,175,051	29,868,094	39,259,755
11. Net cash from operations (Line 4 minus Line 10)	(37,880,112)	(16,130,745)	(18,623,742)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	148,156,597	128,471,264	220,242,854
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	7,076	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	148,156,597	128,478,340	220,242,854
13. Cost of investments acquired (long-term only):			
13.1 Bonds	108,890,991	109,403,257	205,430,637
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	1,798	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	108,892,789	109,403,257	205,430,637
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)	39,263,808	19,075,083	14,812,217
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)	(293,346)	19,678	(298,862)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(293,346)	19,678	(298,862)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,090,350	2,964,016	(4,110,387)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	4,040,017	8,150,404	8,150,404
19.2 End of period (Line 18 plus Line 19.1)	5,130,367	11,114,420	4,040,017

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.

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 Transactions and Global Settlement Agreement in 2008 (see Note 21.C.(2)), the Company made a cash payment and issued non-interest bearing surplus notes with a principal amount of $1 billion to settle counterparty claims. Due to the unique nature of the transaction, and in consultation with the MIA, the Company recorded the issuance of surplus notes with a fully offsetting contra account. This accounting treatment has resulted in a net balance of $0 reported as surplus notes. Payment of principal, or any other distributions, on the surplus notes may not be recognized until approved by the MIA. Upon the MIA's approval, unassigned funds (surplus) and the contra account will be adjusted to reflect the amount approved. Upon payment, the principal amount of the surplus notes would be reduced by the amount of such payment. No payments have been made under the surplus notes.

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. When a full loss on a guaranteed obligation is reflected in the financial statements and no further variability exists as to the measurement of the loss, the remaining unearned premiums are recognized as earned since the Company is no longer exposed to insurance risk. Unearned premiums, net of prepaid reinsurance premiums, represent the unearned portion of upfront and installment premiums written.

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, 2015 and 2014, the Company recorded earned premiums of $11.8 million and 17.1 million, respectively, related to Refundings.

(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, 2015.

NAIC Designation 1	$	237,505,082
NAIC Designation 2		74,410,736
NAIC Designation 3		993,945
NAIC Designation 4		-
NAIC Designation 5		14,015,634
NAIC Designation 6		1,171,832
Total	$	328,097,229

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. For the nine month periods ended September 30, 2015 and 2014, the Company did not record any "other than temporary" adjustments.

NOTES TO FINANCIAL STATEMENTS

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 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, 2015.

(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. Dividends received from such investments are reported in investment income. ACA Services derives its earnings from its wholly owned subsidiary, ACA Management. ACA Management receives management fees on asset management contracts which were sold on a forward revenue sharing basis in connection with the termination of the company's prior CDO/CLO asset management business. Management fees have declined substantially and will continue to decrease as the assets underlying managed deals run-off or are called and terminated. For the nine month periods ended September 30, 2015 and 2014, investment income includes dividends received from ACA Service, L.L.C. relating to its share of fees from certain managed CDO's of $1.8 million and $2.6 million, respectively. 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 Company's liability for losses (also known as "loss reserves" "reserves for unpaid losses", "case reserves", or "case basis reserves"), reported on the accompanying Statement of Assets, Liabilities, Surplus and Other Funds, represents the best estimate of the present value of the Company's ultimate claim payments under the policy, net of its best estimate of the present value of any recoveries from salvage and subrogation rights under the policy, remaining unpaid at the balance sheet date. 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, willingness of the obligor or sponsor to honor its commitments 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, are difficult to predict, 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. Under SSAP 60, contributions to the contingency reserve may be discontinued if the total contingency reserve already recorded exceeds a calculated amount based upon unpaid principal guaranteed and prescribed percentages by bond category. The Company's established contingency reserve is in excess of this calculated amount. The Company has

NOTES TO FINANCIAL STATEMENTS

discontinued its contributions in the fourth quarter of 2014. Reductions in the contingency reserve may be recognized under certain stipulated conditions, subject to the approval of the Maryland Insurance Commissioner.

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

(14) The Company has no pharmaceutical rebate receivables.

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, 2015 and December 31, 2014.

B. Debt Restructuring

As a result of claims paid under certain of its insurance policies, 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, 2015 and December 31, 2014 was $1.2 million and $1.5 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 invest 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, 2015, the Company did not recognize any other than temporary impairment charges on loan-backed securities.

(3) N/A

(4) 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 loss position for 12 months or longer at September 30, 2015 is $8.5 million and $0.1 million, respectively. The fair value and gross unrealized losses related to loan-backed and structured securities, where impairments have not been recognized, that have been in a continuous unrealized loss position for less than 12 months at September 30, 2015 is $53.2 million and $0.4 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.

H. Restricted Assets

The following table summarizes the Company's restricted assets:

	Gross Restricted								Percentage	
	Current Year									
	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting S/A Activiy (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
j. On deposit with states	$ 4,823,936	$ -	$ -	$ -	$ 4,823,936	$ 4,837,217	$ (13,281)	$ 4,823,936	1.32%	1.45%
n. Other restricted assets	53,267	-	-	-	53,267	53,267	-	-	0.00%	0.00%
o. Total restricted assets	$ 4,877,202	$ -	$ -	$ -	$ 4,877,202	$ 4,890,484	$ (13,281)	$ 4,823,936	1.32%	1.45%

NOTES TO FINANCIAL STATEMENTS

I. Working Capital Finance Investments

The Company has no working capital investments.

J. Offsetting and Netting of Assets and Liabilities

The Company has no offsetting or netting of assets and liabilities related to derivatives, repurchases, reverse repurchases, and securities borrowing or securities lending.

K. Structured Notes
The following table summarizes the Company's structured notes:

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (YES/NO)
1248MBAJ4	$ 957,628	$ 1,230,706	$ 957,628	YES
31359S2G4	91,205	104,659	87,670	YES
Total	$ 1,048,833	$ 1,335,365	$ 1,045,299	

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

As of September 30, 2015 and December 31, 2014, the Company held an investment in ACA Service L.L.C., ("ACA Service"). The carrying value of such investment as of September 30, 2015 and December 31, 2014 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, 2015 and December 31, 2014.

7. INVESTMENT INCOME

See Note 1.C. (3) above.

8. DERIVATIVE INSTRUMENTS

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

9. INCOME TAXES

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

(1) DTA/DTL Components

	Description	2015 Ordinary	2015 Capital	2015 Total	2014 Ordinary	2014 Capital	2014 Total	Change Ordinary	Change Capital	Change Total
(a)	Gross deferred tax assets	$ 112,909,658	$ -	$ 112,909,658	$ 108,371,481	$ 524,452	$ 108,895,933	$ 4,538,177	$ (524,451)	$ 4,013,726
(b)	Statutory valuation allowance adjustment	(79,335,713)	-	(79,335,713)	(74,797,536)	(524,452)	(75,321,988)	(4,538,177)	524,451	(4,013,726)
(c)	Adjusted gross deferred tax assets	33,573,945	-	33,573,945	33,573,945	-	33,573,945	-	-	-
(d)	Adjusted gross deferred tax assets nonadmitted	(32,246,762)	-	(32,246,762)	(32,475,155)	-	(32,475,155)	228,393	-	228,393
(e)	Sub-total admitted adjusted gross deferred tax asset	1,327,183	-	1,327,183	1,098,790	-	1,098,790	228,393	-	228,393
(f)	Gross deferred tax liabilities	(1,327,183)	-	(1,327,183)	(1,098,790)	-	(1,098,790)	(228,393)	-	(228,393)
(g)	Net admitted deferred tax asset	$ -	$ -	$ 0		$ -	$ -	$ -	$ -	$ -

(2) Admission calculation components:

	Description	2015 Ordinary	2015 Capital	2015 Total	2014 Ordinary	2014 Capital	2014 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.	1,327,183	-	1,327,183	1,098,790	-	1,098,790	228,393	-	228,393
(d)	Deferred tax assets admitted as the result of application of SSAP No. 101.total (a. + b. + c.)	$ 1,327,183	$ -	$ 1,327,183	$ 1,098,790	$ -	$ 1,098,790	$ 228,393	$ -	$ 228,393

(3) Used in ¶11.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.) b.i. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. b.ii. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.)

		2015	2014
(a)	Applicable ratio for realization limitation threshold table	90.69%	79.03%

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

	Description	2015 Ordinary	2015 Capital	2015 Total	2014 Ordinary	2014 Capital	2014 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	2015	2014
(a)	Current federal income tax expense	$ -	$ -
(b)	Foreign Income tax expense	-	-
(c)	Subtotal	-	-
(d)	Tax expense on realized capital gains	524,452	780,079
(e)	Utilization of capital loss carryforwards	(524,452)	(780,079)
(f)	Other, including prior year underaccrual	164,748	-
(g)	Federal and foreign income taxes incurred	$ 164,748	$ -

NOTES TO FINANCIAL STATEMENTS

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

		December 31, 2015	December 31, 2014	Change
(2)	**DTAs Resulting From Book/Tax Differences In**			
(a)	**Ordinary**			
(1)	Salvage and Subrogation	$ 5,396,742	$ 6,061,344	$ (664,603)
(2)	Unearned premiums	2,540,306	3,173,635	(633,329)
(3)	Policyholder reserves	-	-	-
(4)	Investments	-	-	-
(5)	Deferred acquisition costs	-	-	-
(6)	Policyholder dividends accrued	-	-	-
(7)	Fixed assets	-	-	-
(8)	Compensation and benefit accruals	107,009	-	107,009
(9)	Pension accruals	-	-	-
(10)	Nonadmitted assets	-	-	-
(11)	Net operating loss carryforward	70,511,696	64,947,344	5,564,352
(12)	Tax credit carryforward	779,960	615,212	164,748
(13)	Contingency Reserve	33,573,945	33,573,945	-
(14)	Other (separately disclose items >5%)	-	-	-
(99)	Subtotal - Gross ordinary DTAs	112,909,658	108,371,481	4,538,178
(b)	Statutory valuation adjustment adjustment - ordinary	(79,335,713)	(74,797,536)	(4,538,178)
(c)	Nonadmitted ordinary DTAs	(32,246,762)	(32,475,155)	228,393
(d)	Admitted ordinary DTAs	$ 1,327,183	$ 1,098,790	$ 228,393
(e)	**Capital**			
(1)	Investments	$ -	$ -	$ -
(2)	Net capital loss carryforward	-	524,452	(524,451)
(3)	Real estate	-	-	-
(4)	Other (separately disclose items >5%)	-	-	-
(5)	Unrealized capital losses	-	-	-
(99)	Gross capital DTAs	-	524,452	(524,452)
(f)	Statutory valuation adjustment adjustment - capital	-	(524,452)	524,452
(g)	Nonadmitted capital DTAs	-	-	-
(h)	Admitted capital DTAs	$ -	$ -	$ -
(i)	**Admitted DTAs**	**$ 1,327,183**	**$ 1,098,790**	**$ 228,393**

		December 31, 2015	December 31, 2014	Change
(3)	**DTLs Resulting From Book/Tax Differences In**			
(a)	**Ordinary**			
(1)	Investments	$ -	$ -	$ -
(2)	Fixed assets	(153,371)	(53,478)	(99,893)
(3)	Deferred and uncollected premiums	-	-	-
(4)	Policyholder reserves/salvage and subrogation	-	-	-
(5)	Other (separately disclose items >5%)	-	-	-
(99)	Ordinary DTLs	$ (153,371)	$ (53,478)	$ (99,893)
(b)	**Capital**			
(1)	Investments	$ (1,173,812)	$ (1,045,312)	$ (128,500)
(2)	Real estate	-	-	-
(3)	Other (separately disclose items >5%)	-	-	-
(4)	Unrealized capital gains	-	-	-
(99)	Capital DTLs	$ (1,173,812)	$ (1,045,312)	$ (128,500)
(c)	**DTLs**	**$ (1,327,183)**	**$ (1,098,790)**	**$ (228,393)**
(4)	**Net deferred tax assets/liabilities**	**$ -**	**$ -**	**$ -**

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

	December 31, 2015	December 31, 2014	Bal. Sheet Change
Total deferred tax assets	$ 112,909,658	$ 108,895,933	$ 4,013,725
Total deferred tax liabilities	(1,327,183)	(1,098,790)	(228,393)
Net deferred tax assets/liabilities	111,582,475	107,797,143	3,785,332
Statutory valuation allowance adjustment (*see explanation below)	(79,335,713)	(75,321,988)	(4,013,725)
Net deferred tax assets/liabilities after SVA	$ 32,246,762	$ 32,475,155	(228,393)
Tax effect of unrealized gains/(losses)			-
Statutory valuation allowance adjustment allocated to unrealized (+)			-
Change in net deferred income tax charge			$ (228,393)

***Statutory valuation allowance**

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

NOTES TO FINANCIAL STATEMENTS

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

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes including realized capital gains / losses.

The significant items causing this difference are as follows:

Description	Amount	Statutory Rate 35.00% Tax Effect	Effective Tax Rate
Income Before Taxes (including all realized capital losses	$ (10,329,000)	$ (3,615,150)	35.00%
Tax-Exempt Interest	(1,145,349)	(400,872)	3.88%
Equity in Affiliates	51,201	17,920	-0.17%
Proration	171,802	60,131	-0.58%
Meals & Entertainment, Lobbying Expenses, Etc.	6,215	2,175	-0.02%
Statutory Valuation Allowance Adjustment	11,467,785	4,013,726	-38.86%
Change in Contingency Reserve	-	-	0.00%
Prior Year True-up	900,606	315,212	-3.05%
Total	$ 1,123,261	$ 393,142	-3.81%
Federal income taxed incurred expense		164,748.10	-1.60%
Change in net deferred income tax benefit		228,393	-2.21%
Total statutory income taxes		$ 393,141	-3.81%

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

The Company has net operating loss carryforwards of: $ 201,461,989 expiring through the calendar year 2035

The Company had capital loss carryforwards of: $ -

The Company has an AMT credit carryforward of: $ 779,960 which does not expire.

Income taxes, ordinary and capital, available for recoupment in the event of future losses include:

Available from tax year	Ordinary	Capital	Total
2013	$ -	$ -	$ -
2014	-	-	-
2015	-	-	-
Total	$ -	$ -	$ -

Deposits admitted under IRC § 6603
None

The Company's Net operating and capital loss carryforwards are limited in its aggregate under Section 382 of the Internal Revenue Code. See Notes 21C. This limitation is reflected in the statutory valuation allowance determination.

F. Income tax loss contingencies

N/A

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

The Internal Revenue Service concluded its examination of income tax returns through 2007 in the third quarter of 2015 and forwarded the Revenue Agents' Report to the Joint Committee of Taxation ("JCT") for approval. The Company received approval from the JCT in October 2015. No material adjustments are expected as a result of the audit in relation to the financial position or results of operations of the Company for the tax years under examination.

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 2015 or 2014. The Company purchased ACA insured bonds from a surplus note holder. See Footnote 25.

C. Not applicable.

D. The Company has $81 thousand and $83 thousand net payable to subsidiaries at September 30, 2015 and December 31, 2014, respectively.

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 2015 or 2014.

K. Not applicable.

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

NOTES TO FINANCIAL STATEMENTS

11. DEBT

A. As of September 30, 2015 and December 31, 2014, the Company had no capital notes or other debt.

B. As of September 30, 2015 and December 31, 2014, the Company had no Federal Home Loan Bank (FHLB) Agreements.

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, 2015 and December 31, 2014, the fair values of plan assets were $5.7 million and $6.5 million, respectively. For the nine month periods ended September 30, 2015 and 2014, the Company recognized expense in the amount of $166.0 thousand and $277.1 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 provides postemployment benefits to its employees. The benefits include severance and continuation of benefits, such as healthcare, for terminated employees. Amounts are reflected in the financial statements, as Employee Relations and Welfare expenses, when it is probable that the employee will be entitled to the benefit and the amount can be reasonably estimated.

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 2015 or 2014.

(5) The Company had negative earned surplus at September 30, 2015 and December 31, 2014; therefore no dividends can be paid in 2015 pursuant to Maryland Insurance Law. Negative earned surplus represents the amount reported in the Statement of “Assets, Liabilities, Surplus and Other Funds” under the line item entitled, “Unassigned funds (surplus)”.

(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 $515,839.

(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 10, 2014, ACA made the aforementioned request to the MIA. On July 21, 2014, 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.

NOTES TO FINANCIAL STATEMENTS

B. Assessments

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

C. Gain Contingencies

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

- On January 6, 2011, the Company commenced a lawsuit against Goldman, Sachs & Co. ("Goldman") in the Supreme Court of the State of New York, County of New York (the "Lawsuit"). The lawsuit seeks compensatory damages against Goldman in the amount of at least $30 million and punitive damages in the amount of at least $90 million in connection with the development of a structured finance product, a synthetic collateralized debt obligation called ABACUS 2007-AC1 ("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. Following a motion for reargument with the Supreme Court that was denied December 17, 2013, ACA filed a motion for leave to appeal the decision to the Court of Appeals, which motion was fully briefed as of February 14, 2014. All lower court action has been stayed pending such motion. On May 2, 2014, the Appellate Division granted ACA's motion for leave to appeal. Briefing began in July 2014 and oral arguments took place on March 26, 2015. On May 7, 2015, the Court of Appeals issued its decision reversing the dismissal by the Appellate Division. On August 18, 2015 the Appellate Division remanded the case to the Supreme Court. ACA has begun to (i) renew its motion to dismiss Goldman's counterclaims against it and its third-party complaint against ACAM, and (ii) seek discovery to the extent not yet obtained. The Company intends to vigorously pursue its claims in this case.

- 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, 2015, ACA expects to recognize a gain aggregating approximately $13.1 million on a net present value basis, with recoveries expected to begin decades in the future. In addition, ACA was negotiating a settlement agreement with one of its former insurance carriers which was finalized in 2014, resulting in payments to ACA with respect to claims for coverage for certain investigations and lawsuits. Pursuant to ACA's accounting policy, any estimated gains must be deferred and recognized only when the actual receipts of such recoveries occur, or in the case of losses related to ACA's own insurance policies, they 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 was 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. On December 18, 2014, the court granted summary judgment in favor of the Company. Plaintiffs filed notice of appeal on March 19, 2015 and filed their opening appellate brief on October 6, 2015. The other defendants reached confidential settlements with Retirement Housing Foundation. The Company believes that the issues raised in Plaintiffs' appeal are without merit and intends to defend itself vigorously.

The Company (specifically, ACA Management, LLC) is one of many defendants in an action pending in New Mexico First Judicial District Court, in Santa Fe, filed in 2008 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 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"). Further, the complaint seeks to impose joint and several liability on all defendants. In April 2010, the then-presiding judge ruled that the retroactive nature of FATA was unconstitutional. The ruling was affirmed by the New Mexico Court of Appeals. However, on June 25, 2015, the Supreme Court of the State of New Mexico reversed and held that FATA is constitutional. The New Mexico Supreme Court also consolidated multiple related cases and reassigned the consolidated proceeding to a new district judge. The parties currently await scheduling orders, which will focus on the New Mexico Attorney General's motion to dismiss and Vanderbilt's motion to confirm its settlement with the Attorney General. If either motion is granted, it is likely the Company will be dismissed from the suit. Early in the proceeding, ACA moved to dismiss the complaint for lack of personal jurisdiction and the then-presiding judge deferred ruling on the Company's jurisdictional motion pending

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jurisdictional discovery. The Company's jurisdictional motion remains pending while the other motions are adjudicated. To the extent activity involving the Company resumes in the case, the Company intends to continue to defend itself vigorously.

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. Joint and Several Liabilities

Not applicable.

G. All Other Contingencies

Not applicable.

15. LEASES

A. Lessee Operating Lease

(1) ACA subleases office space at 600 Fifth Avenue with a lease termination date of September 29, 2016. The Company's rental expense for the nine month periods ended September 30, 2015 and 2014 was $410.0 thousand.

(2) At October 1, 2015, the minimum future lease payments under the lease are as follows (dollars in thousands):

Year Ending December 31,	Operating Leases
2015	160
2016	479
Total	$ 639

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, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
($ in millions)	**Net Par Outstanding**	**% of Net Par Outstanding**	**Net Par Outstanding**	**% of Net Par Outstanding**
Tax-exempt obligations:				
Healthcare	$ 175	7.5%	$ 203	7.5%
Tax backed	230	9.8%	276	10.2%
Higher education	512	21.8%	575	21.2%
Long-term care	117	5.0%	139	5.1%
General obligations	632	26.9%	732	27.0%
Utilities	55	2.4%	63	2.3%
Transportation	187	8.0%	191	7.0%
Housing	82	3.5%	118	4.3%
Not for Profit	198	8.5%	260	9.6%
Other	151	6.4%	152	5.6%
Total municipal obligations	**2,339**	**99.7%**	**2,709**	**99.8%**
Taxable obligations				
Other	6	0.3%	6	0.2%
Total	$ 2,345	100.0%	$ 2,715	100.0%

For the nine month period ended September 30, 2015, the Company reported a decrease in insured net par outstanding of $370 million, of which $320 million was attributable to Refundings, including early retirement due to cancellation (See Note 1.C.(1)).

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($ in millions)	PAR EXPOSURE BY STATE	September 30, 2015 Net Par Outstanding	September 30, 2015 % of Net Par Outstanding	December 31, 2014 Net Par Outstanding	December 31, 2014 % of Net Par Outstanding
New York		$ 516	22.1%	$ 548	20.2%
California		422	18.0%	490	18.1%
Massachusetts		135	5.8%	190	7.0%
Florida		123	5.3%	175	6.5%
Washington		99	4.2%	100	3.7%
Other states		1,043	44.6%	1,206	44.5%
	Total municipal obligations	$ 2,339	100.0%	$ 2,709	100.0%

NET PAR OUTSTANDING BY MATURITY

($ in millions) **Terms of Maturity**	**September 30, 2015 Net Par Outstanding**
0 to 5 years	$ 420
5 to 10 years	591
10 to 15 years	612
15 to 20 years	536
20 and above	186
Total	**$ 2,345**

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

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

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

C. The Company had no wash sales.

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

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

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

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

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

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

20. FAIR VALUE MEASUREMENT

A. Inputs used for Assets and Liabilities Measured at Fair Value

(1) Assets measured at fair value on a non-recurring basis:

September 30, 2015				
Security Type	**Level 1**	**Level 2**	**Level 3**	**Grand Total**
Bonds	$ -	$ 4,234,167	$ -	$ 4,234,167
Total	$ -	$ 4,234,167	$ -	$ 4,234,167

December 31, 2014				
Security Type	**Level 1**	**Level 2**	**Level 3**	**Grand Total**
Bonds	$ -	$ 193,078	$ -	$ 193,078
Total	$ -	$ 193,078	$ -	$ 193,078

(2) Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Not applicable

(3) The Company's policy is to recognize transfers in and out at the end of the reporting period, consistent with the date of the determination of fair value.

(4) In accordance with SSAP 100, the valuation techniques used in measuring fair values are based on the following:

Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets that the Company has the ability to access for identical assets or liabilities.

Level 2: Fair value measurements, based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets

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and liabilities in active markets, and inputs other than quoted prices that are observable at commonly quoted intervals.

Level 3: Fair value measurements, based on certain inputs which are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

(5) Derivative Fair Value

Not applicable

B. Other Fair Value Disclosures

Not applicable

C. Fair Values for All Financial Instruments by Levels 1, 2 and 3

The tables below reflect the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries). The fair values are also categorized into the three-level fair value hierarchy as described above.

September 30, 2015						
Type of Financial Instrument	**Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying**
Bonds	$ 330,833,823	$ 325,572,546	$ -	$ 330,833,823	$ -	$ -
Cash & Short-Term Investments	5,130,367	5,130,367	2,605,685	2,524,682	-	-
Total	$ 335,964,190	$ 330,702,913	$ 2,605,685	$ 333,358,505	$ -	$ -

December 31, 2014						
Type of Financial Instrument	**Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying**
Bonds	$ 378,436,211	$ 364,588,427	$ -	$ 378,436,211	$ -	$ -
Cash & Short-Term Investments	4,040,017	4,040,017	2,408,925	1,631,092	-	-
Total	$ 382,476,228	$ 368,628,444	$ 2,408,925	$ 380,067,303	$ -	$ -

D. Financial Instruments for which Not Practicable to Estimate Fair Values

Not applicable

21. OTHER ITEMS

A. Extraordinary items

The Company had no extraordinary items during 2015 and 2014.

B. Troubled Debt Restructurings: Debtors

The Company had no troubled debt restructurings during 2015 and 2014. 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. However, ACA has policies in-force upon which it believes that it is probable that payment defaults will occur in the future. Such expected future losses (hereafter referred to as "Off-Balance Sheet Losses") are not recorded by the Company in the accompanying Statement of Assets, Liabilities, Surplus and Other Funds at September 30, 2015 and December 31, 2014 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 its ultimate Off-Balance Sheet Losses ranged from $70 million to $90 million at September 30, 2015, on a discounted basis (see also Note 25). 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 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, 2015, the Company

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had insured obligations with outstanding principal totaling $382.1 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 $226.7 million classified in Category 3, which means those credits have materially violated financial and operational covenants and require remedial action to avoid further performance deterioration. As discussed in Note 16, the risk of loss under the Company's 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, subrogation rights enable the Company 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 severity of loss and the amount and timing of claim payments and recoveries on a guaranteed obligation. Case basis reserves reflect management's best estimate of the present value of the Company's ultimate loss and not the worst possible outcome. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, will occur over many years in the future. Examples of these events include changes in the level of interest rates, credit deterioration of guaranteed obligations, changes in the value of specific assets supporting guaranteed obligations, willingness of the obligor or sponsor to honor its commitments, changes in the expected timing of claims payments and recoveries, and changes in 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.

  Under Section 382, the transfer of ACA's surplus notes can cause an ownership change that would limit ACA's ability to utilize its NOLs and recognize certain built-in losses. 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. As of December 31, 2013, ACA's Aggregate Ownership Change was approximately 49%.

  Subsequent to December 31, 2013, a certain holder of ACA's surplus notes notified ACA that it had agreed to transfer its notes. This transfer became effective, under the terms of the surplus note, on February 12, 2014. As a result, ACA experienced an ownership change for purposes of Section 382. As a consequence of the ownership change, ACA's ability to use its NOLs will be limited on an annual basis.

(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.).

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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 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) mediate deteriorated insured exposures to minimize claim payments, maximize recoveries and mitigate ultimate 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. The Company has taken steps to reduce operating expenses and expects to take further steps in the future as the insured portfolio and remediation activities decrease. ACA's Board conducted a strategic review of the Company's finances and operations in 2014, including exploration of a sale or reinsurance assumption and outsourcing management of the Company's operations. The sale and reinsurance assumption efforts were not successful and there are no present efforts to sell the Company. Although competitive outsourcing proposals were received from other financial guaranty companies and other third parties, the Company ultimately decided that the expense reduction plan developed in late 2014 was the most optimal path forward. 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.

D. Business Interruption Insurance Recoveries

Not applicable.

E. State Transferable Tax Credits

The Company had no state transferable credits.

F. Subprime Exposure Related Risk

(1) Except for one insured securitization of manufactured housing mortgages, as of September 30, 2015 and December 31, 2014, 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 $4.4 million and $4.6 million at September 30, 2015 and December 31, 2014,

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respectively. The Company has a loss reserve against this exposure in the amount of $1.7 million and $1.3 million at September 30, 2015 and December 31, 2014, 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, 2015:

	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	$ 14,074,891	$ 14,330,830	$ 14,825,783	$ -
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities	16,173,079	16,170,116	16,208,834	-
e. Equity investment in SCAs				
f. Other assets				
g. Total	$ 30,247,970	$ 30,500,946	$ 31,034,616	$ -

(4) As stated in F. (1) above, the Company has an outstanding loss reserve in the amount of $1.7 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	-	457,619	1,734,219	-
c. Other lines	-	-	-	-
d. Total	$ -	$ 457,619	$ 1,734,219	$ -

22. EVENTS SUBSEQUENT

The Company reviewed all transactions and other matters that have occurred from October 1, 2015 through November 12, 2015 (the date the financial statements were available to be issued) to assess whether such transactions and matters qualify as "subsequent events" and require adjustment to or disclosure in the financial statements as of and for the period ended September 30, 2015. Based on the aforementioned review, no matters came to management's attention that would require adjustment to or disclosure in the financial statements, except as described in Footnote 25.

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	4,168,083	-	-	-	4,168,083	-
Total	$ 4,168,083	$ -	$ -	$ -	$ 4,168,083	$ -

Direct Unearned Premium Reserve: $74,904,320

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 2015.

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.

NOTES TO FINANCIAL STATEMENTS

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Company has not entered into any retrospectively rated contracts or contracts subject to redetermination, including any provisions of the Affordable Care Act

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

For the nine month period ended September 30, 2015, the Company recorded a net provision for losses incurred of $15.3 million, which consisted of $2.0 million of net adverse loss development on accident years prior to 2015 ("prior accident year claims") and $13.3 million losses incurred relating to the current accident year. The Company reflects loss remediation bond buybacks as loss payments and reflects a corresponding modeled reduction to estimated future losses. Loss remediation bond purchases may relate to policies where case basis reserves have already been established in the statutory financial statements or for policies related to Off-Balance Sheet Losses. See footnote 21C(1). In the second and third quarters 2015, the Company purchased bonds for loss remediation purposes in the amount of $13.2 million and $17.5 million, respectively. Substantially all of the bond purchases made in the second and third quarters were sold to the Company by a Surplus Note Holder. As of September 30, 2015, the Company's liability for unpaid losses was $82.2 million, which related to twenty-four insured transactions, with a remaining aggregate in-force par outstanding of $138.0 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of $138.0 million represents the remaining maximum amount of par exposure subject to loss in regard to these twenty-four insured transactions. See Note 36A.(3) b for additional information regarding the Company's reserves for losses and loss adjustment expenses.

As discussed in Note 21.C.(1), the Company's estimate of its ultimate Off-Balance Sheet Losses at September 30, 2015 ranged from $70 million to $90 million. This range of Off-Balance Sheet Losses related to fifteen insured transactions, with a remaining aggregate in-force par outstanding of approximately $71.4 million, excluding the aforementioned Off-Balance Sheet Losses.

For the nine month period ended September 30, 2014, the Company recorded a net provision for losses incurred of $7.2 million, which consisted of $3.7 million of net adverse loss development relating to accident years prior to 2014 and $3.5 million of losses incurred relating to accident year 2014. As of September 30, 2014, the Company's liability for unpaid losses was $75.8 million, which related to twenty-two insured transactions, with a remaining aggregate in-force par outstanding of $129.8 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of $129.8 million represents the remaining maximum amount of par exposure subject to loss in regard to these twenty-two 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.

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, 2015 and December 31, 2014.

B. The Company has no risk sharing receivables as of September 30, 2015 and December 31, 2014.

29. PARTICIPATING POLICIES

The Company never issued participating policies.

30. PREMIUM DEFICIENCY RESERVE

The Company has no premium deficiency reserves. The Company includes anticipated investment income as a factor in the premium deficiency calculation.

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, 2015 and December 31, 2014 was 3.12%. 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, 2015 was ($6.2 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.

NOTES TO FINANCIAL STATEMENTS

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, 2015 and 2014 was $11.8 million and $17.1 million, respectively.

b. Schedule of the future expected earned premium revenue on contracts written on an upfront basis as of September 30, 2015:

1.

4th Quarter 2015	1,376,255
Year 2016	4,718,836
Year 2017	4,762,921
Year 2018	4,334,375
Year 2019	4,430,419
Subtotal	19,622,807

2.

2020 through 2024	22,319,288
2025 through 2029	18,557,310
2030 through 2034	13,699,791
2035 through 2039	4,873,207
2040 through 2044	-
2045 through 2049	-
Total	$ 79,072,403

(3) Claim liability:

a. The Company used a rate of 3.12% to discount the claim liability.

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

Reserves for losses at December 31, 2014	$ 105,551,542
Accretion of the discount	2,488,844
New reserves for defaults of insured contracts	- [1]
Development on prior accident years reserves	(25,852,744) [2]
Change in deficiency reserves	-
Change in incurred but not reported claims	-
Total change in reserves	(23,363,900)
Reserves for losses at September 30, 2015	$ 82,187,642

[1] Represents 2015 accident year loss development of $0, less claim payments of $0.
[2] Represents favorable loss development of $522,106 and claim payments of $25,332,638.

(4) The Company's credit quality classifications are:

a. Category 1: Fully Performing
Credits are fully performing. Covenants have been met, financial reporting is timely and complete, and there have been no significant negative deviations from expected performance.

Category 2: Watch
Credits are performing below expected levels. Some covenants have been violated, projected budget and/or cash flow has not been achieved, operating performance or financial position is weakened. Although operating results are below underwriting expectations, current and projected revenues are adequate to service debt.

Category 3: Deteriorating
Credits show significant performance declines. Covenant violations are recurring and material; cashflow is significantly below projections, operating results are materially impaired. Corrective action is required to arrest credit deterioration and avert a longer-term risk of payment default.

Category 4: Paid or Expected Claim
Credits show material decline in creditworthiness and ability to pay. Operating results are increasingly negative, unreimbursed draws on debt service reserves have been made; payment defaults have occurred or are expected, and loss reserves have been established or are expected to be established in the financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

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	122	46	17	36	221
Remaining weighted-average contract period (in years)	11	9	10	11	11
Insured contractual payments outstanding:					
Principal	$ 1,374,739,430	$ 361,599,227	$ 226,662,909	$ 382,118,392	$ 2,345,119,959
Interest	825,613,166	189,436,504	177,170,840	342,046,844	1,534,267,355
Total	$ 2,200,352,596	$ 551,035,732	$ 403,833,750	$ 724,165,237	$ 3,879,387,314
Gross claim and LAE liability	$ -	$ 18,000	$ 394,000	$ 136,722,558	$ 137,134,558
Less:					
Gross potential recoveries	-	-	-	57,436,633	57,436,633
Discount, net	-	-	-	(6,205,385)	(6,205,385)
Net claim and LAE liability	$ -	$ 18,000	$ 394,000	$ 85,491,310	$ 85,903,310
Unearned premium revenue	$ 30,780,946	$ 14,587,146	$ 10,150,783	$ 23,559,248	$ 79,078,124
Claim and LAE liability reported in the balance sheet	$ -	$ 18,000	$ 394,000	$ 85,491,310	$ 85,903,310
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 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ ] No [X]

If yes, complete Schedule Y, Parts 1 and 1A.

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

3.3 If the response to 3.2 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. 12/31/2012

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). 06/18/2014

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		3.120	(6,205,385)			(6,205,385)	7,983,189			7,983,189
TOTAL			(6,205,385)	0	0	(6,205,385)	7,983,189	0	0	7,983,189

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 ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Type of Reinsurer	6 Certified Reinsurer Rating (1 through 6)	7 Effective Date of Certified Reinsurer Rating

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, etc.		1 Active Status	Direct Premiums Written 2 Current Year To Date	3 Prior Year To Date	Direct Losses Paid (Deducting Salvage) 4 Current Year To Date	5 Prior Year To Date	Direct Losses Unpaid 6 Current Year To Date	7 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	2,192,080	2,092,074	16,374,930	13,503,706
5. California	CA	L		0	13,838,656	6,479,346	18,376,719	26,221,394
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	792,804	2,295,313	(3,271,340)	(1,802,602)
11. Georgia	GA	L		0	676,988	798,906	9,785,168	8,398,159
12. Hawaii	HI	L		0		0		0
13. Idaho	ID	L		0		0		0
14. Illinois	IL	L		0	17,665,652	0	3,826,499	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	7,724	5,755	603,791	448,956	5,510,918	5,651,988
20. Maine	ME	L		0		0		0
21. Maryland	MD	L		0		0		0
22. Massachusetts	MA	L		0	31,875	23,231	519,124	517,905
23. Michigan	MI	L		0		0		0
24. Minnesota	MN	L	1,336	2,082	53,798	1,341,737	5,742,387	4,969,145
25. Mississippi	MS	L		0	1,011,881	252,647	8,488,697	10,204,223
26. Missouri	MO	L	6,479	7,030	29,126	29,123	1,187,609	1,190,564
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		0		0
31. New Jersey	NJ	L		0		0		0
32. New Mexico	NM	L		0		0		0
33. New York	NY	L		0	157,018	151,715	1,829,600	1,950,581
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	602,619	165,113	964,226	1,024,429
42. So. Dakota	SD	L		0		0		0
43. Tennessee	TN	L		0		0		0
44. Texas	TX	L		0	332,208	415,494	4,459,885	4,215,405
45. Utah	UT	L		0		0		0
46. Vermont	VT	L		0		0		0
47. Virginia	VA	L		0	665,835	330,931	8,393,220	(287,394)
48. Washington	WA	L		0		0		0
49. West Virginia	WV	L		0		0		0
50. Wisconsin	WI	L		0		0		0
51. Wyoming	WY	L		0		0		0
52. American Samoa	AS	N		0		0		0
53. Guam	GU	L		0		0		0
54. Puerto Rico	PR	L		0		0		0
55. U.S. Virgin Islands	VI	L		0		0		0
56. Northern Mariana Islands	MP	N		0		0		0
57. Canada	CAN	N		0		0		0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0
59. Totals		(a) 54	15,539	58,867	38,654,331	14,824,586	82,187,642	75,757,503
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.

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	13,319,103	15,290,431	114.8	35.0
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	13,319,103	15,290,431	114.8	35.0
	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	8,291	15,539	58,866
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	8,291	15,539	58,866
	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

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2015 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2015 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2015 Loss and LAE Payments (Cols. 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2012 + Prior	74,445		74,445	6,687	546	7,233	69,007			69,007	1,249	546	1,795
2. 2013	9,064		9,064	238	1	239	8,969			8,969	143	1	144
3. Subtotals 2013 + prior	83,509	0	83,509	6,925	547	7,472	77,976	0	0	77,976	1,392	547	1,939
4. 2014	26,608		26,608	19,337	8	19,345	7,616	312		7,928	345	320	665
5. Subtotals 2014 + prior	110,117	0	110,117	26,262	555	26,817	85,592	312	0	85,904	1,737	867	2,604
6. 2015	XXX	XXX	XXX	XXX	13,324	13,324	XXX			0	XXX	XXX	XXX
7. Totals	110,117	0	110,117	26,262	13,879	40,141	85,592	312	0	85,904	1,737	867	2,604
8. Prior Year-End Surplus As Regards Policy-holders	66,902												

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. 1.6	2. 0.0	3. 2.4
		Col. 13, Line 7 Line 8
		4. 3.9

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing 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 Insurance Coverage 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 5 4 9 0 0 0 0 3

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

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

4. 2 2 8 9 6 2 0 1 5 5 0 5 0 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	2,922		2,922	2,031
2505.			0	0
2506.			0	0
2597. Summary of remaining write-ins for Line 25 from Page 02	2,922	0	2,922	2,031

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	83,260	83,678
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)	(478)	(419)
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)	82,782	83,260
12. Deduct total nonadmitted amounts	82,782	83,260
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	364,583,693	380,299,628
2. Cost of bonds and stocks acquired	108,890,991	205,430,637
3. Accrual of discount	630,559	1,093,920
4. Unrealized valuation increase (decrease)	(484,534)	26,588
5. Total gain (loss) on disposals	2,106,902	2,228,798
6. Deduct consideration for bonds and stocks disposed of	148,156,597	220,242,854
7. Deduct amortization of premium	1,998,468	2,519,237
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other-than-temporary impairment recognized		1,733,787
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	325,572,546	364,583,693
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	325,572,546	364,583,693

SCHEDULE D - PART 1B

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

NAIC Designation	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. NAIC 1 (a)	252,103,664	96,665,030	111,001,594	(262,018)	269,281,945	252,103,664	237,505,082	287,958,563
2. NAIC 2 (a)	77,619,752	4,349,821	7,481,650	(77,187)	78,937,894	77,619,752	74,410,736	63,490,629
3. NAIC 3 (a)	992,567			1,378	991,463	992,567	993,945	84,523
4. NAIC 4 (a)	0				0	0	0	0
5. NAIC 5 (a)	13,514,846		93,807	594,594	11,539,262	13,514,846	14,015,634	12,195,824
6. NAIC 6 (a)	2,422,281		843,805	(406,644)	2,421,567	2,422,281	1,171,832	2,489,981
7. Total Bonds	346,653,109	101,014,851	119,420,855	(149,877)	363,172,133	346,653,109	328,097,228	366,219,520
PREFERRED STOCK								
8. NAIC 1	0				0	0	0	0
9. NAIC 2	0				0	0	0	0
10. NAIC 3	0				0	0	0	0
11. NAIC 4	0				0	0	0	0
12. NAIC 5	0				0	0	0	0
13. NAIC 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	346,653,109	101,014,851	119,420,855	(149,877)	363,172,133	346,653,109	328,097,228	366,219,520

(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	2,524,682	XXX	2,524,682	2	

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	1,631,093	4,360,114
2. Cost of short-term investments acquired	139,491,127	188,656,395
3. Accrual of discount		96
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		0
6. Deduct consideration received on disposals	138,597,537	191,385,512
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)	2,524,682	1,631,093
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	2,524,682	1,631,093

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									
36179R-NX-3	GNMA POOL II MA3106		09/16/2015	DAIWA CAPITAL MARKETS AMERICA		9,577,969	9,000,000	20,000	1
912828-F4-7	US TREASURY N/B		07/31/2015	HSBC SECURITIES INC.		2,002,188	2,000,000	3,415	1
0599999 - Bonds - U.S. Governments						11,580,156	11,000,000	23,415	XXX
Bonds - U.S. Special Revenue									
13033W-A9-4	CA INFRA CAB-SER A		09/30/2015	NATIONAL FINANCIAL SERVICES CO			50,000		
13033W-B3-6	CA INFRA CAB-SER A		09/30/2015	NATIONAL FINANCIAL SERVICES CO			50,000		6*
13033W-B4-4	CA INFRA CAB-SER A		09/30/2015	NATIONAL FINANCIAL SERVICES CO			75,000		
13033W-B5-1	CA INFRA CAB-SER A		09/30/2015	NATIONAL FINANCIAL SERVICES CO			120,000		6*
13033W-B6-9	CA INFRA CAB-SER A		09/30/2015	NATIONAL FINANCIAL SERVICES CO			65,000		6*
31418B-VG-8	FNMA POOL 2414		09/29/2015	BANC OF AMERICA SECURITIES LLC		3,543,039	3,400,000	9,586	1
453419-CB-7	IND CTY HYDRO REV JR LIEN-PWR-CONS-SER B		08/01/2015	VARIOUS			100,000		
541589-BN-6	LOMBARD FACS TIER-A-2		07/20/2015	VARIOUS			7,160,000		6FE
541589-BT-3	LOMBARD FACS TIER-A-2		08/01/2015	VARIOUS			1,625,000		6FE
541589-BZ-9	LOMBARD FACS TIER-A-2		08/01/2015	VARIOUS			10,640,000		6FE
60535R-AH-1	MISS HOME CORP-8A-MVSU		08/12/2015	VARIOUS			100,000		6*
60535R-AJ-7	MISS HOME CORP-8A-MVSU		08/20/2015	VARIOUS			775,000		6*
685624-AR-9	ORCHARD HGR ED-A-NYOS		08/31/2015	NORTHLAND SECS INC		96,000	100,000	244	
745272-DG-6	PR ENVIR REF-A-POLYTECH UNIV		08/10/2015	NORTHLAND SECS INC		155,400	185,000	308	2FE
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						3,794,439	24,445,000	10,138	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)									
02377B-AC-0	AMERICAN AIRLINES 15-2 B PTT		09/10/2015	MORGAN STANLEY		1,500,000	1,500,000		2FE
038222-AH-8	APPLIED MATERIALS INC		09/21/2015	MITSUBISHI UFJ SECURITIES (USA), INC.		2,498,250	2,500,000		1FE
13975G-AF-5	CAP AUTO RECEIVE ASSET TRUST 2014-1		09/15/2015	CITIGROUP GLOBAL MARKETS INC.		2,539,063	2,500,000	5,522	1FE
151020-AR-5	CELGENE CORPORATION		08/03/2015	DEUTSCHE BANK SECURITIES, INC.		1,206,721	1,210,000		2FE
26207W-AE-5	DRIVE AUTO RECEIVE TRUST 2015-DA B		09/23/2015	RBC CAPITAL MARKETS		3,999,939	4,000,000		1FE
32113C-BH-2	FIRST NATL CAPITAL 2015-1 A		09/10/2015	RBC CAPITAL MARKETS		1,500,000	1,500,000		1FE
404280-AU-3	HSBC HOLDINGS PLC	R	08/10/2015	HSBC SECURITIES INC.		1,487,700	1,500,000		2FE
47787W-AD-1	JOHN DEERE OWNER TRUST 2015-B		09/01/2015	RBC CAPITAL MARKETS		1,999,487	2,000,000		1FE
65557C-AR-4	NORDEA BANK AB	R	09/09/2015	CREDIT SUISSE SECURITIES (USA)		2,992,860	3,000,000		1FE
87165L-AP-6	SYNCHRONY CC MASTER NOTE TRUST 2015-3 A		09/25/2015	BARCLAYS CAPITAL INC FIXED INC		1,499,798	1,500,000		1FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						21,223,818	21,210,000	5,522	XXX
8399997 - Subtotals - Bonds - Part 3						36,598,413	56,655,000	39,076	XXX
8399999 - Subtotals - Bonds						36,598,413	56,655,000	39,076	XXX
9999999 Totals						36,598,413	XXX	39,076	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 11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
36179M-K8-2	GNMA POOL II 0319		09/20/2015	DIRECT		81,852	81,852	87,901	87,940		(6,088)		(6,088)		81,852		0	0	2,145	08/20/2042	1
36179Q-6P-1	GNMA POOL II 2678		09/20/2015	DIRECT		314,694	314,694	332,297			(17,603)		(17,603)		314,694			0	3,533	03/20/2045	1
36179Q-WF-4	GNMA POOL II 2446		09/20/2015	VARIOUS		10,801,917	10,252,398	11,014,920	11,011,921		(138,356)		(138,356)		10,873,565		(71,648)	(71,648)	323,561	12/20/2044	1
36179R-BX-6	GNMA POOL II 2754		09/20/2015	DIRECT		272,594	272,594	287,885			(15,291)		(15,291)		272,594		0	0	3,263	04/20/2045	1
36200A-BE-8	GNMA POOL 595037		09/15/2015	DIRECT		23	23	23	23		(1)		(1)		23			0	1	10/15/2032	1
36200A-CW-7	GNMA POOL 595085		09/15/2015	DIRECT		583	583	601	599		(15)		(15)		583			0	23	10/15/2032	1
36200E-TY-7	GNMA POOL 599167		09/15/2015	DIRECT		792	792	815	807		(16)		(16)		792		0	0	32	12/15/2033	1
36200M-AT-0	GNMA POOL 604018		09/15/2015	DIRECT		57,291	57,291	58,952	58,627		(1,336)		(1,336)		57,291			0	1,882	02/15/2033	1
36200M-EN-9	GNMA POOL 604141		09/15/2015	DIRECT		214	214	221	221		(7)		(7)		214			0	9	03/15/2033	1
36200Q-2R-4	GNMA POOL 569684		09/15/2015	DIRECT		894	894	921	918		(24)		(24)		894			0	38	02/15/2032	1
36200R-LX-8	GNMA POOL 570142		09/15/2015	DIRECT		1,008	1,008	1,038	1,035		(27)		(27)		1,008		0	0	40	12/15/2031	1
36200R-XT-4	GNMA POOL 570490		09/15/2015	DIRECT		18	18	18	18		0		0		18		0	0	1	12/15/2031	1
36200S-US-7	GNMA POOL 571293		09/15/2015	DIRECT		412	412	424	427		(15)		(15)		412			0	16	11/15/2031	1
36201A-PF-9	GNMA POOL 577422		09/15/2015	DIRECT		45	45	47	46		(1)		(1)		45			0	2	01/15/2032	1
36201D-AX-0	GNMA POOL 579722		09/15/2015	DIRECT		4,662	4,662	4,800	4,768		(106)		(106)		4,662			0	165	08/15/2032	1
36201E-AG-5	GNMA POOL 580607		09/15/2015	DIRECT		524	524	540	537		(13)		(13)		524			0	19	02/15/2033	1
36201F-AF-4	GNMA POOL 581506		09/15/2015	DIRECT		15	15	15	15		(1)		(1)		15			0	1	04/15/2033	1
36201Y-FD-3	GNMA POOL 606864		09/15/2015	DIRECT		775	775	798	796		(20)		(20)		775		0	0	35	10/15/2033	1
36207E-ND-2	GNMA POOL 429788		09/15/2015	DIRECT		2,425	2,425	2,497	2,501		(77)		(77)		2,425			0	86	12/15/2033	1
36210J-HW-1	GNMA POOL 493545		09/15/2015	DIRECT		26	26	27	27		(1)		(1)		26			0	1	03/15/2031	1
36213F-U4-3	GNMA POOL 553303		09/15/2015	DIRECT		12	12	12	12		0		0		12			0	0	06/15/2033	1
36213R-2A-4	GNMA POOL 562469		09/15/2015	DIRECT		101,280	101,280	101,798	101,536		(256)		(256)		101,280			0	3,375	02/15/2034	1
36213R-ZF-7	GNMA POOL 562442		09/15/2015	DIRECT		1,225	1,225	1,259	1,248		(23)		(23)		1,225		0	0	45	01/15/2034	1
36213T-GW-7	GNMA POOL 563713		09/15/2015	DIRECT		2,302	2,302	2,370	2,358		(56)		(56)		2,302		0	0	94	01/15/2033	1
36213U-EZ-9	GNMA POOL 564552		09/15/2015	DIRECT		18	18	19	19		(1)		(1)		18			0	1	12/15/2031	1
36213V-GN-2	GNMA POOL 565505		09/15/2015	DIRECT		17	17	17	17		(1)		(1)		17		0	0	1	09/15/2032	1
36290X-PM-6	GNMA POOL 620628		09/15/2015	DIRECT		1,090	1,090	1,122	1,125		(36)		(36)		1,090			0	40	09/15/2033	1
36290X-PT-1	GNMA POOL 620634		09/15/2015	DIRECT		324	324	334	330		(6)		(6)		324			0	13	09/15/2033	1
36290Y-TN-8	GNMA POOL 621657		09/15/2015	DIRECT		13	13	13	13		0		0		13			0	1	12/15/2033	1
36291C-PV-1	GNMA POOL 624236		09/15/2015	DIRECT		85	85	87	86		(2)		(2)		85			0	3	12/15/2033	1
36291E-AD-3	GNMA POOL 625604		09/15/2015	DIRECT		87	87	90	90		(2)		(2)		87			0	4	12/15/2033	1
36291E-AV-3	GNMA POOL 625620		09/15/2015	DIRECT		137	137	141	140		(3)		(3)		137			0	5	12/15/2033	1
36296X-H8-0	GNMA POOL 704155		09/15/2015	DIRECT		312,327	312,327	321,990	322,082		(9,755)		(9,755)		312,327			0	11,918	01/15/2039	1
383742-UK-7	GNMA POOL 2008-6 EC		08/20/2015	DIRECT		446,389	446,389	473,172	447,284		(895)		(895)		446,389		0	0	10,975	08/20/2032	1
38376V-BM-8	GNMA POOL 2010-20 PU		07/16/2015	DIRECT		168,692	168,692	185,693	171,134		(2,442)		(2,442)		168,692		0	0	4,428	10/16/2036	1
38376W-6C-4	GNMA POOL 2010-33 LN		09/20/2015	DIRECT		69,136	69,136	73,803	72,926		(3,790)		(3,790)		69,136		0	0	2,053	02/20/2038	1
912828-F4-7	US TREASURY N/B		07/15/2015	BANK OF NOVA SCOTIA, NEW YORK		3,880,298	3,875,000	3,879,945			(333)		(333)		3,879,612		686	686	5,664	09/30/2016	1
0599999 - Bonds - U.S. Governments						16,524,195	15,969,377	16,836,604	12,291,629	0	(196,599)	0	(196,599)	0	16,595,157	0	(70,962)	(70,962)	373,471	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																					
13033W-D2-6	CA INFRA & ECON DEV-SER B		07/01/2015	ADJUSTMENT									0					0	(5,088)	12/01/2027	6Z
13078S-AG-3	CA HLTH-MT SHADOWS-B		07/01/2015	REDEMPTION		105,000	105,000	93,188	93,601		206		206		93,807		11,193	11,193	5,250	07/01/2031	5*
30711X-AC-8	CONN AVE SEC 2014-C01 M1		09/25/2015	DIRECT		188,069	188,069	188,069	188,069				0		188,069		0	0	2,256	01/25/2024	1
31359S-2G-4	FNMA WHOLE LOAN 2001-W1 AF6		09/25/2015	DIRECT		1,192	1,192	1,238	1,192				0		1,192			0	55	07/25/2031	1
31387C-M3-2	FNMA POOL 580078		09/25/2015	VARIOUS		90	90	93	92		(2)		(2)		90		0	0	4	09/01/2031	1
3138WD-T4-3	FNMA POOL AS4170		09/25/2015	DIRECT		310,175	310,175	331,464	331,464		(21,288)		(21,288)		310,175			0	8,014	12/01/2044	1
3138Y6-MM-3	FNMA POOL AX4863		09/25/2015	DIRECT		290,545	290,545	311,020	310,944		(20,398)		(20,398)		290,545		0	0	7,806	12/01/2044	1
31393W-K4-0	FHLMC 2643 OH		09/15/2015	DIRECT		284,644	284,644	256,713	274,726		9,918		9,918		284,644			0	9,376	07/15/2033	1
31394D-JJ-0	FNMA 2005-29 QE		09/25/2015	DIRECT		288,055	288,055	259,115	276,767		11,288		11,288		288,055			0	9,549	04/25/2035	1
31394Y-KX-1	FHLMC 2791 UG		09/15/2015	DIRECT		115,879	115,879	114,865	115,407		471		471		115,879		0	0	3,857	05/15/2019	1
31395J-W5-1	FHLMC 2888 HG		09/15/2015	DIRECT		151,752	151,752	143,833	149,231		2,521		2,521		151,752			0	5,080	11/15/2034	1
31402D-F7-0	FNMA POOL 725690		09/25/2015	DIRECT		159,567	159,567	164,890	164,660		(5,092)		(5,092)		159,567			0	6,347	08/01/2034	1
31405R-AR-7	FNMA POOL 796616		09/25/2015	DIRECT		33,057	33,057	33,566	33,636		(578)		(578)		33,057		0	0	1,239	10/01/2034	1
31407U-EK-9	FNMA POOL 840838		09/25/2015	DIRECT		1,771	1,771	1,748	1,742		29		29		1,771		0	0	65	11/01/2035	1
515847-AZ-4	LANGSTON ECON-A-LANGS		08/24/2015	REDEMPTION		2,000,000	2,000,000	1,950,000	1,952,925		1,320		1,320		1,954,245		45,755	45,755	81,388	05/01/2030	2FE
64971C-F4-1	NY CITY INDL-MAGEN		07/01/2015	ADJUSTMENT		(105,000)							0				(105,000)	(105,000)	(55,860)	06/15/2027	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						3,824,797	3,929,797	3,849,800	3,894,455	0	(21,606)	0	(21,606)	0	3,872,849	0	(48,052)	(48,052)	79,339	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
004375-BL-4	ACCREDITED MORT LOAN TRUST 2004-3 2A2		09/25/2015	DIRECT		41,752	41,752	41,628	41,637		115		115		41,752			0	398	10/25/2034	1FM
00507U-AP-6	ACTAVIS FUNDING SCS	R	09/12/2015	HSBC SECURITIES INC		954,703	950,000	949,953			5		5		949,957		4,745	4,745	14,488	03/12/2020	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					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)
05531F-AS-2	BB&T CORPORATION		07/15/2015	BBVA SECURITIES INC		1,904,370	1,900,000	1,897,245	1,897,282		303		303		1,897,585		6,785	6,785	28,189	01/15/2020	1FE
05574L-XG-8	BNP PARIBAS	R	09/17/2015	BNP PARIBAS SECURITIES BOND		2,495,900	2,500,000	2,499,425	2,499,575		135		135		2,499,710		(3,810)	(3,810)	34,470	03/17/2017	1FE
07384M-7C-0	BEAR STEARNS ARM TRUST 2005-2 A1		09/25/2015	VARIOUS		55,701	55,701	55,875			(174)		(174)		55,701		0	0	601	03/25/2035	1FM
073879-MC-9	BEAR STEARNS ABS 2004-SD4 A1		09/25/2015	VARIOUS		68,613	68,613	66,040	68,529		84		84		68,613		0	0	560	08/25/2044	1FM
07387B-AH-6	BEAR STEARNS CMS TRUST 2005-PWR9 A4A		07/11/2015	DIRECT		57,180	57,180	57,494	57,125		55		55		57,180		0	0	1,691	09/11/2042	1FM
07387B-CL-5	BEAR STEARNS CMS TRUST 2005-T20 A4A		09/12/2015	VARIOUS		2,146,477	2,146,477	2,157,796	2,144,120		2,357		2,357		2,146,477		0	0	69,905	10/12/2042	1FM
09774X-AK-8	BOMBARDIER CAP MORT SEC 1998-B M1	I	09/22/2015	VARIOUS		2,401,536		1,136,243	902,248		(59,616)		(59,616)		843,805		1,557,732	1,557,732	267,264	10/15/2028	6FE
1248MB-AJ-4	CREDIT BASED ASSET SERV 2007-CB2 A2C		09/25/2015	DIRECT		36,676	36,676	21,021	21,021		15,655		15,655		36,676		0	0	981	02/25/2037	1FM
12513E-AG-9	CD COMM MORT TRUST 2005-CD1 A4		09/01/2015	VARIOUS		1,177,558	1,177,558	1,178,566	1,175,822		1,736		1,736		1,177,558		0	0	37,608	07/15/2044	1FM
126171-AF-4	COMM MORT TRUST 2005-C6 A5A		07/10/2015	DIRECT		617,323	617,323	620,367	617,291		32		32		617,323		0	0	18,423	06/10/2044	1FM
126671-R4-0	COUNTRYWIDE AB CERT 2003-5 MF1		09/25/2015	DIRECT		11,261	11,261	7,394	7,394		3,866		3,866		11,261		0	0	364	01/25/2034	1FM
126671-UU-8	COUNTRYWIDE AB CERT 2003-BC1 A1		07/27/2015	DIRECT		25,087	25,087	19,543	21,056		4,032		4,032		25,087		0	0	157	03/25/2033	1FM
17307G-CU-0	CITIGROUP MORT LOAN TRUST 2003-HE3 A		09/25/2015	DIRECT		75,344	75,343	68,522	70,045		5,299		5,299		75,343		0	0	289	12/25/2033	1FM
2027A0-GW-3	COMMONWEALTH BANK AUST	R	09/10/2015	RBC CAPITAL MARKETS		852,175	850,000	850,000	850,000				0		850,000		2,175	2,175	4,829	09/20/2016	1FE
254683-BJ-3	DISCOVER CARD EXEC NOTE TRUST 2014-A3 A3		07/16/2015	WELLS FARGO		600,984	600,000	599,846	599,880		28		28		599,908		1,076	1,076	4,311	10/15/2019	1FE
362341-RX-9	GSR MORT LOAN TRUST 2005-AR6 2A1		09/25/2015	DIRECT		57,942	57,942	58,120			(178)		(178)		57,942		0	0	598	09/25/2035	1FM
45254N-JG-3	IMPAC CMB TRUST 2004-5 1A1		09/25/2015	DIRECT		104,130	104,130	94,237	96,183		7,947		7,947		104,130		0	0	602	10/25/2034	1FM
46625Y-P6-4	JPM COMM MORT SEC TRUST 2006-LDP6 A4		09/15/2015	DIRECT		47,458	47,458	48,971			(1,513)		(1,513)		47,458			0	1,661	04/15/2043	1FM
585055-BF-2	MEDTRONIC INC	R	07/15/2015	MLPFS INC FIXED INCOME		1,001,250	1,000,000	998,990	998,997		84		84		999,081		2,169	2,169	15,000	03/15/2020	1FE
589929-Y3-6	MLCC MORT INV 2003-E A1		09/25/2015	DIRECT		8,484	8,484	8,087			398		398		8,484		0	0	35	10/25/2028	1FM
59022H-NC-2	MERRILL LYNCH MORT TRUST 2005-LC1 A4		09/12/2015	DIRECT		1,841,135	1,841,135	1,851,176	1,838,953		2,183		2,183		1,841,135			0	66,749	01/12/2044	1FM
60688X-AJ-9	MIZUHO BANK LTD	R	07/15/2015	WELLS FARGO		1,000,480	1,000,000	998,570	998,696		251		251		998,948		1,532	1,532	13,742	09/25/2017	1FE
617451-FL-8	MORGAN STANLEY CAP I TRUST 2006-HQ8 A4		09/14/2015	DIRECT		1,855,756	1,855,756	1,994,140	1,917,129		(61,373)		(61,373)		1,855,756		0	0	65,929	03/12/2044	1FM
61750W-AX-1	MORGAN STANLEY CAP I TRUST 2006-IQ12 A4		09/15/2015	DIRECT		5,034	5,034	5,061	5,030		4		4		5,034			0	186	12/15/2043	1FM
628530-AL-1	MYLAN INC	R	08/01/2015	VARIOUS		2,000,000	2,000,000	2,287,500	2,141,530		(62,770)		(62,770)		2,078,760		(78,760)	(78,760)	241,260	07/15/2020	2FE
68400X-BH-2	OPTION ONE MORT LOAN TRUST 2003-3 A1		09/25/2015	DIRECT		25,234	25,234	23,815			1,419		1,419		25,234		0	0	53	06/25/2033	1AM
6AMCD9-1K-4	BANK OF HAWAII		07/29/2015	---									0					0	75	06/30/2015	1FE
71085P-BM-4	PEOPLES CH HOME LOAN SEC TRUST 2005-1 M3		09/25/2015	DIRECT		177,601	177,601	174,937	175,939		1,662		1,662		177,601		0	0	1,300	01/25/2035	1FM
74153W-CE-7	PRICOA GLOBAL FUNDING 1		09/01/2015	BNY/MIZUHO SECURITIES USA INC		1,743,473	1,750,000	1,748,775	1,748,923		273		273		1,749,197		(5,724)	(5,724)	24,675	08/18/2017	1FE
759950-BG-2	RENAISSANCE HOME EQ LOAN TRUST 2003-3 M1		07/27/2015	VARIOUS		9,199	9,199	6,439	7,002		2,197		2,197		9,199		0	0	49	12/25/2033	1FM
76112B-PB-0	RESIDENTIAL ASSET MORT PROD 2005-RS4 M1		09/25/2015	DIRECT		349,178	349,178	325,609	345,151		4,027		4,027		349,178		0	0	1,477	04/25/2035	1FM
81744Y-AA-4	SEQUOIA MORT TRUST 2013-4 A1		09/25/2015	DIRECT		103,410	103,410	101,407	101,521		1,889		1,889		103,410		0	0	1,641	04/25/2043	1FM
83611M-GS-1	SOUNDVIEW HOME EQ LOAN TR 2005-OPT3 A4		09/25/2015	DIRECT		130,988	130,988	124,620	129,776		1,212		1,212		130,988		0	0	423	11/25/2035	1FM
87165B-AA-1	SYNCHRONY FINANCIAL		07/15/2015	BANK OF NEW YORK/NATIXIS, NEW		500,125	500,000	499,565	499,620		77		77		499,697		428	428	8,724	08/15/2017	2FE
90331H-MJ-9	US BANK NA CINCINNATI		09/11/2015	WELLS FARGO SECURITIES LLC		498,050	500,000	500,000	500,000				0		500,000		(1,950)	(1,950)	1,795	09/11/2017	1FE
928668-AH-5	VOLKSWAGEN GROUP AMERICA	R	07/15/2015	BNP PARIBAS		1,002,860	1,000,000	997,760	997,809		229		229		998,038		4,822	4,822	16,061	11/20/2019	1FE
92976B-BN-1	WACHOVIA COMM MORT TRUST 2005-C22 A4		09/17/2015	DIRECT		2,473,017	2,473,017	2,485,305	2,473,191		(175)		(175)		2,473,017		0	0	92,156	12/15/2044	1FM
92978P-AE-9	WACHOVIA COMM MORT TRUST 2006-C29 A4		09/17/2015	DIRECT		1,643	1,643	1,652	1,642		1		1		1,643			0	58	11/15/2048	1FM

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 Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
98956P-AJ-1	ZIMMER HOLDINGS INC		07/15/2015	MLPFS INC FIXED INCOME		1,999,080	2,000,000	1,998,800			191		191		1,998,991		89	89	9,425	04/01/2017	2FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						30,458,166	28,053,181	29,560,493	25,950,118	0	(128,054)	0	(128,054)	0	28,966,857	0	1,491,310	1,491,310	1,048,200	XXX	XXX
8399997 - Subtotals - Bonds - Part 4						50,807,158	47,952,355	50,246,897	42,136,202	0	(346,260)	0	(346,260)	0	49,434,863	0	1,372,296	1,372,296	1,501,010	XXX	XXX
8399999 - Subtotals - Bonds						50,807,158	47,952,355	50,246,897	42,136,202	0	(346,260)	0	(346,260)	0	49,434,863	0	1,372,296	1,372,296	1,501,010	XXX	XXX
9999999 Totals						50,807,158	XXX	50,246,897	42,136,202	0	(346,260)	0	(346,260)	0	49,434,863	0	1,372,296	1,372,296	1,501,010	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	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
Open Depositories								
JP Morgan Chase,NA New York, NY					4,919,812	3,078,604	2,605,366	XXX
US Bank, N.A. Washington DC						914		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	4,919,812	3,079,518	2,605,366	XXX
0399999 Total Cash on Deposit	XXX	XXX	0	0	4,919,812	3,079,518	2,605,366	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX	626	626	319	XXX
0599999 Total	XXX	XXX	0	0	4,920,438	3,080,144	2,605,685	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

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