



QUARTERLY STATEMENT
AS OF March 31, 2013
OF THE CONDITION AND AFFAIRS OF THE
SYNCORA CAPITAL ASSURANCE INC.

NAIC Group Code	4676 (Current Period)	4676 (Prior Period)	NAIC Company Code	13666	Employer's ID Number	26-4761276
Organized under the Laws of	New York		State of Domicile or Port of Entry	New York		
Country of Domicile	United States of America					
Incorporated/Organized	04/01/2009		Commenced Business	07/15/2009		
Statutory Home Office	135 West 50th Street (Street and Number)		New York, NY, US 10020 (City or Town, State, Country and Zip Code)			
Main Administrative Office			135 West 50th Street (Street and Number)			
	New York, NY, US 10020 (City or Town, State, Country and Zip Code)				(212)478-3400 (Area Code) (Telephone Number)	
Mail Address	135 West 50th Street (Street and Number or P.O. Box)		New York, NY, US 10020 (City or Town, State, Country and Zip Code)			
Primary Location of Books and Records			135 West 50th Street (Street and Number)			
	New York, NY, US 10020 (City or Town, State, Country and Zip Code)				(212)478-3400 (Area Code) (Telephone Number)	
Internet Web Site Address	www.syncora.com					
Statutory Statement Contact	Anthony Corrado (Name)		(212)478-3400 (Area Code)(Telephone Number)(Extension)			
	anthony.corrado@scafg.com (E-Mail Address)		(212)478-3587 (Fax Number)			

OFFICERS

Name	Title
Susan Comparato	President
Claude LeBlanc	Chief Financial Officer
David Michael Grande	Controller
	#

OTHERS

Drew Douglas Hoffman, SVP&Grp Head-Surveillance,Exposure Mgmt&Analytics

DIRECTORS OR TRUSTEES

Susan Comparato	Michael Patrick Esposito Jr.	William Martin Fitzgerald Sr.	Edmund Graham Gibbons
Duncan Pratt Hennes	Robert Martin Lichten	Donald John Matthews	Thomas Stanley Norsworthy
Frank Charles Puelo	Coleman DeVane Ross	Robert Wright Shippee	Robert Sterling Strong
Robert Joel White			

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 the 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.

(Signature)	(Signature)	(Signature)
Susan Comparato	Claude LeBlanc	David Michael Grande
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Chief Financial Officer	Controller
(Title)	(Title)	(Title)

Subscribed and sworn to before me this day of , 2013	a. Is this an original filing? b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes[X] No[]
(Notary Public Signature)		

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1.	Bonds	553,189,819		553,189,819	648,771,849
2.	Stocks:				
2.1	Preferred stocks	5,089,554		5,089,554	5,089,554
2.2	Common stocks	14,142,720		14,142,720	8,395,390
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate:				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....38,026,767), cash equivalents (\$.....56,894,575) and short-term investments (\$.....57,446,636)	152,367,978		152,367,978	45,387,930
6.	Contract loans (including \$.....0 premium notes)				
7.	Derivatives				
8.	Other invested assets	1,947,624		1,947,624	1,878,263
9.	Receivables for securities				
10.	Securities lending reinvested collateral assets				
11.	Aggregate write-ins for invested assets				
12.	Subtotals, cash and invested assets (Lines 1 to 11)	726,737,695		726,737,695	709,522,986
13.	Title plants less \$.....0 charged off (for Title insurers only)				
14.	Investment income due and accrued	4,890,015		4,890,015	5,444,260
15.	Premiums and considerations:				
15.1	Uncollected premiums and agents' balances in the course of collection	2,023,946		2,023,946	2,281,290
15.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
15.3	Accrued retrospective premiums				
16.	Reinsurance:				
16.1	Amounts recoverable from reinsurers				
16.2	Funds held by or deposited with reinsured companies				
16.3	Other amounts receivable under reinsurance contracts				
17.	Amounts receivable relating to uninsured plans				
18.1	Current federal and foreign income tax recoverable and interest thereon				
18.2	Net deferred tax asset	100,337,573	98,048,668	2,288,905	2,288,905
19.	Guaranty funds receivable or on deposit				
20.	Electronic data processing equipment and software				
21.	Furniture and equipment, including health care delivery assets (\$.....0)				
22.	Net adjustments in assets and liabilities due to foreign exchange rates				
23.	Receivables from parent, subsidiaries and affiliates	579,525		579,525	1,283,217
24.	Health care (\$.....0) and other amounts receivable				
25.	Aggregate write-ins for other than invested assets	135,944		135,944	55,081
26.	TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	834,704,698	98,048,668	736,656,030	720,875,739
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28.	TOTAL (Lines 26 and 27)	834,704,698	98,048,668	736,656,030	720,875,739
DETAILS OF WRITE-INS					
1101.	.....			
1102.	.....			
1103.	.....			
1198.	Summary of remaining write-ins for Line 11 from overflow page				
1199.	TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501.	Premium tax	85,944		85,944	5,081
2502.	Bank of NY/Mellon - Indemnification	50,000		50,000	50,000
2503.	.....			
2598.	Summary of remaining write-ins for Line 25 from overflow page				
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	135,944		135,944	55,081

LIABILITIES, SURPLUS AND OTHER FUNDS

		1	2
		Current Statement Date	December 31, Prior Year
1.	Losses (current accident year \$.....0)	(12,004)	(19,255)
2.	Reinsurance payable on paid losses and loss adjustment expenses		
3.	Loss adjustment expenses	11,883,409	8,118,481
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	6,250	19,914
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	331,395	152,731
7.1	Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money \$.....0 and interest thereon \$.....0		
9.	Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....1,499,296 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act)	291,074,533	299,756,290
10.	Advance premium	770,912	
11.	Dividends declared and unpaid:		
11.1	Stockholders		
11.2	Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)	72,435	1,818
13.	Funds held by company under reinsurance treaties		
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance (including \$.....0 certified)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates	13,517,397	12,553,489
20.	Derivatives		
21.	Payable for securities	3,123,800	
22.	Payable for securities lending		
23.	Liability for amounts held under uninsured plans		
24.	Capital notes \$.....0 and interest thereon \$.....0		
25.	Aggregate write-ins for liabilities	230,019,454	227,700,960
26.	TOTAL liabilities excluding protected cell liabilities (Lines 1 through 25)	550,787,581	548,284,428
27.	Protected cell liabilities		
28.	TOTAL liabilities (Lines 26 and 27)	550,787,581	548,284,428
29.	Aggregate write-ins for special surplus funds		
30.	Common capital stock	2,500,000	2,500,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes	200,000,000	200,000,000
34.	Gross paid in and contributed surplus	189,000,000	189,000,000
35.	Unassigned funds (surplus)	(205,631,551)	(218,908,689)
36.	Less treasury stock, at cost:		
36.1	.....0 shares common (value included in Line 30 \$.....0)		
36.2	.....0 shares preferred (value included in Line 31 \$.....0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36)	185,868,449	172,591,311
38.	TOTALS (Page 2, Line 28, Col. 3)	736,656,030	720,875,739
DETAILS OF WRITE-INS			
2501.	Mandatory contingency reserve for adverse losses	230,019,454	227,700,960
2502.	.....	
2503.	.....	
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	230,019,454	227,700,960
2901.	.....	
2902.	.....	
2903.	.....	
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.	.....	
3202.	.....	
3203.	.....	
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

		1	2	3
		Current Year to Date	Prior Year to Date	Prior Year Ended December 31
UNDERWRITING INCOME				
1.	Premiums earned			
1.1	Direct (written \$.....4,588,979)	4,588,979	5,253,795	20,665,201
1.2	Assumed (written \$.....2,215,389)	10,840,497	10,694,281	57,484,768
1.3	Ceded (written \$.....106,296)	49,647	46,824	270,832
1.4	Net (written \$.....6,698,072)	15,379,829	15,901,252	77,879,137
DEDUCTIONS:				
2.	Losses incurred (current accident year \$.....0)			
2.1	Direct			1,000,000
2.2	Assumed			
2.3	Ceded			
2.4	Net			1,000,000
3.	Loss adjustment expenses incurred	3,852,808	2,789,309	7,002,234
4.	Other underwriting expenses incurred	6,080,116	6,476,776	22,979,854
5.	Aggregate write-ins for underwriting deductions			
6.	TOTAL underwriting deductions (Lines 2 through 5)	9,932,924	9,266,085	30,982,088
7.	Net income of protected cells			
8.	Net underwriting gain or (loss) (Line 1 minus Line 6 + Line 7)	5,446,905	6,635,167	46,897,049
INVESTMENT INCOME				
9.	Net investment income earned	6,736,676	6,754,879	15,017,307
10.	Net realized capital gains (losses) less capital gains tax of \$.....4,118,827	7,547,006	11,292	(3,523,375)
11.	Net investment gain (loss) (Lines 9 + 10)	14,283,682	6,766,171	11,493,932
OTHER INCOME				
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)			
13.	Finance and service charges not included in premiums			
14.	Aggregate write-ins for miscellaneous income	105,000		4,010,000
15.	TOTAL other income (Lines 12 through 14)	105,000		4,010,000
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	19,835,587	13,401,338	62,400,981
17.	Dividends to policyholders			
18.	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	19,835,587	13,401,338	62,400,981
19.	Federal and foreign income taxes incurred	3,822,491	4,146,575	20,418,531
20.	Net income (Line 18 minus Line 19) (to Line 22)	16,013,096	9,254,763	41,982,450
CAPITAL AND SURPLUS ACCOUNT				
21.	Surplus as regards policyholders, December 31 prior year	172,591,311	132,680,535	132,680,535
22.	Net income (from Line 20)	16,013,096	9,254,763	41,982,450
23.	Net transfers (to) or from Protected Cell accounts			
24.	Change in net unrealized capital gains or (losses) less capital gains tax of \$.....(146,112)	(271,352)	351,314	193,224
25.	Change in net unrealized foreign exchange capital gain (loss)			
26.	Change in net deferred income tax	677,485		97,116,773
27.	Change in nonadmitted assets	(823,597)		(97,225,071)
28.	Change in provision for reinsurance			
29.	Change in surplus notes			
30.	Surplus (contributed to) withdrawn from Protected cells			
31.	Cumulative effect of changes in accounting principles		1,216,767	1,216,767
32.	Capital changes:			
32.1	Paid in			
32.2	Transferred from surplus (Stock Dividend)			
32.3	Transferred to surplus			
33.	Surplus adjustments:			
33.1	Paid in			
33.2	Transferred to capital (Stock Dividend)			
33.3	Transferred from capital			
34.	Net remittances from or (to) Home Office			
35.	Dividends to stockholders			
36.	Change in treasury stock			
37.	Aggregate write-ins for gains and losses in surplus	(2,318,494)	(6,739,349)	(3,373,367)
38.	Change in surplus as regards policyholders (Lines 22 through 37)	13,277,138	4,083,495	39,910,776
39.	Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	185,868,449	136,764,030	172,591,311
DETAILS OF WRITE-INS				
0501.				
0502.				
0503.				
0598.	Summary of remaining write-ins for Line 5 from overflow page			
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)			
1401.	Forbearance fee and other	105,000		4,010,000
1402.				
1403.				
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	105,000		4,010,000
3701.	Mandatory contingency reserves for adverse losses	(2,318,494)	(6,739,349)	(3,373,367)
3702.				
3703.				
3798.	Summary of remaining write-ins for Line 37 from overflow page			
3799.	TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(2,318,494)	(6,739,349)	(3,373,367)

CASH FLOW

		1	2	3
		Current	Prior	Prior
		Year	Year	Year Ended
		To Date	To Date	December 31
Cash from Operations				
1.	Premiums collected net of reinsurance	7,796,945	9,203,537	32,122,900
2.	Net investment income	8,296,957	7,429,525	18,402,168
3.	Miscellaneous income	105,000		4,010,000
4.	TOTAL (Lines 1 to 3)	16,198,902	16,633,062	54,535,068
5.	Benefit and loss related payments	(7,251)	333,192	1,098,594
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7.	Commissions, expenses paid and aggregate write-ins for deductions	6,156,183	7,545,416	25,337,210
8.	Dividends paid to policyholders			
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	7,478,479	1,858,661	16,306,576
10.	TOTAL (Lines 5 through 9)	13,627,411	9,737,269	42,742,380
11.	Net cash from operations (Line 4 minus Line 10)	2,571,491	6,895,793	11,792,688
Cash from Investments				
12.	Proceeds from investments sold, matured or repaid:			
12.1	Bonds	187,477,583	14,755,940	131,820,987
12.2	Stocks	1,046,644		3,798,585
12.3	Mortgage loans			
12.4	Real estate			
12.5	Other invested assets			
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments	40	(39)	936
12.7	Miscellaneous proceeds	3,123,800	1,075,000	
12.8	TOTAL investment proceeds (Lines 12.1 to 12.7)	191,648,067	15,830,901	135,620,508
13.	Cost of investments acquired (long-term only):			
13.1	Bonds	81,935,224	17,043,859	139,293,432
13.2	Stocks	6,428,179	2,209,761	7,635,865
13.3	Mortgage loans			
13.4	Real estate			
13.5	Other invested assets			
13.6	Miscellaneous applications			
13.7	TOTAL investments acquired (Lines 13.1 to 13.6)	88,363,403	19,253,620	146,929,297
14.	Net increase (or decrease) in contract loans and premium notes			
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	103,284,664	(3,422,719)	(11,308,789)
Cash from Financing and Miscellaneous Sources				
16.	Cash provided (applied):			
16.1	Surplus notes, capital notes			
16.2	Capital and paid in surplus, less treasury stock			
16.3	Borrowed funds			
16.4	Net deposits on deposit-type contracts and other insurance liabilities			
16.5	Dividends to stockholders			
16.6	Other cash provided (applied)	1,123,893	(756,931)	(2,097,137)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	1,123,893	(756,931)	(2,097,137)
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)	106,980,048	2,716,143	(1,613,238)
19.	Cash, cash equivalents and short-term investments:			
19.1	Beginning of year	45,387,930	47,001,168	47,001,168
19.2	End of period (Line 18 plus Line 19.1)	152,367,978	49,717,311	45,387,930

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001				
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Notes to Financial Statement

1. Summary of Significant Accounting Policies:

A. Accounting Practices

Syncora Capital Assurance Inc. (the “Company”), a New York domiciled financial guarantee insurance company, is a wholly-owned subsidiary of Syncora Guarantee Inc. (“Syncora Guarantee”), which also is a New York domiciled financial guarantee insurance company. The Company was incorporated on April 1, 2009, became a New York domiciled financial guarantee insurance company on July 14, 2009 and commenced its operations on July 15, 2009.

The Company prepares its statutory basis financial statements in accordance with accounting practices prescribed or permitted by the New York State Department of Financial Services (as successor to the Insurance Department of the State of New York) (the “NYDFS”). The NYDFS recognizes only statutory accounting practices prescribed or permitted by the State of New York 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 New York. The state has adopted certain prescribed accounting practices that differ with those found in NAIC SAP. The NYDFS has the right to permit other specific practices which deviate from prescribed practices.

Reconciliations of net income and policyholders’ surplus between the amounts reported in the financial statements (NY Basis) and NAIC SAP follow:

	<u>State of Domicile</u>	<u>Three Months 2013</u>	<u>Year Ended 2012</u>
<u>NET INCOME</u>			
(1) Syncora Capital Assurance Inc. state basis (Page 4, Line 20, Columns 1 & 3)	NY	\$ 16,013,096	\$ 41,982,450
(2) State Prescribed Practices that increase/(decrease) NAIC SAP:		-	-
(3) State Permitted Practices that increase/(decrease) NAIC SAP: (d)	NY	-	-
(4) NAIC SAP	NY	<u>\$ 16,013,096</u>	<u>\$ 41,982,450</u>
		March 31, 2013	December 31, 2012
<u>SURPLUS</u>			
(5) Syncora Capital Assurance Inc. state basis (Page 3, Line 37, Columns 1 & 2)	NY	\$ 185,868,449	\$ 172,591,311
(6) State Prescribed Practices that increase/(decrease) NAIC SAP:		-	-
(a)		-	-
(b)	NY	(129,439,131)	(123,046,326)
(7) State Permitted Practices that increase/(decrease) NAIC SAP:		-	-
(c)		-	-
(d)	NY	(2,896,905)	(2,896,905)
(8) NAIC SAP	NY	<u>\$ 53,532,413</u>	<u>\$ 46,648,080</u>

Permitted or Prescribed Practices

- (a) Pursuant to certain prescribed accounting practices under Articles 14 and 69 of the New York Insurance Law (“NYIL”) that differ with those found in NAIC SAP, the admissible carrying value of investments in certain securities including Uninsured Cash Flow Certificates are subject to limitations. In connection with remediation efforts, the NYDFS permitted the Company to admit the Uninsured Cash Flow Certificates notwithstanding the otherwise applicable limitations.
- (b) Pursuant to approval granted by the NYDFS, in accordance with section 6903 of the NYIL, as of March 31, 2013 and December 31, 2012, the Company has de-recognized \$129.4 million and \$123.0 million, respectively, in the aggregate, of contingency reserves on terminated policies, and policies on which the Company has established case basis reserves, whereas under NAIC SAP the Company would still be required to carry such reserves. The Company applies the permitted practice described above to release contingency reserves on an obligation by obligation basis under policies insuring multiple obligations rather than on a policy by policy basis.
- (c) The NYDFS granted the Company a permitted practice to value the surplus notes issued by the Company in connection with its initial capitalization (as described in Note 10 and Note 13.K.) at face value (see Note 13.K.), as compared to the estimated fair value thereof, that the Company would otherwise have been required to reflect such surplus notes at in accordance with NAIC SAP. In accordance with the NAIC SAP, the capitalization of the Company must be attributed to the instruments issued by the Company for such capital based on their relative fair values. Any adjustment to the carrying value of surplus notes would result in an equal and offsetting adjustment to unassigned funds. As both surplus notes and unassigned funds are elements of policyholders’ surplus, a change in the value of the surplus notes would not affect policyholders’ surplus.
- (d) The NYDFS granted the Company a permitted practice to de-recognize reserves for unpaid losses, unearned premium reserves and contingency reserves relating to, and expense payments (which are reflected in “Losses incurred” on the Statement of Income) made to effect, certain transactions which effectively defeased or, in-substance, commuted, in whole or in part, the policies relating thereto, whereas under NAIC SAP such reserves would continue to be carried until such time the underlying contracts were legally extinguished and the payments made to effect the transactions would have resulted in the recording of an asset, as such payments were made in exchange for the assignment to the Company of all rights under the aforementioned policies. As of both March 31, 2013 and December 31, 2012, such de-recognized reserves for unpaid losses, unearned premium reserves and contingency reserves (as of the date of the effective defeasance or, in-substance commutations) aggregated zero, \$1.5 million and \$1.4 million, respectively.

Notes to Financial Statement

B. Use of Estimates

The preparation of financial statements in conformity with NAIC SAP 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. These interim notes to financial statements do not include all disclosures required in connection with annual financial statements included in our Annual Statement. In addition, the results of operations for the interim period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ended December 31, 2013. These interim financial statements of the Company should be read in conjunction with the Company’s Annual Statement for the year ended December 31, 2012.

C. Accounting Policies

There has been no change in the Company’s significant accounting policies from that disclosed in the Company’s 2012 Annual Statement.

2. **Accounting Changes and Corrections of Errors:**

The Company has had no changes in accounting principles or corrections of errors, except as described in Note 9, as of and for the periods presented herein.

3. **Business Combinations and Goodwill:**

A. Statutory Purchase Method

There were no business combinations accounted for under the statutory purchase method as of and for the periods presented herein.

B. Statutory Merger

There has been no business combination accounted for as a statutory merger as of and for the periods presented herein.

C. Impairment Loss

There was no impairment loss as a result of business combinations for the periods presented herein.

4. **Discontinued Operations:**

The Company had no discontinued operations as of or for the periods presented herein.

5. **Investments:**

Except as discussed below, there has been no change from that disclosed in the Company’s 2012 Annual Statement.

D. Loan-Backed and Structured Securities

The following table summarizes unrealized losses as of March 31, 2013 on loan-backed and structured securities by the length of time that the securities have continuously been in unrealized loss positions.

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$	146,711
2. 12 Months or Longer	\$	278,260

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$	46,918,287
2. 12 Months or Longer	\$	932,152

6. **Joint Ventures, Partnerships and Limited Liability Companies:**

The Company held an investment in a Limited Partnership as of March 31, 2013, which represented less than 1.0% of net admitted assets as of March 31, 2013 and December 31, 2012.

7. **Investment Income:**

The Company has not excluded from policyholders’ surplus any investment income due and accrued as of March 31, 2013 or December 31, 2012.

Notes to Financial Statement

8. Derivative Instruments:

While the Company has assumed through novation certain insurance policies guaranteeing credit default swap (“CDS”) contracts issued by affiliates (see Note 10), the Company has not purchased or sold any derivative financial instruments for hedging or other purposes since its inception.

9. Income Taxes:

Effective January 1, 2012, the Company adopted SSAP No. 101, *Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10.*, which resulted in a \$1.2 million increase to the Company’s surplus that was reflected in the “Cumulative Effect of Accounting Principles” account upon adoption.

The Company has recognized a \$3.8 million current Federal income tax provision on its year-to-date March 31, 2013 ordinary income compared to a \$4.1 million current Federal income tax provision on its year-to-date March 31, 2012 ordinary income. The Company’s admitted deferred tax asset was \$2.3 million as of March 31, 2013 and December 31, 2012.

Tax planning strategies did not have an effect on the Company’s net admitted deferred tax assets.

Management has concluded that future income forecasted to be generated is sufficient to support realization of Syncora Capital Assurance’s net deferred tax assets, thus no valuation allowance has been established against the deferred tax assets at March 31, 2013 and December 31, 2012.

	Three Months Ended March 31,	
	2013	2012
Current income tax provision	\$ 3,822,491	\$ 4,146,575
Prior year adjustments	-	-
Total current income tax provision	\$ 3,822,491	\$ 4,146,575
Tax basis capital gains provision	\$ 4,118,827	\$ 91,434
Prior year adjustments	-	-
Total tax basis capital gains provision	\$ 4,118,827	\$ 91,434
Total current income tax provision incurred	<u>\$ 7,941,318</u>	<u>\$ 4,238,009</u>

Operating loss carryforward:

- As of March 31, 2013 and December 31, 2012 the Company had no operating loss carryforwards available.
- The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses as of March 31, 2013 are:

	Ordinary	Capital	Total
2011	N/A	\$ 3,356,182	\$ 3,356,182
2012	\$ 20,466,676	\$ 1,507,862	\$ 21,974,538
2013	\$ 3,822,491	\$ 4,118,827	\$ 7,941,318

Consolidated Federal income tax return

Syncora Holdings US Inc. maintains a tax sharing agreement and an escrow agreement with its subsidiaries, whereby the consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate return liability bears to the sum of the separate return liabilities of all affiliates that are members of the consolidated group. In addition, a complementary method is used which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates. As of March 31, 2013, the Company had a current federal income tax payable to Syncora Holdings US Inc. of \$7.9 million compared to \$7.5 million as of December 31, 2012. The Company funds its current Federal tax liability into a tax escrow account with Syncora Holdings US Inc. quarterly in arrears.

Notes to Financial Statement

10. Information Concerning Parent, Subsidiaries and Affiliates:

The Company is a wholly-owned subsidiary of Syncora Guarantee. The Company was incorporated on April 1, 2009, became a New York domiciled financial guarantee insurance company on July 14, 2009, and commenced its operations on July 15, 2009. The Company is prohibited from writing new business and, therefore, does not intend to seek to obtain licenses to transact insurance business in any other state or jurisdiction. Financial guarantee insurance provides an unconditional and irrevocable guarantee to the holder of a debt obligation of full and timely payment of the guaranteed principal and interest. In the event of a default under the obligation, the insurer has recourse against the issuer or any related collateral (which is more common in the case of insured asset-backed obligations or other non-municipal debt) for amounts paid under the terms of the policy. See Note 21 for a more complete description of financial guarantee insurance and financial guarantee reinsurance.

In connection with Syncora Guarantee's restructuring, which closed on July 15, 2009 (hereafter referred to as the "2009 MTA"), to remediate its previously reported policyholders' deficit of approximately \$3.8 billion at March 31, 2009 and reestablish compliance with its regulatory minimum policyholders' surplus requirement of \$65.0 million, Syncora Guarantee, among other things, formed the Company for the sole purpose of: (i) reinsuring certain guarantees of public finance and global infrastructure debt obligations written by Syncora Guarantee, and (ii) assuming, through novation, certain guarantees written by Syncora Guarantee of non-public finance debt obligations and obligations of affiliates under CDS contracts (see Note 21), as further described below. During July 2009, Syncora Guarantee capitalized the Company with \$541.5 million, consisting of cash and invested assets, in exchange for 100% of the Company's common stock and two surplus notes in the aggregate principal amount of \$350.0 million as more fully described in Note 13.K.

Reinsurance and Other Agreements

- On July 15, 2009, the Company and Syncora Guarantee entered into a quota share reinsurance agreement pursuant to which the Company assumed certain of Syncora Guarantee's public finance business and certain of its global infrastructure business (the "Public Finance Reinsurance Agreement") and under which Syncora Guarantee: (i) paid the Company \$348.7 million, which was equal to Syncora Guarantee's unearned premium revenue on such business at July 15, 2009 of \$422.7 million, net of a 17.5% ceding commission of \$74.0 million, and (ii) assigned the Company all future installment premiums on such business, net of a 17.5% ceding commission. The reinsurance agreement contains certain cut-through provisions, which are described in Note 21. In addition, as of July 15, 2009, the Company assumed contingency reserves on the business it reinsured under the Public Finance Reinsurance Agreement aggregating \$97.1 million. For the three months ended March 31, 2013 and 2012, the Company reported assumed premiums written from the Public Finance Reinsurance Agreement of \$2.2 million and \$3.8 million, respectively and assumed premiums earned from the Public Finance Reinsurance Agreement of \$10.8 million and \$10.7 million, respectively.
- On July 15, 2009, the Company and Syncora Guarantee entered into an assumption reinsurance and novation agreement (the "CDS Novation Agreement") pursuant to which the Company assumed, through novation, certain of Syncora Guarantee's non-public finance and non-commuted policies on CDS contracts and under which Syncora Guarantee: (i) paid the Company \$16.3 million, which was equal to Syncora Guarantee's unearned premium revenue on such business at July 15, 2009, and (ii) assigned the Company all future installment premiums on such business. In addition, as of July 15, 2009, the Company assumed contingency reserves on the business it assumed under the CDS Novation Agreement aggregating \$98.4 million.

Syncora Guarantee issued back-up guarantees on the novated CDS policies which would cover claims on such policies, to the extent not satisfied by the Company, subject to certain limitations and the right of Syncora Guarantee to defer any payment until July 15, 2014. The Company has no obligation to pay any premium to Syncora Guarantee with respect to its back-up guarantees of the novated CDS policies.

- In connection with the Public Finance Reinsurance Agreement and the CDS Novation Agreement, the Company replaced Syncora Guarantee as ceding insurer under certain reinsurance protection Syncora Guarantee had purchased prior to the effective date of the aforementioned agreements, which covered the business transferred under such agreements.
- In regard to policies novated to the Company in connection with the CDS Novation Agreement, the Company is a party to insurance and indemnity agreements with various New York trusts formed by Syncora CDS LLC and Syncora Admin LLC, both affiliates of the Company. The Company guarantees timely payment of each trust's obligations under structured CDS issued by the related trust. The Company recorded net written premiums of \$4.6 million and \$5.2 million for the three months ended March 31, 2013 and 2012, respectively, related to these agreements. The Company earned net premiums of \$4.6 million and \$5.2 million for the three months ended March 31, 2013 and 2012, respectively, related to these agreements. The total net notional amount of these structured credit default swaps was \$18.6 billion at March 31, 2013.
- The Company and its affiliates are parties to a Second Amended and Restated General Services Agreement, whereby Syncora Guarantee Services provides the Company and its affiliates with general services, including substantially all personnel support, certain office overhead and expenses, rent, information technology services and other items. Under the terms of such agreement, the costs of the aforementioned services are charged to the Company and its affiliates in accordance with the requirements of Regulation 30 of the NYDFS. For the three months ended March 31, 2013 and 2012, the Company incurred costs under such agreement in the amount of \$5.3 million and \$5.3 million, respectively.

Notes to Financial Statement

- See Note 9 for information regarding a tax sharing agreement and a related escrow agreement to which the Company is a party along with certain of its affiliates. Also, see above and Note 13.K. for information regarding the remaining surplus note issued by the Company to Syncora Guarantee.

11. Debt:

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans:

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations:

There has been no change from that disclosed in the Company’s 2012 Annual Statement in regard to disclosures 13.A. B. C. D. E. F. G. H. I. and L. in such Annual Statement. However, in regard to disclosures required by 13.J. and 13.K. see the updates below.

- J. The portion of unassigned funds (surplus) represented by or reduced by each item below is as follows:
- | | | | |
|----|--------------------------------|----|------------|
| a. | unrealized (gains) and losses: | \$ | (20,782) |
| b. | non-admitted asset values: | \$ | 98,048,668 |
- K. The following table presents certain information as of March 31, 2013 regarding the surplus note issued by the Company to Syncora Guarantee in connection with its initial capitalization (see Note 10). In November 2012, the Company sought approval for payment of interest on its long-term surplus note and on November 8, 2012, the NYDFS approved such payment, which was made on December 28, 2012.

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Notes at March 31, 2013	Principal and Interest Paid for the Three Months Ended March 31, 2013	Total Interest and Principal Paid	Unapproved Principal and Interest	Date of Maturity
				March 31, 2013			
7/15/2009	6.00% ^(a)	200,000,000	200,000,000	-	42,100,000	-	6/27/2024
		<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>	<u>\$ -</u>	<u>\$ 42,100,000</u>	<u>\$ -</u>	

^(a) Interest is payable semi-annually on June 27th and December 28th of each year commencing December 28, 2009. Such interest is payable in cash or in-kind at the election of the Company through June 27, 2013. Thereafter, interest must be paid in cash through the maturity of the surplus notes. Commencing on December 28, 2018, principal amortizes in twelve equal installments payable semi-annually on June 27th and December 28th through the maturity of the notes.

The surplus note in the table above was issued by the Company to Syncora Guarantee in exchange for consideration, whose aggregate fair value on the date of issuance equaled the par value or face amount of the surplus note. Such consideration consisted of cash and invested assets. As of March 31, 2013, Syncora Guarantee continues to hold 100% of the aforementioned surplus note.

Each payment of interest on (other than that paid-in-kind) or principal of the surplus note is subject to restrictions under the 2009 MTA and may be made only with the prior approval of the NYDFS and only to the extent the Company has sufficient free and divisible surplus to make such payment.

In the event the Company is subject to liquidation or other such proceeding, policyholder claims would be afforded greater priority than that of the surplus noteholder, and the surplus noteholder’s claims would be afforded greater priority than claims of the Company’s stockholder.

14. Contingencies:

- A. Contingent Commitments
- There has been no change from that disclosed in the Company’s 2012 Annual Statement.
- B. Assessments
- There has been no change from that disclosed in the Company’s 2012 Annual Statement.
- C. Gain Contingencies
- There has been no change from that disclosed in the Company’s 2012 Annual Statement.
- D. Claims Related Extra-Contractual Obligations and Bad Faith Losses Stemming from Lawsuits
- There has been no change from that disclosed in the Company’s 2012 Annual Statement.

Notes to Financial Statement

E. Product Warranties

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

F. All Other Contingencies

All of the CDS contracts insured by the Company have mark-to-market termination payments following a failure by the Company to pay a claim related to the CDS contract or the occurrence of events that are outside the Company’s control, such as the Company being placed into receivership or rehabilitation by the NYDFS or the NYDFS taking control of the Company. Mark-to-market termination payments for which the Company would have to pay a termination payment are generally calculated either based on “market quotation” or “loss” (each as defined in the ISDA Master Agreement). “Market quotation” is calculated as an amount (based on quotations received from dealers in the market) that the counterparty would have to pay another party (other than monoline financial guarantee insurance companies) to have such party takeover the Company’s position in the CDS contract. “Loss” is an amount that a counterparty reasonably determines in good faith to be its total losses and costs in connection with the CDS contract, including any loss of bargain, cost of funding or, at the election of such counterparty, but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position. If the Company failed to pay claims related to all of its insured CDS contracts or were placed into receivership or rehabilitation by the NYDFS or the NYDFS took control of the Company, the aggregate termination payments that the Company would be required to pay would significantly exceed its ability to make such payments and, accordingly, such events would have a material adverse effect on the Company’s financial position and results of operations. The Company’s reserves for unpaid losses and loss adjustment expenses do not consider the effect of mark-to-market termination payments.

See also “Description of Certain Risks and Uncertainties” in Note 21.

15. Leases:

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

16. Information About Financial Instruments with Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk:

As discussed in Note 10, the Company’s in-force business consists of guarantees of debt obligations written by Syncora Guarantee that the Company has reinsured, as well as direct guarantees of CDS originally written by Syncora Guarantee, which the Company has assumed through novation. While the Company establishes reserves for losses and loss adjustment expenses on obligations it has guaranteed or reinsured to the extent it determines that losses are probable and reasonably estimable, the risk of loss under the Company’s guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed. The tables below reflect certain information regarding the Company’s in-force principal and interest exposure at March 31, 2013. References in the tables below to “Gross” mean that the amounts are before the effect of ceded reinsurance and references to “Net” mean that the amounts are after the effect of ceded reinsurance.

Notes to Financial Statement

The following table sets forth the Company’s in-force guaranteed principal and interest exposure by bond sector as of March 31, 2013⁽¹⁾:

Bond Exposure

(U.S. dollars in millions)

	<u>GPO⁽²⁾</u>	<u>GIO⁽²⁾</u>	<u>Total</u>	<u>NPO⁽²⁾</u>	<u>NIO⁽²⁾</u>	<u>Total</u>
Public Finance						
General Obligation	\$ 12,530	\$ 4,564	\$ 17,094	\$ 12,530	\$ 4,564	\$ 17,094
Special Revenue	9,234	8,131	17,365	9,088	7,946	17,034
Utility	4,802	2,368	7,170	4,802	2,368	7,170
Non Ad Valorem	4,035	1,939	5,974	4,035	1,939	5,974
Appropriation	<u>1,835</u>	<u>947</u>	<u>2,782</u>	<u>1,835</u>	<u>947</u>	<u>2,782</u>
Total Public Finance	\$ 32,436	\$ 17,949	\$ 50,385	\$ 32,290	\$ 17,764	\$ 50,054
Asset-Backed Securities						
Commercial ABS	<u>\$ 388</u>	<u>\$ 19</u>	<u>\$ 407</u>	<u>\$ 388</u>	<u>\$ 19</u>	<u>\$ 407</u>
Total Asset-Backed Securities	\$ 388	\$ 19	\$ 407	\$ 388	\$ 19	\$ 407
Collateralized Debt Obligations						
Synthetic CDO	\$ 5,361	\$ -	\$ 5,361	\$ 5,361	\$ -	\$ 5,361
Cashflow CDO	5,215	435	5,650	5,215	435	5,650
Market Value CDO	<u>568</u>	<u>22</u>	<u>590</u>	<u>568</u>	<u>22</u>	<u>590</u>
Total Collateralized Debt Obligations	\$ 11,144	\$ 457	\$ 11,601	\$ 11,144	\$ 457	\$ 11,601
Structured Single Risk						
Power & Utilities	\$ 4,249	\$ 3,813	\$ 8,062	\$ 4,249	\$ 3,813	\$ 8,062
Global Infrastructure	2,126	2,052	4,178	2,126	2,052	4,178
Specialized Risk	<u>50</u>	<u>22</u>	<u>72</u>	<u>50</u>	<u>22</u>	<u>72</u>
Total Structured Single Risk	\$ 6,425	\$ 5,887	\$ 12,312	\$ 6,425	\$ 5,887	\$ 12,312
Total Outstanding	<u><u>\$ 50,393</u></u>	<u><u>\$ 24,312</u></u>	<u><u>\$ 74,705</u></u>	<u><u>\$ 50,247</u></u>	<u><u>\$ 24,127</u></u>	<u><u>\$ 74,374</u></u>

⁽¹⁾ As of March 31, 2013, approximately 37.1% and 62.9% of the Company's in-force principal exposure represents direct and assumed business, respectively.

⁽²⁾ GPO, GIO, NPO and NIO represent Gross Principal Outstanding, Gross Interest Outstanding, Net Principal Outstanding and Net Interest Outstanding, respectively.

Notes to Financial Statement

The following table sets forth the number of years to maturity of the Company’s in-force guaranteed principal exposure as of March 31, 2013:

Years to Maturity - Debt Service Amortization

(U.S. dollars in millions)

	<u>Scheduled Net Debt Service</u>	<u>NPIO⁽¹⁾</u>
2013 Q1	\$ -	\$ 74,374
2013 Q2	1,908	72,466
2013 Q3	1,030	71,436
2013 Q4	<u>1,602</u>	69,834
Total 2013	\$ 4,540	
2014	\$ 6,552	\$ 63,282
2015	4,480	58,802
2016	4,653	54,149
2017	<u>3,835</u>	50,314
Total 2014-2017	\$ 19,520	
2018-2022	\$ 13,713	\$ 36,601
2023-2027	12,433	24,168
2028-2032	9,264	14,904
2033 and thereafter	<u>14,904</u>	-
Total 2018-thereafter	\$ 50,314	
Total	<u>\$ 74,374</u>	

⁽¹⁾ NPIO represents Net Principal and Interest Outstanding.

Notes to Financial Statement

The following table sets forth the Company’s in-force guaranteed principal exposure by geographic concentration as of March 31, 2013:

Geographic Distribution - Par Exposure

(U.S. dollars in millions)

	<u>GPO</u>	<u>NPO</u>	<u>% NPO</u>
United States			
California	\$ 6,640	\$ 6,594	13.1 %
New York	3,370	3,370	6.7
Illinois	2,315	2,315	4.6
Texas	1,947	1,947	3.9
Florida	1,825	1,725	3.4
Pennsylvania	1,336	1,336	2.7
Alabama	1,121	1,121	2.2
New Jersey	1,052	1,052	2.1
Colorado	1,033	1,033	2.1
Georgia	945	945	1.9
Michigan	818	818	1.6
Washington	776	776	1.5
Massachusetts	766	766	1.5
Tennessee	718	718	1.4
Virginia	668	668	1.3
Ohio	663	663	1.3
South Carolina	648	648	1.3
Indiana	605	605	1.2
Minnesota	576	576	1.1
Puerto Rico	570	570	1.1
Other ⁽¹⁾	6,176	6,176	12.3
Non-PF Multi ⁽²⁾⁽³⁾	<u>9,228</u>	<u>9,228</u>	<u>18.6</u>
Total United States	\$ 43,796	\$ 43,650	86.9 %
International			
United Kingdom	\$ 3,537	\$ 3,537	7.0 %
Ireland	1,050	1,050	2.1
Netherlands	639	639	1.3
New Zealand	636	636	1.3
Other ⁽¹⁾	715	715	1.4
Non-PF Multi ⁽²⁾⁽⁴⁾	<u>20</u>	<u>20</u>	<u>-</u>
Total International	\$ 6,597	\$ 6,597	13.1 %
Total Par Outstanding	<u>\$ 50,393</u>	<u>\$ 50,247</u>	<u>100.0 %</u>

⁽¹⁾ Single state/country with NPO < 1% of the total exposure plus any multi-state/country Public Finance exposures.

⁽²⁾ Non-Public Finance deals with underlying securities in multiple states/countries.

⁽³⁾ Consists of \$8,840 million in CDO and \$388 million in ABS net par.

⁽⁴⁾ Consists of \$20 million in CDO net par.

Notes to Financial Statement

Exposure to Collateralized Debt Obligations

The following table presents the net notional exposure of the Company’s guaranteed collateralized debt obligations (“CDOs”) by type⁽¹⁾ of referenced asset as of March 31, 2013:

CDO Exposure

(U.S. dollars in millions)

	<u>NPO</u>	<u>% NPO</u>	<u># of Credits</u>
Synthetic CDO			
Corporate Synthetic CDO	\$ 3,500	31.4 %	11
CMBS CDO	<u>1,861</u>	<u>16.7</u>	<u>3</u>
Total Synthetic CDO	\$ 5,361	48.1 %	14
Cashflow CDO			
US CLO	\$ 2,758	24.7 %	13
Euro CLO	2,305	20.7	8
TRUPS CDO	<u>152</u>	<u>1.4</u>	<u>3</u>
Total Cashflow CDO	\$ 5,215	46.8 %	24
Market Value CDO			
US CLO	<u>\$ 568</u>	<u>5.1 %</u>	<u>1</u>
Total Market Value CDO	\$ 568	5.1 %	1
Total Collateralized Debt Obligations Outstanding	<u>\$ 11,144</u>	<u>100.0 %</u>	<u>39</u>

⁽¹⁾ Asset type is defined as follows: A Synthetic CDO is a CDO that synthetically references a portfolio of debt obligations through the use of credit default swaps. A Corporate Synthetic CDO is a CDO that references a pool primarily consisting of senior unsecured corporate credits rated investment grade at inception (i.e., rated at least “BBB-” by S&P, “Baa3” by Moody’s and “BBB-” by Fitch or higher). A CMBS CDO is a CDO that synthetically references a portfolio of Commercial Mortgage Backed Securities.

A Cash flow CDO is a securitized bond that is collateralized by a pool of debt obligations such as corporate loans, bonds and ABS. A US CLO is a CDO with underlying collateral primarily consisting of senior secured bank loans made to corporate entities domiciled in the United States and rated below investment grade at inception (i.e., rated below “BBB-” by S&P, “Baa3” by Moody’s and “BBB-” by Fitch). A Euro CLO is a CDO with underlying collateral primarily consisting of senior secured bank loans made to corporate entities domiciled in Europe and generally rated below investment grade at inception (i.e., rated below “BBB-” by S&P, “Baa3” by Moody’s and “BBB-” by Fitch). A Trups CDO is a CDO with underlying collateral primarily consisting of trust preferred securities issued by bank holding companies.

A Market Value CDO is a CDO that is collateralized by a pool of debt obligations such as corporate loans, bonds and ABS. Unlike Cash flow CDOs, a Market Value CDO measures ongoing transaction performance based on the market value of the collateral rather than par value.

The following table presents the net notional exposure of the Company’s guaranteed CDOs by rating as of March 31, 2013:

CDO Ratings⁽¹⁾

(U.S. dollars in millions)

	<u>NPO</u>	<u>% NPO</u>
AAA	\$ 2,648	23.8 %
AA	5,915	53.0
A	568	5.1
BBB	988	8.9
Below Investment Grade	<u>1,025</u>	<u>9.2</u>
Total Collateralized Debt Obligations Outstanding	<u>\$ 11,144</u>	<u>100.0 %</u>

⁽¹⁾ Based on S&P rating as reflected in Syncora Capital Assurance's records, if available, and internal Syncora Capital Assurance's rating if no S&P rating is available.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities:

- A. There has been no change from that disclosed in the Company’s 2012 Annual Statement.
- B. There has been no change from that disclosed in the Company’s 2012 Annual Statement.
- C. The Company had no wash sales for the three months ended March 31, 2013 and 2012.

Notes to Financial Statement

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans:

- A. There has been no change from that disclosed in the Company’s 2012 Annual Statement.
- B. There has been no change from that disclosed in the Company’s 2012 Annual Statement.
- C. There has been no change from that disclosed in the Company’s 2012 Annual Statement.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators:

- A. There has been no change from that disclosed in the Company’s 2012 Annual Statement.

20. Fair Value Measurement:

- A. Inputs Used for Assets and Liabilities Measured at Fair Value

(1) Assets measured at fair value

The Company has categorized its assets that are measured at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows.

Level 1- Quoted prices for identical instruments in active markets.

Level 2- Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and valuation drivers are observable in active markets.

Level 3- Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable.

The following fair value hierarchy table presents the Company’s assets measured at fair value at March 31, 2013. There were no liabilities measured at fair value at March 31, 2013.

	March 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Common Stocks:				
Common Stocks	\$ 5,872,097	\$ -	\$ -	\$ 5,872,097
Mutual Funds	8,270,623	-	-	8,270,623
Fixed Maturity Investments:				
Special Revenue		15,688,501		15,688,501
Industrial & Miscellaneous	-	1,560,375	-	1,560,375
Other:				
Investment in Limited Partnership	-	1,947,624	-	1,947,624
Total Assets at Fair Value	<u>\$ 14,142,720</u>	<u>\$ 19,196,500</u>	<u>\$ -</u>	<u>\$ 33,339,220</u>

- (2) There are no assets measured at fair value using significant unobservable inputs (Level 3) as of March 31, 2013.
- (3) The Company had no transfers into or out of Level 3 or any transfers between Level 1 and Level 2 of the fair value hierarchy for the year ended March 31, 2013.

- B. Other Fair Value Disclosures

Not applicable.

Notes to Financial Statement

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

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

March 31, 2013						
Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Financial Instruments- Assets						
Fixed Maturity Investments	\$ 590,805,378	\$ 553,189,819	\$ 13,223,090	\$ 577,582,288	\$ -	\$ -
Preferred Stocks	5,362,100	5,089,554	5,362,100	-	-	-
Common Stocks	14,142,720	14,142,720	14,142,720	-	-	-
Cash, Cash Equivalents and Short-term Investments	152,367,978	152,367,978	152,367,978	-	-	-
Other Invested Assets	1,947,624	1,947,624	-	1,947,624	-	-
Total Assets	<u>\$ 764,625,800</u>	<u>\$ 726,737,695</u>	<u>\$ 185,095,888</u>	<u>\$ 579,529,912</u>	<u>\$ -</u>	<u>\$ -</u>

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

Not applicable.

21. Other Items:

For a Description of Significant Risks and Uncertainties and Other Matters, see item H. below.

A. Extraordinary Items

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

B. Troubled Debt Restructuring

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

C. Other disclosures

See item H below.

D. Uncollectible Premiums Receivable

At March 31, 2013 and December 31, 2012, the Company had uncollected premium balances of \$2.0 million and \$2.3 million, respectively. Uncollected premiums more than 90 days past due as of March 31, 2013 and December 31, 2012 were zero million and zero million, respectively. Any amounts more than 90 days past due are non-admitted. The Company routinely assesses the collectibility of these receivables and any uncollectible premiums receivable as of the end of the current year are not expected to exceed the non-admitted amounts.

E. Business Interruption Insurance Recoveries

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

F. State Transferable Credits

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

G. The Company has exposure to the U.S. subprime and HELOC mortgage market through its investments in residential mortgage-backed securities. The following table summarizes the Company’s investments in U.S. subprime and HELOC securities as of March 31, 2013.

	Actual Cost	Book/Adjusted Carrying Value	Fair Value	Impairments Recognized
Residential Mortgage-Backed Securities	\$ 3,544	\$ 4,057	\$ 4,831	\$ -
Total	<u>\$ 3,544</u>	<u>\$ 4,057</u>	<u>\$ 4,831</u>	<u>\$ -</u>

H. Other Matters:

Description of Certain Risks and Uncertainties and Other Matters

- The Company has significant exposure (directly and indirectly) to risks associated with deterioration of certain credits in structured single risk, public finance and collateralized debt obligations. See Note 16

Notes to Financial Statement

for disclosure of the amount of the aforementioned exposures. The extent of any future deterioration in these markets is unknown, as is the effect, if any, on: (i) potential claim payments and (ii) the ultimate amount of losses the Company may incur on obligations it has guaranteed.

- Through its guarantees of certain CDOs, the Company is indirectly exposed to refinancing risk associated with debt obligations held or referenced in these portfolios. The underlying asset types for which refinancing risk is a factor primarily include US CLOs, European CLOs and CMBS CDOs. The Company is also exposed to large refinancing risks in the remainder of its insured and reinsured portfolio. These transactions were entered into with the assumption that they could be refinanced in the market. The Company is exposed to this risk and, accordingly, may be required to make claims payments and then seek to recover its payments from revenues produced by the transaction. The Company believes it has reserved appropriately to reflect this risk but a more difficult refinancing market at the time of refinancing could lead to the Company facing additional, material claims and losses.
- Establishment of case basis reserves for unpaid losses and loss adjustment expenses on the Company's in-force business requires the use and exercise of significant judgment by management, including estimates regarding the likelihood of occurrence and amount of a loss on a guaranteed obligation. Actual experience may differ from 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 (including the shape of the forward interest rate curve), credit deterioration of guaranteed obligations, and changes in the value of specific assets supporting guaranteed obligations. Both qualitative and quantitative factors are used in making such estimates. 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.
- Syncora Guarantee, the Company's parent company (see Note 1) has disclosed in its Quarterly Statement for the three months ended March 31, 2013 that there is substantial doubt about its ability to continue as a going concern and it cannot provide any assurance that the NYDFS would not take regulatory action against it, which may include commencement of rehabilitation or liquidation proceedings. Although management believes the Company has the financial and operating ability to continue independently of Syncora Guarantee, no assurance can be given that a rehabilitation, liquidation or other regulatory action at Syncora Guarantee would not adversely affect the Company or subject the Company to further regulatory oversight or intervention.
- As more fully described in the statutory financial statement filing of the Company, any payment of principal or interest on the Company's surplus note obligations (all of which are held by Syncora Guarantee) is subject to risks and uncertainties, including, without limitation, prior regulatory approval by the NYDFS and compliance with certain contractual restrictions. Consequently no assurance can be given as to whether or when any payment of interest or principal on such surplus note, in whole or in part, may be made, from the Company to Syncora Guarantee.
- In addition to exposure to general economic factors, the Company is exposed to the specific risks faced by the particular businesses, municipalities or pools of assets covered by its financial guarantee products. Recently, in light of the economic and financial crisis, the U.S. "fiscal cliff", unemployment challenges and the continuing European solvency crisis, various businesses and municipalities are facing financial difficulties. In addition, catastrophic events or terrorist acts could adversely affect the ability of public sector issuers to meet their obligations with respect to securities insured by the Company and the Company may incur material losses due to these exposures if the economic stress caused by these events is more severe than the Company currently foresees. Other events, such as interest rate changes or volatility, could, in certain instances, also materially affect the Company or its insured obligations.
- The economic crisis caused many state and local governments that issue some of the obligations the Company insures to experience significant budget deficits and revenue collection shortfalls that require them to significantly raise taxes and/or cut spending in order to satisfy their obligations. If the issuers of the obligations in the Company's public finance portfolio do not have sufficient funds to cover their expenses and are unable or unwilling to raise taxes, decrease spending or receive federal assistance, the Company may experience increased levels of losses or impairments on its public finance obligations, which could materially and adversely affect its business, financial condition and results of operations.
- In addition, obligations supported by specified revenue streams, such as revenue bonds issued by toll road authorities, municipal utilities or airport authorities, may be adversely affected by revenue declines resulting from reduced demand, changing demographics or other factors associated with an economy in which unemployment remains high, housing markets have not yet stabilized and growth is slow. These obligations, which may not necessarily benefit from financial support from other tax revenues or governmental authorities, may also experience increased losses if the revenue streams are insufficient to pay scheduled interest and principal payments.
- In the United States, the unemployment rate remains high and housing markets remain fragile despite some stabilization. The Company and its financial position will continue to be subject to risk of global financial and economic conditions that could materially and adversely affect the amount of potential losses, (including the timing and amount of claims and subsequent recoveries) incurred on transactions it guarantees, the value of its investment portfolio, and otherwise materially and adversely affect the

Notes to Financial Statement

Company. Issuers or borrowers whose securities or loans the Company insures or holds as well as the Company's counterparties under swaps and other derivative contracts may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Additionally, the underlying assets supporting securities that the Company has guaranteed may further deteriorate, causing these securities to incur losses.

- The Company's estimate of reserves for losses on its exposures is based on certain assumptions. Changes in such assumptions could materially adversely affect such reserves estimates, including the amount and timing of any claims. Under certain conditions, many of which are event-driven and outside the control of the Company, these exposures may result in significant increases in claims beyond that assumed in the Company's reserve estimate (that may or may not result in an increase in such loss reserves) against the Company in the near to medium term.
- The Company has significant exposure to public finance transactions, including the City of Detroit, certain of which have a risk of material adverse development, including to event driven risks, such as political, operational, legal and regulatory actions. Such adverse events could have a material adverse effect on the Company's liquidity and financial position.
- The Company believes conditions exist, which would allow a limited number of beneficiaries of insured interest rate swaps the opportunity to declare termination events under the applicable insured interest rate swaps, and should the financially-weak obligors thereunder fail to pay, to submit claims for such termination events to the Company under its policies for an aggregate amount up to \$27 million. It is uncertain if such termination events will be declared (and therefore whether claims will be made on the Company), and if made, whether they would ultimately result in any losses to the Company.
- Changes in laws and regulations affecting insurance companies, the municipal and structured securities markets, the financial guarantee insurance and reinsurance markets and the credit derivatives markets, as well as other governmental regulations, may subject the Company to additional legal liability, affect the credit performance of the securities that the Company insures and otherwise affect the Company's financial condition.
- The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") signed into law on July 21, 2010 may result in requirements for the Company to maintain a certain mandated amount of capital on its existing insured derivatives portfolio. The Securities and Exchange Commission (the "SEC") and the Commodity Futures Trading Commission (the "CFTC") jointly released final rules regarding the definitions of "swap dealers," "security-based swap dealers," "major swap participants," and "major security-based swap participants" ("MSSPs") under the Dodd-Frank Act. Under those rules, the swap and security-based swap positions in the Company's existing insured derivatives portfolio are expected to count towards the positions required to be included in calculations for purposes of determining whether the Company or any of its affiliates will meet any of those definitions, even if such portfolio is in run-off. The SEC and the CFTC have also released joint final rules defining the terms "swap," "security-based swap," and "mixed swap," an important step in finalizing the regulatory framework applicable to derivatives activities. Although the Company is still assessing its status under these and other rules, both proposed and final, the Company estimates that it is below the calculation thresholds that would require it to so register and accordingly it believes that the Company would not be required to register as an MSSP. Should the Company be required to so register, MSSP designation and registration may expose the Company to increased compliance costs. The magnitude of the related GAAP-based capital requirements resulting from MSSP designation and registration, and the extent to which such requirements would apply to the Company's legacy insured derivatives portfolio, will depend in part on the release of final capital rules by the SEC, which has not yet occurred. However, the proposed rules released by the SEC regarding capital requirements suggests that if the Company is required to register as an MSSP, it may be subject to GAAP-based capital requirements in excess of its current GAAP-based capital position. With limited or no access to sources of external capital, in the event the Company is subject to the MSSP GAAP-based capital requirements, it is unlikely that the Company would be able to comply with such requirements. The consequences of non-compliance are not known. Current information suggests that the earliest that these requirements could apply to the Company is in late 2013, and the Company continues to consider its options.
- The Company continues to be materially exposed (directly and indirectly) to risks associated with the financial condition of other financial guarantors, including the placement of a financial guarantor into rehabilitation or liquidation. Such exposure may arise as a result of (i) direct contractual dealings with a financial guarantor such as reinsurance (whether as ceding company or reinsurer) or (ii) indirectly by means of (a) "wrapping over" another financial guarantor (which exposes the Company to the credit risks of the insured transaction directly) or (b) participating in an insured transaction with such other financial guarantor (where such rehabilitation or liquidation could have an effect on the insured transaction or the rights and remedies available to the Company). The precise effects of any such rehabilitation or liquidation are 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 and such effects may be materially adverse to the Company's financial position.
- The Company has sought, and may in the future seek, the NYDFS's approval of permitted accounting practices and other regulatory relief which have, and if granted may have, a material effect on the Company's policyholders' surplus. Once granted, these accounting practices have been subject to an annual approval or confirmation. No assurance can be given that the NYDFS will continue to grant

Notes to Financial Statement

approval of the Company's past or any future permitted accounting practices or requested regulatory relief. Failure to obtain continuing approval of the past or future permitted accounting practices or requested regulatory relief could have a material adverse effect on the Company's policyholders' surplus.

Description of the Company's On-Going Strategic Plan

Management is seeking to (i) remediate insured exposures (through their purchase on the open market or otherwise, commutation, defeasance or other restructuring) to minimize potential claim payments, maximize recoveries and mitigate potential losses, and (ii) take other actions to enhance its financial position (hereafter collectively referred to as "Strategic Actions").

In regard to the Strategic Actions, the Company, working with its external advisors, is actively pursuing or exploring a number of options available to it which, individually or in the aggregate, may materially affect (favorably or adversely) the Company's policyholders' surplus, liquidity position or address other challenges that the Company faces.

Description of Financial Guarantee Insurance and Credit Default Swaps

Financial guarantee insurance provides an unconditional and irrevocable guarantee to the holder of a debt obligation of full and timely payment of the guaranteed principal and interest thereon when due. Financial guarantee insurance enhances the credit quality of a debt obligation by adding another potential source of repayment of principal and interest for an investor, namely the credit quality of the financial guarantor. In addition to enhancing the credit quality of a debt obligation, financial guarantee insurance may also enhance the liquidity of the debt obligation and may reduce the price volatility of such a debt obligation for those investors that must fair value such debt obligations. From an issuer's perspective, all of these benefits can reduce the cost of debt issuance, as the interest rate on debt in the capital markets, all else being equal, is generally lower for debt of higher credit quality, which is generally more liquid and typically trades with less price volatility.

Generally, in the event of any default on an insured debt obligation, payments made pursuant to the applicable insurance policy may not be accelerated by the holder of the insured debt obligation without the approval of the insurer. While the holder of such an insured debt obligation continues to receive guaranteed payments of principal and interest on schedule, as if no default had occurred, and each subsequent purchaser of the obligation generally receives the benefit of such guarantee, the insurer normally retains the option to pay the debt obligation in full at any time. Also, the insurer generally has recourse against the issuer of the defaulted obligation and/or any related collateral for amounts paid under the terms of the insurance policy as well as pursuant to general rights of subrogation.

The issuer of an insured debt obligation generally pays the premium for financial guarantee insurance, either in full at the inception of the policy, as is the case in most public finance transactions, or in periodic installments funded by the cash flow generated by related pledged collateral, as is the case in most structured finance and international transactions. Typically, premium rates paid by an issuer are stated as a percentage of the total principal (in the case of structured finance and international transactions) or principal and interest (in the case of public finance transactions) of the insured obligation. Premiums are almost always non-refundable and are invested upon receipt.

The Company also has in-force policies guaranteeing obligations under CDS contracts (see Notes 10 and 14.F.). CDS contracts provide credit protection relating to a particular security or pools of specified securities. Under the terms of a CDS contract, the seller of credit protection makes a specified payment to the buyer of credit protection upon the occurrence of one or more specified credit events with respect to a referenced security. CDS contracts typically provide protection to one beneficiary rather than a class of investors. The CDS contracts guaranteed by the Company were entered into by common law trusts established by affiliates of the Company in conformity with NYIL. For each such transaction, a financial guarantee policy was issued guaranteeing the obligations of a particular common law trust, which in turn entered into a CDS contract with the beneficiary with respect to a specified reference obligation, typically a pooled debt obligation, or CDO, a security backed by consumer assets such as mortgages, credit cards or student loans, a utility or municipal obligation or a security already subject to a financial guarantee from another monoline bond insurance company.

Description of Financial Guarantee Reinsurance

Reinsurance indemnifies a primary insurance company against part or all of the loss that it may sustain under a policy that it has issued. All of the reinsurance protection purchased by and provided by the Company is quota share reinsurance. Quota share reinsurance involves one or more reinsurers taking a stated percent share of each policy that an insurer produces ("writes"). This means that the reinsurer will receive that stated percentage of each dollar of premium and will pay that percentage of each dollar of losses. In addition, the reinsurer will pay a "ceding commission" to the insurer to compensate the insurer for the costs of writing and administering the business. Under a traditional reinsurance arrangement, the ceding company collects premiums from, and pays claims to, its policyholders, and then periodically (usually quarterly) settles with its reinsurer based on the reinsurer's share of the premium collected and claim payments made. Reinsurance does not relieve a primary insurance company of its obligations under an insurance policy.

Generally, a policyholder of a reinsured policy has no rights to pursue a reinsurer for payment of its claims or obligation to pay it premiums. However, certain reinsurance agreements contain cut-through provisions

Notes to Financial Statement

which allow a policyholder to have rights directly against, or obligations directly to, the reinsurer under the reinsurance agreement. The Company’s reinsurance agreement with Syncora Guarantee (see Note 10) represents a 100% quota share reinsurance agreement and contains cut-through provisions that require policyholders to remit premiums due under such reinsured policies directly to the Company and provide policyholders the ability to submit claims under such policies directly to the Company for payment.

I. Legal Matters

On August 1, 2012, Syncora Guarantee, along with the Company filed Constitutional claims against the State of California alleging impairment of contract (alleging that certain provisions of Assembly Bill 26 (“AB26”) constitute a material impairment of contract between California Redevelopment Agencies (“RDAs”); their bondholders, and the Company) and a taking of the Company's property interest in those contracts for which the Company is entitled to just compensation. The Company has approximately \$1.6 billion of exposure to bonds issued by various RDAs under financial guarantees and debt service reserve surety policies. RDA bonds are secured by tax increment funding, which is derived from the increase in assessed value of property within the RDAs redevelopment area after the effective date of a redevelopment plan. In June 2011, the California State Legislature passed AB26 in response to the Governor of California’s declaration of state of fiscal emergency. AB26 was designed to alleviate state funding concerns by diverting significant funds from the RDAs to other purposes. AB26 provided for the orderly dissolution of the RDAs and the transfer of their outstanding obligations to successor agencies. Although the Company has not established statutory loss reserves for its exposure to the RDAs, the Company believes that AB26 increases the potential that it will have to pay claims and suffer losses under its financial guaranty policies or debt service reserve policies. A hearing on the Company’s and Syncora Guarantee’s Petition for Writ of Mandamus is scheduled for May 3, 2013 in the Superior Court of the State of California for the County of Sacramento.

22. Events Subsequent:

The Company has evaluated all subsequent events through May 14, 2013, the date the financial statements were available to be issued. Except as discussed below, there were no material events occurring subsequent to March 31, 2013 that required recognition or disclosure.

During April 2013, the Company closed certain remediation transactions, which terminated certain of its guarantees of insured CDOs and public finance obligations. As a result of the remediation transactions and permission from the NYDFS to release contingency reserves in relation to these transactions, the Company utilized \$91.5 million of cash, and expects to recognize a material increase to policyholders’ surplus during the second quarter of 2013. The Company also expects a reduction of \$986.1 million in its insured exposure portfolio during the second quarter of 2013.

23. Reinsurance:

A. Unsecured Reinsurance Recoverables

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

B. Reinsurance Recoverable in Dispute

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

C. Reinsurance Assumed and Ceded

There has been no significant change from that disclosed in the Company’s 2012 Annual Statement.

D. Uncollectible Reinsurance

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

E. Commutation of Ceded Reinsurance

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

F. Retroactive Reinsurance

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

G. Reinsurance Accounted for as a Deposit

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

H. Run-off Agreements

There has been no change from that disclosed in the Company’s 2012 Annual Statement.

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24. Retrospectively Rated Contracts & Contracts Subject to Redetermination:

The Company has no retrospectively rated direct business policies or contracts, or direct business policies or contracts subject to re-determination.

25. Changes in Incurred Losses and Loss Adjustment Expenses:

Set forth below is a discussion of case basis reserves carried by the Company at March 31, 2013 and 2012. The Company recorded a provision for losses and loss adjustment expenses of \$3.9 million and \$2.8 million for the three months ended March 31, 2013 and 2012, respectively.

(a) Collateralized Debt Obligations

During the three months ended March 31, 2013 and 2012, the Company recorded a (benefit) provision for losses and loss adjustment expenses of \$(0.3) million and \$0.3 million, respectively, relating to its guarantees of CDOs. Reserves for unpaid losses and loss adjustment expenses on such guarantees were zero and \$0.4 million as of March 31, 2013 and December 31, 2012, respectively.

(b) Public Finance

During the three months ended March 31, 2013 and 2012, the Company recorded a provision for losses and loss adjustment expenses of \$4.2 million and \$2.5 million, respectively, relating to its guarantees of public finance transactions. The provision primarily reflects adverse development in the aforementioned guarantees. Reserves for unpaid losses and loss adjustment expenses on such guarantees were \$11.9 million and \$7.7 million as of March 31, 2013 and December 31, 2012, respectively.

26. Intercompany Pooling Arrangements:

The Company has no intercompany pooling arrangements.

27. Structured Settlements:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

28. Health Care Receivables:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

29. Participating Policies:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

30. Premium Deficiency Reserves:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

31. High Deductibles:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses:

At March 31, 2013 and December 31, 2012, the Company's liability for unpaid losses and loss adjustment expenses was \$11.9 million and \$8.1 million, respectively. There were no tabular or non-tabular discounts at such dates.

33. Asbestos/Environmental Reserves:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

34. Subscriber Savings Accounts:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

35. Multiple Peril Crop Insurance:

There has been no change from that disclosed in the Company's 2012 Annual Statement.

36. Financial Guaranty Insurance:

Premiums charged in connection with the issuance of the Company's guarantees are received either upfront at the inception of an insurance contract or in installments (usually monthly or quarterly) over the life of the underlying insured obligation. Such premiums are only recognized as written when due. In accordance with prescribed statutory accounting practices, future installment premiums on in-force policies not yet due are not recorded on the Company's Statement of Assets, Liabilities, Surplus and Other Funds as premiums receivable.

Notes to Financial Statement

A. (1) Installment Contracts

- a. As of March 31, 2013, the aggregate amount of installment premium to be collected in the future on the Company’s in-force policies, determined based on the contractual maturity of the underlying insured obligations, was \$347.1 million (\$345.6 million net of ceded reinsurance). The aforementioned amount of installment premium to be collected in the future may differ from the ultimate actual amount of installment premiums collected in the future on such in-force obligations and such difference may be material.
- b. The following table presents, as of March 31, 2013, the Company’s installment premiums on gross business (on an undiscounted basis) expected to be collected in the future and the periods in which such collections are expected to occur:

1.		
	(a)	2nd Quarter 2013 \$ 5,615,578
	(b)	3rd Quarter 2013 6,992,326
	(c)	4th Quarter 2013 4,546,192
	(d)	1st Quarter 2014 6,230,792
	(e)	2nd Quarter 2014 4,974,764
	(f)	3rd Quarter 2014 6,383,474
	(g)	4th Quarter 2014 3,684,009
	(h)	Year 2015 17,076,006
	(i)	Year 2016 15,580,710
	(j)	Year 2017 14,181,627
	(k)	Year 2018 13,576,027
2.		
	(a)	2019 through 2023 \$ 62,679,958
	(b)	2024 through 2028 53,143,135
	(c)	2029 through 2033 43,371,981
	(d)	2034 through 2038 33,194,941
	(e)	2039 through 2043 23,175,915
	(f)	2044 through 2048 19,027,120
	(g)	2049 through 2053 13,608,877
	(h)	2054 through 2058 76,951

- c. The following table presents a roll forward of the aggregate amount of gross installment premium to be collected in the future on the Company’s in-force policies for the period from December 31, 2012 to March 31, 2013:

1. Expected future premiums- Beginning of Year	\$ 363,951,133
2. Less- Premium payments received for existing installment contracts	(7,815,953)
3. Add- Expected premium payments for new installment contracts	-
4. Adjustments to the expected future premium payments	(9,014,797)
5. Expected future premiums- End of Year	<u>\$ 347,120,383</u>

(2) Upfront Contracts

- a. The gross earned premium on upfront policies that was recognized on an accelerated basis was \$4.5 million for the three months ended March 31, 2013. Such accelerations are recognized 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.

Notes to Financial Statement

b. The following table presents the expected future premium earnings of the Company’s direct in-force business (on an undiscounted basis) as of and for the periods presented.

1.			
	(a)	2nd Quarter 2013	\$ 3,659,527
	(b)	3rd Quarter 2013	3,494,483
	(c)	4th Quarter 2013	3,323,849
	(d)	1st Quarter 2014	3,239,492
	(e)	2nd Quarter 2014	3,247,314
	(f)	3rd Quarter 2014	3,291,817
	(g)	4th Quarter 2014	3,261,119
	(h)	Year 2015	13,426,490
	(i)	Year 2016	13,033,990
	(j)	Year 2017	14,319,957
	(k)	Year 2018	13,421,722
2.			
	(a)	2019 through 2023	\$ 67,074,831
	(b)	2024 through 2028	66,427,813
	(c)	2029 through 2033	42,393,687
	(d)	2034 through 2038	24,152,509
	(e)	2039 through 2043	9,163,342
	(f)	2044 through 2048	2,175,399
	(g)	2049 through 2053	110,064
	(h)	2054 through 2058	115,993
	(i)	2059 through 2063	218,272

(3) Claim Liability

- a. At March 31, 2013, the Company’s discount rate was 3.81%.
- b. Significant components of the change in the claim liability for the period

	Components	Amount
(1)	Accretion of the discount	\$ -
(2)	Changes in timing	-
(3)	New reserves for defaults of insured contracts	-
(4)	Change in deficiency reserves ⁽¹⁾	3,772,179
(5)	Change in incurred but not reported claims	-
(6)	Total	<u>\$ 3,772,179</u>

⁽¹⁾ Represents development in prior year reserves

(4) Risk Management Activities

The Company’s surveillance department (“Surveillance”) is responsible for monitoring the performance of its in-force portfolio. The surveillance department maintains a list of credits that it has determined need to be closely monitored and, for certain of those credits, the department undertakes remediation activities it determines to be appropriate in order to mitigate the likelihood and/or amount of any loss that it could incur with respect to such credits.

The Company’s surveillance department focuses its review on monitoring the lower rated bond sectors and potentially troubled sectors, which have included certain subsectors within the ABS, CDO, Public Finance and Structured Single Risk portfolios. For the ABS and CDO portfolios, it tracks performance monthly to determine whether or not covenants have been breached. If a covenant is breached, the Company may have the right to take certain remedial actions, which could include putting the transaction into rapid amortization so that all cash flow generated is used to pay current interest and senior note principal. Typically, Surveillance reviews periodic servicing and trustee reports to track coverage levels, enhancement levels, delinquency levels, loss frequency, loss severity and total losses and compares such performance metrics with the metrics that were made available at the time the transaction was closed. If losses are above projections, Surveillance will analyze the reasons for the deviation. With regard to the CDO portfolio, many of the transactions are managed by third party asset managers who are permitted to trade the underlying assets collateralizing the CDO based on investment guidelines established at deal origination. Surveillance typically reviews such trading activity as reported by the trustee to not only ensure compliance with the CDO’s investment guidelines but also to determine market trends and assess manager performance. Surveillance periodically conducts CDO manager due diligence reviews and will opine on whether or not the Company should consider finding a replacement manager should the Company have the right to do so. For the Public Finance portfolio, Surveillance uses a Frequency of Review Schedule to prioritize reviews to ensure lower rated and larger exposure credits are being looked at more frequently. In addition, Surveillance uses screening tools to review the entire Public Finance portfolio based upon news feeds, trade data, material event notices and other third party information. For the Structured Single Risk portfolio, Surveillance will retain technical consultants as needed to track construction

Notes to Financial Statement

and operational risk and reviews this portfolio based upon reports it receives on a monthly, quarterly or annual basis.

The Company’s surveillance department estimates claims based on its best estimate of net cash outflows under the contract, on a present value basis. In some cases, the surveillance department will engage an outside consultant with appropriate expertise in the underlying collateral assets and respective industries to assist management in examining the underlying collateral and determining the projected loss frequency and loss severity. In such case, the surveillance department will use that information to run a cash flow model that includes enhancement levels and debt service to determine whether a claim is probable, possible or not likely.

The activities of the Company’s surveillance department are integral to the identification of specific credits that have experienced deterioration in credit quality and the assessment of whether losses on such credits are probable, as well as any estimation of the amount of loss expected to be incurred with respect to such credits. Closely monitored credits are divided into four categories: (i) Special Monitoring List—low investment grade credits where a material covenant or trigger may be breached and closer monitoring is warranted; (ii) Yellow Flag List—credits that the Company determines to be non-investment grade but a loss is unlikely, including credits where claims may have been paid or may be paid but reimbursement is likely; (iii) Red Flag List—credits where a loss is possible but not probable or reasonably estimable, including credits where claims may have been paid or may be paid but full recovery is in doubt; and (iv) Loss List—credits where a loss is probable and reasonably estimable. Credits that are not closely monitored credits are considered to be fundamentally sound, normal risk.

B. Schedule of Insured Financial Obligations with Credit Deterioration

The following table sets forth certain information in regard to the Company’s closely monitored credits as of March 31, 2013.

	Special Monitoring List	Yellow Flag List	Red Flag List	Loss List	Total
1. Number of policies	56	22	8	-	86
2. Remaining weighted-average contract period (in years)	7.9	10.0	10.6	-	8.8
Insured contractual payments outstanding:					
3a. Principal	\$ 2,770,923,889	\$ 1,653,723,199	\$ 347,656,000	\$ -	\$ 4,772,303,088
3b. Interest	809,967,408	611,654,347	221,587,105	-	1,643,208,860
3c. Total	<u>\$ 3,580,891,297</u>	<u>\$ 2,265,377,546</u>	<u>\$ 569,243,105</u>	<u>\$ -</u>	<u>\$ 6,415,511,948</u>
4. Gross loss and LAE liability (nominal)	\$ 648,650	\$ 11,234,759	\$ -	\$ -	\$ 11,883,409
Less:					
5a. Gross potential recoveries	-	-	-	12,004	12,004
5b. Discount, net	-	-	-	-	-
6. Loss and LAE liabilities reported in the balance sheet	<u>\$ 648,650</u>	<u>\$ 11,234,759</u>	<u>\$ -</u>	<u>\$ (12,004)</u>	<u>\$ 11,871,405</u>
7. Unearned premium revenue, net	<u>\$ 15,670,454</u>	<u>\$ 16,065,293</u>	<u>\$ 12,451,013</u>	<u>\$ -</u>	<u>\$ 44,186,760</u>
8. Reinsurance recoverables on paid losses and LAE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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[] N/A[X]
- 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[X] No[]
- 2.2 If yes, date of change:

03/18/2013
- 3.1 Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes[] No[X]
- 3.2 If the response to 3.1 is yes, provide a brief description of those changes:
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? If yes, attach an explanation.

Yes[] No[] N/A[X]
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2011
- 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.

07/15/2009
- 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).

10/14/2009
- 6.4 By what department or departments?
New York Department of Financial Services (as successor to the Insurance Department of the State of New York)
- 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[] N/A[X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with?

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

- 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?
(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.

Yes[X] No[]
- 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[X] No[]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).
The only waivers of the Code of Business Conduct that were made during 2013 were a limited number of waivers for employees to be able to send company information to their home e-mail account for the purpose of printing this information from their home computers. The Company's policy is that confidential information is not to be e-mailed to personal or other such accounts because of relative lack of security on these e-mail accounts. Employees are required to use a third party software security package which permits direct access to the Company's network drive from employees' home computers. Occasionally, this third party software security package malfunctions and an exception needs to be made for urgent matters on a one-off basis.

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[X] No[]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 579,525

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$ 0

GENERAL INTERROGATORIES (Continued)

INVESTMENT

13. Amount of real estate and mortgages held in short-term investments: \$..... 0
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes[] No[X]
- 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		
14.24 Short-Term Investments		
14.25 Mortgages Loans on Real Estate		
14.26 All Other		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
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?
If no, attach a description with this statement. Yes[] No[] N/A[X]
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

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

16.3 Total payable for securities lending reported on the liability page
- \$..... 0
\$..... 0
\$..... 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
Bank of New York Mellon Corporation	One Mellon Bank Center, Pittsburgh, PA. 15258

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

1 Central Registration Depository	2 Name(s)	3 Address
106595	Wellington Management Company, LLP	75 State Street, Boston, MA 02109

- 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?
If yes, attach an explanation.

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

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?
If yes, attach an explanation.

Yes[] No[X]

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled?
3.2 If yes, give full and complete information thereto

Yes[] No[X]

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?
4.2 If yes, complete the following schedule:

Yes[] No[X]

1 Line of Business	2 Maximum Interest	3 Discount Rate	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
04.2999 Total

5. Operating Percentages:
5.1 A&H loss percent
5.2 A&H cost containment percent
5.3 A&H expense percent excluding cost containment expenses

.....0.000%
.....0.000%
.....0.000%

6.1 Do you act as a custodian for health savings accounts?
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?
6.4 If yes, please provide the balance of the funds administered as of the reporting date.

Yes[] No[X]
\$.....0
Yes[] No[X]
\$.....0

SCHEDULE F - CEDED REINSURANCE
Showing all new reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)
		<div>NONE</div>		

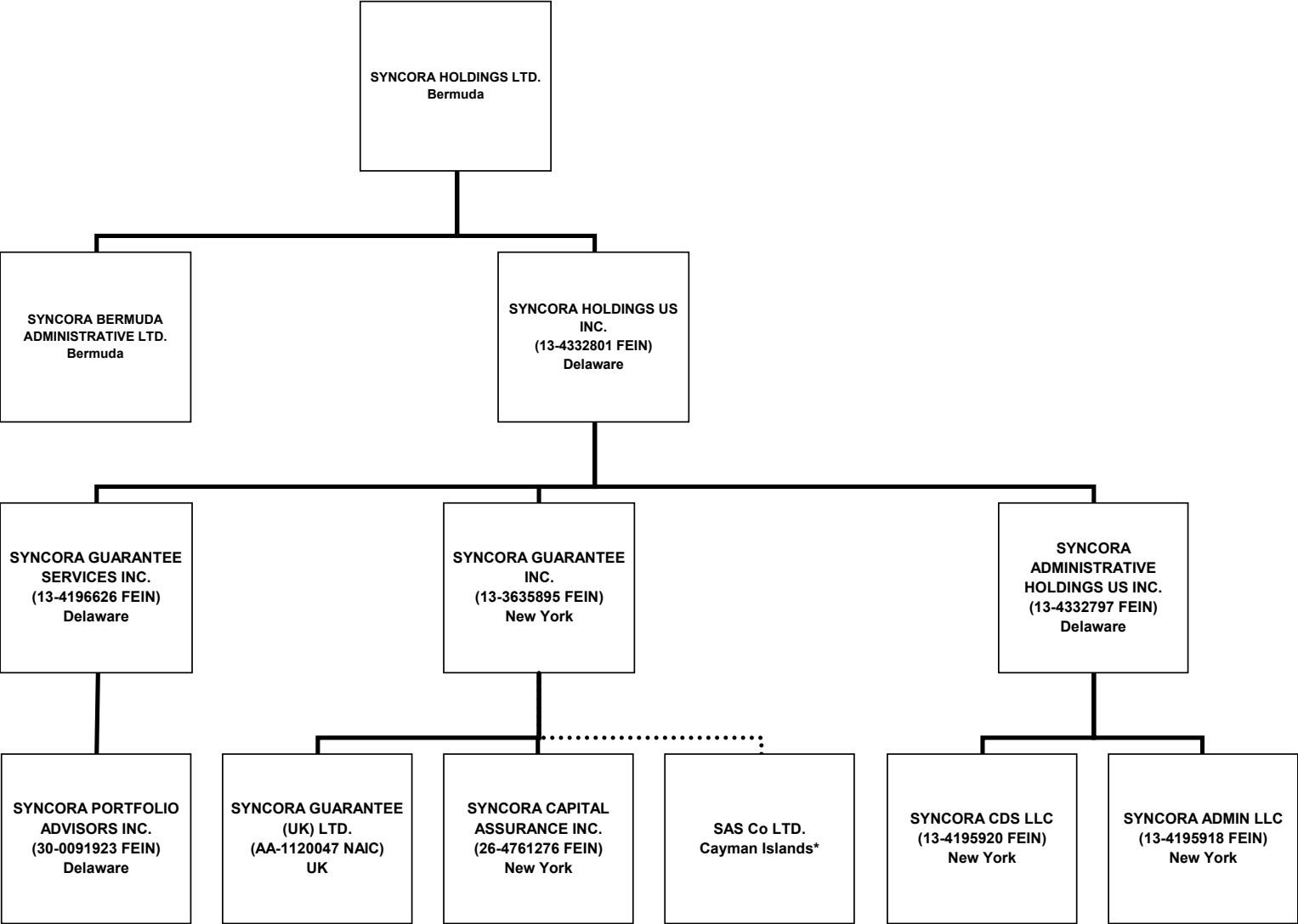
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
Current Year to Date - Allocated by States and Territories

		1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
			2	3	4	5	6	7
States, Etc.		Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1.	Alabama (AL)	N						
2.	Alaska (AK)	N						
3.	Arizona (AZ)	N						
4.	Arkansas (AR)	N						
5.	California (CA)	N						
6.	Colorado (CO)	N						
7.	Connecticut (CT)	N						
8.	Delaware (DE)	N						
9.	District of Columbia (DC)	N						
10.	Florida (FL)	N						
11.	Georgia (GA)	N						
12.	Hawaii (HI)	N						
13.	Idaho (ID)	Q						
14.	Illinois (IL)	N						
15.	Indiana (IN)	N						
16.	Iowa (IA)	N						
17.	Kansas (KS)	N						
18.	Kentucky (KY)	Q						
19.	Louisiana (LA)	N						
20.	Maine (ME)	N						
21.	Maryland (MD)	N						
22.	Massachusetts (MA)	N						
23.	Michigan (MI)	Q						
24.	Minnesota (MN)	N						
25.	Mississippi (MS)	N						
26.	Missouri (MO)	N						
27.	Montana (MT)	N						
28.	Nebraska (NE)	N						
29.	Nevada (NV)	N						
30.	New Hampshire (NH)	N						
31.	New Jersey (NJ)	N						
32.	New Mexico (NM)	N						
33.	New York (NY)	L	4,588,979	5,253,795				
34.	North Carolina (NC)	N						
35.	North Dakota (ND)	N						
36.	Ohio (OH)	N						
37.	Oklahoma (OK)	N						
38.	Oregon (OR)	N						
39.	Pennsylvania (PA)	N						
40.	Rhode Island (RI)	N						
41.	South Carolina (SC)	N						
42.	South Dakota (SD)	N						
43.	Tennessee (TN)	N						
44.	Texas (TX)	N						
45.	Utah (UT)	N						
46.	Vermont (VT)	N						
47.	Virginia (VA)	N						
48.	Washington (WA)	N						
49.	West Virginia (WV)	N						
50.	Wisconsin (WI)	N						
51.	Wyoming (WY)	N						
52.	American Samoa (AS)	N						
53.	Guam (GU)	N						
54.	Puerto Rico (PR)	N						
55.	U.S. Virgin Islands (VI)	N						
56.	Northern Mariana Islands (MP)	N						
57.	Canada (CAN)	N						
58.	Aggregate other alien (OT)	X X X						
59.	Totals	(a). 1	4,588,979	5,253,795				
DETAILS OF WRITE-INS								
5801.	.....	X X X						
5802.	.....	X X X						
5803.	.....	X X X						
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X						
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X						

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

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

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



* This entity is a disregarded entity for tax purposes

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

Q12

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Comp- any Code	Federal ID Number	FEDERAL RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries Or Affiliates	Domic- iliary Loca- tion	Rela- tion- ship to Report- ing Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies) / Person(s)	*
4676 ..	SYNCORA HOLDINGS GRP ..	00000	.....	.....	.....	.....	SYNCORA HOLDINGS LTD	BMU	... UIP ..	SHAREHOLDERS	Board of Directors .....	.....	SHAREHOLDERS .....	.....
4676 ..	SYNCORA HOLDINGS GRP ..	00000	.....	.....	.....	.....	SYNCORA BERMUDA							
							ADMINSTRATIVE LTD	BMU	... NIA ..	SYNCORA HOLDINGS LTD ...	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	00000	13-4332801 ..	.....	.....	.....	SYNCORA HOLDINGS US							
							INC .....	.. DE ..	... UIP ..	SYNCORA HOLDINGS LTD ...	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	00000	13-4196626 ..	.....	.....	.....	SYNCORA GUARANTEE							
							SERVICES INC .....	.. DE ..	... NIA ..	SYNCORA HOLDINGS US INC	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	20311	13-3635895 ..	.....	.....	.....	SYNCORA GUARANTEE							
							INC .....	.. NY ..	... UDP ..	SYNCORA HOLDINGS US INC	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	00000	13-4332797 ..	.....	.....	.....	SYNCORA ADMIN							
							HOLDINGS US INC .....	.. DE ..	... NIA ..	SYNCORA HOLDINGS US INC	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	00000	30-0091923 ..	.....	.....	.....	SYNCORA PORTFOLIO							
							ADVISORS INC .....	.. DE ..	... NIA ..	SYNCORA GUARANTEE	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	00000	AA-1120047 ..	.....	.....	.....	SYNCORA GUARANTEE							
							(UK) LTD .....	.. GBR ..	... IA ...	SYNCORA GUARANTEE INC ..	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	13666	26-4761276 ..	.....	.....	.....	SYNCORA CAPITAL							
							ASSURANCE INC .....	.. NY ..	.....	SYNCORA GUARANTEE INC ..	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
4676 ..	SYNCORA HOLDINGS GRP ..	00000	13-4195920 ..	.....	.....	.....	SYNCORA CDS LLC .....	.. NY ..	... NIA ..	SYNCORA ADMIN HOLDINGS	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
							US INC			SYNCORA ADMIN HOLDINGS				
4676 ..	SYNCORA HOLDINGS GRP ..	00000	13-4195918 ..	.....	.....	.....	SYNCORA ADMIN LLC .....	.. NY ..	... NIA ..	US INC	Ownership .....	..... 100.0	SYNCORA HOLDINGS LTD	.....
							SAS CO LTD .....	.. CYM ..	... NIA ..	SYNCORA GUARANTEE INC ..	Influence .....	.....	SYNCORA HOLDINGS LTD	.....

Asterisk	Explanation
0000001	.....

PART 1 - LOSS EXPERIENCE

Line of Business		Current Year to Date			4 Prior Year to Date Direct Loss Percentage
		1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1.	Fire				
2.	Allied lines				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril				
5.	Commercial multiple peril				
6.	Mortgage guaranty				
8.	Ocean marine				
9.	Inland marine				
10.	Financial guaranty	4,588,979			
11.1	Medical professional liability - occurrence				
11.2	Medical professional liability - claims made				
12.	Earthquake				
13.	Group accident and health				
14.	Credit accident and health				
15.	Other accident and health				
16.	Workers' compensation				
17.1	Other liability - occurrence				
17.2	Other liability - claims made				
17.3	Excess Workers' Compensation				
18.1	Products liability - occurrence				
18.2	Products liability - claims made				
19.1	19.2 Private passenger auto liability				
19.3	19.4 Commercial auto liability				
21.	Auto physical damage				
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30.	Warranty				
31.	Reinsurance-Nonproportional Assumed Property	X X X	X X X	X X X	X X X
32.	Reinsurance-Nonproportional Assumed Liability	X X X	X X X	X X X	X X X
33.	Reinsurance-Nonproportional Assumed Financial Lines	X X X	X X X	X X X	X X X
34.	Aggregate write-ins for other lines of business				
35.	TOTALS	4,588,979			
DETAILS OF WRITE-INS					
3401.	.....			
3402.	.....			
3403.	.....			
3498.	Summary of remaining write-ins for Line 34 from overflow page				
3499.	TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)				

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business		1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1.	Fire			
2.	Allied lines			
3.	Farmowners multiple peril			
4.	Homeowners multiple peril			
5.	Commercial multiple peril			
6.	Mortgage guaranty			
8.	Ocean marine			
9.	Inland marine			
10.	Financial guaranty	4,588,979	4,588,979	5,253,795
11.1	Medical professional liability - occurrence			
11.2	Medical professional liability - claims made			
12.	Earthquake			
13.	Group accident and health			
14.	Credit accident and health			
15.	Other accident and health			
16.	Workers' compensation			
17.1	Other liability - occurrence			
17.2	Other liability - claims made			
17.3	Excess Workers' Compensation			
18.1	Products liability - occurrence			
18.2	Products liability - claims made			
19.1	19.2 Private passenger auto liability			
19.3	19.4 Commercial auto liability			
21.	Auto physical damage			
22.	Aircraft (all perils)			
23.	Fidelity			
24.	Surety			
26.	Burglary and theft			
27.	Boiler and machinery			
28.	Credit			
29.	International			
30.	Warranty			
31.	Reinsurance-Nonproportional Assumed Property	X X X	X X X	X X X
32.	Reinsurance-Nonproportional Assumed Liability	X X X	X X X	X X X
33.	Reinsurance-Nonproportional Assumed Financial Lines	X X X	X X X	X X X
34.	Aggregate write-ins for other lines of business			
35.	TOTALS	4,588,979	4,588,979	5,253,795
DETAILS OF WRITE-INS				
3401.	.....		
3402.	.....		
3403.	.....		
3498.	Summary of remaining write-ins for Line 34 from overflow page			
3499.	TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)			

PART 3 (000 omitted)
LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

		1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred		Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2013 Loss and LAE Payments on Claims Reported as of Prior Year-End	2013 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2013 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 11 + 12)
1.	2010 + Prior	8,099		8,099	85	(4)	81	11,871			11,871	3,857	(4)	3,853
2.	2011													
3.	Subtotals 2011 + Prior	8,099		8,099	85	(4)	81	11,871			11,871	3,857	(4)	3,853
4.	2012													
5.	Subtotals 2012 + Prior	8,099		8,099	85	(4)	81	11,871			11,871	3,857	(4)	3,853
6.	2013	X X X	X X X	X X X	X X X			X X X				X X X	X X X	X X X
7.	Totals	8,099		8,099	85	(4)	81	11,871			11,871	3,857	(4)	3,853
8.	Prior Year-End's Surplus As Regards Policyholders	172,591										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..... 47.623	2.....	3..... 47.574
														Col. 13, Line 7 Line 8
	.....													4..... 2.232

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.

	RESPONSES
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

Explanations:

Bar Codes:

Trusteed Surplus Statement



Supplement A to Schedule T



Medicare Part D Coverage Supplement



Director and Officer Supplement



OVERFLOW PAGE FOR WRITE-INS

N O N E

STATEMENT AS OF **March 31, 2013** OF THE **SYNCORA CAPITAL ASSURANCE INC.**

SCHEDULE A - VERIFICATION

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

SCHEDULE B - VERIFICATION

Mortgage Loans

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

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,878,263	1,991,863
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)	69,361	(113,600)
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)	1,947,624	1,878,263
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)	1,947,624	1,878,263

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	662,256,795	656,068,293
2. Cost of bonds and stocks acquired	88,363,403	146,929,297
3. Accrual of discount	691,993	3,046,680
4. Unrealized valuation increase (decrease)	(486,826)	410,866
5. Total gain (loss) on disposals	11,806,969	4,192,622
6. Deduct consideration for bonds and stocks disposed of	188,524,227	135,619,572
7. Deduct amortization of premium	1,544,839	6,562,319
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized	141,175	6,209,072
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	572,422,093	662,256,795
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	572,422,093	662,256,795

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	467,346,214	223,294,922	220,443,105	1,541,920	471,739,951			467,346,214
2. Class 2 (a)	154,187,122	15,268,222	53,431,685	239,848	116,263,507			154,187,122
3. Class 3 (a)	40,338,220	2,477,642	6,726,697	(3,133,903)	32,955,262			40,338,220
4. Class 4 (a)								
5. Class 5 (a)	30,387,056	16,625,000		(439,746)	46,572,310			30,387,056
6. Class 6 (a)								
7. Total Bonds	692,258,612	257,665,786	280,601,487	(1,791,881)	667,531,030			692,258,612
PREFERRED STOCK								
8. Class 1	994,554				994,554			994,554
9. Class 2								
10. Class 3	4,095,000				4,095,000			4,095,000
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock	5,089,554				5,089,554			5,089,554
15. Total Bonds & Preferred Stock	697,348,166	257,665,786	280,601,487	(1,791,881)	672,620,584			697,348,166

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

SCHEDULE DA - PART 1

Short - Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999. Totals	57,446,636	X X X	57,446,636	.....	.....

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	2,964,984	19,914,973
2.	Cost of short-term investments acquired	109,591,978	160,720,233
3.	Accrual of discount .....	.....	469
4.	Unrealized valuation increase (decrease) .....	.....	.....
5.	Total gain (loss) on disposals .....	.....	23
6.	Deduct consideration received on disposals	55,110,326	177,670,714
7.	Deduct amortization of premium .....	.....	.....
8.	Total foreign exchange change in book/adjusted carrying value .....	.....	.....
9.	Deduct current year's other than temporary impairment recognized ....	.....	.....
10.	Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	57,446,636	2,964,984
11.	Deduct total nonadmitted amounts .....	.....	.....
12.	Statement value at end of current period (Line 10 minus Line 11)	57,446,636	2,964,984

SI04 Schedule DB - Part A Verification NONE

SI04 Schedule DB - Part B Verification NONE

SI05 Schedule DB Part C Section 1 NONE

SI06 Schedule DB Part C Section 2 NONE

SI07 Schedule DB - Verification NONE

SCHEDULE E - Verification
(Cash Equivalents)

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	40,521,780	23,299,793
2.	Cost of cash equivalents acquired	66,138,584	244,759,974
3.	Accrual of discount	8,453	33,773
4.	Unrealized valuation increase (decrease)		
5.	Total gain (loss) on disposals	40	913
6.	Deduct consideration received on disposals	49,774,282	227,572,673
7.	Deduct amortization of premium		
8.	Total foreign exchange change in book/adjusted carrying value		
9.	Deduct current year's other than temporary impairment recognized		
10.	Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	56,894,575	40,521,780
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)	56,894,575	40,521,780

E01 Schedule A Part 2 NONE

E01 Schedule A Part 3 NONE

E02 Schedule B Part 2 NONE

E02 Schedule B Part 3 NONE

E03 Schedule BA Part 2 NONE

E03 Schedule BA Part 3 NONE

SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
912810QY7	UNITED STATES TREASURY NOTE/BOND		01/03/2013	CITIGROUP GBL MKTS/S	X X X	1,176,709	1,250,000	4,748	1
0599999 Subtotal - Bonds - U.S. Governments					X X X	1,176,709	1,250,000	4,748	X X X
Bonds - U.S. Special Revenue, Special Assessment									
30261TAQ0	FREMF MORTGAGE TRUST		03/06/2013	BARCLAYS CAP/FIXED I	X X X	1,172,995	1,150,000	1,180	1
3132HRNG1	FREDDIE MAC GOLD POOL		02/01/2013	RBS SECURITIES INC,	X X X	4,367,701	4,243,383	3,890	1
3132J6HR8	FREDDIE MAC GOLD POOL		02/01/2013	RBS SECURITIES INC,	X X X	4,625,817	4,494,152	4,120	1
3138MLCP7	FANNIE MAE POOL		03/25/2013	MERRILL LYNCH PIERCE	X X X	6,498,969	6,149,686	16,143	1
31417DLP6	FANNIE MAE POOL		03/25/2013	MERRILL LYNCH PIERCE	X X X	6,494,669	6,149,709	16,143	1
64972FT55	NEW YORK CITY MUNICIPAL WATER FINANCE AU		02/07/2013	CITIGROUP GBL MKTS I	X X X	382,797	330,000	3,025	1FE
797398EJ9	COUNTY OF SAN DIEGO CA		02/13/2013	MORGAN STANLEY & CO	X X X	1,835,917	1,565,000	1,048	1FE
251228AA0	DETROIT MICH RETIREMENT SYS FDG		01/31/2013	PERSHING	X X X	16,625,000	25,000,000	207,951	5FE
3199999 Subtotal - Bonds - U.S. Special Revenue, Special Assessment					X X X	42,003,865	49,081,930	253,500	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)									
03027WAH5	AMERICAN TOWER TRUST I		03/06/2013	MORGAN STANLEY & CO	X X X	650,000	650,000		1FE
042735BB5	ARROW ELECTRONICS INC		02/12/2013	J.P. MORGAN SECURITI	X X X	621,756	625,000		2FE
054303AX0	AVON PRODUCTS INC		03/11/2013	VARIOUS	X X X	1,436,107	1,405,000	203	2FE
05947U4E5	BANC OF AMERICA MERRILL LYNCH COMMERCIAL		01/31/2013	RBS SECURITIES INC,	X X X	1,291,921	1,165,000	672	1FE
140420NB2	CAPITAL ONE BANK USA NA		02/11/2013	EXCHANGE OFFER	X X X	2,659,879	2,640,000	13,982	2FE
172967GK1	CITIGROUP INC		02/05/2013	UBS SECURITIES LLC,	X X X	335,000	335,000		2FE
205887BR2	CONAGRA FOODS INC		01/15/2013	MERRILL LYNCH PIERCE	X X X	344,151	345,000		2FE
30219GAC2	EXPRESS SCRIPTS HOLDING CO		01/11/2013	EXCHANGE OFFER	X X X	1,174,708	1,175,000	6,397	2FE
30219GAF5	EXPRESS SCRIPTS HOLDING CO		01/11/2013	EXCHANGE OFFER	X X X	852,667	870,000	13,761	2FE
36246MAK5	GTP ACQUISITION PARTNERS I LLC		03/05/2013	MIZUHO SECURITIES US	X X X	1,779,125	1,655,000	4,596	1FE
428236AS2	HEWLETT-PACKARD CO		02/13/2013	VARIOUS	X X X	1,052,797	965,000	22,626	2FE
428236BF9	HEWLETT-PACKARD CO		02/19/2013	CITIGROUP GBL MKTS/S	X X X	1,294,563	1,335,000	11,264	2FE
44107TAK2	HOST HOTELS & RESORTS LP		03/19/2013	VARIOUS	X X X	1,994,525	1,800,000	14,922	2FE
46625HJE1	JPMORGAN CHASE & CO		02/22/2013	CITIGROUP GBL MKTS/S	X X X	705,446	700,000	9,669	1FE
500255AP9	KOHL'S CORP		02/13/2013	CITIGROUP GBL MKTS/S	X X X	1,966,339	1,700,000	18,889	2FE
50076QAZ9	KRAFT FOODS GROUP INC		01/15/2013	EXCHANGE OFFER	X X X	604,778	610,000	2,313	2FE
61758FAA0	MORGAN STANLEY RE-REMIC TRUST 2009-GG10		02/26/2013	VARIOUS	X X X	2,068,900	1,800,000	3,315	1FE
61759LAA6	MORGAN STANLEY RE-REMIC TRUST 2010-GG10		02/26/2013	VARIOUS	X X X	1,329,561	1,155,000	2,352	1FE
74928HAA4	RBSCF TRUST 2010-RR3		03/04/2013	RBS SECURITIES INC,	X X X	2,536,648	2,288,329	2,085	1FE
772739AJ7	ROCK TENN CO		03/22/2013	EXCHANGE OFFER	X X X	564,547	565,000	1,467	3FE
772739AL2	ROCK TENN CO		03/22/2013	EXCHANGE OFFER	X X X	479,159	480,000	1,372	3FE
772739AP3	ROCK TENN CO		03/22/2013	EXCHANGE OFFER	X X X	148,811	150,000	306	3FE
80283FAD8	SANTANDER DRIVE AUTO RECEIVABLES TRUST 2		01/09/2013	CITIGROUP GBL MKTS/S	X X X	1,174,805	1,175,000		1FE
87264MAB5	TRW AUTOMOTIVE INC		03/07/2013	J.P. MORGAN SECURITI	X X X	1,045,125	900,000	32,081	3FE
911365AY0	UNITED RENTALS NORTH AMERICA INC		01/10/2013	EXCHANGE OFFER	X X X	240,000	240,000	6,708	3FE
92937EAZ7	WFRBS COMMERCIAL MORTGAGE TRUST 2013-C11		01/28/2013	RBS SECURITIES INC,	X X X	2,523,466	2,450,000	2,299	1FE
98978VAA1	ZOETIS INC		01/17/2013	VARIOUS	X X X	930,952	925,000		2FE
03764DAA9	APIDOS CDO	F	03/15/2013	MERRILL LYNCH PIERCE	X X X	2,750,000	2,750,000		1FE
12549AAA8	CIFC FUNDING LTD	F	02/22/2013	J.P. MORGAN SECURITI	X X X	2,425,000	2,425,000		1FE
14310DAC1	CARLYLE GLOBAL MARKET STRATEGIES	F	03/19/2013	MORGAN STANLEY & CO	X X X	830,000	830,000		1FE
853254AJ9	STANDARD CHARTERED PLC	F	01/08/2013	MERRILL LYNCH PIERCE	X X X	943,913	945,000		1FE
3899999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	38,754,649	37,053,329	171,279	X X X
8399997 Subtotal - Bonds - Part 3					X X X	81,935,223	87,385,259	429,527	X X X
8399999 Subtotal - Bonds					X X X	81,935,223	87,385,259	429,527	X X X

SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Common Stocks - Industrial and Miscellaneous (Unaffiliated)									
037833100	APPLE INC		03/28/2013	OPPENHEIMER & CO INC	1,710.000	749,379	X X X		L
165167107	CHESAPEAKE ENERGY CORP COM		03/19/2013	OPPENHEIMER & CO INC	23,250.000	499,875	X X X		L
56035L104	MAIN STREET CAPITAL CORP		03/21/2013	OPPENHEIMER & CO INC	22,250.000	749,150	X X X		L
780259107	ROYAL DUTCH SHELL PLC	R	03/22/2013	OPPENHEIMER & CO INC	22,200.000	1,500,700	X X X		L
9099999 Subtotal - Common Stocks - Industrial and Miscellaneous (Unaffiliated)					X X X	3,499,104	X X X		X X X
Common Stocks - Mutual Funds									
06740C188	IPATH S&P 500 VIX SHORT-TERM FUTURES ETN		02/28/2013	OPPENHEIMER & CO INC	84,317.000	2,000,113	X X X		L
268461654	EGSHARES LOW VOLATILITY EMERGING MARKETS		03/21/2013	OPPENHEIMER & CO INC	20,000.000	397,000	X X X		L
464286319	ISHARES EMERGING MARKETS DIVIDEND INDEX		03/25/2013	OPPENHEIMER & CO INC	9,875.000	531,963	X X X		L
9299999 Subtotal - Common Stocks - Mutual Funds					X X X	2,929,076	X X X		X X X
9799997 Subtotal - Common Stocks - Part 3					X X X	6,428,180	X X X		X X X
9799999 Subtotal - Common Stocks					X X X	6,428,180	X X X		X X X
9899999 Subtotal - Preferred and Common Stocks					X X X	6,428,180	X X X		X X X
9999999 Total - Bonds, Preferred and Common Stocks					X X X	88,363,403	X X X	429,527	X X X

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

SCHEDULE D - PART 4
Show All Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed of
During the Current Quarter

QE05

1	2	3 F o r e i g n	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		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																						
36200BZY6	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	15	15	16	15						15					10/01/2032	1	
36202DT76	GINNIE MAE II POOL		03/13/2013	VARIOUS	X X X	7,086,720	6,020,688	6,493,252	6,254,028			(20,624)	(20,624)		6,233,404			853,316	853,316	109,806	08/01/2032	1
36202EQZ5	GINNIE MAE II POOL		03/01/2013	PAYDOWN	X X X	132,265	132,265	137,231	133,469		(1,203)		(1,203)		132,265					1,249	01/01/2038	1
36202EUU1	GINNIE MAE II POOL		03/01/2013	PAYDOWN	X X X	122,810	122,810	128,657	123,807		(997)		(997)		122,810					1,205	07/01/2038	1
36202FKP0	GINNIE MAE II POOL		02/01/2013	VARIOUS	X X X	3,464,378	3,134,798	3,358,153	3,234,521		(8,827)		(8,827)		3,225,694		238,684	238,684	26,983	09/01/2040	1	
36202FMB9	GINNIE MAE II POOL		03/22/2013	VARIOUS	X X X	6,645,174	6,092,036	6,648,886	6,479,500		(66,965)		(66,965)		6,412,535		232,639	232,639	82,231	11/01/2040	1	
36202K5J0	GINNIE MAE II POOL		03/01/2013	PAYDOWN	X X X	827	827	845	838		(11)		(11)		827					2	08/01/2026	1
36202KM77	GINNIE MAE II POOL		03/01/2013	PAYDOWN	X X X	2,909	2,909	2,975	2,943		(34)		(34)		2,909					9	08/01/2024	1
36202KY33	GINNIE MAE II POOL		03/01/2013	PAYDOWN	X X X	221	221	225	224		(2)		(2)		221					1	03/01/2026	1
36203LDU3	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	15	15	17	16		(1)		(1)		15						08/01/2023	1
36203PBX0	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	48	48	52	50		(3)		(3)		48					1	02/01/2024	1
36203PDP5	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	23	23	25	24		(1)		(1)		23						04/01/2024	1
36203PTR4	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	6	6	7	6						6						08/01/2023	1
36203RZ36	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	8	8	9	8						8						09/01/2023	1
36204EQ34	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	3	3	3	3						3						09/01/2023	1
36206GMA5	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	28	28	31	30		(2)		(2)		28						12/01/2025	1
36206PWY2	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	100	100	109	104		(4)		(4)		100					1	09/01/2025	1
36207BA42	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	711	711	777	741		(31)		(31)		711					8	02/01/2029	1
36207KRU6	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	1,839	1,839	1,971	1,846		(7)		(7)		1,839					18	06/01/2014	1
36207N5D2	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	7,435	7,435	7,968	7,467		(32)		(32)		7,435					76	03/01/2014	1
36208EUT8	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	8	8	9	9						8						01/01/2028	1
36208YN21	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	154	154	169	164		(10)		(10)		154					2	02/01/2028	1
36209VHV9	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	2,083	2,083	2,275	2,175		(92)		(92)		2,083					24	09/01/2028	1
36209YWP9	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	7,645	7,645	8,321	8,183		(538)		(538)		7,645					43	10/01/2031	1
3620ALT33	GINNIE MAE I POOL		02/01/2013	VARIOUS	X X X	2,844,574	2,604,337	2,793,966	2,704,052		(16,589)		(16,589)		2,687,462		157,112	157,112	22,026	08/01/2040	1	
3620C4ZQ6	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	105,216	105,216	111,792	109,892		(4,676)		(4,676)		105,216					835	11/01/2025	1
36210BUA1	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	7,124	7,124	7,635	7,149		(25)		(25)		7,124					61	03/01/2014	1
36210EKY4	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	2,264	2,264	2,427	2,269		(5)		(5)		2,264					22	01/01/2014	1
36210FEM4	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	2,910	2,910	3,179	3,001		(92)		(92)		2,910					34	10/01/2028	1
36210HFZ0	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	365	365	400	391		(26)		(26)		365					4	09/01/2029	1
36210NC72	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	59	59	64	61		(2)		(2)		59					1	05/01/2029	1
36210PWK6	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	2,540	2,540	2,722	2,548		(8)		(8)		2,540					26	03/01/2014	1
36210SQE1	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	1,414	1,414	1,547	1,461		(47)		(47)		1,414					14	08/01/2029	1
36210TXN1	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	358	358	392	384		(26)		(26)		358					4	08/01/2029	1
36210VLE9	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	602	602	645	603		(1)		(1)		602					6	03/01/2014	1
36213N4S2	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	208	208	227	209						208					2	09/01/2031	1
36223Q2T3	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	23	23	25	24		(1)		(1)		23						12/01/2022	1
36224GBK3	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	61	61	67	63		(3)		(3)		61					1	12/01/2022	1
36225AQ37	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	150	150	165	157		(7)		(7)		150					2	12/01/2023	1
36241KCE6	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	440,815	440,815	471,452	453,708		(12,893)		(12,893)		440,815					5,314	10/01/2034	1
36291XPV5	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	222,604	222,604	232,073	226,943		(4,340)		(4,340)		222,604					2,140	05/01/2035	1
36297GPQ7	GINNIE MAE I POOL		03/01/2013	PAYDOWN	X X X	130,996	130,996	137,014	135,977		(4,980)		(4,980)		130,996					824	09/01/2040	1
38373MTT7	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION		03/01/2013	PAYDOWN	X X X	125,043	125,043	131,681	129,192		(4,149)		(4,149)		125,043					1,544	12/01/2027	1
912828FY1	UNITED STATES TREASURY NOTE/BOND		01/03/2013	BNP PARIBAS SEC BOND	X X X	1,288,827	1,115,000	1,228,501	1,178,024		(129)		(129)		1,177,895		110,931	110,931	7,123	11/15/2016	1	
912828RH5	UNITED STATES TREASURY NOTE/BOND		03/22/2013	MERRILL LYNCH PIERCE	X X X	2,536,778	2,475,000	2,464,075	2,465,835		362		362		2,466,197		70,581	70,581	16,455	09/30/2018	1	
912828TN0	UNITED STATES TREASURY NOTE/BOND		03/22/2013	BNP PARIBAS SEC BOND	X X X	5,200,576	5,250,000	5,239,541	5,239,907		341		341		5,240,248		(39,672)	(39,672)	29,817	08/31/2019	1	
0599999 Subtotal - Bonds - U.S. Governments					X X X	30,388,932	28,013,765	29,621,573	28,912,021		(146,680)		(146,680)		28,765,340		1,623,591	1,623,591	307,914	X X X	X X X	
Bonds - U.S. Political Subdivisions of States, Territories and Possessions																						
797646NQ5	CITY & COUNTY OF SAN FRANCISCO		02/01/2013	RBC CAPITAL MARKETS	X X X	2,114,545	1,700,000	1,713,209	1,712,248		(133)		(133)		1,712,115		402,430	402,430	12,958	06/15/2026	1FE	
2499999 Subtotal - Bonds - U.S. Political Subdivisions of States, Territories and Possessions					X X X	2,114,545	1,700,000	1,713,209	1,712,248		(133)		(133)		1,712,115		402,430	402,430	12,958	X X X	X X X	
Bonds - U.S. Special Revenue, Special Assessment																						
235036QX1	DALLAS/FORT WORTH																					
	INTERNATIONAL AIRPORT		03/13/2013	FIDELITY CAP MKTS (D	X X X	1,033,097	1,015,000	1,015,000	1,015,000						1,015,000		18,097	18,097	7,252	11/01/2014	1FE	
31283H6G5	FREDDIE MAC GOLD POOL		03/22/2013	VARIOUS	X X X	597,530	548,547	570,996	555,867		(1,499)		(1,499)		554,368		43,162	43,162	9,033	02/01/2035	1	

SCHEDULE D - PART 4
Show All Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed of
During the Current Quarter

QE05.1

1	2	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Designation or Market Indicator (a)
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V.	15 Total Foreign Exchange Change in B./A.C.V.							
3128E2RS7	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	23.635	23.635	24.660	23.923		(288)		(288)		23.635				187	03/01/2023	1
3128M1PC7	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	49.674	49.674	51.871	50.214		(540)		(540)		49.674				413	06/01/2021	1
3128M74G8	FREDDIE MAC GOLD POOL		02/01/2013	VARIOUS	X X X	1,761,276	1,638,522	1,773,956	1,710,115		(10,612)		(10,612)		1,699,503		61,773	61,773	15,328	02/01/2040	1
3128PSSB4	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	24.023	24,023	24,680	24,483		(460)		(460)		24,023				141	10/01/2025	1
3128PSW94	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	113.390	113,390	119,910	117,720		(4,330)		(4,330)		113,390				756	10/01/2025	1
31292SANO	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	380.034	380,034	392,786	391,953		(11,919)		(11,919)		380,034				1,795	09/01/2042	1
3129352V0	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	375.971	375,971	395,415	383,925		(7,954)		(7,954)		375,971				4,093	09/01/2039	1
3129406F1	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	183.107	183,107	192,462	190,334		(7,227)		(7,227)		183,107				1,670	06/01/2040	1
3129413W5	FREDDIE MAC GOLD POOL		03/22/2013	VARIOUS	X X X	1,133,457	1,009,633	1,084,725	1,068,757		(3,041)		(3,041)		1,065,717		67,740	67,740	17,512	08/01/2040	1
312942C94	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	102.237	102,237	107,421	106,379		(4,142)		(4,142)		102,237				405	09/01/2040	1
312942D44	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	735.171	735,171	775,835	763,765		(28,594)		(28,594)		735,171				6,744	09/01/2040	1
312942NR2	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	69.437	69,437	74,397	72,760		(3,324)		(3,324)		69,437				826	09/01/2040	1
312942PV1	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	18.097	18,097	19,049	18,835		(738)		(738)		18,097				137	09/01/2040	1
312942TL9	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	205.191	205,191	215,002	212,441		(7,250)		(7,250)		205,191				2,236	10/01/2040	1
312942X48	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	154.683	154,683	163,566	160,709		(6,025)		(6,025)		154,683				762	10/01/2040	1
312942YC3	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	10.719	10,719	11,546	11,285		(567)		(567)		10,719				89	10/01/2040	1
312943J38	FREDDIE MAC GOLD POOL		03/22/2013	VARIOUS	X X X	4,189,466	3,871,599	4,021,018	3,985,973		(5,871)		(5,871)		3,980,102		209,364	209,364	48,566	10/01/2040	1
312943NH2	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	18.601	18,601	19,784	19,619		(1,018)		(1,018)		18,601				133	11/01/2040	1
312943QJ5	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	6.037	6,037	6,470	6,345		(308)		(308)		6,037				51	11/01/2040	1
3129453S5	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	320.884	320,884	312,912	314,811		6,074		6,074		320,884				1,864	03/01/2041	1
312972VN9	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	100.529	100,529	104,975	102,071		(1,543)		(1,543)		100,529				677	01/01/2020	1
3132HRNG1	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	6.889	6,889	7,090		(202)			(202)		6,889				17	01/01/2043	1
3132J6HR8	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	X X X	8.008	8,008	8,242		(235)			(235)		8,008				20	02/01/2043	1
3135G0AK9	FEDERAL NATIONAL MORTGAGE ASSOCIATION		02/26/2013	VARIOUS	X X X	14,252,072	14,250,000	14,346,287	14,259,452		(8,102)		(8,102)		14,251,351		721	721	51,104	02/26/2013	1
31363WHM0	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	86	86	96	91		(4)		(4)		86				1	04/01/2021	1
31371GMV9	FANNIE MAE POOL		02/01/2013	PAYDOWN	X X X	306	306	322	306						306				2	03/01/2013	1
31379XH40	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	268	268	283	268						268				3	06/01/2013	1
3137A7JU5	FHLMC MULTIFAMILY STRUCTURED PASS THROUGH		03/22/2013	GOLDMAN SACHS & CO.	X X X	1,309,666	1,175,000	1,200,336	1,187,968		(1,285)		(1,285)		1,186,683		122,983	122,983	14,444	11/01/2017	1
3137A7JV3	FHLMC MULTIFAMILY STRUCTURED PASS THROUGH		03/01/2013	PAYDOWN	X X X			2,075	1,078		(42)		(42)		10,604				62	11/01/2017	1
31381QWY8	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	10.604	10,604	10,748	10,672		(69)		(69)		10,604				72	04/01/2018	1
31389AEL3	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	206	206	208	208		(2)		(2)		206				2	01/01/2017	1
31389FYZ9	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	219	219	232	222		(3)		(3)		219				2	01/01/2017	1
31389HU22	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	87	87	92	88		(1)		(1)		87				1	01/01/2017	1
31390DU93	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	10,994	10,994	11,649	11,204		(209)		(209)		10,994				141	10/01/2017	1
31390Y5M6	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	1,104	1,104	1,170	1,114		(10)		(10)		1,104				10	10/01/2017	1
31391EC41	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	2,783	2,783	2,949	2,831		(47)		(47)		2,783				26	10/01/2017	1
31391EHN4	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	11,794	11,794	12,496	11,967		(173)		(173)		11,794				107	10/01/2017	1
31391EN98	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	2,086	2,086	2,210	2,116		(30)		(30)		2,086				19	10/01/2017	1
31391GY59	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	10,491	10,491	11,116	10,680		(188)		(188)		10,491				98	11/01/2017	1
31391HFF6	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	21,166	21,166	22,427	21,426		(260)		(260)		21,166				265	10/01/2017	1
31391JFL9	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	885	885	937	896		(11)		(11)		885				8	10/01/2017	1
31391KLP0	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	1,366	1,366	1,447	1,383		(18)		(18)		1,366				13	10/01/2017	1
31391KY35	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	3,318	3,318	3,515	3,377		(59)		(59)		3,318				30	10/01/2017	1
31391MN82	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	14,671	14,671	15,557	14,853		(183)		(183)		14,671				133	01/01/2018	1
31392GVX0	FANNIE MAE REMIC TRUST 2003-W1		03/01/2013	PAYDOWN	X X X	4,471	4,471	4,771	4,691		(220)		(220)		4,471				48	12/01/2042	1
31393DUJ3	FANNIE MAE REMIC TRUST 2003-W10		03/01/2013	PAYDOWN	X X X	144,600	144,600	145,684	145,355		(755)		(755)		144,600				1,268	06/01/2043	1
31400AAL2	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	6,850	6,850	7,254	6,950		(100)		(100)		6,850				58	03/01/2018	1
31400EON3	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	9,697	9,697	10,274	9,824		(127)		(127)		9,697				76	03/01/2018	1
31400V6V9	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	2,652	2,652	2,810	2,683		(30)		(30)		2,652				23	02/01/2018	1
31401DEL1	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	6,173	6,173	6,540	6,269		(96)		(96)		6,173				56	04/01/2018	1
31402VFH8	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	885	885	937	899		(14)		(14)		885				9	09/01/2018	1
31402X3Z7	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	3,647	3,647	3,862	3,720		(73)		(73)		3,647				32	10/01/2018	1
31403FYV0	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	4,007	4,007	4,243	4,075		(68)		(68)		4,007				29	11/01/2018	1
31403L2H3	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	316	316	335	320		(4)		(4)		316				3	10/01/2018	1
31403RKJ6	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	4,797	4,797	5,079	4,885		(88)		(88)		4,797				42	11/01/2018	1
31403UZN4	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	11,838	11,838	12,510	12,070		(231)		(231)		11,838				109	08/01/2019	1
31403XYW9	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	9,621	9,621	10,167	9,807		(186)		(186)		9,621				105	04/01/2019	1
31404KNK5	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	1,140	1,140	1,204	1,157		(18)		(18)		1,140				10	08/01/2019	1
31405DV46	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	925	925	977	943		(18)		(18)		925				8	07/01/2019	1
31405F4E9	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	12,173	12,173	12,863	12,396		(223)		(223)		12,173				90	09/01/2019	1
31405PQR4	FANNIE MAE POOL		03/01/2013	PAYDOWN	X X X	1,533	1,533	1,620	1,556		(23)		(23)		1,533				18	09/01/2019	1

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

1	2	3 F o r e i g n	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		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 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)
31409XG1 31416WSA6 31416WSF0 31417KYR2 31419AUPO 31419CYH0 31419DEB3 31419ETQ2 31419HA28 31419HEX6 31419KEM3 31419KK61 35562TAG7 646139W35	FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FANNIE MAE POOL FREMF MORTGAGE TRUST NEW JERSEY STATE TURNPIKE AUTHORITY		03/22/2013 03/01/2013 03/01/2013 03/01/2013 02/01/2013 03/01/2013 03/01/2013 03/01/2013 03/01/2013 03/01/2013 03/01/2013 03/01/2013 03/01/2013 03/01/2013	VARIOUS PAYDOWN PAYDOWN PAYDOWN VARIOUS PAYDOWN PAYDOWN PAYDOWN PAYDOWN PAYDOWN PAYDOWN PAYDOWN PAYDOWN	X X	399,337 187,747 13,818 231,755 3,750,565 34,029 115,777 271,317 141,715 51,081 44,911 253,653	367,384 187,747 14,544 231,755 3,415,746 34,029 115,777 271,317 141,715 51,081 44,911 253,653	386,289 193,731 14,253 244,103 3,777,068 36,352 121,856 290,606 150,727 54,337 47,862 261,659 8,478	374,707 192,100 14,253 237,326 3,638,355 35,447 120,400 284,354 147,249 53,068 47,157 258,017 5,547		(1,594) (4,353) (435) (5,572) (21,360) (1,418) (4,622) (13,037) (5,535) (1,987) (2,246) (4,364) (134)		(1,594) (4,353) (435) (5,572) (21,360) (1,418) (4,622) (13,037) (5,535) (1,987) (2,246) (4,364) (134)	373,113 187,747 13,818 231,755 3,616,995 34,029 115,777 271,317 141,715 51,081 44,911 253,653		26,224 133,571 	26,224 133,571 	6,656 644 104 2,543 35,231 284 461 1,632 867 343 338 1,666 285	06/01/2036 11/01/2040 09/01/2040 08/01/2039 05/01/2038 09/01/2040 09/01/2040 09/01/2025 11/01/2025 11/01/2025 11/01/2025 11/01/2025 07/01/2048	1 1 1 1 1 1 1 1 1 1 1 1 1	
66285WFB7 67756A2K7	NORTH TEXAS TOLLWAY AUTHORITY OHIO HIGHER EDUCATIONAL FACILITY COMMISS		03/21/2013 03/21/2013 02/01/2013	RAYMOND JAMES/FI.SAI RAYMOND JAMES/FI.SAI RBC CAPITAL MARKETS	X X X X X X X X X	1,305,243 1,076,904 1,502,515	900,000 800,000 1,430,000	991,422 790,976 1,430,000	989,414 791,174 1,430,000		(420) (98)		(420) (98)	988,994 791,076 1,430,000		316,249 285,828 72,515	316,249 285,828 72,515	48,932 39,412 23,107	01/01/2040 01/01/2040 01/01/2017	1FE 1FE 1FE	
3199999 Subtotal - Bonds - U.S. Special Revenue, Special Assessment					X X X	36,881,007	34,991,306	36,171,070	35,695,652		(181,758)		(181,758)	35,522,781		1,358,227	1,358,227	351,739	X X X	X X X	
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
01381TAV3 02209SAN3 02687ABT3	ALCOA INC ALTRIA GROUP INC AMERICAN INTERNATIONAL GROUP INC		01/29/2013 03/21/2013 03/21/2013	MORGAN STANLEY & CO CITIGROUP GBL MKTS/S GOLDMAN SACHS & CO,	X X X X X X X X X	1,051,710 1,792,043 940,811	1,005,000 1,835,000 725,000	1,003,472 1,832,945 865,476	1,003,579 1,832,984 835,502		11 38 (3,989)		11 38 (3,989)	1,003,590 1,833,022 831,513		48,120 (40,979) 109,298	48,120 (40,979) 109,298	15,899 32,831 36,552	04/15/2021 08/09/2022 08/15/2018	2FE 2FE 2FE	
03064MAD0 031162BL3 04044TAC0 04044TAJ5 053332AK8 054937AE7 06050SAU8 06050HXW3	AMERICREDIT AUTOMOBILE RECEIVABLES TRUST AMGEN INC EXPRESS SCRIPTS HOLDING CO EXPRESS SCRIPTS HOLDING CO AUTOZONE INC BB&T CORP BANK OF AMERICA CORP BANK OF AMERICA MORTGAGE 2002-K TRUST		03/21/2013 03/19/2013 01/11/2013 01/11/2013 03/21/2013 03/21/2013 03/21/2013	NOMURA SECS INTL INC VARIOUS EXCHANGE OFFER EXCHANGE OFFER MITSUBISHI UFJ SECUR STERNE AGEE & LEACH RBC CAPITAL MARKETS	X X	2,844,930 2,415,334 1,174,708 852,667 2,743,236 2,222,660 1,596,960	2,811,000 2,300,000 1,175,000 870,000 2,525,000 2,000,000 1,500,000	2,796,945 2,277,437 1,174,683 851,269 2,768,536 2,204,880 1,428,360	2,804,961 2,282,227 1,174,710 852,618 2,656,233 2,123,852 1,472,101		1,104 961 (3) 49 (14,702) (9,394) 3,286		1,104 961 (3) 49 (14,702) (9,394) 3,286	2,806,064 2,283,188 1,174,708 852,667 2,641,531 2,114,458 1,475,387		38,865 132,145 6,397 13,761 101,705 108,202 121,573	38,865 132,145 6,397 13,761 101,705 108,202 121,573	18,297 20,077 6,397 13,761 100,825 26,578 27,760	02/08/2016 11/15/2016 11/15/2016 02/15/2022 01/15/2015 12/23/2015 11/15/2014	1FE 2FE 2FE 2FE 2FE 1FE 1FE	
07385TAJ5 07388NAE6	BEAR STEARNS COS LLC/THE BEAR STEARNS COMMERCIAL MORTGAGE SECURIT		03/01/2013 02/22/2013	PAYDOWN BARCLAYS CAP/FIXED I	X X X X X X	318 812,505	318 750,000	278 780,570	297 761,600		22 (943)		22 (943)	318 760,657		51,848	51,848	1 12,113	10/01/2032 11/15/2014	1FM 1FE	
105340AK9 111621AG3	BRANDYWINE OPERATING PARTNERSHIP LP BROCADE COMMUNICATIONS SYSTEMS INC		03/26/2013 02/21/2013	VARIOUS CALL 103.313	X X X X X X	2,701,294 2,489,843	2,400,000 2,410,000	2,719,584 2,528,000	2,586,452 2,492,509		(13,518) (2,666)		(13,518) (2,666)	2,572,934 2,489,843		128,360	128,360	55,250 95,798	05/15/2015 01/15/2018	2FE 3FE	
125509BR9 12623SAE0	CIGNA CORP COMMERCIAL MORTGAGE PASS THROUGH CERTIFI		02/01/2013 03/21/2013	MERRILL LYNCH PIERCE NOMURA SECS INTL INC	X X X X X X	2,352,988 664,792	2,236,000 665,000	2,236,301 681,574	2,236,200 681,499		(17) (348)		(17) (348)	2,236,183 681,151		116,804 (16,359)	116,804 (16,359)	13,494 5,835	11/15/2016 12/01/2045	2FE 1FE	
12624QA4R 12624VAA0 126650BP4 12669FKS1	COMM 2012-CORE4 MORTGAGE TRUST CPS AUTO TRUST CVS PASS-THROUGH TRUST CHL MORTGAGE PASS-THROUGH TRUST 2004-2		03/21/2013 03/21/2013 03/15/2013 03/10/2013	DEUTSCHE BANC ALEX B PAYDOWN SINKING PAYMENT	X X X X X X X X X	2,246,551 116,014 23,867	2,230,000 116,014 23,867	2,285,727 116,000 24,822	2,285,065 116,001 24,761		(1,146) 14 (894)		(1,146) 14 (894)	2,283,919 116,019 23,867		(37,368) 	(37,368) 	20,147 288 241	10/01/2045 03/16/2020 12/10/2028	1FM 1FE 2FE	
13134YAD9 140420MV9 144141CZ9	CALPINE CONSTRUCTION FINANCE CO LP / CCF CAPITAL ONE BANK USA NA CAROLINA POWER & LIGHT CO		03/26/2013 02/11/2013 03/21/2013	HSBC SECS INC, NEW Y EXCHANGE OFFER GOLDMAN SACHS & CO,	X X X X X X X X X	2,621,875 3,042,833 3,134,140	2,500,000 2,200,000 2,610,000	2,717,938 2,776,770 2,791,056	2,622,632 2,670,734 2,741,225		(13,295) (6,872) (4,588)		(13,295) (6,872) (4,588)	2,609,337 2,663,862 2,736,637		12,538 378,971 397,503	12,538 378,971 397,503	65,000 124,764 96,063	06/01/2016 07/15/2019 01/15/2019	3FE 2FE 1FE	
20030NAC5 200340AL1 205887BR2 209111EX7	CITIGROUP INC COMCAST CORP COMERICA INC CONAGRA FOODS INC CONSOLIDATED EDISON CO OF NEW YORK INC		02/22/2013 03/21/2013 03/25/2013 02/01/2013	VARIOUS SEAPORT GROUP SECS L KEYBANC CAPITAL MARK RAYMOND JAMES/FI.SAI	X X X X X X X X X X X X	1,553,853 1,094,734 2,785,717 345,952	1,400,000 825,000 2,600,000 345,000	1,474,116 916,608 2,693,780 344,151	1,471,495 912,667 2,693,780 344,151		(619) (439) (9,281)		(619) (439) (9,281)	1,470,875 912,229 2,684,498 344,151		82,978 182,505 101,219 1,801	82,978 182,505 101,219 1,801	35,000 30,697 50,670 276	01/14/2022 03/15/2033 05/01/2015 01/25/2023	1FE 1FE 2FE 2FE	
21036PAJ7 210805BU0	CONSTELLATION BRANDS INC CONTINENTAL AIRLINES 1997-4 CLASS A PASS		03/21/2013 02/20/2013	US BANCORP INVESTMEN CALL 100	X X X X X X	3,176,050 195,000	2,500,000 195,000	2,884,575 195,000	2,770,981 195,000		(8,586)		(8,586)	2,762,396 195,000		413,655	413,655	80,354 4,660	04/01/2019 03/01/2023	1FE 3FE	
22404BS5	COX COMMUNICATIONS INC		01/02/2013 03/21/2013	SINKING PAYMENT WELLS FARGO SECURITI	X X X X X X	69,465 2,989,343	69,465 2,450,000	73,659 2,743,682	72,729 2,677,581		(3,263) (8,840)		(3,263) (8,840)	69,465 2,668,741		320,602	320,602	2,397 48,490	01/02/2018 06/01/2018	2FE 2FE	

QE05.3

SCHEDULE D - PART 4
Show All Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed of
During the Current Quarter

1	2	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Designation or Market Indicator (a)
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11 + 12 - 13)	15 Total Foreign Exchange Change in B./A.C.V.							
22540V4S8	CREDIT SUISSE FIRST BOSTON																				
22541Q2A9	MORTGAGE SECURITIZATION TRUST 2007-TOPT2		03/01/2013	PAYDOWN	16	16	14	14				2	2		16					06/01/2032	1FM
22541SAJ7	CREDIT SUISSE FIRST BOSTON		02/01/2013	PAYDOWN	10,665	10,665	9,038	9,734			931		931		10,665				27	01/01/2034	1FM
25459HAV7	MORTGAGE SECURITIZATION TRUST 2007-TOPT2		03/01/2013	PAYDOWN	21,768	21,768	16,908	18,309			3,459		3,459		21,768				135	02/01/2034	1FM
254683AC9	DIRECTV HOLDINGS LLC / DIRECTV FINANCING		03/25/2013	HSBC SECS INC, NEW YORK	2,068,441	1,970,000	1,945,986	1,954,314			1,154		1,154		1,955,467		112,974	112,974	38,135	02/15/2016	2FE
26441CAD7	DISCOVER CARD MASTER TRUST		03/21/2013	VARIOUS	8,380,351	7,000,000	7,795,156	7,234,615			(33,590)		(33,590)		7,201,026		1,179,326	1,179,326	90,400	03/16/2020	1FE
26882PBB7	DUKE ENERGY CORP		03/25/2013	J.P. MORGAN SECURITIES	3,054,791	2,600,000	2,709,746	2,689,248			(2,659)		(2,659)		2,686,590		368,202	368,202	70,391	09/15/2019	2FE
29358QAB5	ERAC USA FINANCE LLC		03/25/2013	US BANCORP INVESTMENT	2,912,570	2,425,000	2,729,580	2,652,791			(10,327)		(10,327)		2,642,464		270,106	270,106	69,997	10/15/2017	2FE
30219GAC2	ENSCO PLC	E	03/25/2013	VARIOUS	2,472,772	2,325,000	2,307,307	2,313,223			880		880		2,314,103		158,671	158,671	40,124	03/15/2016	2FE
316773CK4	EXPRESS SCRIPTS HOLDING CO		03/21/2013	BARCLAYS CAP/FIXED INCOME	1,263,959	1,175,000	1,174,708			15		15	15		1,174,723		89,236	89,236	14,851	11/15/2016	2FE
336161AM6	FIFTH THIRD BANCORP		03/21/2013	VARIOUS	2,945,870	2,750,000	2,761,358	2,757,315			(528)		(528)		2,756,786		189,084	189,084	64,520	01/25/2016	2FE
345370CA6	FIRST REPUBLIC MORTGAGE LOAN TRUST 2000-		03/15/2013	PAYDOWN	53,132	53,132	43,197	46,941			6,191		6,191		53,132				75	11/15/2030	1FM
40414LAA7	FORD MOTOR CO		03/21/2013	BNY CAPITAL MARKETS	635,250	500,000	550,000	547,871			(367)		(367)		547,504		87,746	87,746	25,868	07/16/2031	2FE
41283LAA3	HCP INC		03/21/2013	WELLS FARGO SECURITIES	637,403	525,000	590,730	575,190			(2,078)		(2,078)		573,112		64,290	64,290	22,961	01/30/2018	2FE
45660NRL1	HARLEY-DAVIDSON FINANCIAL SERVICES INC		03/25/2013	MITSUBISHI UFJ SECURITIES	2,040,331	1,900,000	1,898,860	1,899,177			116		116		1,899,293		141,038	141,038	39,245	03/15/2016	2FE
50076QAF3	RESIDENTIAL ASSET SECURITIZATION TRUST 2		03/01/2013	PAYDOWN	38,322	38,322	36,525	37,880			442		442		38,322				230	10/01/2018	1FM
50180LAC4	KRAFT FOODS GROUP INC		01/15/2013	EXCHANGE OFFER	604,778	610,000	604,510	604,765			13		13		604,778				2,313	06/06/2022	2FE
53117CAN2	LB-UBS COMMERCIAL MORTGAGE TRUST 2008-C1		03/21/2013	MERRILL LYNCH PIERCE	4,149,703	3,450,000	3,856,992	3,807,021			(7,385)		(7,385)		3,799,636		350,067	350,067	61,357	04/11/2041	1FM
532457BB3	LIBERTY PROPERTY LP		03/21/2013	WELLS FARGO SECURITIES	846,104	800,000	798,440	798,501			2		2		798,503		47,601	47,601	9,167	06/15/2022	2FE
576433JK3	ELI LILLY & CO		03/21/2013	MERRILL LYNCH PROFES	3,737,130	3,225,000	3,363,159	3,306,513			(3,964)		(3,964)		3,302,549		434,581	434,581	88,508	03/15/2017	1FE
59018YSU6	MASTR ADJUSTABLE RATE MORTGAGES TRUST 20		03/01/2013	PAYDOWN	2,415	2,415	1,786	2,027			388		388		2,415				13	01/01/2034	1FM
59156RAN8	MERRILL LYNCH & CO INC		03/21/2013	WELLS FARGO SECURITIES	3,106,950	3,000,000	2,908,710	2,975,825			4,960		4,960		2,980,785		126,165	126,165	96,667	02/03/2014	1FE
61754JAF5	METLIFE INC		03/21/2013	MERRILL LYNCH PIERCE	299,728	275,000	265,284	270,570			378		378		270,949		28,779	28,779	3,819	06/15/2015	1FE
64952WBC6	MORGAN STANLEY CAPITAL I TRUST 2007-TOPT2		03/21/2013	CREDIT SUISSE, NEW YORK	4,180,376	3,575,000	3,962,245	3,906,514			(6,839)		(6,839)		3,899,674		280,702	280,702	63,971	06/01/2042	1FM
652482CB4	NEW YORK LIFE GLOBAL FUNDING		02/01/2013	STIFEL NICOLAUS	2,282,184	2,175,000	2,170,737	2,171,920			71		71		2,171,991		110,193	110,193	29,604	07/14/2016	1FE
67019EAB3	NEWS AMERICA INC		03/21/2013	SUMMIDGE PARTNERS LLC	984,690	875,000	864,035	865,293			233		233		865,526		119,164	119,164	24,063	02/15/2021	2FE
693476BJ1	NSTAR LLC		03/25/2013	SOUTHWEST SECURITIES	410,029	357,000	360,416	359,567			(79)		(79)		359,488		50,541	50,541	5,935	11/15/2019	2FE
709599AG9	PNC FUNDING CORP		03/21/2013	CORTVIEW CAPITAL LLC	2,199,338	1,875,000	1,961,719	1,942,830			(1,921)		(1,921)		1,940,909		258,428	258,428	60,592	02/08/2020	1FE
74432QAJ4	PENSKE TRUCK LEASING CO LP / PTL FINANCE		03/21/2013	J.P. MORGAN SECURITIES	382,633	376,000	375,853	375,885			11		11		375,897		6,736	6,736	6,580	07/11/2014	2FE
747262AC7	PRUDENTIAL FINANCIAL INC		03/25/2013	KEYBANC CAPITAL MARK	913,559	811,000	880,316	856,432			(3,214)		(3,214)		853,218		60,341	60,341	23,913	03/15/2016	2FE
772739AH1	QVC INC		03/21/2013	WELLS FARGO SECURITIES	1,115,958	1,075,000	1,140,738	1,117,084			(3,078)		(3,078)		1,114,007		1,951	1,951	34,042	02/15/2017	2FE
772739AK4	ROCK TENN CO		03/22/2013	EXCHANGE OFFER	564,547	565,000	564,486	564,516			31		31		564,547				14,038	03/01/2019	3FE
772739AM0	ROCK-TENN CO		03/22/2013	EXCHANGE OFFER	479,159	480,000	479,088	479,125			34		34		479,159				13,132	03/01/2022	3FE
78442FEH7	ROCK-TENN CO		03/22/2013	EXCHANGE OFFER	148,811	150,000	148,736	148,775			36		36		148,811				2,785	03/01/2020	3FE
81743WAA9	SLM CORP		02/28/2013	PENSERRA SECURITIES	2,101,156	1,775,000	1,957,183	1,918,973			(4,133)		(4,133)		1,914,840		186,316	186,316	33,331	06/15/2018	2FE
85590AAN4	SEQUOIA MORTGAGE TRUST 5		03/19/2013	PAYDOWN	1,364	1,364	1,035	1,229			135		135		1,364				4	10/19/2026	1FM
863579AX6	STARWOOD HOTELS & RESORTS WORLDWIDE INC		02/13/2013	SEAPORT GROUP SECS LLC	1,096,506	875,000	1,030,313	1,015,465			(2,362)		(2,362)		1,013,102		83,404	83,404	13,555	12/01/2019	2FE
86358HNX3	STRUCTURED ADJUSTABLE RATE MORTGAGE LOAN		03/01/2013	PAYDOWN	10,829	10,829	9,262	10,188			642		642		10,829				40	09/01/2034	1FM
86358RKT3	STRUCTURED ASSET MORTGAGE INVESTMENTS TR		03/19/2013	PAYDOWN	481	481	338	398			83		83		481				1	09/19/2032	1FM
86358RL21	STRUCTURED ASSET SEC CORP		03/01/2013	PAYDOWN	73	73	64	69			4		4		73					10/01/2031	1FM
86358RUH8	STRUCTURED ASSET SECURITIES CORP MORTGAG		03/25/2013	PAYDOWN	275	275	196	224			51		51		275					01/25/2033	1FM
86359ASF1	STRUCTURED ASSET SEC CORP		03/01/2013	PAYDOWN	77	77	69	74			3		3		77					02/01/2032	1FM
86359AVX8	MORT PASS THRO		03/01/2013	PAYDOWN	17,247	17,247	11,892	13,471			3,776		3,776		17,247				216	04/01/2033	1FM
86359BPD7	STRUCTURED ASSET SECURITIES CORP MORTGAG		03/01/2013	PAYDOWN	49,176	49,176	43,060	47,549			1,627		1,627		49,176				201	04/01/2033	1FM
	STRUCTURED ADJUSTABLE RATE MORTGAGE LOAN		03/01/2013	PAYDOWN	67,210	67,210	52,509	60,001			7,209		7,209		67,210				588	04/01/2034	1FM

SCHEDULE D - PART 4
Show All Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed of
During the Current Quarter

1	2	3 F o r e i g n	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	Description		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 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)
867914AZ6	SUNTRUST BANKS INC		03/25/2013	SUNTRUST ROBINSON HU	X X X	2,981,924	2,525,000	2,732,915	2,680,537			(7,115)	(7,115)	(7,115)	2,673,421		308,503	308,503	82,904	09/11/2017	2FE
88732JAP3	TIME WARNER CABLE INC		03/21/2013	WELLS FARGO SECURITI	X X X	1,390,704	1,050,000	1,323,221	1,268,759			(7,233)	(7,233)	(7,233)	1,261,526		129,178	129,178	56,401	02/14/2019	2FE
90321NAA0	UNITED RENTALS NORTH AMERICA INC		01/10/2013	EXCHANGE OFFER	X X X	240,000	240,000	240,000	240,000						240,000				6,708	07/15/2018	3FE
92935JAE5	WFRBS COMMERCIAL MORTGAGE TRUST 2011-C2		03/01/2013	PAYDOWN	X X X			5,221	5,173			(10)	(10)	(10)					174	02/01/2044	1FE
92936TAA0	WFRBS COMMERCIAL MORTGAGE TRUST 2012-C7		02/01/2013	VARIOUS	X X X	2,075,868	1,986,186	2,005,976	2,005,106			(348)	(348)	(348)	2,004,758		71,110	71,110	7,971	06/01/2045	1FM
92936YAK7	WFRBS COMMERCIAL MORTGAGE TRUST 2012-C8		03/01/2013	PAYDOWN	X X X			6,330	6,311			(12)	(12)	(12)					181	08/01/2045	1FE
94973VAR8	WELLPOINT INC		03/21/2013	MORGAN STANLEY & CO	X X X	748,692	600,000	709,176	687,145			(2,923)	(2,923)	(2,923)	684,223		64,469	64,469	25,667	02/15/2019	2FE
959802AQ2	WESTERN UNION CO/THE		03/21/2013	TIMBER HILL LLC/IB C	X X X	488,534	480,000	479,117	479,130			62	62	62	479,191		9,343	9,343	3,325	12/10/2015	2FE
3899999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	118,093,099	105,282,989	111,780,122	108,379,149			(169,858)	(169,858)	(169,858)	109,716,683		8,376,416	8,376,416	2,348,169	X X X	X X X
8399997 Subtotal - Bonds - Part 4					X X X	187,477,583	169,988,060	179,285,974	174,699,070			(498,429)	(498,429)	(498,429)	175,716,919		11,760,664	11,760,664	3,020,780	X X X	X X X
8399999 Subtotal - Bonds					X X X	187,477,583	169,988,060	179,285,974	174,699,070			(498,429)	(498,429)	(498,429)	175,716,919		11,760,664	11,760,664	3,020,780	X X X	X X X
Common Stocks - Mutual Funds																					
06740C188	IPATH S&P 500 VIX SHORT-TERM FUTURES ETN		02/26/2013	OPPENHEIMER & CO INC	41,917,000	1,046,644	X X X	1,000,338							1,000,338		46,306	46,306	X X X	L	
9299999 Subtotal - Common Stocks - Mutual Funds					X X X	1,046,644	X X X	1,000,338							1,000,338		46,306	46,306	X X X	X X X	
9799997 Subtotal - Common Stocks - Part 4					X X X	1,046,644	X X X	1,000,338							1,000,338		46,306	46,306	X X X	X X X	
9799999 Subtotal - Common Stocks					X X X	1,046,644	X X X	1,000,338							1,000,338		46,306	46,306	X X X	X X X	
9899999 Subtotal - Preferred and Common Stocks					X X X	1,046,644	X X X	1,000,338							1,000,338		46,306	46,306	X X X	X X X	
9999999 Total - Bonds, Preferred and Common Stocks					X X X	188,524,227	X X X	180,286,312	174,699,070			(498,429)	(498,429)	(498,429)	176,717,257		11,806,970	11,806,970	3,020,780	X X X	X X X

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

E06 Schedule DB Part A Section 1 NONE

E07 Schedule DB Part B Section 1 NONE

E08 Schedule DB Part D Section 1 NONE

E09 Schedule DB Part D Section 2 - Collateral Pledged By Reporting Entity NONE

E09 Schedule DB Part D Section 2 - Collateral Pledged To Reporting Entity NONE

E10 Schedule DL - Part 1 - Securities Lending Collateral Assets NONE

E11 Schedule DL - Part 2 - Securities Lending Collateral Assets 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
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
HSBC	New York, NY						3,639,680	5,391,280	38,025,128	X X X
Bank of NY Mellon Corp	Pittsburgh, PA								1,639	X X X
0199998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (see Instructions) - open depositories			X X X	X X X						X X X
0199999 Totals - Open Depositories			X X X	X X X			3,639,680	5,391,280	38,026,767	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (see Instructions) - suspended depositories										
			X X X	X X X						X X X
0299999 Totals - Suspended Depositories			X X X	X X X						X X X
0399999 Total Cash On Deposit			X X X	X X X			3,639,680	5,391,280	38,026,767	X X X
0499999 Cash in Company's Office			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash			X X X	X X X			3,639,680	5,391,280	38,026,767	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
U.S. Governments - Issuer Obligations							
UNITED STATES TREASURY BILL		02/05/2013 ...	0.000	05/02/2013 ...	9,499,505		862
UNITED STATES TREASURY BILL		03/06/2013 ...	0.000	05/30/2013 ...	7,498,986		430
UNITED STATES TREASURY BILL		01/16/2013 ...	0.000	04/11/2013 ...	999,980		151
UNITED STATES TREASURY BILL		01/24/2013 ...	0.000	04/18/2013 ...	11,249,669		1,308
UNITED STATES TREASURY BILL		01/30/2013 ...	0.000	04/25/2013 ...	1,499,942		149
UNITED STATES TREASURY BILL		02/20/2013 ...	0.000	05/09/2013 ...	2,749,731		305
UNITED STATES TREASURY BILL		02/25/2013 ...	0.000	05/16/2013 ...	11,748,420		1,233
UNITED STATES TREASURY BILL		03/26/2013 ...	0.000	06/13/2013 ...	11,648,342		193
0199999 Subtotals - U.S. Governments - Issuer Obligations					56,894,575		4,631
0599999 Subtotals - U.S. Governments					56,894,575		4,631
5599999 Subtotals - Parent, Subsidiaries and Affiliates Bonds							
8399999 Subtotals - Bonds					56,894,575		4,631
8499999 Sweep Accounts							
8599999 Other Cash Equivalents							
8699999 Total - Cash Equivalents					56,894,575		4,631

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