PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

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QUARTERLY STATEMENT

AS OF March 31, 2013

OF THE CONDITION AND AFFAIRS OF THE

SYNCORA GUARANTEE INC.

NAIC Group Code 4676 (Current Period), 4676 (Prior Period) NAIC Company Code 20311 Employer's ID Number 13-3635895

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 07/25/1991 Commenced Business 01/01/1992

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	Thomas Stanley Norsworthy	Coleman DeVane Ross
Robert Wright Shippee	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? Yes[X] No[ ]
b. If no, 1. State the amendment number ______
2. Date filed ______
3. Number of pages attached ______

(Notary Public Signature)

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	632,556,258		632,556,258	581,352,360
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	52,373,463		52,373,463	51,492,025
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 $...............0 encumbrances)				
5. Cash ($......32,664,065), cash equivalents ($......31,995,726) and short-term investments ($......20,909,558)	85,569,349		85,569,349	76,656,238
6. Contract loans (including $...............0 premium notes)				
7. Derivatives	4,464,313		4,464,313	
8. Other invested assets	185,818,175		185,818,175	172,526,855
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)	960,781,558		960,781,558	882,027,478
13. Title plants less $...............0 charged off (for Title insurers only)				
14. Investment income due and accrued	2,099,594		2,099,594	3,114,753
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	5,334,643	1,679,092	3,655,551	4,074,858
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $...............0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	368,225		368,225	443,121
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($...............0)				
22. Net adjustments in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	68,536,866	68,137,720	399,146	102,162
24. Health care ($...............0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	209,027,656	1,500,000	207,527,656	210,091,635
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,246,148,542	71,316,812	1,174,831,730	1,099,854,007
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. TOTAL (Lines 26 and 27)	1,246,148,542	71,316,812	1,174,831,730	1,099,854,007
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. Securities and other acquired in satisfaction of claims	197,331,723		197,331,723	197,648,390
2502. Collateral deposit	5,900,000		5,900,000	8,400,000
2503. Bank of NY/Mellon-Indemnification	3,781,986		3,781,986	3,781,893
2598. Summary of remaining write-ins for Line 25 from overflow page	2,013,947	1,500,000	513,947	261,352
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	209,027,656	1,500,000	207,527,656	210,091,635

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31, Prior Year
1.	Losses (current accident year $...............0)	224,873,406	152,656,946
2.	Reinsurance payable on paid losses and loss adjustment expenses	(1,542,694)	(1,482,036)
3.	Loss adjustment expenses	56,524,286	56,901,189
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	26,265,378	25,093,359
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	289,076	106,795
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 $.....293,768,583 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)	220,888,984	222,419,482
10.	Advance premium		
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)	298,513	85,862
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)	428,000	442,400
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates	16,134,720	25,659,851
20.	Derivatives		
21.	Payable for securities	4,419,568	
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	109,403,271	107,311,472
26.	TOTAL liabilities excluding protected cell liabilities (Lines 1 through 25)	657,982,508	589,195,320
27.	Protected cell liabilities		
28.	TOTAL liabilities (Lines 26 and 27)	657,982,508	589,195,320
29.	Aggregate write-ins for special surplus funds		
30.	Common capital stock	15,000,000	15,000,000
31.	Preferred capital stock	200,000,000	200,000,000
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes	584,334,000	584,334,000
34.	Gross paid in and contributed surplus	2,046,972,151	2,046,972,151
35.	Unassigned funds (surplus)	(2,329,456,929)	(2,335,647,464)
36.	Less treasury stock, at cost:		
	36.1 ....0 shares common (value included in Line 30 $...............0)		
	36.2 ....655 shares preferred (value included in Line 31 $...............0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36)	516,849,222	510,658,687
38.	TOTALS (Page 2, Line 28, Col. 3)	1,174,831,730	1,099,854,007
DETAILS OF WRITE-INS			
2501.	Mandatory contingency reserve for adverse losses	108,028,901	104,825,792
2502.	Deferred gain	1,374,370	2,485,680
2503.			
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	109,403,271	107,311,472
2901.			
2902.			
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

			1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
		UNDERWRITING INCOME			
1.		Premiums earned			
	1.1	Direct (written $.......4,752,761)	14,627,161	14,126,151	77,829,640
	1.2	Assumed (written $.......3,449,016)	3,758,303	4,397,542	27,375,946
	1.3	Ceded (written $.......2,243,562)	10,896,751	10,727,517	57,523,525
	1.4	Net (written $.......5,958,215)	7,488,713	7,796,176	47,682,061
DEDUCTIONS:					
2.		Losses incurred (current accident year $...............0)			
	2.1	Direct	4,695,413	(3,218,664)	(264,806,498)
	2.2	Assumed	195,970	2,134,000	5,777,659
	2.3	Ceded		(120,780)	(82,351)
	2.4	Net	4,891,383	(963,884)	(258,946,488)
3.		Loss adjustment expenses incurred	3,714,552	16,284,211	23,930,487
4.		Other underwriting expenses incurred	8,410,650	6,369,021	28,418,841
5.		Aggregate write-ins for underwriting deductions	(37,822)		
6.		TOTAL underwriting deductions (Lines 2 through 5)	16,978,763	21,689,348	(206,597,160)
7.		Net income of protected cells			
8.		Net underwriting gain or (loss) (Line 1 minus Line 6 + Line 7)	(9,490,050)	(13,893,172)	254,279,221
		INVESTMENT INCOME			
9.		Net investment income earned	3,883,373	9,440,949	41,571,407
10.		Net realized capital gains (losses) less capital gains tax of $...............0	1,469,703	(5,227,941)	(22,526,186)
11.		Net investment gain (loss) (Lines 9 + 10)	5,353,076	4,213,008	19,045,221
		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	295,306	3,954,737	12,587,078
15.		TOTAL other income (Lines 12 through 14)	295,306	3,954,737	12,587,078
16.		Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(3,841,668)	(5,725,427)	285,911,520
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)	(3,841,668)	(5,725,427)	285,911,520
19.		Federal and foreign income taxes incurred	(7,941,318)	(4,238,009)	(21,926,393)
20.		Net income (Line 18 minus Line 19) (to Line 22)	4,099,650	(1,487,418)	307,837,913
		CAPITAL AND SURPLUS ACCOUNT			
21.		Surplus as regards policyholders, December 31 prior year	510,658,687	186,071,015	186,071,015
22.		Net income (from Line 20)	4,099,650	(1,487,418)	307,837,913
23.		Net transfers (to) or from Protected Cell accounts			
24.		Change in net unrealized capital gains or (losses) less capital gains tax of $...............0	14,172,758	5,347,609	42,569,193
25.		Change in net unrealized foreign exchange capital gain (loss)			
26.		Change in net deferred income tax			
27.		Change in nonadmitted assets	(7,794,477)	311,375	(35,621,758)
28.		Change in provision for reinsurance	14,400	(30,000)	(160,400)
29.		Change in surplus notes			(40,666,000)
30.		Surplus (contributed to) withdrawn from Protected cells			
31.		Cumulative effect of changes in accounting principles			
32.		Capital changes:			
	32.1	Paid in			
	32.2	Transferred from surplus (Stock Dividend)			
	32.3	Transferred to surplus			
33.		Surplus adjustments:			
	33.1	Paid in			40,666,000
	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	(4,301,796)	2,823,981	9,962,724
38.		Change in surplus as regards policyholders (Lines 22 through 37)	6,190,535	6,965,547	324,587,672
39.		Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	516,849,222	193,036,562	510,658,687
DETAILS OF WRITE-INS					
0501.		(Gain)/Loss on commutation	(37,822)		
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)	(37,822)		
1401.		Default interest forbearance fees and other	295,306	3,954,737	12,587,078
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)	295,306	3,954,737	12,587,078
3701.		Mandatory contingency reserves for adverse losses	(3,203,109)	3,006,690	(120,157)
3702.		Unrealized gain/(loss) derivative asset	(1,098,687)	(182,709)	19,958,482
3703.		Expense allocation true-up			(3,940,225)
3798.		Summary of remaining write-ins for Line 37 from overflow page			(5,935,376)
3799.		TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(4,301,796)	2,823,981	9,962,724

CASH FLOW

		1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
	Cash from Operations			
1.	Premiums collected net of reinsurance	6,543,130	7,646,744	28,480,335
2.	Net investment income	3,872,691	6,391,143	30,147,705
3.	Miscellaneous income	295,306	3,954,737	12,587,078
4.	TOTAL (Lines 1 to 3)	10,711,127	17,992,624	71,215,118
5.	Benefit and loss related payments	(67,339,315)	38,110,167	(202,106,692)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7.	Commissions, expenses paid and aggregate write-ins for deductions	11,142,633	6,047,157	58,068,397
8.	Dividends paid to policyholders			
9.	Federal and foreign income taxes paid (recovered) net of $..............0 tax on capital gains (losses)	1		(15,792,727)
10.	TOTAL (Lines 5 through 9)	(56,196,681)	44,157,324	(159,831,022)
11.	Net cash from operations (Line 4 minus Line 10)	66,907,808	(26,164,700)	231,046,140
	Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:			
	12.1 Bonds	47,495,952	37,042,009	392,666,595
	12.2 Stocks			
	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	175	(41,952)	(42,543)
	12.7 Miscellaneous proceeds	4,419,568	8,918,199	
	12.8 TOTAL investment proceeds (Lines 12.1 to 12.7)	51,915,695	45,918,256	392,624,052
13.	Cost of investments acquired (long-term only):			
	13.1 Bonds	97,283,142	88,335,035	657,457,287
	13.2 Stocks			
	13.3 Mortgage loans			
	13.4 Real estate			
	13.5 Other invested assets			
	13.6 Miscellaneous applications	5,563,000		1,450,552
	13.7 TOTAL investments acquired (Lines 13.1 to 13.6)	102,846,142	88,335,035	658,907,839
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)	(50,930,447)	(42,416,779)	(266,283,787)
	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)	(7,064,250)	(6,701,895)	(6,321,748)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	(7,064,250)	(6,701,895)	(6,321,748)
	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)	8,913,111	(75,283,374)	(41,559,395)
19.	Cash, cash equivalents and short-term investments:			
	19.1 Beginning of year	76,656,238	118,215,633	118,215,633
	19.2 End of period (Line 18 plus Line 19.1)	85,569,349	42,932,259	76,656,238

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

20.0001	Transfer of Surplus Notes			40,666,000

Notes to Financial Statement

1. Summary of Significant Accounting Policies:

A. Accounting Practices

Syncora Guarantee Inc. (the "Company" or "Syncora Guarantee"), a New York domiciled financial guarantee insurance 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 (deficit) between the amounts reported in the financial statements (NY Basis) and NAIC SAP follow:

	State of Domicile	Three Months 2013	Year Ended 2012
NET INCOME			
(1) Syncora Guarantee Inc. state basis (Page 4, Line 20, Columns 1 & 3)	NY	$ 4,099,650	$ 307,837,913
(2) State Prescribed Practices that increase/(decrease) NAIC SAP:		-	-
(3) State Permitted Practices that increase/(decrease) NAIC SAP: **(c)**	NY	4,513,329	415,114,164
(4) NAIC SAP	NY	$ 8,612,979	$ 722,952,077
		March 31, 2013	**December 31, 2012**
SURPLUS			
(5) Syncora Guarantee Inc. state basis (Page 3, Line 37, Columns 1 & 2)	NY	$ 516,849,222	$ 510,658,687
(6) State Prescribed Practices that increase/(decrease) NAIC SAP:			
(a)		-	-
(b)	NY	(359,074,517)	(358,626,654)
(7) State Permitted Practices that increase/(decrease) NAIC SAP:			
(c)	NY	(2,240,651,119)	(2,245,164,448)
(d)		-	-
(8) NAIC SAP	NY	$ (2,082,876,414)	$ (2,093,132,415)

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 a share of an insurer is limited to a stipulated percentage of policyholders' surplus, and investments in certain securities (including the Uninsured Cash Flow Certificates and Replacement Bank Warrants (see Notes 21.I. and 25.(c), respectively)) are also subject to limitations. In connection with the 2009 Master Transaction Agreement (2009 MTA) discussed in Note 21.I, the NYDFS permitted the Company to admit these assets notwithstanding the otherwise applicable limitations. As of March 31, 2013 and December 31, 2012, there were no 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 $359.1 million and $358.6 million, respectively, in the aggregate, of contingency reserves on terminated policies, and policies on which the Company has established case 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 de-recognize reserves for unpaid losses, unearned premium reserve and contingency reserves relating to, and expense payments (which are reflected in "Losses incurred" on the Statement of Income) made to effect, certain transactions executed in connection with its continued remediation efforts described in Note 21.I. and 25.(d) 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 or an affiliate of 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 reserve and contingency reserves (as of the date of the effective defeasance or, in-substance commutations) aggregated $6.1 billion, $4.0 million and $3.1 million, respectively.

(d) The NYDFS granted the Company a permitted practice to value the surplus notes issued by the Company in settlement of certain policy obligations in connection with 2009 MTA (see Note 21.I.) at original face value of $625.0 million in the aggregate, as compared to the estimated fair value thereof, that the Company would otherwise have been required to reflect such surplus notes in accordance with NAIC SAP. 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. During the year ended December 31, 2012, the Company received in the aggregate $40.7 million of its short and long-term surplus notes, which was reflected as a reduction of the original face of $625.0 million and a corresponding increase to gross paid in and contributed surplus. See Note 13.K. and 21.C. for further discussion.

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 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 were no business combinations 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 for the three months ended March 31, 2013 other-than-temporary impairments for loan-backed and structured securities because the Company had either the intent to sell the securities or the inability, or lack of intent to retain the securities for a period of time sufficient to recover the amortized cost basis (see Note 21.H.).

	(1) Amortized Cost before Other-Than Temporary Impairment	(2) Other-Than Temporary Impairment	(3) Fair Value (1)-(2)
OTTI recognized 1st quarter:			
a. Intent to sell	$ -	$ -	$ -
b. Inability or lack of intent to retain investment in the security for a period of time sufficient to recover the amortized cost basis	56,234,769	168,436	56,066,333
c. Total 1st quarter	$ 56,234,769	$ 168,436	$ 56,066,333

Notes to Financial Statement

The following table summarizes other-than-temporary impairments for loan-backed and structured securities held at March 31, 2013, recorded based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost of these securities:

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
00205BAA6	3,016,915	3,008,036	8,879	3,008,036	3,008,036	3/31/2013
02005ADF2	1,277,029	1,274,796	2,233	1,274,796	1,274,796	3/31/2013
02005XAC2	2,553,892	2,553,213	679	2,553,213	2,553,213	3/31/2013
041239CL6	2,213,322	2,208,205	5,117	2,208,205	2,208,205	3/31/2013
09657YAC6	1,324,821	1,324,165	656	1,324,165	1,324,165	3/31/2013
12622DAA2	2,880,388	2,869,865	10,523	2,869,865	2,869,865	3/31/2013
12624FAC1	1,663,829	1,663,368	461	1,663,368	1,663,368	3/31/2013
12624PAA3	1,176,645	1,175,361	1,284	1,175,361	1,175,361	3/31/2013
12667FB46	102,894	79,181	23,713	79,181	79,181	3/31/2013
17318UAA2	1,545,435	1,544,826	609	1,544,826	1,544,826	3/31/2013
233050AN3	3,091,601	3,074,722	16,879	3,074,722	3,074,722	3/31/2013
29372EAS7	969,927	969,748	179	969,748	969,748	3/31/2013
29372EAV0	2,799,708	2,797,984	1,724	2,797,984	2,797,984	3/31/2013
32058EAC7	1,444,944	1,443,844	1,100	1,443,844	1,443,844	3/31/2013
34529VAD4	3,105,118	3,103,759	1,359	3,103,759	3,103,759	3/31/2013
36228CTG8	531,894	529,033	2,861	529,033	529,033	3/31/2013
362334GR9	8,439	8,272	167	8,272	8,272	3/31/2013
36248EAA3	2,758,930	2,754,862	4,068	2,754,862	2,754,862	3/31/2013
396789JU4	1,389,733	1,371,058	18,675	1,371,058	1,371,058	3/31/2013
43814CAC3	2,784,871	2,782,494	2,377	2,782,494	2,782,494	3/31/2013
44890JAC3	1,999,951	1,999,480	471	1,999,480	1,999,480	3/31/2013
46634NAA4	864,896	860,399	4,497	860,399	860,399	3/31/2013
477867AD7	4,083,581	4,078,520	5,061	4,078,520	4,078,520	3/31/2013
52518RBX3	2,737	651	2,086	651	651	3/31/2013
61745MW41	1,344,818	1,334,409	10,409	1,334,409	1,334,409	3/31/2013
80282GAE5	2,225,621	2,225,576	45	2,225,576	2,225,576	3/31/2013
86359BLS8	93,456	74,342	19,114	74,342	74,342	3/31/2013
89235YAD7	2,100,937	2,100,651	286	2,100,651	2,100,651	3/31/2013
92867LAC6	2,999,063	2,996,790	2,273	2,996,790	2,996,790	3/31/2013
92887DAC0	1,889,689	1,889,684	5	1,889,684	1,889,684	3/31/2013
929766R54	1,989,685	1,969,039	20,646	1,969,039	1,969,039	3/31/2013
Total	$ 56,234,769	$ 56,066,333	$ 168,436	$ 56,066,333	$ 56,066,333	

Pursuant to the 2009 MTA, a significant amount of the Company's investments in bonds were transferred to a newly formed, wholly-owned financial guarantee insurance subsidiary of the Company, Syncora Capital Assurance, in connection with its initial capitalization, as well as in consideration for certain reinsurance and novation transactions between the Company and Syncora Capital Assurance (see Note 10). In accordance with Statement of Statutory Accounting Principles ("SSAP") No. 25, "Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties" ("SSAP 25"), bonds transferred to effect the aforementioned reinsurance and novation transactions were transferred at fair value, as such transactions constitute economic transactions as defined in SSAP 25. The gains on bonds transferred to effect the reinsurance and novation transactions, however, are deferred by the Company and recognized on a basis consistent with the amortization of the individual securities or upon their sale, paydown or disposal. In contrast, any losses on bonds transferred by the Company to effect the reinsurance and novations transactions are immediately recognized by the Company under NAIC SAP. As of the effective date of the aforementioned reinsurance and novation transactions, the Company had recorded deferred gains of $22.1 million on bonds transferred to Syncora Capital Assurance. Primarily as a result of sales of securities by Syncora Capital Assurance, the Company amortized or recognized approximately $1.1 million and $0.1 million of such deferred gains, which are recorded in "Net realized capital gains (losses)" on the accompanying Statement of Income for the three months ended March 31, 2013 and 2012, respectively. As of March 31, 2013 and December 31, 2012, the remaining balance of the aforementioned deferred gains was $1.4 million and $2.5 million, respectively, which are recorded in "Aggregate write-ins for liabilities" on the accompanying Statement of Assets, Liabilities, Surplus and Other Funds.

Bonds transferred by the Company to effect Syncora Capital Assurance's capitalization constitute non-economic transactions as defined in SSAP 25. SSAP 25 requires that the Company record the transfer of such bonds at the lower of existing book value or fair value at the date of the transactions. The fair value of such transferred securities exceeded their book value by $28.3 million (the "Non-Economic Unrealized Gain") as of the date of transfer. However, because Syncora Capital Assurance is required to record the transferred bonds at fair value, the carrying value of the Company's investment in Syncora Capital Assurance must be adjusted at the measurement date, as described in Note 10, to exclude the remaining balance of the Non-Economic Unrealized Gain that has not been realized through sale, paydown, disposition or yield amortization since the date of transfer. As of March 31, 2013 and December 31, 2012, the remaining Non-Economic Unrealized Gain was $0.0 million and $0.1 million, respectively.

6. Joint Ventures, Partnerships and Limited Liability Companies:

The Company had no investments in Joint Ventures, Partnerships or Limited Liability Companies.

Notes to Financial Statement

7. Investment Income:

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

8. Derivative Instruments:

During the three months ended March 31, 2013, the Company entered into a derivative transaction at a fixed cost of $5.6 million (see"Miscellaneous Applications" in the accompanying Cash Flow statement) to economically hedge certain interest rate risk associated with certain of its insured exposures. Such derivative transaction serves to limit the Company's exposures should three-month LIBOR rates increase above certain set cap rates between March 2013 and June 2018. In accordance with SSAP No. 86 - "Accounting for Derivative Instruments and Hedging Activities", derivative instruments are recorded at fair value with changes in fair value recorded as unrealized gains and losses, which are included in unassigned funds (surplus). For the three months ended March 31, 2013, the Company recorded, in aggregate, an unrealized loss on the derivative of $1.1 million. As of March 31, 2013 and December 31, 2012, the Company recorded a derivative asset of $4.5 million and zero, respectively, which is included in "Derivatives" on the accompanying Statement of Assets, Liabilities, Surplus and Other Funds.

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 had no effect on the Company's financial statements.

The Company recorded a $7.9 million tax benefit for current Federal income taxes during the three months ended March 31, 2013 compared to a $4.2 million tax benefit during the three months ended March 31, 2012.

As of March 31, 2013, the Company has an admitted receivable from its parent of approximately $0.1 million (consisting of gross receivables of $48.9 million and non-admitted receivables of $48.8 million) relating to the utilization of its net operating losses to offset taxable income reported by Syncora Capital Assurance (both the Company and Syncora Capital Assurance are members of the parent's consolidated tax return group). This admitted receivable is reflected in "Receivables from parent, subsidiaries and affiliates" on the Statement of Assets, Liabilities, Surplus and Other Funds.

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 insufficient to support realization of Syncora Guarantee's net deferred tax assets, thus a full valuation allowance has been established against the deferred tax assets of Syncora Guarantee at March 31, 2013 and December 31, 2012 for $1.2 billion and $1.2 billion, respectively.

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Current income tax (benefit) provision	$ (7,941,318)	$ (4,238,009)
Prior year adjustments	-	-
Total current income tax (benefit) provision	$ (7,941,318)	$ (4,238,009)
Tax basis capital gains (benefit)	$ -	$ -
Prior year adjustments	-	-
Total tax basis capital gains provision (benefit)	$ -	$ -
Total current income tax (benefit) provision incurred	$ (7,941,318)	$ (4,238,009)

Operating loss carryforward

(1) At March 31, 2013, the Company had a Federal net operating loss carryforward of $3.2 billion available for Federal income tax purposes that will begin to expire in 2027 through 2033.

(2) There are no Federal ordinary or capital income taxes incurred that are available for recoupment in the event of future net losses.

The Company's significant net operating loss carryforwards are expected to reduce future tax liability that otherwise would be payable by the Company. The ability to utilize these net operating loss carryforwards would be limited in certain events, including if an "ownership change" under Section 382 of the Internal Revenue Code ("Section 382") were to occur. Section 382 limits the ability of a corporation that experiences an ownership change to utilize its net operating loss carryforwards and certain built-in losses after the ownership change. An ownership change is generally any change in ownership of more than 50 percentage points of a corporation's stock over a rolling 3-year period. These rules generally operate by focusing on ownership changes among shareholders owning directly or indirectly 5% or more of the stock of a corporation or any change in ownership arising from a new issuance of stock by the corporation. Generally under Section 382, in the event of an ownership change, the amount of taxable income that a corporation can offset by its "pre-change losses" (which include its net operating loss carryforwards) is restricted to an annual amount equal to the equity value of the corporation immediately prior to the ownership change multiplied by the long-term tax-exempt rate.

Notes to Financial Statement

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. These amounts are funded quarterly in arrears into the tax escrow account. As of March 31, 2013 and December 31, 2012, the Company had a non-admitted current Federal income tax receivable from Syncora Holdings US Inc. of $48.8 million and $40.7 million, respectively.

10. Information Concerning Parent, Subsidiaries and Affiliates:

Ownership of the Company

All outstanding shares of the Company are owned by Syncora Holdings US Inc., a Delaware corporation and all of the outstanding shares of Syncora Holdings US Inc. are owned by Syncora Holdings Ltd. ("Syncora Holdings"), (formerly known as Security Capital Assurance Ltd), a Bermuda-based holding company.

The Company's Ownership of its Subsidiaries

The Company is 100% owner of two insurance companies (i) Syncora Guarantee-UK, a company formed under the laws of England and (ii) Syncora Capital Assurance, a New York licensed financial guarantee insurer.

Syncora Capital Assurance

Syncora Capital Assurance is a wholly owned subsidiary of the Company domiciled and licensed as a financial guarantee insurance company in the State of New York. During July 2009 in connection with the 2009 MTA, the Company capitalized Syncora Capital Assurance with $541.5 million, consisting of cash and invested assets, in exchange for 100% of Syncora Capital Assurance's common stock and two surplus notes issued by Syncora Capital Assurance.

The Company recorded its initial investment in the surplus notes of Syncora Capital Assurance at the aggregate principal or face amount of $350.0 million. The remaining amount of capitalization of $191.5 million ($541.5 million less $350.0 million) was initially attributed to the carrying value of the Company's investment in the common shares of Syncora Capital Assurance.

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 Syncora Capital Assurance has sufficient free and divisible surplus to make such payment.

In the event Syncora Capital Assurance 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 Syncora Capital Assurance's stockholder.

The Company carries its investment in the common shares of Syncora Capital Assurance at an amount equal to its proportionate share of Syncora Capital Assurance's policyholders' surplus excluding the statutory carrying value of its surplus notes, and as adjusted to exclude the Non-Economic Unrealized Gain remaining at the measurement date as discussed in Note 5. To the extent that Syncora Capital Assurance reports a policyholders' deficit excluding the statutory carrying value of its surplus notes (and adjusted to exclude the Non-Economic Unrealized Gain), the Company will reduce the carrying value of its investment in Syncora Capital Assurance's common shares to zero. Any excess deficit will then serve to reduce the carrying value of Syncora Capital Assurance's surplus notes owned by the Company, but in no event by more than the par value or face amount of such surplus notes. Any such remaining deficit will be attributed to, and recorded as the carrying value of, the common shares of Syncora Capital Assurance owned by the Company to the extent of any capital support commitments the Company has to Syncora Capital Assurance (none as of March 31, 2013 and December 31, 2012).

As of March 31, 2013, Syncora Capital Assurance reported a policyholders' deficit excluding the statutory carrying value of its surplus notes of $14.1 million ($14.2 million as adjusted to reflect the effect of SSAP 25) as discussed in Note 5. Accordingly, as of March 31, 2013, the Company recorded the carrying value of its investment in Syncora Capital Assurance's common shares and surplus notes at zero and $185.8 million, respectively. As of December 31, 2012, Syncora Capital Assurance reported a policyholders' deficit excluding the statutory carrying value of its surplus notes of $27.4 million ($27.5 million as adjusted to reflect the effect of SSAP 25) as discussed in Note 5. Accordingly, as of December 31, 2012, the Company recorded the carrying value of its investment in Syncora Capital Assurance's common shares and surplus notes at zero and $172.5 million, respectively.

The Company has entered into a reinsurance agreement with Syncora Capital Assurance as described below under Reinsurance and Other Agreements.

Syncora Guarantee-UK

Syncora Guarantee-UK is a wholly owned subsidiary of the Company and is domiciled and licensed as a financial guarantee insurance company in England. On April 24, 2009, Syncora Guarantee-UK filed an application for a Variation of Permission with the Financial Services Authority ("FSA") to remove its authority "to effect new contracts of insurance." This application was approved by the FSA.

Notes to Financial Statement

As of March 31, 2013, the Company estimates that Syncora Guarantee-UK's margin of solvency was greater than 200% of the required minimum by approximately $30.1 million. As of March 31, 2013, Syncora Guarantee-UK is holding premiums aggregating $1.3 million pending transfer to the Company under the Reinsurance Agreement.

The Company has entered into a reinsurance agreement and a surplus maintenance agreement with Syncora Guarantee-UK as described below under Reinsurance and Other Agreements with Affiliates.

As of March 31, 2013 and December 31, 2012 the statement value for the Company's ownership interest in Syncora Guarantee-UK was $52.4 million and $51.5 million, respectively.

Reinsurance and Other Agreements with Affiliates

Agreements with or in respect of Syncora Capital Assurance

- On July 15, 2009, the Company and Syncora Capital Assurance entered into a quota share reinsurance agreement pursuant to which the Company ceded and Syncora Capital Assurance assumed certain of the Company's public finance business and certain of its global infrastructure business (the "Public Finance Reinsurance Agreement").

- On July 15, 2009, the Company and Syncora Capital Assurance entered into an assumption reinsurance and novation agreement (the "CDS Novation Agreement") pursuant to which the Company ceded and Syncora Capital Assurance assumed, through novation, certain of the Company's non-public finance and non-commuted policies on CDS contracts (the "Novated CDS Policies").

- On July 15, 2009, the Company issued back-up guarantees on the Novated CDS Policies (the "Back-Up Guarantees") which would cover claims on such policies to the extent not satisfied by Syncora Capital Assurance, subject to certain limitations and the right of the Company to defer any payment until July 15, 2014. No premium is required to be paid to the Company with respect to its back-up guarantees of the Novated CDS Policies.

- For the three months ended March 31, 2013 and 2012, ceded premiums aggregated $2.2 million and $3.8 million, respectively, which resulted in the recognition by the Company of ceding commission revenue of $0.4 million and $0.7 million for the same periods.

Agreements with or in respect of Syncora Guarantee-UK

- The Company has a quota share reinsurance agreement with Syncora Guarantee-UK pursuant to which the Company reinsures financial guarantee policies issued by Syncora Guarantee-UK and generally accepts 97% of each policy. Syncora Guarantee-UK is allowed up to a 30% ceding commission (or such other percentage determined on an arm's length basis) on ceded premiums written under the reinsurance agreement.

- The Company has, under a surplus maintenance agreement, agreed to provide Syncora Guarantee-UK with funds sufficient to maintain a minimum solvency margin equal to the greater of (i) $12.5 million or (ii) 200% of the required minimum margin of solvency mandated by Syncora Guarantee-UK's regulator in the United Kingdom, the FSA. See Note 21.H for risks and uncertainties regarding Syncora Guarantee-UK.

- The Company also, under an excess of loss reinsurance agreement, reinsures from Syncora Guarantee-UK, 100% of net incurred losses arising during the term of the agreement in excess of 10% of Syncora Guarantee-UK's capital and surplus. The Company's maximum liability under the excess of loss agreement is $50.0 million. The Company has not incurred any losses under its reinsurance agreements with Syncora Guarantee-UK since the inception of such agreements.

- For the three months ended March 31, 2013 and 2012, the Company recorded assumed premiums from Syncora Guarantee-UK of $1.8 million and $2.0 million, respectively.

Agreements with or in respect of various New York trusts

- 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 contracts issued by the related trust.

Agreements with or in respect of Syncora Guarantee Services

- 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 this agreement in the amount of $5.6 million and $5.1 million, respectively. As of March 31, 2013 and December 31, 2012, the Company had a receivable of approximately $6.3 million and $6.5 million, respectively from Syncora Guarantee Services that was recorded in "Receivables from parent, subsidiaries, and affiliates" on the Statement of Assets, Liabilities, Surplus and Other Funds; and was non-admitted as of March 31, 2013 and December 31, 2012.

Notes to Financial Statement

Agreements with or in respect of Syncora Bermuda Administrative

As of both March 31, 2013 and December 31, 2012, the Company had approximately $13.0 million of a non-admitted receivable due from Syncora Bermuda Administrative Ltd. ("Syncora Administrative"), a Bermuda-based, wholly-owned subsidiary of Syncora Holdings. This $13.0 million non-admitted receivable was returned to the Company in April 2013. These amounts are recorded in "Receivables from parent, subsidiaries, and affiliates" on the Statement of Assets, Liabilities, Surplus and Other Funds and were non-admitted as of March 31, 2013 and December 31, 2012.

Tax Sharing Agreement

See Note 9 for information regarding a tax sharing agreement and related escrow agreement which the Company is a party to along with certain of its affiliates.

11. Debt:

There has been no change from that discussed 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 discussed 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 with 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. As of March 31, 2013, the portion of unassigned funds (surplus) represented by or reduced by each item below is as follows:

a.	unrealized (gains) and losses:	$	204,379,774
b.	non-admitted asset values:	$	71,316,812
c.	provision for reinsurance:	$	428,000

K. Pursuant to the effective defeasance, or in-substance, commutation of certain of the Company's guarantees of CDS contracts issued by affiliates in connection with the 2009 MTA discussed in Note 21, the Company issued certain short-term and long-term surplus notes to the counterparties of such CDS contracts as summarized in the table below.

Payment of $150.0 million original principal balance of the short-term surplus notes issued by the Company, together with paid-in-kind interest of approximately $15.4 million and accrued and unpaid interest of $4.2 million, totaling approximately $169.6 million, was scheduled to be paid on December 28, 2011, subject to the satisfaction of certain conditions precedent, including without limitation, prior regulatory approval by the NYDFS which was not granted in December 2011. Further, in November 2012, Syncora Guarantee again sought approval for payment on its short-term surplus notes, and on November 8, 2012 the NYDFS did not approve such payment. Notwithstanding the Company's litigation settlement (the "Countrywide Settlement") with Countrywide Home Loans, Inc., Countrywide Securities Corp., and Countrywide Financial Corp. (collectively referred to as "Countrywide") and its remediation transactions, as discussed in Note 21.C., Syncora Guarantee remains exposed to significant risks and uncertainties that may materially and adversely affect its financial condition, liquidity position and ability to make payments on its surplus notes. Consequently, there is significant uncertainty and there can be no assurance as to whether and when the NYFDS will approve any future payments on the short-term or long-term surplus notes.

Although the terms of the short-term surplus notes do not require the Company to seek NYDFS approval for payments according to any schedule, the Company intends to seek approval for such payments on an annual basis.

Notes to Financial Statement

The table below sets forth the balances of the Company's surplus notes. For a discussion of the Company's receipt of its short-term and long-term surplus notes in connection with the Countrywide Settlement, see Note 21.C.

Date Issued	Interest Rate	Par Value (Face Amount of Notes) [c]	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
Surplus Notes held by third parties:							
7/15/2009	5.00% [a]	$ 144,197,488	$ 130,760,000	$ -	$ -	$ 155,399,897	12/28/2011
7/15/2009	6.00% [b]	558,355,894	453,574,000	-	-	-	6/27/2024
		$ 702,553,382	$ 584,334,000	$ -	$ -	$ 155,399,897	
Surplus Notes held by the Company:							
7/15/2009	5.00%	$ 21,217,189	$ 19,240,000	$ -	$ -	$ 22,865,509	12/28/2011
7/15/2009	6.00%	26,167,808	21,426,000	-	-	-	6/27/2024
		$ 47,384,997	$ 40,666,000	$ -	$ -	$ 22,865,509	
Total Surplus Notes:							
7/15/2009	5.00%	$ 165,414,677	$ 150,000,000	$ -	$ -	$ 178,265,406	12/28/2011
7/15/2009	6.00%	584,523,702	475,000,000	-	-	-	6/27/2024
		$ 749,938,379	$ 625,000,000	$ -	$ -	$ 178,265,406	

(a) Interest on the short-term surplus notes was payable semi-annually, on June 27th and December 28th of each year (commencing December 28, 2009). Such interest was payable in cash or in-kind at the election of the Company through June 27, 2011. Interest subsequent to June 27, 2011 was required to be paid in cash, subject in each case to the prior approval of the NYDFS. As described below, absent the satisfaction of the conditions to payment, including the approval of the NYDFS, the Company is not entitled to make payments on its surplus notes. Failure to make any payment as a result of the failure of any such condition (as in the present case) would not constitute a default thereunder. Accordingly, the interest not approved for payment by the NYDFS on December 28, 2011 will not be capitalized on the outstanding principal balance reflected above, but will accrue interest at the existing rate. The outstanding principal balance of the short-term surplus notes as of June 27, 2011 also will separately accrue interest at such rate. In addition to the unapproved interest noted above, for the three months ended March 31, 2013, incremental unpaid interest on short-term surplus notes was $2.1 million.

(b) 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, subject to the satisfaction of certain conditions, including the approval by the NYDFS 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.

(c) Includes interest paid-in-kind as of March 31, 2013 of $124.9 million.

Each payment of interest on (other than that paid-in-kind) or principal of the surplus notes is subject to restrictions under the terms of the surplus notes themselves and New York Insurance Law, including that such payments may only be made with the prior approval of the NYDFS and to the extent the Company has sufficient free and divisible surplus to make such payment. Absent the satisfaction of these conditions, the Company is not entitled to make any payments on its surplus notes.

Each of the surplus notes noted in the table above ranks *pari passu*. In the event the Company is subject to liquidation or other such proceeding, policyholder claims would be afforded greater priority than that of surplus noteholders, and the surplus noteholders' claims would be afforded greater priority than claims of the Company's stockholders.

14. Contingencies:

A. Contingent Commitments

As of both March 31, 2013 and December 31, 2012, the Company had $3.8 million on deposit with a bank that acts as the trustee of trusts established in connection with the effective commutation or, in-substance, defeasance of certain of the Company's insured residential mortgage-backed securities ("RMBS") (see Note 21.H.). This deposit serves to secure the Company's commitment to indemnify such bank in connection with any damages, as defined in the indemnification agreement, that the bank may suffer in conjunction with administering the aforementioned trusts. The deposit is recorded in "Aggregate write-ins for other than invested assets" on the Statement of Assets, Liabilities, Surplus and Other Funds.

B. Assessments

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

C. Gain Contingencies

Except for claims for fraud in the inducement, non-contractual and other claims in each case against one or more sponsors or other persons in connection with the Company's insured transactions, the Company has no material gain contingencies.

Notes to Financial Statement

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

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

E. Product Warranties

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

F. All Other Contingencies

The carrying value of the Company's investment in its subsidiaries is subject to certain risks and uncertainties. With respect to Syncora Guarantee-UK, see Note 21. H. regarding risks and uncertainties. Any reduction (or increase) in the carrying value of the Company's investment in its subsidiaries may materially affect the Company's policyholders' surplus. Reference should be made to Syncora Capital Assurance's March 31, 2013 Quarterly Statement and 2012 Annual Statement for information regarding Syncora Capital Assurance's risks and uncertainties.

The Company is not aware of any loss contingencies, except for: (i) provisions related to mark-to-market termination payments in certain of the Company's guarantees, which have been substantially eliminated as of July 15, 2009 in connection with the 2009 MTA discussed in Note 21.I. and (ii) certain litigation discussed in Note 21.J.

In the ordinary course of business, Syncora Guarantee is subject to litigation or other legal proceedings. See also Note 21.H. and J. for certain other contingencies.

15. Leases:

There has been no significant change from that discussed 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:

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 (see description of financial guarantee insurance and reinsurance in Note 21.J.). 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. The tables below exclude the Company's gross principal and interest exposure of $18.6 billion and $7.0 billion at March 31, 2013, respectively, (net principal and interest exposure of $18.6 billion and $7.0 billion at March 31, 2013, respectively) under the Back-Up Guarantees, which relate to policies novated by the Company to Syncora Capital Assurance (see Note 10).

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:

Bond Exposure

(U.S. dollars in millions)

	GPO(1)	GIO(1)	Total	NPO(1)	NIO(1)	Total
Public Finance						
Utility	$ 5,360	$ 3,075	$ 8,435	$ 589	$ 707	$ 1,296
General Obligation	11,806	4,698	16,504	336	134	470
Special Revenue	8,189	5,826	14,015	214	58	272
Appropriation	1,894	1,008	2,902	127	60	187
Non Ad Valorem	3,244	1,939	5,183	73	-	73
Total Public Finance	$ 30,493	$ 16,546	$ 47,039	$ 1,339	$ 959	$ 2,298
Asset-Backed Securities						
RMBS	$ 1,504	$ 325	$ 1,829	$ 1,494	$ 324	$ 1,818
Commercial ABS	244	27	271	245	26	271
Total Asset-Backed Securities	$ 1,748	$ 352	$ 2,100	$ 1,739	$ 350	$ 2,089
Collateralized Debt Obligations						
Cashflow CDO	$ 731	$ 59	$ 790	$ 731	$ 59	$ 790
Total Collateralized Debt Obligations	$ 731	$ 59	$ 790	$ 731	$ 59	$ 790
Structured Single Risk						
Global Infrastructure	$ 6,406	$ 3,048	$ 9,454	$ 5,818	$ 2,782	$ 8,600
Power & Utilities	5,973	5,926	11,899	3,895	4,460	8,355
Specialized Risk	1,171	395	1,566	1,171	395	1,566
Total Structured Single Risk	$ 13,550	$ 9,369	$ 22,919	$ 10,884	$ 7,637	$ 18,521
Total Outstanding	$ 46,522	$ 26,326	$ 72,848	$ 14,693	$ 9,005	$ 23,698

(1) 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)

	Scheduled Net Debt Service	NPIO[1]
2013 Q1	$ -	$ 23,698
2013 Q2	508	23,190
2013 Q3	218	22,972
2013 Q4	417	22,555
Total 2013	$ 1,143	
2014	$ 982	$ 21,573
2015	1,014	20,559
2016	1,520	19,039
2017	1,093	17,946
Total 2014-2017	$ 4,609	
2018-2022	$ 3,923	$ 14,023
2023-2027	2,714	11,309
2028-2032	1,318	9,991
2033 and thereafter	9,991	-
Total 2018-thereafter	$ 17,946	
Total	$ 23,698	

[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)

	GPO	NPO	% NPO
United States			
Alabama	$ 2,038	$ 910	6.2 %
Illinois	2,270	518	3.5
Puerto Rico	690	249	1.7
New Jersey	926	205	1.4
Other(1)	26,978	369	2.5
Non-PF Multi(2)(3)	2,445	2,435	16.6
Total United States	$ 35,347	$ 4,686	31.9 %
International			
United Kingdom	$ 5,540	$ 5,146	35.1 %
Australia	2,121	2,074	14.1
France	779	779	5.3
Chile	875	682	4.6
Spain	249	249	1.7
Canada	281	182	1.2
Italy	172	172	1.2
Other(1)	877	442	3.0
Non-PF Multi(2)(4)	281	281	1.9
Total International	$ 11,175	$ 10,007	68.1 %
Total Par Outstanding	$ 46,522	$ 14,693	100.0 %

(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 $1,554 million in ABS, $681 million in CDO and $200 million in SSR net par.
(4) Consists of $266 million in SSR and $15 million in CDO net par.

Exposure to Residential Mortgage Market

The Company is exposed to residential mortgages directly through its insurance guarantees of RMBS.

As of March 31, 2013, the Company's total net direct exposure to RMBS aggregated approximately $1.5 billion, representing approximately 10.1% of its total in-force guaranteed net principal outstanding at such date. The RMBS exposure consisted of various collateral types as set forth in the table below. The tables below also set forth the Company's internal ratings, as well as the ratings of certain rating agencies, of the insured transactions as of March 31, 2013.

Notes to Financial Statement

Exposure to RMBS

The following table presents the net principal outstanding for the Company's insured RMBS portfolio by type[(1)] of collateral as of March 31, 2013:

RMBS Exposure

(U.S. dollars in millions)

	NPO	% NPO
Prime (1st lien)	$ 42	2.8 %
Prime (2nd lien)	44	3.0
Prime (HELOC)	238	15.9
Alt-A (1st lien)	722	48.2
Alt-A (2nd lien)	14	1.0
Subprime (1st lien)	330	22.1
Subprime (2nd lien)	61	4.1
Subprime (1st lien) - International	43	2.9
Total RMBS Outstanding	$ 1,494	100.0 %

(1) Collateral type is defined as follows: Prime (1st lien) mortgage loans are secured by first liens on one-to-four family residential properties. The underwriting standards used to underwrite prime mortgage loans are the standards applied to the most creditworthy borrowers and are generally acceptable to Fannie Mae and Freddie Mac. Prime (2nd lien) mortgage loans are secured by 2nd liens on one-to-four family residential properties. The underwriting standards used to underwrite prime mortgage loans are the standards applied to the most creditworthy borrowers and are generally acceptable to Fannie Mae and Freddie Mac. This category also includes Alt-A (2nd lien) loans. HELOC is an adjustable rate line of credit secured by a second lien on residential properties. An Alt-A loan means a mortgage loan secured by first liens on residential properties, which is ineligible for purchase by Fannie Mae or Freddie Mac. Subprime (1st lien) mortgage loans are secured by first liens on residential properties to non-prime borrowers. The underwriting standards used to underwrite subprime mortgage loans are less stringent than the standards applied to the most creditworthy borrowers and less stringent than the standards generally acceptable to Fannie Mae and Freddie Mac with regard to the borrower's credit standing and repayment ability. Subprime (2nd lien) mortgage loans are secured by second liens on residential properties to non-prime borrowers. See Subprime (1st lien) for a description of the underwriting standards. Subprime (1st lien) – International mortgage loans are secured by first liens on residential properties to non-prime borrowers located outside the United States.

The following table presents the net principal outstanding and net case basis reserves for unpaid losses for the Company's insured RMBS portfolio by year of origination (year the guarantee was underwritten and issued) as of March 31, 2013:

RMBS Exposure

(U.S. dollars in millions)

	2004	2005	2006	2007	Total
Prime/Alt-A	$ 168	$ 66	$ 126	$ 700	$ 1,060
Subprime	60 (1)	106	-	268	434
Total RMBS Outstanding	$ 228	$ 172	$ 126	$ 968	$ 1,494

(1) Includes $0.1 million relating to business underwritten and issued in 1999.

(U.S. dollars in millions)					
Net case reserves for unpaid losses	$ 26	$ 66	$ 10	$ 11	$ 113

The following tables show the Company's current internal and rating agency ratings on all of the Company's direct RMBS exposure by deal, grouped by collateral type as of March 31, 2013. The Company's internal ratings are based on its internal credit assessment of each transaction taking into account the overall credit strengths and weaknesses, transaction structure and the trends in the asset sector. The Company bases its analysis on information received from the trustees or from the issuers, as well as on-site visits to issuers, servicers, collateral managers and project sites. Modeling results are also considered. The Company also takes into consideration the rating agencies' rationale for their ratings; however, variations may exist between the Company's internal ratings and the ratings of the rating agencies. While the Company endeavors to provide the most recently published rating agencies' ratings, the Company can provide no assurance that such ratings represent the most current ratings published by such agencies.

Notes to Financial Statement

RMBS Ratings

(U.S. dollars in millions)

	Vintage	Internal Rating	S&P Rating(1)	Moody's Rating(1)	NPO
Prime (1st lien)					
1.	2004	bbb	NR	B1	$ 23
2.	2004	aa	AA+	NR	14
3.	2004	aa	AA+	Ba1	5
Total					$ 42
Prime (2nd lien)					
1.	2006	d	D	C	$ 44
Total					$ 44
Prime (HELOC)					
1.	2004	d	B-	Ca	$ 75
2.	2004	d	BB+	Ca	51
3.	2005	d	D	Ca	22
4.	2006	d	D	C	50
5.	2006	d	D	Ca	27
6.	2006	d	NR	C	5
7.	2006	d	CC	Ca	-
8.	2007	d	D	Ca	8
Total					$ 238
Alt-A (1st lien)					
1.	2005	c	AA+	Caa3	$ 32
2.	2005	d	CC	Caa2	12
3.	2006	d	CC	C	-
4.	2006	d	D	C	-
5.	2007	bbb-	CCC	Caa3	294
6.	2007	b-	NR	Caa3	250
7.	2007	c	CCC	Caa3	134
8.	2007	d	NR	C	-
Total					$ 722
Alt-A (2nd lien)					
1.	2007	d	CC	Ca	$ 14
2.	2007	d	D	B1	-
Total					$ 14
Subprime (1st lien)					
1.	1999	b	D	Caa1	$ -
2.	2004	a-	AAA	A1	34
3.	2004	b-	AA-	B2	19
4.	2004	aa	AAA	Aa2	7
5.	2005	c	CCC	-	93
6.	2005	bbb-	AA+	A2	11
7.	2005	bbb-	BBB+	Baa3	2
8.	2007	c	CCC	C	164
Total					$ 330

Notes to Financial Statement

Subprime (2nd lien)						
1.	2007	c	CCC	Caa3	$	44
2.	2007	c	CC	C		11
3.	2007	c	B	Ca		6
Total					$	61
Subprime (1st lien) - International						
1.	2007	bbb	BBB	Baa2	$	43
Total					$	43
Total RMBS Outstanding					$	1,494

[(1)] A '-' rating indicates the deal is not rated by the rating agency.

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)

		NPO	% NPO		# of Credits
Cashflow CDO					
US CLO	$	606	83.0	%	3
TRUPS CDO		58	7.9		2
Euro CLO		50	6.9		2
Multi-Sector CDO		9	1.2		2
ABS CDO		5	0.6		1
High Yield Bond CBO		3	0.4		1
Total Cashflow CDO	$	731	100.0	%	11
Total Collateralized Debt Obligations Outstanding	$	731	100.0	%	11

[(1)] Asset type is defined as follows. 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 Trups CDO is a CDO with underlying collateral primarily consisting of trust preferred securities issued by bank holding companies. 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 Multi-Sector CDO is a CDO with underlying collateral primarily consisting of ABS securities (including less than 50% RMBS bonds). An ABS CDO is a CDO with underlying collateral primarily consisting of RMBS bonds (greater than 50%) and other ABS securities. A High Yield Bond CBO is a CDO with underlying collateral primarily consisting of unsecured bonds issued by corporate entities rated below investment grade at inception (i.e., rated below "BBB-" by S&P, "Baa3" by Moody's and "BBB-" by Fitch).

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)

		NPO	% NPO
AAA	$	85	11.7 %
AA		571	78.1
A		-	-
BBB		50	6.8
Below Investment Grade		25	3.4
Total Collateralized Debt Obligations Outstanding	$	731	100.0 %

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

Notes to Financial Statement

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

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

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

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

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

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

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

There has been no change from that discussed 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

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

(2) There has been no change from that discussed in the Company's 2012 Annual Statement.

(3) There has been no change from that discussed in the Company's 2012 Annual Statement.

B. Other Fair Value Disclosures

Not applicable

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	$ 640,918,888	$ 632,556,258	$ 117,605,777	$ 523,313,111	$ -	$ -
Cash, Cash Equivalents and Short-term Investments	85,565,098	85,569,349	73,621,007	11,944,091	-	-
Derivatives	4,464,313	4,464,313	-	4,464,313	-	-
Total Assets	$ 730,948,299	$ 722,589,920	$ 191,226,784	$ 539,721,515	$ -	$ -

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

Not applicable

21. Other Items:

For a Description of Significant Risks and Uncertainties, Assessment of the Company's Ability to Continue as a Going Concern, and Description of the Company's On-Going Strategic Plan, see item H. below.

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

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

Notes to Financial Statement

C. Other disclosures

For a Description of the Transactions Comprising the 2009 MTA, see item I. below and for Regulatory and Legal Matters, see item J. below.

Countrywide Settlement

On July 17, 2012, the Company settled its RMBS-related claims and other claims with Countrywide, Bank of America Corp. ("BAC") and affiliates thereof.

In return for releases of all claims the Company had against Countrywide and BAC arising from its provision of insurance in relation to five second lien transactions that were the subject of litigation and all of the Company's claims in relation to nine other first and second lien transactions, the Company received a cash payment of $375.0 million.

In addition to the Countrywide settlement and in an effort to terminate other relationships between the parties, the Company transferred certain assets to subsidiaries of BAC and subsidiaries of BAC transferred or agreed to transfer to the Company or its designee certain of the Company's and Syncora Holdings' preferred shares, surplus notes and other securities. The transfer of Syncora Holdings' preferred shares and other securities remains subject to Syncora Holdings' Board approval. As discussed above, on July 17, 2012, the Company transferred to subsidiaries of BAC certain RMBS Uninsured Cash Flow Certificates. The Company recorded a gain of approximately $10 million on such sale in the third quarter of 2012. In addition, subsidiaries of BAC transferred to the Company, short-term and long-term surplus notes of the Company, with an aggregate original principal amount of $40.7 million and preferred stock, with a par value of $65.5 million, issued by the Company, which were held by BAC's subsidiaries. With respect to the transferred surplus notes, the Company recorded a decrease of surplus notes and a corresponding increase to gross paid in and contributed surplus and the Company recorded the receipt of the preferred stock as treasury stock. These securities remain outstanding. See Note 13.

D. At March 31, 2013 and December 31, 2012, the Company had uncollected premium balances of $5.3 million and $5.7 million, respectively. Uncollected premiums more than 90 days past due as of March 31, 2013 and December 31, 2012 were $1.7 million and $1.6 million, respectively. All amounts more than 90 days past due were non-admitted as of March 31, 2013 and December 31, 2012. 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. There has been no change from that discussed in the Company's 2012 Annual Statement

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

G. Subprime Mortgage Related Risk Exposure

(1) Subprime Mortgage Exposures

The Company has exposure to the U.S. subprime mortgage market through its financial guarantee insurance policies and investments in RMBS. See below and refer to Notes 16 and 25 for additional information regarding the Company's insured portfolio.

(2) Direct Exposure- Mortgage Loans

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

(3) Direct Exposure- Other Investment Classes

The following table summarizes the Company's investments in U.S. subprime securities as of March 31, 2013.

	Actual Cost	Book/Adjusted Carrying Value [1]	Fair Value	Impairments Recognized
Residential Mortgage-Backed Securities	$ 11,739,333	$ 11,712,335	$ 13,171,340	$ (167)
Total	$ 11,739,333	$ 11,712,335	$ 13,171,340	$ (167)

[1] $11.7 million investment in subprime residential mortgage backed securities is all due to remediation activity.

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(4) Underwriting Exposure to subprime mortgage risk through Financial Guaranty insurance coverage

Description	Losses Paid in the Current Year	Losses Incurred in the Current Year	Case Reserves at the End of Current Period	IBNR Reserves at End of Current Period
Financial Guaranty Coverage	(66,437,014)	3,342,589	94,265,148	-

H. Description of Significant Risks and Uncertainties, Assessment of the Company's Ability to Continue as a Going Concern, and Description of the Company's On-Going Strategic Plan:

Despite the Company's litigation settlement with Countrywide and all of its remediation transactions, the Company is exposed to significant risks and uncertainties that may materially affect its financial and liquidity position. These relate to, among other things, (i) a potential liquidity mismatch resulting from the timing of anticipated future claims payments and subsequent cash recoveries related to these claims payments, (ii) the potential for future adverse loss and claims development on its insured obligations, (iii) the failure to receive payments on its Insurance Cash Flow Certificates, (iv) the resolution of various litigation matters, including recoveries from the Company's insurance policy litigation claims, and (v) the failure to receive interest payments from Syncora Capital Assurance on its long-term surplus note. These risks and uncertainties are discussed more fully below and could materially and adversely affect the Company's results of operations, financial condition and liquidity.

Description of Significant Risks and Uncertainties and Other Matters

- The Company continues to face a potential "liquidity mismatch" between expected future medium to long-term claim payments and recoveries relating to such claims. This potential liquidity mismatch results primarily from substantial claims payments that the Company anticipates it will be obligated to make beginning in 2017, followed in later years (in some cases significantly later years) by anticipated recoveries of these claims payments. Pursuant to the Company's accounting policy and guidance under SSAP, the net present value of estimated claims and recoveries (including salvage and subrogation) are reflected in the Company's loss reserves (see the Company's accounting policy on reserves in the Company's 2012 Annual Statement). As a result, the reserve for losses recorded in the Company's balance sheet are modest as compared to the estimated future claims payments. The amount and timing of the recoveries related to the anticipated future claims payments are subject to greater uncertainty than the amount and timing of such future claims payments themselves. If realized, this liquidity mismatch is projected to have a material adverse effect on the Company, including its expected future liquidity position, and could have a material adverse effect on the Company's ability to satisfy its future medium to long-term obligations, including policyholder claims, interest and principal payments on its surplus notes, and other obligations. Because of the inherent uncertainty in estimating future claim payments and recoveries, no assurance can be given that the actual severity or timing of claims payments, related recoveries, or ultimate losses will not be different than the Company's estimates, and such differences could be material. Further, no assurance can be given that the Company will be successful in further enhancing liquidity or mitigating adverse developments associated with its future claim payments, recoveries, reserves for losses or the aforementioned potential liquidity mismatch. Future adverse loss and claims development also may have a material adverse effect on the Company's financial position and results of operations, potentially causing it to report a policyholders' deficit or not to comply with the statutory minimum policyholders' surplus of $65.0 million. See Note 36 "*Schedule of Insured Financial Obligations with Credit Deterioration*" for further discussion. There can be no assurance that, were such adverse loss and claims development to occur, the Company would be able to remediate any such losses or restore such policyholders' surplus in a timely manner or at all. The Company may experience significant adverse development on its insured obligations that may place further demands on the Company's near term liquidity and surplus. The Company cannot provide any assurance that, were it to experience further adverse loss and claims development, the NYDFS would not take regulatory action, which may include commencement of rehabilitation or liquidation proceedings.

- The Company is exposed to significant refinancing risks in its insured and reinsured portfolio. The Company had assumed at origination that certain of the debt issuances insured 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 (see the discussion of the potential "liquidity mismatch" described above). Through its guarantees of certain CDOs, the Company is also 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 and European CLOs.

- The Company has direct insurance and reinsurance (including reinsurance ceded by its subsidiary Syncora Guarantee-UK) exposure to certain credits within European countries. Global economic conditions have been negatively affected with concerns about the continued sovereign debt crisis within the European region and the possibility that certain European Union member states will default on their debt obligations or leave the European Union. The continued uncertainty over the outcome of

Notes to Financial Statement

the European Union governments' efforts to provide financial support for sovereigns and sub-sovereigns and the possibility of further deteriorating conditions in Europe could have a material adverse effect on the Company's financial and liquidity position. As of March 31, 2013, the Company's in-force guaranteed principal exposure to the European Union was approximately $6.5 billion of which $548.1 million was specifically related to certain credits in higher risk countries, such as Portugal, Italy and Spain. See Note 16 for further discussion.

- 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 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 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 deteriorate further, causing these securities to incur losses.

- The Company is materially exposed to foreign exchange risk as the Company's insured debt obligations are denominated in a number of foreign currencies and the U.S. dollar. The principal currencies creating foreign exchange risk are the British pound sterling, Australian dollar and the European Union euro. At current exchange rates, approximately 55% of the Company's in-force guaranteed net par outstanding exposure of $14.7 billion at March 31, 2013 was denominated in such currencies. The Company translates foreign currencies into U.S. dollars at the current market exchange rates. Changes in the exchange rates between foreign currencies and U.S. dollars may have an adverse effect on the settlement of potential claims and therefore could have a material adverse effect on the Company's liquidity and surplus position. See Note 16. In addition, the Company is materially exposed to risks associated with its financial guarantees covering foreign denominated inflation indexed-linked bonds in connection with the bonds issued by UK and European utility and project finance issuers.

- Syncora Guarantee continues to be materially exposed (directly and indirectly) to risks associated with any continuing deterioration in the residential mortgage market through its guarantees of RMBS, as well as other bond sectors to which Syncora Guarantee has material exposure, including the structured single risk, public finance, commercial mortgage, and corporate loan bond sectors. The extent and duration of any continued deterioration of the credit markets is unknown, as is the effect, if any, on: (i) potential claim payments and the ultimate amount of losses Syncora Guarantee may incur on obligations it has guaranteed and (ii) potential losses Syncora Guarantee may incur on its invested assets.

- On November 9, 2011, Jefferson County, Alabama ("Jefferson County") filed for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code. The Company continues to have significant exposure to Jefferson County, including to event-driven risks, such as adverse outcomes or rulings in Jefferson County's Chapter 9 bankruptcy filing. (See Notes 21.J. and 25 (c)). Such adverse outcomes could have a material adverse effect on the Company's liquidity and financial position. The Company from time to time may engage in discussions with Jefferson County and other parties aimed at attempting to resolve these claims before trial or determination by the Bankruptcy Court. While a negotiated solution with any such parties could result in an amount in excess of the Company's reserves, it could also result in an amount less than the Company's reserves.

- The Company also continues to have significant exposure to a number of large structured single risk transactions with material risk of adverse development, including to event driven risks, such as political, operational, bankruptcy, legal and regulatory actions. Such adverse events could have a material adverse effect on the Company's liquidity and financial position.

- Any payment of principal or interest on the long-term surplus note issued by Syncora Capital Assurance, which is held by Syncora Guarantee, is subject to the satisfaction of conditions precedent, including, without limitation, prior regulatory approval by the NYDFS and compliance with contractual restrictions in the 2009 MTA. On November 8, 2012, the NYDFS approved the payment due on December 28, 2012 by Syncora Capital Assurance to Syncora Guarantee on its long-term surplus note. No assurance can be given as to whether and when the NYDFS will approve future payments on Syncora Capital Assurance's long-term surplus note. The failure of Syncora Guarantee to receive all future payments due from Syncora Capital Assurance could have a material adverse effect on Syncora Guarantee's anticipated liquidity position.

- Any payment of principal or interest on the short-term and long-term surplus notes issued by Syncora Guarantee is subject to the satisfaction of conditions precedent, including, without limitation, prior regulatory approval by the NYDFS. Syncora Guarantee was obligated by the terms of its short-term surplus notes to pay the outstanding principal balance of $150 million, together with paid-in-kind interest of approximately $15.4 million and accrued and unpaid interest of $4.2 million, totaling approximately $169.6 million, on December 28, 2011, however, the NYDFS did not approve the payment, and accordingly, the payment was not made. Further, in November 2012, Syncora Guarantee again sought approval for payment on its short-term surplus notes, and on November 8, 2012 the NYDFS did not approve such payment. Notwithstanding the Company's litigation settlement with Countrywide and its remediation transactions, Syncora Guarantee remains exposed to significant risks and uncertainties that may materially and adversely affect its financial condition, liquidity position and

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ability to make payments on its surplus notes. Consequently, there is significant uncertainty and there can be no assurance as to whether and when the NYDFS will approve any future payments on the short-term or long-term surplus notes. Any payment by Syncora Guarantee of principal or interest on its short-term or long-term surplus notes could have a potential material adverse effect on Syncora Guarantee's prospective policyholders' surplus and liquidity position.

- Syncora Guarantee also holds 100% of the common shares issued by Syncora Capital Assurance. Syncora Capital Assurance's ability to pay dividends on such common shares is subject to risks and uncertainties, including, without limitation, prior regulatory approval by the NYDFS and compliance with certain contractual restrictions. No assurance can be given as to whether or when Syncora Guarantee or Syncora Capital Assurance may be able to pay any dividends on its preferred and/or common shares.

- As discussed in more detail in Note 25.(b), the Company has exercised rights available to it in connection with certain RMBS it insures and has issued put-back notices to certain sponsors of such securities to require the repurchase of mortgage loans which back the securities and has recorded a reduction in its reserves for losses of $82.0 million at March 31, 2013, reflecting an estimate of its ultimate recovery from such repurchases. Certain sponsors have disputed the Company's right to require them to repurchase the aforementioned mortgages and the Company is involved in litigation with the sponsors to enforce its rights. If the Company is unsuccessful in enforcing its rights and does not realize the benefit it recorded through the aforementioned reduction in its reserves as and when expected, it may have a material effect on the Company's anticipated liquidity position and material adverse effect on the Company's policyholders' surplus, which the Company would have to report to the NYDFS. Likewise, if the Company is successful in enforcing its rights in an amount greater than the benefit it recorded through the aforementioned reduction in reserves, it may have a materially positive effect on the Company's liquidity position and policyholder surplus. The aforementioned benefit recorded as a reduction in reserves of $82.0 million compares to the Company's policyholders' surplus at March 31, 2013 of $516.8 million. The Company periodically engages in discussions with the sponsors aimed at attempting to resolve these claims before trial. While a negotiated resolution with one or more of the sponsors could result in an amount below that recorded in the aforementioned reserve reductions, it could also result in an amount greater than such reductions.

- As a result of the RMBS Offer (as defined in Note 21.I.), alternative transactions effectively replicating the RMBS Offer and direct purchases of insured securities the Company has effectively defeased or, in substance, commuted its exposure to certain insured transactions. The effectiveness of these structures is dependent upon the ability of the Company to receive payments on its Insurance Cash Flow Certificates. Failure of the Company to receive these payments would have a material adverse effect on the Company.

- 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 reserve 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.

- 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, timing and amount of a loss on a guaranteed obligation. A material portion of the Company's case basis reserves reflect certain assumptions with respect to recoveries on rights available to the Company in connection with certain RMBS it insures that require the sponsors of such securities to repurchase mortgage loans that breached certain representations and warranties (see Note 25.(b)). Similarly, a material portion of the Company's case basis reserves reflects certain assumptions that affect reimbursements in the remainder of its insured and reinsured portfolio. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, will occur over many years in the future. Examples of these events include changes in the level of interest rates, credit deterioration of guaranteed obligations, changes in the value of specific assets supporting guaranteed obligations, changes in the level of investment yield and changes in the timing, level of success and collectability of the aforementioned mortgage loan repurchases. Both qualitative and quantitative factors are used in making such estimates. From time to time the Company reevaluates all such estimates. Changes in these estimates may be material and may result in material changes in the Company's policyholders' surplus. Any estimate of future costs is subject to the inherent limitation on management's ability to predict the aggregate course of future events. It should, therefore, be expected that the actual emergence of losses and claims will vary, perhaps materially, from any estimate. The risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed.

- Failure to make claim payments by Syncora Guarantee in the future (see discussion of regulatory and legal matters below) could have a number of material adverse consequences, including, but not limited to litigation, potential loss of control rights, the potential assertion of mark-to-market termination payments by counterparties to CDS contracts guaranteed by Syncora Guarantee on which Syncora Guarantee fails to pay a claim, and policyholders potentially withholding premium payments. There can be no assurance that there would not be other material adverse consequences of Syncora Guarantee's failure to make claim payments.

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- The Company is involved in a number of legal proceedings, both as plaintiff and defendant. Management cannot predict the outcomes of these legal proceedings and other contingencies with certainty. The outcome of some of these legal proceedings and other contingencies could require the Company to take or refrain from taking actions which could adversely affect its business or could require the Company to pay (or fail to receive) substantial amounts of money. Similarly, a favorable outcome of the suits where the Company is the plaintiff, could entitle the Company to receive (directly or indirectly) substantial recoveries. A favorable or unfavorable outcome could have a material effect on the Company's policyholders' surplus and liquidity position. Prosecuting and defending these lawsuits and proceedings involves significant expense and diversion of management's attention and resources from other matters.

- Syncora Guarantee 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 Syncora Guarantee 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 ultimate effects of the financial condition of other financial guarantors or any such rehabilitation or liquidation are unknown, as is the effect, if any, on potential claim payments and the ultimate amount of losses Syncora Guarantee may incur on obligations it has guaranteed and such effects may be materially adverse to Syncora Guarantee's financial position.

- In addition to exposure to general economic factors, Syncora Guarantee 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 Syncora Guarantee and Syncora Guarantee may incur material losses due to these exposures if the economic stress caused by these or other events is more severe than Syncora Guarantee currently foresees. Other events, such as interest rate changes or volatility, could, in certain instances, also materially affect Syncora Guarantee or its insured obligations.

- 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 Syncora Guarantee, its affiliates and subsidiaries to additional legal liability and regulatory requirements, affect the credit performance of the securities that Syncora Guarantee insures and otherwise affect the Company's financial condition.

- The Company's UK subsidiary, Syncora Guarantee-UK is regulated by the FSA in the United Kingdom. The Solvency II Directive (2009/138/EC) was adopted by the European Union on November 25, 2009 and is currently expected to become effective for UK insurance companies in January 2015 ("Solvency II"). The Solvency II directive reforms the European insurance industry's solvency framework, including minimum capital and solvency capital requirements, governance requirements, risk management and public reporting standards. The currently proposed Solvency II-imposed minimum solvency and capitalization requirements may exceed Syncora Guarantee-UK's own capital resources. It is unknown what actions, if any, the FSA may take for companies that fail to meet these requirements. Any such actions may have material and adverse effects on Syncora Guarantee-UK and the Company and its financial and liquidity position.

- As described above, the Company's subsidiary, Syncora Guarantee-UK is exposed to certain risks and uncertainties, whether as a result of the continuing European sovereign debt crisis, foreign currency risk, the application of Solvency II or other regulatory risk or otherwise. Accordingly, as described in Note 14.F. and the risks and uncertainties noted above, the Company's investment in its subsidiary, Syncora Guarantee-UK, and its interest in the reinsurance premiums from Syncora Guarantee-UK, is subject to certain risks and uncertainties. Any reduction in the carrying value of the Company's investment in its subsidiaries or the cessation or material limitation of reinsurance premiums from Syncora Guarantee-UK would have a material adverse effect on the Company's surplus and liquidity 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 permitted accounting practices have been subject to an annual approval or confirmation. No assurance can be given that the NYDFS will continue to grant 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.

- Should the Company experience an "ownership change" for purposes of Section 382 of the Internal Revenue Code, the Company's ability to utilize its net operating loss carryforwards could be subject to an annual limitation in the future, which would be expected to result in a material increase in the Company's U.S. federal income tax liability, reduce reimbursements from profitable affiliates under its

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tax sharing agreement and therefore materially adversely affect the Company's surplus and liquidity position. While the Syncora Holdings Ltd. bye-laws contain restrictions intended to reduce the likelihood of such an "ownership change," it remains possible that an "ownership change" could nonetheless occur. See Note 9 for more information.

Assessment of the Company's Ability to Continue as a Going Concern

In management's opinion, the principal remaining factors affecting the Company's ability to continue as a going concern are the Company's risk of significant adverse loss and claims development on its remaining in-force business and its ability to maintain adequate liquidity.

As a result of significant uncertainties associated with the aforementioned factors, management has concluded that there is substantial doubt about the ability of the Company to continue as a going concern. The Company's financial statements as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012, presented herein, are prepared assuming Syncora Guarantee continues as a going concern and do not include any adjustments that might result from its inability to continue as a going concern.

As of March 31, 2013, absent any significant future adverse developments associated with its future claim payments, recoveries, reserves for losses, or the assumptions regarding surplus notes (see Note 13), the Company expects to be able to satisfy its anticipated liquidity needs over the next twelve months.

Description of the Company's On-Going Strategic Plan

Management is actively 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, (ii) increase the Company's capital, surplus, liquidity and claims paying resources (including through additional third-party capital), (iii) realize maximum value from its illiquid assets and various legal proceedings described in Note 21.J. and from any other rights and remedies the Company may have, whether through litigation or settlement and (iv) take other actions to enhance its financial position (hereafter collectively referred to as "Strategic Actions").

In regard to the Strategic Actions, the Company, working with its external advisors and counsel, 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. No assurances can be given that the Company will be successful in completing any of the aforementioned actions. Furthermore, certain of the Strategic Actions contemplated by the Company may be outside the ordinary course of the Company's operations or its control and may require consents or approvals of parties outside of the Company, including the NYDFS.

I. Description of the Transactions Comprising the 2009 MTA:

Description of the Transactions Comprising the 2009 MTA

To remediate its previously reported policyholders' deficit and reestablish compliance with its regulatory minimum policyholders' surplus, on July 15, 2009, the Company consummated a master transaction agreement with certain of its financial counterparties (the "Counterparties") to CDS contracts insured by its financial guaranty insurance policies and certain related transactions (referred to collectively as the "2009 MTA").

The 2009 MTA consisted of the following primary components:

(1) the restructure, effective defeasance or, in-substance, commutation (in whole or in part) of substantially all of the Company's exposure to such CDS contracts, in exchange for which the Company paid the Counterparties consideration comprised of approximately $1.2 billion in cash, issuance of $625.0 million surplus notes of the Company and the transfer of common shares of Syncora Holdings;

(2) the reinsurance or novation of certain business to a newly formed, wholly-owned insurance subsidiary of the Company, Syncora Capital Assurance, in which the Company also issued back-up guarantees on such novated guarantees, which are also more fully described in Note 10;

(3) the effective defeasance or, in-substance, commutation, of certain of the Company's exposure to insured RMBS securities. See below for further discussion; and

(4) certain other transactions to remediate loss exposure, which primarily consisted of certain commutations of its other guarantees and assumed reinsurance, and terminated its office lease agreement.

Reference should be made to the Company's Quarterly Statement for the quarter ended September 30, 2009 for a more detailed discussion of the 2009 MTA.

<u>Effective Commutation or Defeasance of the Company's Exposure to Insured RMBS Securities</u>

In connection with the 2009 MTA, the Company invested in a fund (the "RMBS Fund") that executed certain transactions designed to effectively defease or, in-substance, commute the Company's exposure on certain of its financial guarantee insurance policies written on RMBS. The RMBS Fund purchased certain of such RMBS in return for a trust certificate of an owner trust representing the uninsured cash flows of such RMBS ("Uninsured Cash Flow Certificate") plus a cash payment. In general, the RMBS Fund contributed any such purchased RMBS (and certain of the Company's reimbursement rights) to separate owner trusts in return for certificates representing the cash flows consisting of insurance payments made on the policies insuring such RMBS ("Insurance Cash Flow Certificates"). In return for such investments, the Insurance Cash Flow Certificates were distributed to the Company. The Company will, should the cash flows from the underlying RMBS transaction be sufficient, receive certain reimbursement payments in respect of insurance payments previously made by the Company on such RMBS. The Company also entered into several alternative transactions effectively replicating the economics of the RMBS Offer.

In addition to the RMBS Offer, as part of its on-going strategic plan, the Company directly purchased certain RMBS that it had insured. Such directly purchased RMBS were exchanged by the Company for Insurance Cash Flow Certificates and Uninsured Cash Flow Certificates using the mechanics described above. The Uninsured Cash Flow Certificate may either be held or resold by the Company. The Company continues to purchase certain of its insured RMBS.

For the three months ended March 31, 2013 and 2012, the Company paid gross RMBS claims aggregating $(28.2) million and $122.9 million of which $37.6 million and $107.7 million, respectively, were returned to the Company as a result of receipts from Insured Cash Flow Certificates.

See "(c)" to the table in Note 1.A. above for a description of the accounting for such effective defeasances or, in-substance, commutations.

J. Legal Matters:

In the ordinary course of business, Syncora Guarantee is subject to litigation or other legal proceedings. Syncora Guarantee intends to vigorously defend against all actions in which it is a defendant and against other potential actions, and Syncora Guarantee does not expect the outcome of these matters to have a material adverse effect on Syncora Guarantee's financial position, results of operations or liquidity. Syncora Guarantee can provide no assurance that the ultimate outcome of these actions will not cause a loss nor have a material adverse effect on Syncora Guarantee's financial position, results of operations or liquidity.

As of March 31, 2013, 26 states or jurisdictions have suspended the Company's license to conduct insurance business in such states or jurisdictions, revoked, placed an order of impairment against it, or the Company voluntarily surrendered its license, agreed to cease writing business in such states or jurisdictions, its license expired or the Company opted not to renew its license. Management anticipates that Syncora Guarantee will be able to continue to collect premiums on existing business in such states or jurisdictions. Additional states or jurisdictions may suspend Syncora Guarantee's license, place an order of impairment against it or, in lieu of a suspension or order, Syncora Guarantee may voluntarily agree to cease writing business and let such licenses expire or opt not to renew its licenses in additional states or jurisdictions.

Set forth below is a description of certain legal proceedings to which Syncora Guarantee is a party.

Bond Insurers Conspiracy Litigation

From July 2008 to July 2010, lawsuits were filed by a number of California municipal entities in California state court against several bond insurers, including Syncora Guarantee, the three major credit rating agencies, and two individual defendants. The complaints include allegations that the bond insurer defendants failed to fully disclose their investments in subprime mortgage-backed securities and insurance of subprime instruments and that the defendants conspired to perpetuate and maintain a dual system of bond rating in violation of California state antitrust laws and California state common law. The complaints seek unspecified damages and other relief. On October 20, 2011, defendants' motion to dismiss the complaints for failure to allege a claim was denied. Defendants filed a motion to strike the pleadings under a California statute, which was denied with respect to certain of the claims on May 1, 2012, granted as to certain of the claims on March 21, 2013, and remains pending as to other claims.

Jefferson County Litigation

On November 9, 2011, Jefferson County ("the County") filed for protection under Chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Alabama (the "Bankruptcy Court"). Accordingly, all proceedings against the County are subject to the automatic stay. The proceedings in Jefferson County bankruptcy are not summarized herein, however, as described in Note 21.H., the Company may be materially and adversely affected by adverse outcomes or rulings in this bankruptcy proceeding.

On June 17, 2008, Charles Wilson, on behalf of himself and a class consisting of every Jefferson County taxpayer and sewer ratepayer since January 1, 1993, filed suit against Syncora Guarantee and numerous other defendants. The suit alleged that through the wrongful conduct of the members of the Jefferson County Commission, most notably Larry Langford, the County incurred a bonded indebtedness of $3.2 billion relating to improvements to its sewer system. The complaint alleged that the commissioners, in a conspiracy with several individuals, financial companies, law firms, and bond insurers, completed several swap transactions whereby the bonds, which were primarily fixed interest securities, were swapped to variable rate and auction rate securities. These swaps, the complaint alleged, were done primarily to facilitate the inappropriate payment of exorbitant fees to several bond brokers and financial advisors. With respect to the bond insurers, including Syncora Guarantee, the complaint alleged that the insurers negligently insured the bonds while allowing themselves to become undercapitalized and downgraded by the rating services, which in turn downgraded the bonds. The plaintiffs alleged damages on the ground that

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their sewer rates are much higher than they otherwise would have been without the wrongdoing of all parties.

The Sixth Amended Complaint, filed April 15, 2010, dropped all claims for damages against Syncora Guarantee. The only claims currently asserted by plaintiffs are for equitable relief. Plaintiffs seek to have the bonds declared invalid and all monies returned to the County. Plaintiffs also seek payment under the contracts of the bond insurers, requesting that the bond insurers pay all amounts due on the policies for the use and benefit of the ratepayers. The court conducted a hearing on the motions to dismiss on November 22, 2010 and denied the motions. Syncora Guarantee and all other defendants have filed a petition for writ of mandamus with the Alabama Supreme Court seeking reversal of the trial court's decision. The appeal was stayed in light of Jefferson County's bankruptcy filing. Shortly after the bankruptcy filing, some of the defendants removed the case to federal district court on the basis of bankruptcy jurisdiction. The case is currently before the bankruptcy judge presiding over the County's bankruptcy proceeding. Plaintiffs have not moved for a remand to state court, and no other material activity has occurred since removal to federal court.

On April 15, 2009, Syncora Guarantee and Financial Guaranty Insurance Company submitted a Notice of Claim with the County asserting damages resulting from fraud by the County in connection with the issuance of insurance policies in respect of the sewer warrants. On April 28, 2010, Syncora Guarantee submitted an Amended and Supplemented Notice of Claim to Jefferson County, Alabama. On September 10, 2010, Syncora Guarantee submitted a Notice of Claim with the County asserting damages resulting from the County's failure to comply with its payment obligations to Syncora Guarantee pursuant to a certain debt service reserve insurance policy and accompanying Financial Guaranty Agreement.

On April 29, 2010, Syncora Guarantee filed a complaint against the County, JPMorgan Chase Bank N.A. and JPMorgan Securities, Inc. (together, "JPMorgan") in the Supreme Court of the State of New York, County of New York. The complaint includes claims that the County and JPMorgan fraudulently induced Syncora Guarantee to provide bond insurance policies between 2002 and 2004 covering debt issued by the County. On July 8, 2010, JPMorgan filed a motion to dismiss Syncora Guarantee's complaint against it; the issues presented in JPMorgan's motion to dismiss were fully briefed on September 9, 2010 and argued to the court on October 18, 2010. On July 8, 2010, the County filed an answer to Syncora Guarantee's complaint as it respects the County and filed counterclaims alleging that Syncora Guarantee injured the County by failing to maintain its credit rating and seeking $100 million in damages on the basis of contract, negligence and fraud claims. On August 23, 2010, Syncora Guarantee filed a motion to dismiss the County's counterclaims. On October 29, 2010, Syncora Guarantee's motion to dismiss the County's counterclaims was fully briefed. On December 21, 2010, JPMorgan's motion to dismiss Syncora Guarantee's complaint was denied, and Syncora Guarantee's motion to dismiss the County's counterclaim was granted. On January 24, 2011, JPMorgan filed an answer to the complaint. As a result of the County's Chapter 9 filing, the action is stayed as against the County and *de facto* stayed against JPMorgan. Syncora Guarantee intends to continue, at an appropriate time, to pursue its claims against JPMorgan, including seeking to modify any stay of the action, if applicable, or taking other appropriate action to continue to litigate its claims.

Prior to the County's chapter 9 filing, as a result of the County's persistent management and operational failures respecting its sewer system (the "System"), The Bank of New York Mellon, as Indenture Trustee, (the "Trustee") sought—and obtained—a receiver (the "Receiver") for the System. The Receiver operated and controlled every aspect of the System until January 2012 when the Bankruptcy Court determined that the County's chapter 9 filing terminated the Receiver's control over the System. At the same time the Bankruptcy Court restored the County's control and administration of the System, it ruled that the County must, pursuant to 11 U.S.C. § 922(d), continue to pay monthly revenues, net of Operating Expenses (as defined in that certain Trust Indenture dated February 1, 1997 (the "Indenture")), to the Trustee. Beginning in late January 2012, the Trustee, Syncora Guarantee, and other creditors filed notices of appeal of the Bankruptcy Court's decision with respect to restoring the County's control and operation of the System; around the same time, the County filed a notice of appeal concerning the Bankruptcy Court's section 922(d) ruling. The appeal and cross-appeal were certified for direct review by the United States Circuit Court for the Eleventh Circuit (the "Eleventh Circuit"); the Eleventh Circuit granted the parties' respective petitions for appeal in July 2012 and scheduled briefing. All briefing has since been completed and oral argument has been set for the week of July 22, 2013.

In February 2012, the Trustee filed a declaratory judgment complaint against the County in connection with the County's unilateral decision to modify the meaning of "Operating Expenses" (as defined in the Indenture) to include, among other things, reserves for amortization and depreciation, capital expenditures, and reserves for professional expenses. Since this modification could significantly reduce the amount of net revenues paid to the Trustee on a monthly basis, the Trustee sought a declaration from the Bankruptcy Court that the Indenture's definition of "Operating Expenses" controlled and that, to the extent that 11 U.S.C. § 928(b) applied, the term "necessary operating expenses," as used in that section, did not include the expenditures and reserves proposed by the County. On June 29, 2012, the Bankruptcy Court ruled in favor of the Trustee, holding that the Indenture's definition of "Operating Expenses" determined the amount of funds that the County could deduct prior to payment of debt service. The County filed a notice of appeal on November 21, 2012; the appeal was certified for direct appeal to the Eleventh Circuit. The Eleventh Circuit granted the petition for direct appeal in January 2013. The County filed its opening brief on April 5, 2013; the creditors have until June 4, 2013 to file a response to the County's brief and the County will have until June 25, 2013 to reply to the creditors' opposition brief. It is anticipated that oral argument will be scheduled once the briefing is completed.

Certain of the counts of the Trustee's declaratory judgment complaint, as amended (to add Syncora Guarantee and certain others as plaintiffs), regarding, among other things, the nature and amount of

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expenditures the County could deduct from System revenues under either the Indenture or section 928(b) of the Bankruptcy Code were severed into a separate adversary proceeding. Though the severed counts were mooted after the Bankruptcy Court's ruling on June 29, 2012, as discussed above, the County also filed counterclaims against the Trustee in which the County asserted that the Trustee's lien under the Indenture did not extend to certain escrowed funds. The parties have fully briefed cross-motions for summary judgment and now await the Bankruptcy Court's ruling.

On September 6, 2012, Roderick Royal and Andrew Bennett, *et al.* filed a complaint in the Bankruptcy Court on behalf of a putative class of approximately 127,000 residential and 13,000 industrial, similarly situated property owners, ratepayers and taxpayers against Jefferson County, as "nominal" defendant, and several other defendants, including Syncora Guarantee. The plaintiffs filed an amended complaint on September 29, 2012. In addition to certain breach of contract and aiding and abetting conversion claims against certain defendants, the initial and first amended complaint sought to invalidate the issuance of the County's 2002 and 2003 warrants and the pledge of net revenues securing the 2002 and 2003 warrants by obtaining a declaration from the district court (it has asked the Bankruptcy Court only to enter proposed findings of facts and conclusions of law) (1) that the 2002 and 2003 warrants violate Section 10.2 of the Indenture, (2) that the 2002 and 2003 warrants violate the Alabama constitutional debt requirements, (3) that the payment of the 2002 and 2003 warrants is not secured by a statutory lien and trust under the Alabama Code and Alabama Constitution. Although the initial and first amended complaint made specific allegations against certain defendants, primarily, JPMorgan, neither complaint made specific allegations against Syncora Guarantee. The claims asserted in the initial, first amended, and second amended Royal complaints overlap significantly with the Wilson litigation, discussed above. On November 19, 2012, Syncora Guarantee, along with the Trustee and certain other named defendants, filed a motion to dismiss the amended complaint. Thereafter, on December 6, 2012, on oral motion of the plaintiffs, the Bankruptcy Court entered an order dismissing counts 4-9 *with prejudice*. The only claims that remained pending following this order were those that seek to invalidate the 2002 and 2003 Warrants. On January 19, 2013, the plaintiffs filed an objection to the defendants' motion to dismiss. The defendants filed their reply to the plaintiffs' opposition on February 13, 2013. The Bankruptcy Court held a hearing on February 20, 2013. At the hearing, the Bankruptcy Court ordered the plaintiffs to further amend their complaint; as a result, the motion to dismiss was moot. On April 4, 2013, the plaintiffs filed their second amended complaint. The second amended complaint, which asserts claims against only the Trustee and the County, again seeks to have the 2002 and 2003 warrants invalidated on the various grounds previously described as well as on grounds that the issuance of the 2002 and 2003 warrants was procured as a result of criminal conduct, constitutes a violation of certain sections of the Alabama Constitution (these new sections are additive of the sections previously pled), and amounts to a taking in violation of the Fifth Amendment to the United States Constitution. The second amended complaint, like the previous versions and similar to the Wilson litigation, seeks to invalidate the warrants' issuance, seeks an injunction both limiting sewer rate increases and barring future increases in sewer rates, seeks a declaration that the County (and the Receiver) are not permitted to increase rates without the approval of a majority of County taxpayers, and seeks to recover funds from the amount of net revenues recovered as a result of the invalidation of the 2002 and 2003 warrants. The Trustee and the County each filed a motion to dismiss the plaintiffs' second amended complaint on April 18, 2013. A hearing respecting the Trustee's and County's respective motions to dismiss has been set for May 19, 2013.

On February 6, 2013, the Trustee filed a motion to lift the automatic stay to permit it to accelerate the balance of the warrants issued by Jefferson County (the "Motion"). In the Motion, the Trustee stated that it seeks to accelerate the balance of the warrants because it has insufficient funds to pay the (1) approximately $792.3 million in principal already due and owing with respect to certain bank warrants previously called for redemption and (2) the principal payments of approximately $18.2 million that came due on February 1. A preliminary hearing on the Motion was initially set for March 7, 2013, but by agreement of the parties, was adjourned to April 11, 2013. Pursuant to the parties' subsequent agreement, the preliminary hearing on the Motion has been carried until the earlier of the entry of an order deciding each count in the Complaint (as defined below) or the scheduling by the Bankruptcy Court of a preliminary hearing in response to a motion filed by a party.

Simultaneously with filing the Motion, the Trustee filed a complaint for declaratory judgment (the "Complaint") against Jefferson County, Syncora Guarantee, and Assured Guaranty Municipal Corp. ("Assured"). In its Complaint, the Trustee has asked the Bankruptcy Court to determine a number of issues with respect to the warrants and the priority of reimbursement of surety draws including (1) whether the Trustee has the authority to accelerate any of the warrants without Assured's consent; (2) the method for allocating surety draws to warrantholders following an acceleration, and (3) whether reimbursement of the draws under the surety policies is subordinate to, or *pari passu* with, the payment of the warrants. On March 22, 2013, the Trustee voluntarily dismissed the count of the Complaint that sought to determine whether reimbursement of surety draws was *pari passu* or subordinated. On the same day, Syncora Guarantee filed a motion to dismiss the complaint (as did Assured). The Trustee has until May 17, 2013 to file its opposition to the motions to dismiss filed by Syncora Guarantee and Assured; Assured and Syncora Guarantee will have until May 29, 2013 to reply to the Trustee's opposition. The Bankruptcy Court has set a hearing on the motions to dismiss for June 5, 2013. Syncora Guarantee may be materially and adversely affected by unfavorable outcomes or rulings in the Bankruptcy Court's adjudication of the Motion and Complaint or otherwise in connection with the bankruptcy.

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RMBS Litigation

On January 29, 2009, Syncora Guarantee filed suit in the Supreme Court of the State of New York, New York County, against Countrywide, alleging that Countrywide made misrepresentations in connection with several securitizations of home equity mortgage loans originated and serviced by Countrywide, and for which Syncora Guarantee acted as credit enhancer, and seeking damages and other relief under various legal theories. On May 6, 2010, Syncora Guarantee filed an amended complaint which BAC as an additional defendant as the successor to Countrywide. On July 17, 2012, Syncora Guarantee settled all claims with Countrywide, BAC and affiliates thereof. See Note 21.C. for further discussion.

On February 5, 2009, Syncora Guarantee, together with co-plaintiffs U.S. Bank National Association ("US Bank") and CIFG Assurance North America, Inc. ("CIFG"), filed suit in the Supreme Court of the State of New York, New York County, against GreenPoint, alleging that GreenPoint breached representations and warranties in connection with a securitization of primarily home-equity mortgage loans originated by GreenPoint, and for which Syncora Guarantee acted as credit enhancer, and seeking damages and other relief for breach of contract. GreenPoint moved to dismiss all of the claims against it. In response, Syncora Guarantee argued it is a third-party beneficiary of the underlying sale agreements between GreenPoint and the purchaser of the loans originated by GreenPoint, and CIFG made the same argument. On March 3, 2010, the court denied GreenPoint's motion with regard to the claims of US Bank and granted the motion with regard to Syncora Guarantee and CIFG's arguments that they are third-party beneficiaries of the underlying sale agreements. On April 14, 2010, all plaintiffs filed their First Amended Complaint. Syncora Guarantee now alleges claims against GreenPoint under the Indemnification Agreement among Syncora Guarantee, GreenPoint and another person. Syncora Guarantee's claims relate to GreenPoint's breaches of representations and warranties in the Indemnification Agreement and breaches of GreenPoint's promises to indemnify Syncora Guarantee. Following oral argument on January 6, 2011 regarding GreenPoint's motion to dismiss Syncora Guarantee's claims (and CIFG's claims) in the First Amended Complaint and the plaintiffs' cross-motion for permission to serve a Second Amended Complaint, the court granted GreenPoint's motion without prejudice and denied the plaintiffs' cross-motion without prejudice, but permitted the plaintiffs to make a motion for leave to file a Third Amended Complaint. The plaintiffs' motion for leave to file a Third Amended Complaint was filed on June 10, 2011. By Decision and Order dated February 24, 2012, and entered by the court on February 28, 2012, the court denied the motion for leave to file a Third Amended Complaint on grounds of res judicata. On March 26, 2012, Syncora Guarantee and CIFG filed a Notice of Appeal appealing that decision to the Supreme Court of the State of New York, Appellate Division, First Department. On May 4, 2012, Syncora Guarantee and CIFG filed a second Notice of Appeal raising additional issues. On July 20, 2012, GreenPoint moved to dismiss the second Notice of Appeal, and the plaintiffs filed their opposition on August 27, 2012. By Order dated October 4, 2012, the court denied GreenPoint's motion to dismiss the second appeal. The plaintiffs perfected their appeal on December 3, 2012; GreenPoint's opposition was filed on February 5, 2013, and plaintiffs' reply brief was filed on March 8, 2013. Oral argument on the appeal was heard on April 3, 2013. On April 25, 2013, First Department affirmed the trial court's dismissal of Syncora Guarantee and CIFG. Syncora Guarantee is considering an appeal. Meanwhile, US Bank's prosecution of its claims as Indenture Trustee on behalf of Syncora Guarantee and CIFG has continued and Syncora Guarantee is actively involved in discovery.

On March 31, 2009, Syncora Guarantee filed suit against EMC in the United States District Court of the Southern District of New York, alleging that EMC made misrepresentations in connection with a securitization of home-equity loans for which EMC acted as sponsor, and for which Syncora Guarantee acted as credit enhancer, and seeking damages and other relief for breach of contract. On February 1, 2010, Syncora Guarantee filed suit against EMC in the United States District Court of the Southern District of New York in connection with another securitization seeking to specifically enforce the terms of a certain insurance and indemnification agreement to which they are parties. On April 26, 2010, a Protective Order and Confidentiality Stipulation were signed into order that requires EMC to produce requested documents by June 1, 2010, and the matter was closed subject to EMC's compliance with the order. On June 25, 2010, Syncora Guarantee moved for partial summary judgment for a ruling that Syncora Guarantee has multiple legal remedies against EMC and is not limited to a contractual remedy that involves submitting loans to EMC for EMC's review and possible repurchase. The motion was fully briefed on August 6, 2010, oral argument was held on March 15, 2011, and on March 25, 2011 the Court granted the motion. On November 22, 2010, the Company filed a motion to amend its complaint to add fraudulent inducement and securities fraud claims against EMC and JP Morgan Securities, LLC. (formerly known as Bear, Stearns & Co.), and a tortious-interference-with-contract claim against JP Morgan Securities, LLC. The final brief on the Company's motion to amend was submitted to the Court on January 12, 2011. On March 25, 2011, the Company's motion to add these claims (and an additional party) was denied. On October 26, 2011, Syncora Guarantee filed a partial summary judgment motion concerning its burden for establishing EMC's liability for its material breach and repurchase claims and the availability of equitable relief for its material breach claim. The motion was fully briefed on December 12, 2011 and oral argument was held on June 13, 2012. On June 19, 2012, the Court granted summary judgment for the Company regarding its burden for establishing EMC's liability on its repurchase and material breach claims, and denied as premature the Company's motion with respect to the availability of equitable relief for its material breach claim. On July 3, 2012, EMC filed a motion with the Court to reconsider its ruling with respect to the Company's repurchase claims. The motion was fully briefed on August 1, 2012, and on September 7, the court denied EMC's motion. Fact discovery is currently scheduled to end in May 2013.

On June 6, 2011, Syncora Guarantee filed suit against J.P. Morgan Securities LLC (formerly known as Bear, Stearns & Co.) in the Commercial Division of the Supreme Court of the State of New York, New York County, asserting claims of fraudulent inducement and tortious interference in connection with the securitization that is the subject of the Company's litigation with EMC described immediately above. On

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June 24, 2011, the Company filed an amended complaint adding allegations pertaining to facts learned during the course of discovery in the EMC litigation. J.P. Morgan Securities filed its answer to the complaint on August 30, 2011. On November 4, 2011, the Company filed a motion for a protective order regarding JP Morgan's discovery demands pertaining to other RMBS transactions. On June 4, 2012, the court ordered Syncora Guarantee to produce credit committee memoranda for certain other RMBS transactions, and Syncora Guarantee has subsequently complied with that order. Also on November 4, 2011, JP Morgan filed a joint motion to dismiss/motion for summary judgment seeking a ruling that the Company's claims were barred by claim preclusion. On May 2, 2012, JP Morgan's motion was denied. On June 19, 2012, JP Morgan filed a Notice to Appeal the Court's denial of its motion, and briefing on its appeal was completed on October 12, 2012. Oral argument on JP Morgan's appeal was held on February 15, 2013. A decision is pending.

On February 14, 2012, Syncora Guarantee filed suit in the Supreme Court of the State of New York, New York County, against EMC Mortgage LLC, Bear, Stearns & Co., and Bear Stearns Asset Backed Securities I, LLC for breach of contract and fraud stemming from EMC's and Bear Stearns' fraudulent actions in inducing Syncora Guarantee to enter into an insurance and indemnity agreement and issue its financial guaranty insurance policy, and for EMC's and Bear Stearns' subsequent and wholesale breaches of that agreement. J.P. Morgan Securities LLC and JPMorgan Chase Bank, were also named as defendants in the action as successors in interest to Bear, Stearns & Co. and EMC. The defendants filed a motion to dismiss on May 25, 2012. Syncora Guarantee responded on August 10, 2012. Oral argument was heard on December 6, 2012. On April 15, 2013, the court denied the motion to dismiss, with the exception of the indemnification claim. The court reserved its decision on Syncora Guarantee's fraud claim. The defendants have until May 7, 2013 to answer the complaint. Discovery is moving forward.

On October 5, 2012, Syncora Guarantee filed suit in the Supreme Court of the State of New York, New York County, against EMC Mortgage LLC, Bear, Stearns & Co. Inc., CMO Holdings III Ltd., J.P. Morgan Securities LLC, individually and as successor in interest to Bear Stearns, and JPMorgan Chase Bank, N.A., as successor in interest to EMC, relating to the BSSP 2007-R5 transaction. The complaint alleges fraud and breach of contract stemming from EMC's and Bear Stearns' fraudulent actions in inducing Syncora Guarantee to enter into an insurance and indemnity agreement and issue its financial guaranty insurance policy, and for EMC's and Bear Stearns' subsequent and wholesale breaches of that agreement. The complaint also alleges that J.P. Morgan Securities LLC tortuously interfered with EMC's and Bear Stearns' contractual obligations to Syncora Guarantee. The defendants, with the exception of CMO Holdings III Ltd., filed a motion to dismiss all claims except the breach of contract claims on December 7, 2012. Syncora Guarantee filed its response on February 15, 2013. Defendants' response was filed on March 15, 2013. Oral argument was held on April 25, 2013. A decision is pending. Discovery is moving forward.

Other Litigation

On April 18, 2012, Syncora Guarantee filed a summons with notice in the Supreme Court of the State of New York, initiating an action against Alinda Capital Partners LLC, American Roads LLC, Macquarie Securities (USA) Inc. and John S. Laxmi alleging the defendants made misrepresentations and omissions in obtaining insurance from Syncora Guarantee on bonds issued by American Roads LLC. Syncora Guarantee filed and served the complaint on September 24, 2012. In lieu of an answer, the defendants filed a motion to dismiss the complaint on November 13, 2012. Syncora Guarantee responded on December 21, 2012. The motions are now fully briefed and submitted to the court. Oral argument on the motions has been scheduled for May 6, 2013.

On August 1, 2012, Syncora Guarantee, along with Syncora Capital Assurance 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 Syncora Guarantee) and a taking of Syncora Guarantee's property interest in those contracts for which Syncora Guarantee is entitled to just compensation. Syncora Guarantee 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 Syncora Guarantee has not established statutory loss reserves for its exposure to the RDAs, Syncora Guarantee 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 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.

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 adds another potential source of repayment of principal and interest for an investor, namely the credit quality of the financial guarantor.

Generally, in the event of any default on an insured debt obligation, payments made pursuant to the applicable insurance policy may not be accelerated by the holder of the insured debt obligation without the approval of the insurer. While the holder of such an insured debt obligation continues to receive guaranteed

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payments of principal and interest on schedule, as if no default had occurred, and each subsequent purchaser of the obligation generally receives the benefit of such guarantee, the insurer normally retains the option to pay the debt obligation in full at any time. Also, the insurer generally has recourse against the issuer of the defaulted obligation and/or any related collateral for amounts paid under the terms of the insurance policy as well as pursuant to general rights of subrogation.

The issuer of an insured debt obligation generally pays the premium for financial guarantee insurance, either in full at the inception of the policy, as is the case in most public finance transactions, or in periodic installments funded by the cash flow generated by related pledged collateral, as is the case in most structured finance and international transactions. Typically, premium rates paid by an issuer are stated as a percentage of the total principal (in the case of structured finance and international transactions) or principal and interest (in the case of public finance transactions) of the insured obligation. Premiums are almost always non-refundable and are invested upon receipt. See Note 1.C.(1) of the Company's 2012 Annual Statement for a description of NAIC SAP for premium revenue recognition.

The Company also has a small number of in-force policies guaranteeing obligations under CDS contracts (see Note 10). 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 written 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 which is 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 or 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 premiums and will pay that percentage of each dollar of losses. In addition, the reinsurer will allow 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 claims paid.

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 that 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 Capital Assurance (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 Syncora Capital Assurance and provides policyholders the ability to submit claims under such policies directly to Syncora Capital Assurance for payment.

K. Assets on Deposit to Collateralize Certain of the Company's Contractual Obligations:

As of March 31, 2013, the Company had, in the aggregate, approximately $105.6 million on deposit to collateralize its contractual obligations under certain agreements, including reinsurance and lease agreements. Of such deposits, $94.3 million, $11.2 million, and $0.1 million are recorded on the Statement of Assets, Liabilities, Surplus and Other Funds in "Bonds", "Aggregate write-ins for other than invested assets", and "Cash, cash equivalents and short-term investments", respectively.

As of December 31, 2012, the Company had, in the aggregate, approximately $108.6 million on deposit to collateralize its contractual obligations under certain agreements, including reinsurance and lease agreements. Of such deposits, $91.1 million, $13.6 million, and $3.9 million are recorded on the Statement of Assets, Liabilities, Surplus and Other Funds in "Bonds", "Aggregate write-ins for other than invested assets", and "Cash, cash equivalents and short-term investments", respectively.

In addition, refer to Note 14.A. for information regarding certain other deposits made by the Company and the amounts of such deposits at March 31, 2013.

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 and in Note 21.J., there were no material events occurring subsequent to March 31, 2013 that required recognition or disclosure.

During April 2013, the Company and its wholly-owned subsidiaries completed certain remediation transactions which are expected to result in an increase to policyholders' surplus, which could be material in the second quarter of 2013. These transactions are expected to result in a reduction to the Company's reinsured par exposure of $424.1

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million in the second quarter of 2013.

23. Reinsurance:

A. Unsecured Reinsurance Recoverables

There has been no significant 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 Agreeements

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

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination:

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

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's reserves for unpaid losses and loss adjustment expenses represent its best estimate of: (i) the net present value of claims to be paid subsequent to the balance sheet date, less (ii) the net present value of recoveries subsequent to the balance sheet date and the net present value of installment premiums due from the counterparties to such guarantees subsequent to the balance sheet date. The Company's best estimate of claims and recoveries was based on assumptions and estimates extending over many years into the future. Such assumptions and estimates are subject to the inherent limitation on the Company's ability to predict the aggregate course of future events and, as a result, differences between estimated and actual results may be material. Reference should be made to Note 21.I. for information regarding the effect on the Company's reserves for unpaid losses resulting from transactions which effectively defeased or, in-substance, commuted (in whole or in part) substantially all its guarantees on which it previously carried case reserves, as well as the Company's 2012 Annual Statement. Amounts disclosed below relating to the provision for losses for the three months ended March 31, 2013 reflect the effect, as previously disclosed, of certain elements of the 2009 MTA. The Company recorded a provision for losses and loss adjustment expenses of $8.6 million and $15.3 million for the three months ended March 31, 2013 and 2012, respectively. The provision primarily reflects adverse development in the Company's guarantees of structured single risk transactions and a decrease in the putback benefit associated with its insurance of certain RMBS.

(a) Collateralized Debt Obligations

During the three months ended March 31, 2013 and 2012, the Company recorded a benefit for losses and loss adjustment expenses, after giving effect to reinsurance, of $(0.1) million and $(0.2) million, respectively, relating to its guarantees of CDOs. Reserves for unpaid losses and loss adjustment expenses on such guarantees, after giving effect to reinsurance, were $3.3 million as of March 31, 2013 ($3.3 million before giving effect to reinsurance). Such reserves relate to two transactions with total gross principal exposure of $13.1 million at March 31, 2013.

Reserves for unpaid losses and loss adjustment expenses on such guarantees, after giving effect to reinsurance, were $3.4 million as of December 31, 2012 ($3.4 million before giving effect to reinsurance). Such reserves relate to two transactions with total gross principal exposure of $13.2 million at December 31, 2012.

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(b) Asset-Backed Securities

For the three months ended March 31, 2013 and 2012, the Company recorded a provision (benefit) for losses and loss adjustment expenses, after giving effect to reinsurance, of $2.0 million and $(16.0) million, respectively, relating to its guarantees of insured obligations related to RMBS, supported by HELOC, CES, and Alt-A (first lien mortgages ineligible for purchase by Fannie Mae or Freddie Mac) mortgage loan collateral. Reserves for unpaid losses and loss adjustment expenses on such guarantees, after giving effect to reinsurance, were $136.5 million and $69.7 million as of March 31, 2013 and December 31, 2012, respectively ($136.5 million and $69.7 million, respectively, before giving effect to reinsurance).

The Company's estimates of reserves are determined based on an analysis of results of cash flow models. The models project expected cash flows from the underlying mortgage notes. The model output is dependent on, and sensitive to, key assumptions regarding default rates, draw rates, draw periods, recoveries and prepayment rates, among others. The cash flow from the mortgages is then run through the payment "waterfall" as set forth in the indenture for each transaction. Claims in respect of principal generally result when the outstanding principal balance of the mortgages is less than the outstanding principal balance of the insured notes, except when the principal balance is due for payment on the scheduled maturity date. Recoveries result when cash flow from the mortgages is available for repayment, typically after the insured notes are paid off in full.

The Company bases its default assumptions for the second lien transactions (HELOCs and CESs) in large part on recent observed default rates and the current pipeline of delinquent loans. The losses for the second lien transactions (HELOCs and CESs) are estimated based on a model using a constant default rate curve. At both March 31, 2013 and December 31, 2012, the Company had assumed that the majority of the peak defaults occurred in mid-2009 and would continue until mid-2010. The Company extended the assumed ramp down of such defaults to steady state from nine months at December 31, 2009 to a default rate, which generally remained fixed for a range of six to twelve months followed by a ramp down over a range of eighteen to thirty-six months at March 31, 2013. Most of the transactions are currently in their modeled ramp down periods. Net losses will be greater if the time it takes the mortgage performance to stabilize is longer than currently anticipated or if the ramp down period is extended beyond the Company's current assumption.

After the ramp down, the Company assumes a steady state constant default rate at a rate well above historical norms. The constant default rate is a function of several factors, one of which is the state of the economy and unemployment. If economic conditions remain depressed for longer than expected, the current default rate could last longer than modeled. If the current constant default rate were extended one quarter longer than projected, it would result in an increase in expected unpaid loss of approximately $2.5 million. If the current constant default rate were extended one year longer than projected, the expected loss would increase by approximately $7.3 million.

The Company's default assumptions for the first lien transactions at March 31, 2013 were based on current delinquent loans and analysis of historical defaults for loans with similar characteristics. A loss severity was applied to the first lien defaults ranging from 56.4% to 83.1% based upon actual loss severity observances and collateral characteristics to determine the expected loss on the collateral in those transactions.

The Company has exercised rights available to it in connection with its insurance of certain RMBS to require the sponsors of such securities to repurchase mortgage loans backing such securities that breached certain representations and warranties. While certain sponsors have disputed, and may in the future dispute, their obligations to repurchase all or a portion of these mortgages, if the Company is successful in enforcing its rights, whether through litigation or otherwise, it will reduce the ultimate losses the Company expects to incur through its insurance of the aforementioned securities (see Note 21). As of March 31, 2013, the amount of mortgage loans that the Company is seeking sponsors to repurchase aggregated approximately $0.8 billion; the sponsor of a substantial majority of such mortgage loans is GreenPoint Mortgage Funding, Inc. ("GreenPoint"). As of December 31, 2012, the amount of mortgage loans that the Company is seeking sponsors to repurchase aggregated approximately $0.8 billion; the sponsor of a substantial majority of such mortgage loans was also GreenPoint. No assurance can be given that the Company will be successful in enforcing its rights to require sponsors to repurchase the mortgages discussed above. If the Company were successful in enforcing these rights, its ability to realize a financial benefit from the repurchase by sponsors of the aforementioned mortgages is limited to the losses incurred by the Company through its insurance of the RMBS backed by such mortgages and by the financial ability of the sponsors to honor their obligations. In addition, no benefit is available to the Company to the extent it defeased such insured RMBS through the acquisition of Insurance Cash Flow Certificates or the use of alternative structures which mirror the economics of the Insurance Cash Flow Certificates (see Note 21.I.). As of March 31, 2013 and December 31, 2012, the Company estimated that it would realize a net benefit from such recoveries aggregating $82.0 million and $85.3 million, respectively. This benefit is recorded in the Company's financial statements through a reduction in reserves for losses that it would otherwise have had to carry. The Company's estimate considers a variety of factors including its historical rate of success at requiring sponsors to repurchase mortgages, uncertainties associated with a favorable resolution to its disputes with the sponsors, as well as the aforementioned limits regarding the financial benefit it may realize from such repurchases. The actual salvage recovery may vary materially (favorably or unfavorably) from the Company's estimates.

Included in the Company's provision for losses and loss adjustment expenses for the three months ended March 31, 2013 and 2012, is a net provision (benefit) of $3.3 million and $(20.9) million, respectively,

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relating to revisions to the Company's estimate of the benefit it expects to realize from the exercise of its rights to require sponsors to repurchase mortgages backing securities it has insured. See also Note 21.H.

(c) Public Finance

The Company insured payment of scheduled debt service on an aggregate of approximately $1.1 billion principal value of sewer revenue warrants issued by Jefferson County under financial guarantee policies ("P&I policies") issued in 2002 and 2003. In addition, the Company provided a debt service reserve fund surety bond policy (with a notional exposure of $129.7 million at March 31, 2013) in connection therewith. On April 12, 2010, the Company commuted approximately $507 million of its P&I policies. This commuted exposure was held by certain banking institutions that acquired the warrants pursuant to a liquidity facility they provided in connection with the issuance by Jefferson County of its variable rate sewer revenue warrants. There was no effect on the Company's financial position or results of operations from the commutation as a result of reserves previously established by the Company. However, pursuant to the agreement, the Company was required to make, and did make, cash payments to the aforementioned banking institutions aggregating $105.0 million which payments included the purchase of $30.0 million of Replacement Bank Warrants (as defined below) on February 1, 2012. There are no further payments required under the agreement.

As of March 31, 2013, the remaining outstanding principal amount of the warrants and related surety bond policy, after the aforementioned commutation, and the Company's exposure thereto, before giving effect to reinsurance and the Company's reserves for losses thereon discussed below, was $759.3 million (after giving effect to reinsurance and the Company reserves for losses thereon, the Company's exposure was $596.2 million). Such obligations are secured by a pledge of the net revenues of Jefferson County's sewer system. However, Jefferson County's sewer system is experiencing severe financial difficulties and on November 9, 2011, Jefferson County filed for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code.

During the three months ended March 31, 2013 and 2012, the Company recorded a provision for losses and loss adjustment expenses, after giving effect to reinsurance, of $0.1 million and $6.7 million, respectively, on its guarantees of the sewer revenue warrants and the surety bond policy.

As of March 31, 2013 and December 31, 2012, the Company's reserves for losses and loss adjustment expenses, after giving effect to reinsurance, on the warrants and the surety bond policy were $132.0 million and $133.6 million ($138.8 million and $140.6 million before giving effect to reinsurance), respectively.

In satisfaction of claims paid by the Company through April 26, 2009 (the date the Company ceased making claims payments pursuant to an order of the NYDFS) on its guarantees of the warrants, the Company has received $184.2 million of sewer revenue warrants (known as "Replacement Bank Warrants"). In addition, as noted above, the Company also received $30.0 million of Replacement Bank Warrants on February 1, 2012 pursuant to a settlement with certain banking institutions. Approximately $21.8 million of the Replacement Bank Warrants received inures to the benefit or detriment of the Company's reinsurers. As a result of the commutation agreements with reinsurers, the Company derecognized $16.9 million of warrants from its assets. As of March 31, 2013 and December 31, 2012, the carrying value of the Replacement Bank Warrants, which are recorded in "Aggregate write-ins for other than invested assets" in the Statements of Assets, Liabilities, Surplus and Other Funds was $197.3 million.

The Company continues to monitor its remaining exposure to Jefferson County's sewer revenue warrants and, as new information becomes available, it may be required to increase its provision for loss reserves thereon in the future.

(d) Structured Single Risk

During the three months ended March 31, 2013 and 2012, the Company recorded a provision for losses and loss adjustment expenses, after giving effect to reinsurance, of $6.6 million and $24.8 million, respectively, relating to its guarantees of structured single risk transactions. As of March 31, 2013 and December 31, 2012, the Company's reserves for unpaid losses and loss adjustment expenses on such guarantees, after giving effect to reinsurance, were $40.5 million and $33.8 million ($47.5 million and $40.9 million before giving effect to reinsurance).

26. Intercompany Pooling Arrangements:

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

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.

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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:

The Company's case basis reserves for unpaid losses are discounted on a non-tabular basis. The discount rate used at March 31, 2013 and December 31, 2012 was 6.11%. The discount rate is based on the weighted average return on the Company's invested assets. At March 31, 2013 and December 31, 2012, the Company's liability for unpaid losses and loss adjustment expenses was $281.4 million and $209.6 million, respectively. The amount of non-tabular discount at such dates was $(1,073.2) million and $(1,061.3) million, respectively.

A. Tabular Discount

Not applicable.

B. Nontabular Discount

Schedule P Line of Business	Case	IBNR	Defense & Cost Containment Expense	Adjusting & Other Expense
21. Financial Guaranty	(1,073,205,528)	-	-	-

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.

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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 $243.4 million ($146.2 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 for the reasons discussed above, and such difference may be material.

b. The following table presents, as of March 31, 2013, the Company's installment premiums on direct in-force business (on an undiscounted basis) expected to be collected in the future and the periods in which such collections are expected to occur. In addition to that presented in the table below, the Company had installment premiums of $76.7 million relating to assumed reinsurance business at March 31, 2013:

1.

(a)	2nd Quarter 2013	$	7,502,429
(b)	3rd Quarter 2013		6,842,186
(c)	4th Quarter 2013		5,016,045
(d)	1st Quarter 2014		5,992,932
(e)	2nd Quarter 2014		6,808,100
(f)	3rd Quarter 2014		6,186,372
(g)	4th Quarter 2014		4,469,998
(h)	Year 2015		21,694,464
(i)	Year 2016		17,634,471
(j)	Year 2017		15,618,791
(k)	Year 2018		14,363,047

2.

(a)	2019 through 2023	$	58,266,246
(b)	2024 through 2028		36,602,073
(c)	2029 through 2033		23,363,592
(d)	2034 through 2038		11,316,628
(e)	2039 through 2043		1,222,954
(f)	2044 through 2048		436,682
(g)	2049 through 2053		26,240

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	$ 254,844,652
2. Less- Premium payments received for existing installment contracts	(8,652,680)
3. Add- Expected premium payments for new installment contracts	-
4. Adjustments to the expected future premium payments	(2,828,722)
5. Expected future premiums- End of Year	$ 243,363,250

(2) Upfront Contracts

a. The gross earned premium on upfront policies that was recognized on an accelerated basis was $5.4 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. In addition to the premium earnings presented in the table below, the Company had unearned premium revenue of $54.4 million primarily relating to assumed reinsurance business at March 31, 2013:

1.

(a)	2nd Quarter 2013	$	4,723,385
(b)	3rd Quarter 2013		4,677,970
(c)	4th Quarter 2013		4,323,637
(d)	1st Quarter 2014		4,201,059
(e)	2nd Quarter 2014		4,375,406
(f)	3rd Quarter 2014		4,425,288
(g)	4th Quarter 2014		4,267,859
(h)	Year 2015		17,968,383
(i)	Year 2016		17,923,631
(j)	Year 2017		19,503,606
(k)	Year 2018		18,746,053

2.

(a)	2019 through 2023	$	94,911,929
(b)	2024 through 2028		80,994,499
(c)	2029 through 2033		57,062,164
(d)	2034 through 2038		42,760,765
(e)	2039 through 2043		31,535,330
(f)	2044 through 2048		6,621,183
(g)	2049 through 2053		5,866,269
(h)	2054 through 2058		33,605,216
(i)	2059 through 2063		218,269

(3) Claim Liability

a. The Company used a rate of 6.11% to discount the claim liability. This rate is based on the weighted average rate of return on the Company's invested assets.

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

	Components	Amount
(1)	Accretion of the discount	$ 2,775,656
(2)	Changes in timing	1,461,239
(3)	New reserves for defaults of insured contracts	-
(4)	Change in deficiency reserves[1]	67,602,662
(5)	Change in incurred but not reported claims	-
(6)	Total	$ 71,839,557

[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 could be incurred by the company with respect to such credits.

The Company's surveillance department focuses its review on monitoring 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 put the transaction into rapid amortization so that all cash flow generated from that transaction is used to pay down principal and stay current with interest or take other remedial action. Typically, the surveillance department 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, the surveillance department will analyze the reasons for the deviation. In some cases, it may be an indication of servicing problems, where loans are delinquent and are not put into foreclosure in time to maximize recovery. Typically once per year, the surveillance department will audit servicers of loans and other assets supporting the Company's insured obligations to better understand their servicing practices and to identify potential servicing problems, if any. 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

Notes to Financial Statement

consultants as needed to track construction and operational risk and reviews this portfolio based upon reports it receives on a monthly, quarterly or annual basis.

The Company estimates claims based on its surveillance department's best estimate of net cash outflows under a 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 cases, 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. The number of policies, remaining weighted-average contract period, and insured contractual payments outstanding in the table below excludes exposures that were effectively defeased or, in-substance, commuted through the acquisition of Insurance Cash Flow Certificates and related alternative structures.

		Special Monitoring List	Yellow Flag List	Red Flag List	Loss List	Total
1.	Number of policies	59	10	9	39	117
2.	Remaining weighted-average contract period (in years)	12.5	6.5	7.9	12.6	10.1
	Insured contractual payments outstanding:					
3a.	Principal	$ 1,007,948,587	$ 699,905,184	$ 2,068,747,305	$ 1,900,756,112	$ 5,677,357,188
3b.	Interest	518,041,736	308,442,608	484,031,333	1,261,860,878	2,572,376,555
3c.	Total	$ 1,525,990,323	$ 1,008,347,792	$ 2,552,778,638	$ 3,162,616,990	$ 8,249,733,743
4.	Gross loss and LAE liability (nominal)	$ 648,650	$ 12,075,806	$ 8,343,835	$ (794,234,023)	$ (773,165,732)
	Less:					
5a.	Gross potential recoveries	-	-	-	18,642,104	18,642,104
5b.	Discount, net	-	-	-	(1,073,205,528)	(1,073,205,528)
6.	Loss and LAE liabilities reported in the balance sheet	$ 648,650	$ 12,075,806	$ 8,343,835	$ 260,329,401	$ 281,397,692
7.	Unearned premium revenue, net	$ 7,127,170	$ 12,331,864	$ 10,116,400	$ 33,502,088	$ 63,077,522
8.	Reinsurance recoverables on paid losses and LAE	$ -	$ -	$ -	$ 368,225	$ 368,225

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? Yes[ ] No[ ] N/A[X]
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2011
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. 12/31/2002
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). 12/05/2003
6.4 By what department or departments?
New York State 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[X] No[ ] N/A[ ]

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[X] No[ ]
7.2 If yes, give full information
The following state licenses have been either revoked, suspended, impaired or a voluntary no write agreement has been reached. On June 4, 2008, the Missouri Department of Insurance issued an Order of Suspension. On August 12, 2008, the Company sent a letter to the New York Insurance Department confirming that the Company does not intend to write new business in the foreseeable future. On August 27, 2008, North Carolina Department of Insurance entered an Order of Impairment. On September 25, 2008, the Company and the North Carolina Department of Insurance voluntarily entered into a Voluntary Settlement Agreement. September 5, 2008, the State of Ohio issued an Order of Suspension. On December 3, 2008, the State of Ohio issued a Consent Order requiring the Company to surrender its Certificate of Authority. On September 12, 2008, the Commonwealth of Kentucky suspended the Certificate of Authority of the Company. Kentucky continued suspension on September 9, 2009. On October 8, 2008, the Commonwealth of Virginia entered an Impairment Order and on February 6, 2009, the Commonwealth of Virginia issued an Order of Suspension. On October 14, 2008, Florida issued an Order of Suspension. On May 13, 2011 Florida expired certificate of authority by operation of law. On November 14, 2008, the Company entered in to an agreement with the Alabama Insurance Department to suspend new writing in the state. On November 15, 2008, the Indiana Department of Insurance issued an Order of Suspension. On March 23, 2009, Alaska issued an Order of Suspension. On March 25, 2009, Michigan sent a letter requesting written plan of compliance. On April 22, 2009, the Company responded with a voluntary agreement to suspend writing business in Michigan. On May 28, 2009, Michigan approved the Company's offer of a voluntary no write agreement. On April 2, 2009, Arkansas issued an Order of Suspension. On April 3, 2009, Maine issued an Order of Suspension. On April 23, 2009, Idaho issued an Order of Suspension. Idaho issued a Continuation of Suspension on April 4, 2010. On March 2, 2011, Idaho further issued a Continuation of Suspension. On April 21, 2009, Connecticut amended the Company's Certificate of Authority to restrict the company from writing new or renewal business. On April 27, 2009, Wyoming issued an Order of Suspension. Wyoming extended the suspension on April 20, 2010. On March 24, 2011 Wyoming issued an Intent to Revoke. On May 9, 2009, the Company voluntarily agreed not to write new business in the state of Colorado. On May 26, 2009, West Virginia issued an Agreed Consent Order. On May 29, 2009, the U.S. Virgin Islands' Order of Suspension went into effect. The Company has opted not to renew its license in the U.S. Virgin Islands. On May 13, 2009, Mississippi issued an Order of Suspension. On May 11, 2009, Tennessee issued an Agreed Order whereby the Company voluntarily agreed not to write new business. The Agreed Order was approved by the Commissioner of Tennessee on June 17, 2009. On May 11, 2011, Tennessee automatically revoked the Company's license. On July 27, 2009, Oklahoma suspended the Company's Certificate of Authority effective August 31, 2009. On August 31, 2009, New Hampshire restricted the Company's license to servicing existing business only. On October 27, 2009, Oregon issued an Order of Suspension. On November 10, 2009, Nebraska issued an Order of Suspension. On February 11, 2010, the Louisiana Department of Insurance issued a Suspension Order. On February 2, 2011, Louisiana issued a Continuation of Suspension. On March 23, 2010 the Company signed a Cease and Desist Order from the California Department of Insurance. The Company opted not to renew its license in Puerto Rico.

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? Yes[X] No[ ]
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.
9.11 If the response to 9.1 is No, please explain:
9.2 Has the code of ethics for senior managers been amended? Yes[ ] No[X]
9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes[X] No[ ]

GENERAL INTERROGATORIES (Continued)

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: $ 102,162

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[X] No[ ]

11.2 If yes, give full and complete information relating thereto:
The Company has $19,245,224 of bonds pledged as collateral.

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

13. Amount of real estate and mortgages held in short-term investments: $ 0

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

14.2 If yes, please complete the following:

		1 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	51,492,025	52,373,463
14.24	Short-Term Investments		
14.25	Mortgages Loans on Real Estate		
14.26	All Other	172,526,855	185,818,175
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	224,018,880	238,191,638
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[X] No[ ]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[X] No[ ] N/A[ ]
If no, attach a description with this statement.

16. For the reporting entity's security lending program, state the amount of the following as of the current statement date:
16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $ 0
16.2 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $ 0
16.3 Total payable for securities lending reported on the liability page $ 0

17. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]

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

1 Name of Custodian(s)	2 Custodian Address
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:

GENERAL INTERROGATORIES (Continued)

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? Yes[ ] No[ ] N/A[X]
   If yes, attach an explanation.

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

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes[ ] No[X]
3.2 If yes, give full and complete information thereto

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see annual statement instructions pertaining to disclosure of discounting for definition of "tabular reserves"), discounted at a rate of interest greater than zero? Yes[X] No[ ]
4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
Financial guaranty		6.110	(1073205528)			(1073205528)	(11,930,762)			(11,930,762)
04.2999 Total			(1073205528)			(1073205528)	(11,930,762)			(11,930,762)

5. Operating Percentages:
   5.1 A&H loss percent 0.000%
   5.2 A&H cost containment percent 0.000%
   5.3 A&H expense percent excluding cost containment expenses 0.000%

6.1 Do you act as a custodian for health savings accounts? Yes[ ] No[X]
6.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0
6.3 Do you act as an administrator for health savings accounts? Yes[ ] No[X]
6.4 If yes, please provide the balance of the funds administered as of the reporting date. $ 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)
		NONE		

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, Etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama (AL)	L					92,287,265	91,607,166
2. Alaska (AK)	L						
3. Arizona (AZ)	L						
4. Arkansas (AR)	L						
5. California (CA)	L	566,862	787,964	1,013,926	1,056,082	63,162,812	22,428,907
6. Colorado (CO)	L						
7. Connecticut (CT)	L						
8. Delaware (DE)	L	55,665	63,034				
9. District of Columbia (DC)	L						
10. Florida (FL)	N						
11. Georgia (GA)	L						
12. Hawaii (HI)	L						
13. Idaho (ID)	L						
14. Illinois (IL)	L						
15. Indiana (IN)	L						
16. Iowa (IA)	L						
17. Kansas (KS)	L						
18. Kentucky (KY)	L	19,213	19,319				
19. Louisiana (LA)	N						
20. Maine (ME)	L						
21. Maryland (MD)	L	1,725	2,837				
22. Massachusetts (MA)	L	39,215	54,775	511,417	2,931,303	(15,638,530)	(12,195,927)
23. Michigan (MI)	L						
24. Minnesota (MN)	L		33,510				
25. Mississippi (MS)	L						
26. Missouri (MO)	L						
27. Montana (MT)	L						
28. Nebraska (NE)	L	57,495	57,959				
29. Nevada (NV)	L						
30. New Hampshire (NH)	L						
31. New Jersey (NJ)	L						
32. New Mexico (NM)	L						
33. New York (NY)	L	3,425,524	4,555,979	(67,969,608)	7,652,054	57,018,121	33,666,924
34. North Carolina (NC)	L	34,536	87,373				
35. North Dakota (ND)	L						
36. Ohio (OH)	N						
37. Oklahoma (OK)	L						
38. Oregon (OR)	L						
39. Pennsylvania (PA)	L						
40. Rhode Island (RI)	L						
41. South Carolina (SC)	L						
42. South Dakota (SD)	L						
43. Tennessee (TN)	N						
44. Texas (TX)	L	69,032	80,757				
45. Utah (UT)	L						
46. Vermont (VT)	L						
47. Virginia (VA)	L						
48. Washington (WA)	L						
49. West Virginia (WV)	L						
50. Wisconsin (WI)	L						
51. Wyoming (WY)	L						
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)	XXX	483,494	1,845,691	(853,356)		37,611,553	39,024,173
59. Totals	(a) 47	4,752,761	7,589,198	(67,297,621)	11,639,439	234,441,221	174,531,243
DETAILS OF WRITE-INS							
5801. AUS Australia	XXX	170,543	181,154	(853,356)		37,611,553	39,024,173
5802. CHL Chile	XXX	312,951	306,983				
5803. MEX Mexico	XXX		1,357,554				
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX						
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	483,494	1,845,691	(853,356)		37,611,553	39,024,173

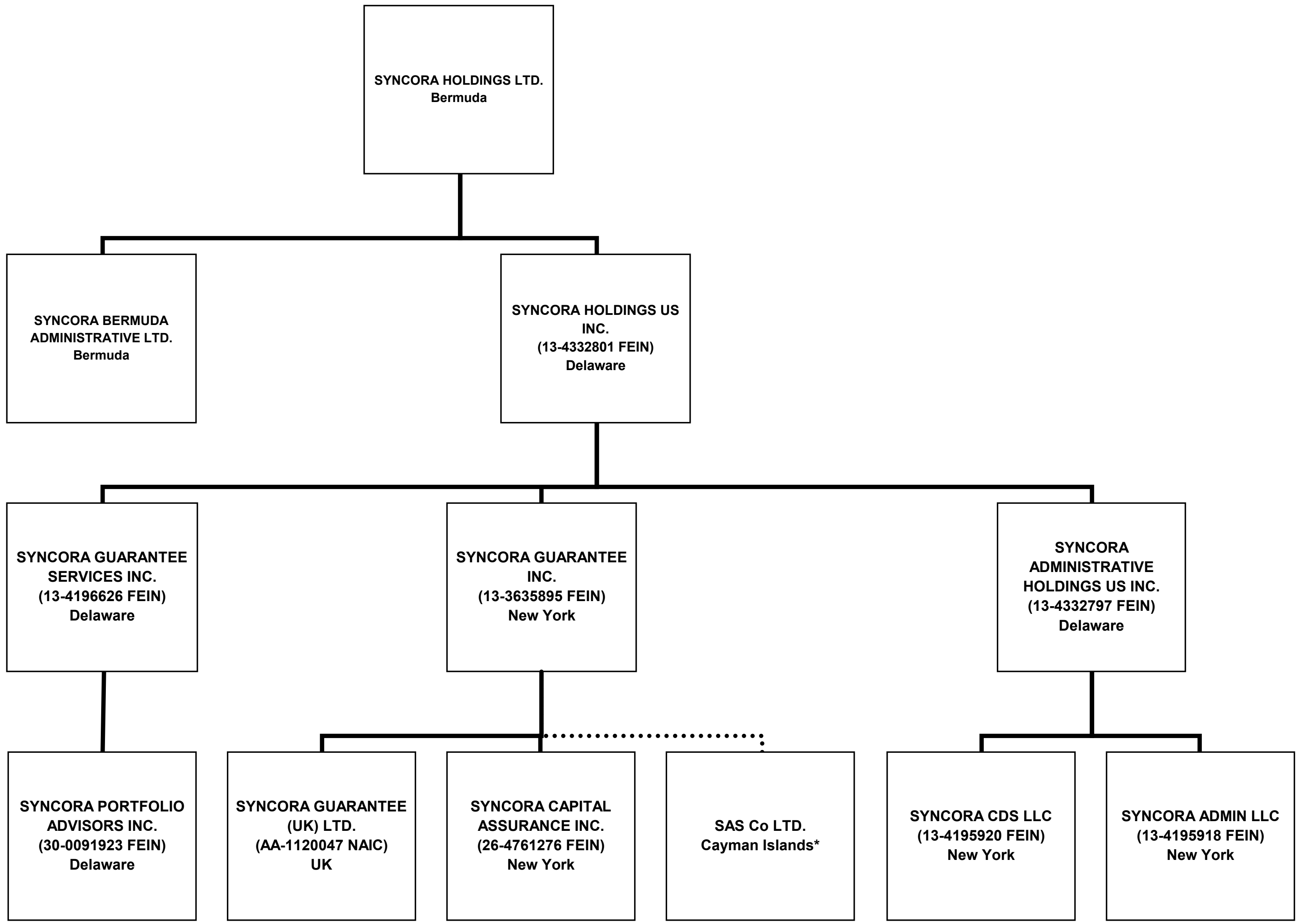
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

Asterisk	Explanation
0000001	

PART 1 - LOSS EXPERIENCE

	Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1.	Fire				
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	14,627,161	4,695,413	32.101	(22.785)
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	XXX	XXX	XXX	XXX
32.	Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33.	Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business				
35.	TOTALS	14,627,161	4,695,413	32.101	(22.785)
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	4,752,761	4,752,761	7,589,198
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	XXX	XXX	XXX
32.	Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33.	Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business			
35.	TOTALS	4,752,761	4,752,761	7,589,198
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

	Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2013 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2013 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2013 Loss and LAE Payments (Cols. 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 11 + 12)
1.	2010 + Prior	209,558		209,558	(63,234)		(63,234)	281,398			281,398	8,606		8,606
2.	2011													
3.	Subtotals 2011 + Prior	209,558		209,558	(63,234)		(63,234)	281,398			281,398	8,606		8,606
4.	2012													
5.	Subtotals 2012 + Prior	209,558		209,558	(63,234)		(63,234)	281,398			281,398	8,606		8,606
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	209,558		209,558	(63,234)		(63,234)	281,398			281,398	8,606		8,606
												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
8.	Prior Year-End's Surplus As Regards Policyholders	510,659										1. 4.107	2.	3. 4.107
														Col. 13, Line 7 Line 8
														4. 1.685

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
20311201349000001 2013 Document Code: 490

Supplement A to Schedule T
20311201345500001 2013 Document Code: 455

Medicare Part D Coverage Supplement
20311201336500001 2013 Document Code: 365

Director and Officer Supplement
20311201350500001 2013 Document Code: 505

OVERFLOW PAGE FOR WRITE-INS

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
2504. Other asset	1,500,000	1,500,000		
2505. Premium tax	295,764		295,764	213,566
2506. Accounts receivable	218,183		218,183	47,786
2597. Summary of remaining write-ins for Line 25 (Lines 2504 through 2596)	2,013,947	1,500,000	513,947	261,352

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
3704. Intercompany receivable adjustment			(5,935,376)
3797. Summary of remaining write-ins for Line 37 (Lines 3704 through 3796)			(5,935,376)

SCHEDULE A - VERIFICATION

Real Estate

		1 Year To Date	2 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)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

		1 Year To Date	2 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 points and commitment fees		
9.	Total foreign exchange change in book value/recorded investment excluding accrued interest		
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)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	172,526,855	132,321,626
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)	13,291,320	40,205,229
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)	185,818,175	172,526,855
12.	Deduct total nonadmitted amounts		
13.	Statement value at end of current period (Line 11 minus Line 12)	185,818,175	172,526,855

SCHEDULE D - VERIFICATION

Bonds and Stocks

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	632,844,385	358,225,933
2.	Cost of bonds and stocks acquired	97,283,142	657,457,287
3.	Accrual of discount	2,299,520	20,098,255
4.	Unrealized valuation increase (decrease)	881,438	2,363,965
5.	Total gain (loss) on disposals	548,139	14,277,660
6.	Deduct consideration for bonds and stocks disposed of	47,495,952	392,666,595
7.	Deduct amortization of premium	1,091,398	7,897,451
8.	Total foreign exchange change in book/adjusted carrying value	(149,631)	(10,162)
9.	Deduct current year's other than temporary impairment recognized	189,922	19,004,507
10.	Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	684,929,721	632,844,385
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)	684,929,721	632,844,385

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	568,572,106	235,640,744	173,073,638	(1,618,338)	629,520,874			568,572,106
2. Class 2 (a)	2,425,042		4,528	402,813	2,823,327			2,425,042
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)			14,307	14,958	651			
6. Class 6 (a)	59,749,247	274,464	9,384,574	2,477,553	53,116,690			59,749,247
7. Total Bonds	630,746,395	235,915,208	182,477,047	1,276,986	685,461,542			630,746,395
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	630,746,395	235,915,208	182,477,047	1,276,986	685,461,542			630,746,395

(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	20,909,558	X X X	21,212,470	171	1,515

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	18,395,881	11,151,665
2.	Cost of short-term investments acquired	106,638,151	1,204,802,657
3.	Accrual of discount		46
4.	Unrealized valuation increase (decrease)		
5.	Total gain (loss) on disposals	175	(761)
6.	Deduct consideration received on disposals	103,981,270	1,196,982,814
7.	Deduct amortization of premium	143,379	574,912
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)	20,909,558	18,395,881
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)	20,909,558	18,395,881

SCHEDULE DB - PART A - VERIFICATION

Options, Caps, Floors, Collars, Swaps and Forwards

1.	Book Adjusted Carrying Value, December 31, prior year (Line 9, prior year)	
2.	Cost Paid/(Consideration Received) on additions	5,563,000
3.	Unrealized Valuation increase/(decrease)	(1,098,687)
4.	Total gain (loss) on termination recognized	
5.	Considerations received/(paid) on terminations	
6.	Amortization	
7.	Adjustment to the Book/Adjusted Carrying Value of hedged item	
8.	Total foreign exchange change in Book/Adjusted Carrying Value	
9.	Book/Adjusted Carrying Value at End of Current Period (Lines 1 + 2 + 3 + 4 - 5 + 6 + 7 + 8)	4,464,313
10.	Deduct nonadmitted assets	
11.	Statement value at end of current period (Line 9 minus Line 10)	4,464,313

SCHEDULE DB - PART B - VERIFICATION

Futures Contracts

NONE

1.	Book/Adjusted Carrying Value, December 31 of prior year (Line 6, prior year)				
2.	Cumulative cash change (Section 1, Broker Name/Net Cash Deposits Footnote - Cumulative Cash Change column)				
3.1	Add:				
	Change in variation margin on open contracts - Highly Effective Hedges				
3.11	Section 1, Column 15, current year to date minus				
3.12	Section 1, Column 15, prior year				
	Change in variation margin on open contracts - All Other				
3.13	Section 1, Column 18, current year to date minus				
3.14	Section 1, Column 18, prior year				
3.2	Add:				
	Change in adjustment to basis of hedged item				
3.21	Section 1, Column 17, current year to date minus				
3.22	Section 1, Column 17, prior year				
	Change in amount recognized				
3.23	Section 1, Column 19, current year to date minus				
3.24	Section 1, Column 19, prior year				
3.3	Subtotal (Line 3.1 minus Line 3.2)				
4.1	Cumulative variation Margin on terminated contracts during the year				
4.2	Less:				
4.21	Amount used to adjust basis of hedged item				
4.22	Amount recognized				
4.3	Subtotal (Line 4.1 minus Line 4.2)				
5.	Dispositions gains (losses) on contracts terminated in prior year:				
5.1	Total gain (loss) recognized for terminations in prior year				
5.2	Total gain (loss) adjusted into the hedged item(s) for terminations in prior year				
6.	Book/Adjusted Carrying Value at end of current period (Lines 1 + 2 + 3.3 - 4.3 - 5.1 - 5.2)				
7.	Deduct total nonadmitted amounts				
8.	Statement value at end of current period (Line 6 minus Line 7)				

SCHEDULE DB - VERIFICATION

Verification of Book/Adjusted Carrying Value, Fair Value and Potential Exposure of all Open Derivative Contracts

		Book/Adjusted Carrying Value Check	
1.	Part A, Section 1, Column 14	4,464,313	
2.	Part B, Section 1, Column 15 plus Part B, Section 1 Footnote - Total Ending Cash Balance		
3.	Total (Line 1 plus Line 2)		4,464,313
4.	Part D, Section 1, Column 5	4,464,313	
5.	Part D, Section 1, Column 6		
6.	Total (Line 3 minus Line 4 minus Line 5)		

		Fair Value Check	
7.	Part A, Section 1, Column 16	4,464,313	
8.	Part B, Section 1, Column 13		
9.	Total (Line 7 plus Line 8)		4,464,313
10.	Part D, Section 1, Column 8	4,464,313	
11.	Part D, Section 1, Column 9		
12.	Total (Line 9 minus Line 10 minus Line 11)		

		Potential Exposure Check	
13.	Part A, Section 1, Column 21	3,443,806	
14.	Part B, Section 1, Column 20		
15.	Part D, Section 1, Column 11	3,443,806	
16.	Total (Line 13 plus Line 14 minus Line 15)		

SCHEDULE E - Verification

(Cash Equivalents)

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	30,998,154	89,280,269
2.	Cost of cash equivalents acquired	31,993,915	181,545,737
3.	Accrual of discount	3,657	18,151
4.	Unrealized valuation increase (decrease)		
5.	Total gain (loss) on disposals		(41,782)
6.	Deduct consideration received on disposals	31,000,000	239,731,573
7.	Deduct amortization of premium		72,648
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)	31,995,726	30,998,154
11.	Deduct total nonadmitted amounts		
12.	Statement value at end of current period (Line 10 minus Line 11)	31,995,726	30,998,154

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
912828LZ1	UNITED STATES TREASURY NOTE/BOND		03/01/2013	CITIGROUP GBL MKTS/S	X X X	1,601,586	1,550,000	8,234	1
912828NZ9	UNITED STATES TREASURY NOTE/BOND		02/15/2013	CITIGROUP GBL MKTS/S	X X X	3,887,281	3,800,000	18,530	1
912828SC5	UNITED STATES TREASURY NOTE/BOND		02/20/2013	NOMURA SECS INTL INC	X X X	6,857,906	6,800,000	3,287	1
0599999 Subtotal - Bonds - U.S. Governments					X X X	12,346,773	12,150,000	30,051	X X X
Bonds - U.S. Special Revenue, Special Assessment									
3138W1K55	FANNIE MAE POOL		03/07/2013	MERRILL LYNCH PIERCE	X X X	7,198,726	6,999,672	6,416	1
645918T37	NEW JERSEY ECONOMIC DEVELOPMENT AUTHORIT		01/24/2013	MERRILL LYNCH PIERCE	X X X	2,875,000	2,875,000		1FE
3199999 Subtotal - Bonds - U.S. Special Revenue, Special Assessment					X X X	10,073,726	9,874,672	6,416	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)									
00191HAC5	ARI FLEET LEASE TRUST		03/26/2013	MERRILL LYNCH PIERCE	X X X	1,969,718	1,970,000		1FE
00205BAA6	ARI FLEET LEASE TRUST 2012-B		02/26/2013	NOMURA SECS INTL INC	X X X	1,835,714	1,834,138	357	1FE
02005ADF2	ALLY MASTER OWNER TRUST		03/21/2013	J.P. MORGAN SECURITI	X X X	1,277,042	1,275,000	390	1FE
03064YAB8	AMERICREDIT AUTOMOBILE RECEIVABLES TRUST		03/12/2013	VARIOUS	X X X	2,939,735	2,940,000	80	1FE
03523TBA5	ANHEUSER-BUSCH INBEV WORLDWIDE INC		01/14/2013	MILLENNIUM ADVISORS	X X X	1,591,080	1,500,000	18,208	1FE
035242AC0	ANHEUSER-BUSCH INBEV FINANCE INC		01/14/2013	BARCLAYS CAP/FIXED I	X X X	3,479,945	3,500,000		1FE
06406HCK3	BANK OF NEW YORK MELLON CORP/THE		03/04/2013	GOLDMAN SACHS & CO,	X X X	3,500,000	3,500,000		1FE
09657YAC6	BMW VEHICLE LEASE TRUST 2013-1		01/16/2013	MERRILL LYNCH PIERCE	X X X	1,324,788	1,325,000		1FE
172967GG0	CITIGROUP INC		01/03/2013	CITIGROUP GBL MKTS/S	X X X	2,992,410	3,000,000		1FE
233851AT1	DAIMLER FINANCE NORTH AMERICA LLC		01/07/2013	J.P. MORGAN SECURITI	X X X	2,996,310	3,000,000		1FE
29372EAV0	ENTERPRISE FLEET FINANCING LLC		03/05/2013	MERRILL LYNCH PIERCE	X X X	2,799,710	2,800,000		1FE
32058EAC7	FIRST INVESTORS AUTO OWNER TRUST 2013-1		01/15/2013	WELLS FARGO SECURITI	X X X	1,444,918	1,445,000		1FE
34528QCD4	FORD CREDIT FLOORPLAN MASTER OWNER TRUST		01/15/2013	BARCLAYS CAP/FIXED I	X X X	2,259,438	2,260,000		1FE
34529VAD4	FORD CREDIT AUTO LEASE TRUST 2012-A		02/26/2013	MERRILL LYNCH PIERCE	X X X	3,106,123	3,095,000	1,169	1FE
36962G6R0	GENERAL ELECTRIC CAPITAL CORP		01/03/2013	MERRILL LYNCH PIERCE	X X X	1,196,148	1,200,000		1FE
36962G6X7	GENERAL ELECTRIC CAPITAL CORP		03/25/2013	GOLDMAN SACHS & CO,	X X X	1,200,000	1,200,000		1FE
404225AM6	HLSS SERVICER ADVANCE RECEIVABLES BACKED		01/16/2013	WELLS FARGO SECURITI	X X X	2,270,000	2,270,000		1FE
43814CAC3	HONDA AUTO RECEIVABLES OWNER TRUST 2013-		01/16/2013	MERRILL LYNCH PIERCE	X X X	2,784,854	2,785,000		1FE
44890JAB5	HYUNDAI AUTO RECEIVABLES TRUST 2013-A		01/24/2013	CITIGROUP GBL MKTS/S	X X X	1,999,870	2,000,000		1FE
44890JAC3	HYUNDAI AUTO RECEIVABLES TRUST 2013-A		01/24/2013	CITIGROUP GBL MKTS/S	X X X	1,999,937	2,000,000		1FE
585055BA3	MEDTRONIC INC		03/19/2013	GOLDMAN SACHS & CO,	X X X	449,325	450,000		1FE
59217GAY5	METROPOLITAN LIFE GLOBAL FUNDING I		01/03/2013	BARCLAYS CAP/FIXED I	X X X	736,137	740,000		1FE
63743HEE8	NATIONAL RURAL UTILITIES COOPERATIVE FIN		01/17/2013	US BANCORP INVESTMEN	X X X	2,625,000	2,625,000		1FE
69349LAH1	PNC BANK NA		01/23/2013	CITIGROUP GBL MKTS/S	X X X	3,499,265	3,500,000		1FE
80282GAE5	SANTANDER DRIVE AUTO RECEIVABLES TRUST 2		01/18/2013	AURIGA USA LLC, JERS	X X X	2,233,792	2,155,000	2,096	1FE
92887DAC0	VOLVO FINANCIAL EQUIPMENT LLC		03/20/2013	CITIGROUP GBL MKTS/S	X X X	1,889,684	1,890,000		1FE
929766R54	WACHOVIA BANK COMMERCIAL MORTGAGE TRUST		01/11/2013	RBS SECURITIES INC,	X X X	1,992,591	1,840,000	3,784	1FE
136069FA4	CANADIAN IMPERIAL BANK OF COMMERCE/CANAD	A	01/17/2013	CITIGROUP GBL MKTS/S	X X X	1,998,380	2,000,000		1FE
78008SE28	ROYAL BANK OF CANADA	A	03/05/2013	RBC CAPITAL MARKETS	X X X	2,000,000	2,000,000		1FE
78008SVD5	ROYAL BANK OF CANADA	A	01/07/2013	RBC CAPITAL MARKETS	X X X	2,496,875	2,500,000		1FE
00084DAF7	ABN AMRO BANK NV	F	01/17/2013	MORGAN STANLEY & CO	X X X	1,999,540	2,000,000		1FE
74977EPY3	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENL	F	03/12/2013	BARCLAYS CAP/FIXED I	X X X	3,250,000	3,250,000		1FE
86960BAD4	SVENSKA HANDELSBANKEN AB	F	03/15/2013	MERRILL LYNCH PIERCE	X X X	3,200,000	3,200,000		1FE
872882AA3	TSMC GLOBAL LTD	F	03/27/2013	GOLDMAN SACHS & CO,	X X X	1,249,850	1,250,000		1FE
999999AA3	UNINSURED CASH FLOWS		02/05/2013	PERSHING	X X X	212,129	5,125,818		6FE
999999AA3	UNINSURED CASH FLOWS	D	02/21/2013	JP MORGAN	X X X	62,335	117,781		6FE
3899999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	74,862,643	79,542,737	26,084	X X X
8399997 Subtotal - Bonds - Part 3					X X X	97,283,142	101,567,409	62,551	X X X
8399999 Subtotal - Bonds					X X X	97,283,142	101,567,409	62,551	X X X
9899999 Subtotal - Preferred and Common Stocks					X X X		X X X		X X X

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
9999999 Total - Bonds, Preferred and Common Stocks					XXX	97,283,142	XXX	62,551	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues ....0.

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
3620A8NH2	GINNIE MAE I POOL		03/01/2013	PAYDOWN	XXX	39,125	39,125	40,759	39,876		(751)		(751)		39,125				371	09/01/2039	1
36210UWX7	GINNIE MAE I POOL		03/01/2013	PAYDOWN	XXX	3,448	3,448	3,491	3,450		(1)		(1)		3,448				35	04/01/2014	1
36241KCE6	GINNIE MAE I POOL		03/01/2013	PAYDOWN	XXX	299,829	299,829	310,440	303,212		(3,383)		(3,383)		299,829				3,614	10/01/2034	1
38373Y6X7	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION		02/01/2013	PAYDOWN	XXX	85,323	85,323	81,177	83,868		1,456		1,456		85,323				558	08/01/2025	1
912828MH0	UNITED STATES TREASURY NOTE/BOND		03/19/2013	MORGAN STANLEY & CO	XXX	492,961	475,000	494,427	494,402		(1,991)		(1,991)		492,411		550	550	6,761	01/31/2015	1
912828NZ9	UNITED STATES TREASURY NOTE/BOND		02/20/2013	NOMURA SECS INTL INC	XXX	6,004,139	5,870,000	6,003,081	5,964,417		(5,241)		(5,241)		5,959,177		44,962	44,962	28,826	09/30/2015	1
912828QK9	UNITED STATES TREASURY NOTE/BOND		02/28/2013	MATURITY	XXX	5,200,000	5,200,000	5,187,374	5,198,870		1,130		1,130		5,200,000				4,531	02/28/2013	1
0599999 Subtotal - Bonds - U.S. Governments					XXX	12,124,825	11,972,726	12,120,749	12,088,095		(8,781)		(8,781)		12,079,313		45,512	45,512	44,696	XXX	XXX
Bonds - U.S. Special Revenue, Special Assessment																					
3128PUL83	FREDDIE MAC GOLD POOL		03/01/2013	PAYDOWN	XXX	1,099,649	1,099,649	1,159,787	1,151,797		(52,147)		(52,147)		1,099,649				5,313	03/01/2026	1
3138A5C91	FANNIE MAE POOL		03/01/2013	PAYDOWN	XXX	1,022,537	1,022,537	1,087,883	1,075,145		(52,608)		(52,608)		1,022,537				5,015	01/01/2026	1
3138LYP43	FANNIE MAE POOL		03/01/2013	PAYDOWN	XXX	216,514	216,514	232,755	231,789		(15,201)	74	(15,275)		216,514				1,262	06/01/2027	1
31416XZT0	FANNIE MAE POOL		03/01/2013	PAYDOWN	XXX	49,487	49,487	53,190	52,637		(3,151)		(3,151)		49,487				291	01/01/2026	1
31418AJV1	FANNIE MAE POOL		03/07/2013	VARIOUS	XXX	8,042,385	7,834,133	8,001,832	7,990,300		(31,317)		(31,317)		7,958,983		83,401	83,401	64,413	09/01/2042	1
31419JET1	FANNIE MAE POOL		03/01/2013	PAYDOWN	XXX	266,298	266,298	286,478	282,565		(16,267)		(16,267)		266,298				1,281	11/01/2025	1
3199999 Subtotal - Bonds - U.S. Special Revenue, Special Assessment					XXX	10,696,870	10,488,617	10,821,925	10,784,233		(170,691)	74	(170,765)		10,613,468		83,401	83,401	77,575	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
00205BAA6	ARI FLEET LEASE TRUST 2012-B		03/15/2013	PAYDOWN	XXX	218,842	218,842	218,901	149,732		(59)		(59)		218,842				154	01/15/2021	1FE
02005TAC1	ALLY AUTO RECEIVABLES TRUST 2011-1		03/15/2013	PAYDOWN	XXX	180,766	180,766	181,191	180,985		(219)		(219)		180,766				409	01/15/2015	1FE
02005XAC2	ALLY AUTO RECEIVABLES TRUST		03/15/2013	PAYDOWN	XXX	348,548	348,548	349,154	349,569		(415)	606	(1,021)		348,548				596	09/15/2015	1FE
03061UAB9	AMERICREDIT AUTOMOBILE RECEIVABLES TRUST		03/08/2013	PAYDOWN	XXX	464,326	464,326	463,087	463,213		1,113		1,113		464,326				721	12/08/2015	1FE
03064RAB3	AMERICREDIT AUTOMOBILE RECEIVABLES TRUST		03/08/2013	PAYDOWN	XXX	66,582	66,582	66,626	66,602		(19)		(19)		66,582				103	03/09/2015	1FE
07384M4C3	BEAR STEARNS ARM TRUST 2004-10		03/01/2013	PAYDOWN	XXX	13,353	13,353	6,913	11,285		2,068		2,068		13,353				56	01/01/2035	1FM
12622DAA2	COMM 2010-C1 MORTGAGE TRUST		03/01/2013	PAYDOWN	XXX	18,294	18,294	19,353	19,387		(1,038)	55	(1,093)		18,294				103	07/01/2046	1FM
12624KAA4	COMM 2012-CCRE2 MORTGAGE TRUST		03/01/2013	PAYDOWN	XXX	123,587	123,587	123,586	123,586		1		1		123,587				179	08/01/2045	1FM
12624PAA3	COMMERCIAL MORTGAGE PASS THROUGH CERTIFI		03/01/2013	PAYDOWN	XXX	54,252	54,252	54,247	54,252		6	5	1		54,252				63	11/01/2045	1FM
12667FB46	ALTERNATIVE LOAN TRUST 2004-33		03/01/2013	PAYDOWN	XXX	2,511	115,827	119,739	10,965		68,393		68,393		79,358		(76,847)	(76,847)	401	12/01/2034	1FM
14313BAD0	CARMAX AUTO OWNER TRUST 2009-2		03/15/2013	PAYDOWN	XXX	773,854	773,854	786,024	781,055		(7,201)		(7,201)		773,854				3,631	12/15/2014	1FE
172967GG0	CITIGROUP INC		01/15/2013	CITIGROUP GBL MKTS/S	XXX	2,992,410	3,000,000	2,992,410			52		52		2,992,462		(52)	(52)	833	01/15/2016	1FE
17309RAA0	CITIGROUP MORTGAGE LOAN TRUST 2006-AR6		03/01/2013	PAYDOWN	XXX	20,283	20,283	10,063	16,555		3,728		3,728		20,283				163	08/01/2036	2FM
17318UAA2	CITIGROUP COMMERCIAL MORTGAGE TRUST 2012		03/01/2013	PAYDOWN	XXX	76,796	76,796	76,796	76,796						76,796				92	09/01/2045	1FM
233050AN3	DBUBS 2011-LC1 MORTGAGE TRUST		03/01/2013	PAYDOWN	XXX	19,949	19,949	21,620	21,638		(1,638)	51	(1,689)		19,949				135	11/01/2046	1FM
233851AE4	DAIMLER FINANCE NORTH AMERICA LLC		01/07/2013	CITIGROUP GBL MKTS/S	XXX	1,676,739	1,666,000	1,680,538	1,674,958		(311)		(311)		1,674,647		2,092	2,092	1,956	09/13/2013	1FE
233851AM6	DAIMLER FINANCE NORTH AMERICA LLC		01/07/2013	MERRILL LYNCH PIERCE	XXX	1,220,961	1,215,000	1,218,694	1,217,719		(55)		(55)		1,217,664		3,297	3,297	3,509	04/10/2014	1FE
32058CAC1	FIRST INVESTORS AUTO OWNER TRUST 2012-1		03/15/2013	PAYDOWN	XXX	92,402	92,402	92,536	92,423		(21)		(21)		92,402				305	11/15/2017	1FE
34529QAB9	FORD CREDIT AUTO LEASE TRUST 2011-A		02/15/2013	PAYDOWN	XXX	158,702	158,702	158,719	158,703		25	26	(1)		158,702				131	09/15/2013	1FE
36228CTG8	GS MORT SEC CORP II COMMERCIAL MORT PS T		03/01/2013	PAYDOWN	XXX	36,815	36,815	37,476	37,551		(634)	102	(736)		36,815				344	08/01/2038	1FM
362334GR9	GSAA TRUST		03/25/2013	PAYDOWN	XXX	305	305	112	163		146	5	141		305					03/25/2036	1FM
36248EAA3	GS MORTGAGE SECURITIES TRUST 2010-C2		03/01/2013	PAYDOWN	XXX	19,256	19,256	20,975	21,030		(1,683)	91	(1,774)		19,256				130	12/01/2043	1FM
36962G2Z6	GENERAL ELECTRIC CAPITAL CORP		01/03/2013	CITIGROUP GBL MKTS/S	XXX	1,282,392	1,200,000	1,303,440	1,279,461		(1,080)		(1,080)		1,278,381		4,011	4,011	6,233	06/04/2014	1FE
36962G6R0	GENERAL ELECTRIC CAPITAL CORP		03/25/2013	JPMORGAN CHASE BK/RB	XXX	1,200,816	1,200,000	1,196,148			277		277		1,196,425		4,391	4,391	2,667	01/08/2016	1FE
44614AAB9	HUNTINGTON AUTO TRUST 2012-1		03/15/2013	PAYDOWN	XXX	395,829	395,829	396,006	395,910		(81)		(81)		395,829				356	11/17/2014	1FE

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value 11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
46634NAA4	JP MORGAN CHASE COMMERCIAL MORTGAGE SECU		03/01/2013	PAYDOWN	XXX	5,195	5,195	5,542	5,559		(340)	24	(364)		5,195				36	06/01/2043	1FM
46638UAA4	JP MORGAN CHASE COMMERCIAL MORTGAGE SECU		03/01/2013	PAYDOWN	XXX	41,990	41,990	41,990	41,990						41,990				52	10/01/2045	1FM
46639EAA9	JP MORGAN CHASE COMMERCIAL MORTGAGE SECU		03/01/2013	PAYDOWN	XXX	29,347	29,347	29,323	29,347		24	24			29,347				34	12/01/2047	1FE
52518RBX3	LEHMAN STRUCTURED SECURITIES CORP		03/01/2013	PAYDOWN	XXX	2,028	9,029	9,536	(105)		4,522		4,522		4,417		(2,389)	(2,389)	(49)	02/01/2033	5FM
59156RAZ1	METLIFE INC		01/03/2013	MIZUHO SECURITIES US	XXX	679,772	675,000	681,927	678,989		(129)		(129)		678,859		913	913	1,846	08/06/2013	1FE
61745MQ89	MORGAN STANLEY CAPITAL I TRUST 2004-IQ8		03/01/2013	PAYDOWN	XXX	18,964	18,964	19,789	19,758		(795)		(795)		18,964				137	06/01/2040	1FM
61745MW41	MORGAN STANLEY CAPITAL I TRUST 2005-TOP1		03/01/2013	PAYDOWN	XXX	13,566	13,566	14,554	14,554		(957)	31	(988)		13,566				162	12/01/2041	1FM
61761DAA0	MORGAN STANLEY BANK OF AMERICA MERRILL L		03/01/2013	PAYDOWN	XXX	34,690	34,690	34,676	34,689		14	14			34,690				40	11/01/2045	1FM
80282UAB0	SANTANDER DRIVE AUTO RECEIVABLES TRUST 2		03/15/2013	PAYDOWN	XXX	172,247	172,247	171,484	171,596		651		651		172,247				204	12/15/2015	1FE
863579XK9	STRUCTURED ADJUSTABLE RATE MORTGAGE LOAN		03/01/2013	PAYDOWN	XXX	11,615	11,615	5,349	8,558		3,056		3,056		11,615				62	09/01/2035	1FM
86358RR66	STRUCTURED ASSET SEC CORP MORT PASS-THR		03/01/2013	PAYDOWN	XXX	6	6	3	4		1		1		6					07/01/2032	1FM
86359BLS8	STRUCTURED ADJUSTABLE RATE MORTGAGE LOAN		03/01/2013	PAYDOWN	XXX	5,838	5,838	5,728	339		2,801		2,801		3,140		2,698	2,698	15	03/01/2034	1FM
90349DAA0	UBS-BARCLAYS COMMERCIAL MORTGAGE TRUST 2		03/01/2013	PAYDOWN	XXX	122,214	122,214	122,213	122,212		2		2		122,214				155	08/01/2049	1FM
92930RAA0	WF-RBS COMMERCIAL MORTGAGE TRUST		03/01/2013	PAYDOWN	XXX	128,090	128,090	128,089	128,089		1		1		128,090				151	11/01/2045	1FM
92935VAA6	WFRBS COMMERCIAL MORTGAGE TRUST 2011-C3		03/01/2013	PAYDOWN	XXX	48,829	48,829	49,662	49,655		(721)	104	(825)		48,829				171	03/01/2044	1FM
94988HAA9	WELLS FARGO COMMERCIAL MORTGAGE TRUST 20		03/01/2013	PAYDOWN	XXX	123,046	123,046	122,825	122,830		216		216		123,046				148	10/01/2045	1FM
78008TXA7	ROYAL BANK OF CANADA	A	01/07/2013	BARCLAYS CAP/FIXED I	XXX	2,414,734	2,375,000	2,416,247	2,406,808		(422)	957	(1,379)		2,405,429		9,304	9,304	6,696	10/30/2014	1FE
999999AA3	UNINSURED CASH FLOWS		03/31/2013	VARIOUS	XXX	9,363,518	11,769,627	1,632,134	7,176,414		1,738,397		1,738,397		8,891,710		471,808	471,808		03/19/2047	6FE
3899999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					XXX	24,674,259	27,063,859	17,085,425	18,214,824		1,807,676	2,095	1,805,581		24,255,032		419,226	419,226	33,130	XXX	XXX
8399997 Subtotal - Bonds - Part 4					XXX	47,495,954	49,525,202	40,028,099	41,087,152		1,628,204	2,169	1,626,035		46,947,813		548,139	548,139	155,401	XXX	XXX
8399999 Subtotal - Bonds					XXX	47,495,954	49,525,202	40,028,099	41,087,152		1,628,204	2,169	1,626,035		46,947,813		548,139	548,139	155,401	XXX	XXX
9899999 Subtotal - Preferred and Common Stocks					XXX		XXX													XXX	XXX
9999999 Total - Bonds, Preferred and Common Stocks					XXX	47,495,954	XXX	40,028,099	41,087,152		1,628,204	2,169	1,626,035		46,947,813		548,139	548,139	155,401	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues ....0.

SCHEDULE DB - PART A - SECTION 1

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

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Description	Description of Item(s) Hedged, Used for Income Generation or Replicated	Schedule/ Exhibit Identifier	Type(s) of Risk(s) (a)	Exchange, Counterparty or Central Clearinghouse	Trade Date	Date of Maturity or Expiration	Number of Contracts	Notional Amount	Strike Price, Rate or Indexed Received (Paid)	Cumulative Prior Year(s) Initial Cost of Premium (Received) Paid	Current Year Initial Cost of Premium (Received) Paid	Current Year Income	Book/ Adjusted Carrying Value	Code	Fair Value	Unrealized Valuation Increase/ (Decrease)	Total Foreign Exchange Change in B./A.C.V.	Current Year's (Amortization) Accretion	Adjustment to Carrying Value of Hedged Item	Potential Exposure	Credit Quality of Reference Entity	Hedge Effectiveness at Inception and at Quarter end (b)
Purchased Options - Hedging Other - Caps																						
Three-Month LIBOR Caps	Interest Rate Exposure	N/A	Interest	Barclays Bank PLC G5GSEF7VJP517OUK5573	02/25/2013	06/30/2018		300,600,000	0.75% - 2.50%		5,563,000		4,464,313		4,464,313	(1,098,687)				3,443,806		
0109999 Subtotal - Purchased Options - Hedging Other - Caps											5,563,000		4,464,313	XXX	4,464,313	(1,098,687)				3,443,806	XXX	XXX
0149999 Subtotal - Purchased Options - Hedging Other											5,563,000		4,464,313	XXX	4,464,313	(1,098,687)				3,443,806	XXX	XXX
0389999 Total - Purchased Options - Caps											5,563,000		4,464,313	XXX	4,464,313	(1,098,687)				3,443,806	XXX	XXX
0429999 Total - Purchased Options											5,563,000		4,464,313	XXX	4,464,313	(1,098,687)				3,443,806	XXX	XXX
1409999 Subtotal - Hedging Other											5,563,000		4,464,313	XXX	4,464,313	(1,098,687)				3,443,806	XXX	XXX
1449999 Totals											5,563,000		4,464,313	XXX	4,464,313	(1,098,687)				3,443,806	XXX	XXX

(a)

1	2
Code	Description of Hedged Risk(s)

(b)

1	2
Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period
0000	

SCHEDULE DB - PART B - SECTION 1

Future Contracts Open as of the Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	Highly Effective Hedges			All Other		20	21	22
														15	16	17	18	19			
Ticker Symbol	Number of Contracts	Notional Amount	Description	Description of Item(s) Hedged, Used for Income Generation or Replicated	Schedule/ Exhibit Identifier	Type(s) of Risk(s) (a)	Date of Maturity or Expiration	Exchange	Trade Date	Transaction Price	Reporting Date Price	Fair Value	Book/ Adjusted Carrying Value	Cumulative Variation Margin	Deferred Variation Margin	Change in Variation Margin Gain (Loss) Used to Adjust Basis of Hedged Item	Cumulative Variaion Margin	Change in Variation Margin Gain (Loss) Recognized in Current Year	Potential Exposure	Hedge Effectiveness at Inception and at Quarter-end (b)	Value of One (1) Point
1449999 Totals																				XXX	XXX

1 Broker Name	2 Beginning Cash Balance	3 Cumulative Cash Change	4 Ending Cash Balance
9999999 Total - Net Cash Deposits			

NONE

(a)

1 Code	

(b)

1 Code	2 Financial or Economic Impact of the Hedge at the End of the Reporting Period
0000	

SCHEDULE DB - PART D - SECTION 1

Counterparty Exposure for Derivative Instruments Open as of Current Statement Date

1		2	3	4	Book/Adjusted Carrying Value			Fair Value			11	12
					5	6	7	8	9	10		
Description of Exchange, Counterparty or Central Clearinghouse		Master Agreement (Y or N)	Credit Support Annex (Y or N)	Fair Value of Acceptable Collateral	Contracts With Book/ Adjusted Carrying Value > 0	Contracts With Book/ Adjusted Carrying Value < 0	Exposure net of Collateral	Contracts With Fair Value > 0	Contracts With Fair Value < 0	Exposure Net of Collateral	Potential Exposure	Off-Balance Sheet Exposure
NAIC 1 Designation												
Barclays Bank PLC		N	N		4,464,313		4,464,313	4,464,313		4,464,313	3,443,806	3,443,806
0299999 Subtotal - NAIC 1 Designation					4,464,313		4,464,313	4,464,313		4,464,313	3,443,806	3,443,806
0399999 Subtotal - NAIC 2 Designation												
0499999 Subtotal - NAIC 3 Designation												
0599999 Subtotal - NAIC 4 Designation												
0699999 Subtotal - NAIC 5 Designation												
0799999 Subtotal - NAIC 6 Designation												
0999999 Total (Sum of 0199999, 0299999, 0399999, 0499999, 0599999, 0699999 & 0799999)					4,464,313		4,464,313	4,464,313		4,464,313	3,443,806	3,443,806

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 First Month	7 Second Month	8 Third Month	*
open depositories										
HSBC	New York, NY						55,066,648	34,024,576	31,852,120	X X X
HSBC	Hamilton, Bermuda						781,635	781,685	781,685	X X X
Bank of America	Hartford, CT						29,784	29,427	29,069	X X X
Bank of Oklahoma C/D US 04/24/2013	Tulsa, OK		SD	0.300			10,000	10,000	10,000	X X X
Bank of NY Mellon Corp	Pittsburgh, PA								(8,809)	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			55,888,067	34,845,688	32,664,065	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			55,888,067	34,845,688	32,664,065	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			55,888,067	34,845,688	32,664,065	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
U.S. Governments - Issuer Obligations							
UNITED STATES TREASURY BILL		03/07/2013	0.000	05/30/2013	31,995,726		1,811
0199999 Subtotals - U.S. Governments - Issuer Obligations					31,995,726		1,811
0599999 Subtotals - U.S. Governments					31,995,726		1,811
5599999 Subtotals - Parent, Subsidiaries and Affiliates Bonds							
8399999 Subtotals - Bonds					31,995,726		1,811
8499999 Sweep Accounts							
8599999 Other Cash Equivalents							
8699999 Total - Cash Equivalents					31,995,726		1,811

INDEX TO PROPERTY & CASUALTY QUARTERLY STATEMENT

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