# QUARTERLY STATEMENT

OF THE

# FINANCIAL GUARANTY INSURANCE COMPANY

2017

OF

NEW YORK

IN THE STATE OF

NEW YORK

TO THE

INSURANCE DEPARTMENT

OF THE

STATE OF

AS OF

JUNE 30, 2017

**PROPERTY AND CASUALTY**

2017

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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

# QUARTERLY STATEMENT

## AS OF JUNE 30, 2017

OF THE CONDITION AND AFFAIRS OF THE

## FINANCIAL GUARANTY INSURANCE COMPANY

NAIC Group Code 00000 (Current Period), 00000 (Prior Period) NAIC Company Code 12815 Employer's ID Number 13-2710717

Organized under the Laws of New York, State of Domicile or Port of Entry New York

Country of Domicile United States

Incorporated/Organized 04/10/1972 Commenced Business 07/01/1972

Statutory Home Office 463 7th Avenue (Street and Number), New York, NY, US 10018 (City or Town, State, Country and Zip Code)

Main Administrative Office 463 7th Avenue (Street and Number), New York, NY, US 10018 (City or Town, State, Country and Zip Code), 212-312-3000 (Area Code) (Telephone Number)

Mail Address 463 7th Avenue (Street and Number or P.O. Box), New York, NY, US 10018 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 463 7th Avenue (Street and Number), New York, NY, US 10018 (City or Town, State, Country and Zip Code), 212-312-3041 (Area Code) (Telephone Number)

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

Statutory Statement Contact Karen Brenner (Name), 212-312-3041 (Area Code) (Telephone Number) (Extension)

karen.brenner@fgic.com (E-Mail Address), 212-312-3093 (Fax Number)

## OFFICERS

| Name | Title | Name | Title |
|---|---|---|---|
| Timothy S. Travers | Chief Executive Officer | A. Edward Turi, III | Executive Vice President and General Counsel |
| Michael C. Haines | SVP, Chief Financial Officer and Treasurer | | |

## OTHER OFFICERS

## DIRECTORS OR TRUSTEES

| | | | |
|---|---|---|---|
| Jamie B. Stewart, Chairman | Cono R. Fusco | Timothy R. Graham | Edward J. Grzybowski |
| Frederick W. Kanner | Paula A. Price | Timothy S. Travers | |

State of New York

County of New York ss

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

| Timothy S. Travers | A. Edward Turi, III | Michael C. Haines |
|---|---|---|
| Chief Executive Officer | Executive Vice President and General Counsel | SVP, Chief Financial Officer and Treasurer |

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

Subscribed and sworn to before me this 11th day of August 2017

Camille A. Taylor
Notary Public, State of New York
No. 43-01TA4994058
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires March 30, 2018

# ASSETS

| | Current Statement Date | | | 4 |
|---|---|---|---|---|
| | 1 | 2 | 3 | |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | December 31 Prior Year Net Admitted Assets |
| 1. Bonds | 2,089,952,491 | | 2,089,952,491 | 2,128,713,001 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | | | 0 | 0 |
| 2.2 Common stocks | 198,066,837 | | 198,066,837 | 164,308,819 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less $ encumbrances) | | | 0 | 0 |
| 4.2 Properties held for the production of income (less $ encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less $ encumbrances) | | | 0 | 0 |
| 5. Cash ($ 17,088,377 ), cash equivalents ($ 0 ) and short-term investments ($ 139,837,458 ) | 156,925,835 | | 156,925,835 | 101,105,926 |
| 6. Contract loans (including $ premium notes) | | | 0 | 0 |
| 7. Derivatives | 0 | | 0 | 0 |
| 8. Other invested assets | 8,874,975 | | 8,874,975 | 0 |
| 9. Receivables for securities | 1,675,100 | | 1,675,100 | 44,570,611 |
| 10. Securities lending reinvested collateral assets | | | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 13,300,591 | 0 | 13,300,591 | 20,703,144 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 2,468,795,829 | 0 | 2,468,795,829 | 2,459,401,501 |
| 13. Title plants less $ charged off (for Title insurers only) | | | 0 | 0 |
| 14. Investment income due and accrued | 22,369,972 | | 22,369,972 | 22,352,955 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | | | 0 | 0 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums) | | | 0 | 0 |
| 15.3 Accrued retrospective premiums ($ ) and contracts subject to redetermination ($ ) | | | 0 | 0 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 26,320 | | 26,320 | 25,782 |
| 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | | | 0 | 0 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 1,569,571 | | 1,569,571 | 2,101,384 |
| 18.2 Net deferred tax asset | | | 0 | 0 |
| 19. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 20. Electronic data processing equipment and software | 890,545 | 890,545 | 0 | 0 |
| 21. Furniture and equipment, including health care delivery assets ($ ) | | | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 739,923 | | 739,923 | 465,156 |
| 24. Health care ($ ) and other amounts receivable | | | 0 | 0 |
| 25. Aggregate write-ins for other-than-invested assets | 1,192,659 | 0 | 1,192,659 | 1,310,998 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 2,495,584,819 | 890,545 | 2,494,694,274 | 2,485,657,776 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 | 0 |
| 28. Total (Lines 26 and 27) | 2,495,584,819 | 890,545 | 2,494,694,274 | 2,485,657,776 |
| **DETAILS OF WRITE-INS** | | | | |
| 1101. Other Invested Assets | 13,300,591 | | 13,300,591 | 20,703,144 |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 13,300,591 | 0 | 13,300,591 | 20,703,144 |
| 2501. Cash Surrender Value of Life Insurance Policies | 1,053,910 | | 1,053,910 | 1,087,140 |
| 2502. Premium Taxes and State Income Tax Refunds | 138,749 | | 138,749 | 116,460 |
| 2503. Miscellaneous Receivables | | | 0 | 107,398 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 1,192,659 | 0 | 1,192,659 | 1,310,998 |

# LIABILITIES, SURPLUS AND OTHER FUNDS

| | | 1<br>Current Statement Date | 2<br>December 31, Prior Year |
|---|---|---|---|
| 1. | Losses (current accident year $ ) | 1,978,137,389 | 1,949,709,123 |
| 2. | Reinsurance payable on paid losses and loss adjustment expenses | | 0 |
| 3. | Loss adjustment expenses | 17,392,917 | 24,080,821 |
| 4. | Commissions payable, contingent commissions and other similar charges | | 0 |
| 5. | Other expenses (excluding taxes, licenses and fees) | 21,380,525 | 23,372,518 |
| 6. | Taxes, licenses and fees (excluding federal and foreign income taxes) | | 0 |
| 7.1 | Current federal and foreign income taxes (including $ on realized capital gains (losses)) | 9,708 | 8,959 |
| 7.2 | Net deferred tax liability | | 0 |
| 8. | Borrowed money $ and interest thereon $ | | 0 |
| 9. | Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 1,341,031 and including warranty reserves of $ and accrued accident and health experience rating refunds including $ for medical loss ratio rebate per the Public Health Service Act) | 44,020,730 | 47,876,374 |
| 10. | Advance premium | | 0 |
| 11. | Dividends declared and unpaid: | | |
| | 11.1 Stockholders | | 0 |
| | 11.2 Policyholders | | 0 |
| 12. | Ceded reinsurance premiums payable (net of ceding commissions) | 0 | 0 |
| 13. | Funds held by company under reinsurance treaties | | 0 |
| 14. | Amounts withheld or retained by company for account of others | | 0 |
| 15. | Remittances and items not allocated | | 0 |
| 16. | Provision for reinsurance (including $ certified) | 0 | 0 |
| 17. | Net adjustments in assets and liabilities due to foreign exchange rates | | 0 |
| 18. | Drafts outstanding | | 0 |
| 19. | Payable to parent, subsidiaries and affiliates | | 0 |
| 20. | Derivatives | 0 | 0 |
| 21. | Payable for securities | 29,615,546 | 55,857,016 |
| 22. | Payable for securities lending | | 0 |
| 23. | Liability for amounts held under uninsured plans | | 0 |
| 24. | Capital notes $ and interest thereon $ | | 0 |
| 25. | Aggregate write-ins for liabilities | 337,737,459 | 318,352,965 |
| 26. | Total liabilities excluding protected cell liabilities (Lines 1 through 25) | 2,428,294,274 | 2,419,257,776 |
| 27. | Protected cell liabilities | | 0 |
| 28. | Total liabilities (Lines 26 and 27) | 2,428,294,274 | 2,419,257,776 |
| 29. | Aggregate write-ins for special surplus funds | 0 | 0 |
| 30. | Common capital stock | 15,000,000 | 15,000,000 |
| 31. | Preferred capital stock | 300,000,000 | 300,000,000 |
| 32. | Aggregate write-ins for other than special surplus funds | 0 | 0 |
| 33. | Surplus notes | | 0 |
| 34. | Gross paid in and contributed surplus | | 0 |
| 35. | Unassigned funds (surplus) | (248,600,000) | (248,600,000) |
| 36. | Less treasury stock, at cost: | | |
| | 36.1 shares common (value included in Line 30 $ ) | | 0 |
| | 36.2 shares preferred (value included in Line 31 $ ) | | 0 |
| 37. | Surplus as regards policyholders (Lines 29 to 35, less 36) | 66,400,000 | 66,400,000 |
| 38. | Totals (Page 2, Line 28, Col. 3) | 2,494,694,274 | 2,485,657,776 |
| | **DETAILS OF WRITE-INS** | | |
| 2501. | Contingency Reserve | 337,607,027 | 318,256,562 |
| 2502. | Other Liabilities | 130,432 | 96,403 |
| 2503. | | | |
| 2598. | Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 |
| 2599. | Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 337,737,459 | 318,352,965 |
| 2901. | | | |
| 2902. | | | |
| 2903. | | | |
| 2998. | Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 |
| 2999. | Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 0 | 0 |
| 3201. | | | |
| 3202. | | | |
| 3203. | | | |
| 3298. | Summary of remaining write-ins for Line 32 from overflow page | 0 | 0 |
| 3299. | Totals (Lines 3201 through 3203 plus 3298) (Line 32 above) | 0 | 0 |

# STATEMENT OF INCOME

| | 1<br>Current Year<br>to Date | 2<br>Prior Year<br>to Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| **UNDERWRITING INCOME** | | | |
| 1. Premiums earned: | | | |
| 1.1 Direct (written $ 4,407,537 ) | 8,513,727 | 7,961,153 | 20,511,323 |
| 1.2 Assumed (written $ ) | | 0 | 0 |
| 1.3 Ceded (written $ 359,463 ) | 610,008 | 230,239 | 845,353 |
| 1.4 Net (written $ 4,048,074 ) | 7,903,719 | 7,730,914 | 19,665,970 |
| DEDUCTIONS: | | | |
| 2. Losses incurred (current accident year $ ): | | | |
| 2.1 Direct | 50,418,551 | 38,193,137 | 145,464,945 |
| 2.2 Assumed | | 0 | 0 |
| 2.3 Ceded | 15,580,407 | 6,237,076 | 6,200,678 |
| 2.4 Net | 34,838,144 | 31,956,061 | 139,264,267 |
| 3. Loss adjustment expenses incurred | 241,040 | 5,716,851 | 19,480,292 |
| 4. Other underwriting expenses incurred | 12,824,617 | 14,062,249 | 30,624,383 |
| 5. Aggregate write-ins for underwriting deductions | 0 | 0 | 0 |
| 6. Total underwriting deductions (Lines 2 through 5) | 47,903,801 | 51,735,161 | 189,368,942 |
| 7. Net income of protected cells | | 0 | 0 |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7) | (40,000,082) | (44,004,247) | (169,702,972) |
| **INVESTMENT INCOME** | | | |
| 9. Net investment income earned | 43,835,275 | 43,796,091 | 88,977,157 |
| 10. Net realized capital gains (losses) less capital gains tax of $ | 16,954,704 | 15,575,360 | 23,732,618 |
| 11. Net investment gain (loss) (Lines 9 + 10) | 60,789,979 | 59,371,451 | 112,709,775 |
| **OTHER INCOME** | | | |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $ ) | | 0 | 0 |
| 13. Finance and service charges not included in premiums | | 0 | 0 |
| 14. Aggregate write-ins for miscellaneous income | (3,227,644) | 4,970,853 | 55,188,932 |
| 15. Total other income (Lines 12 through 14) | (3,227,644) | 4,970,853 | 55,188,932 |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | 17,562,253 | 20,338,057 | (1,804,265) |
| 17. Dividends to policyholders | | 0 | 0 |
| 18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17) | 17,562,253 | 20,338,057 | (1,804,265) |
| 19. Federal and foreign income taxes incurred | | (3,811,224) | (4,515,774) |
| 20. Net income (Line 18 minus Line 19)(to Line 22) | 17,562,253 | 24,149,281 | 2,711,509 |
| **CAPITAL AND SURPLUS ACCOUNT** | | | |
| 21. Surplus as regards policyholders, December 31 prior year | 66,400,000 | 66,400,000 | 66,400,000 |
| 22. Net income (from Line 20) | 17,562,253 | 24,149,281 | 2,711,509 |
| 23. Net transfers (to) from Protected Cell accounts | | 0 | 0 |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 697,059 | 1,294,538 | 2,718,635 | 7,222,738 |
| 25. Change in net unrealized foreign exchange capital gain (loss) | 698,895 | (592,791) | 227,311 |
| 26. Change in net deferred income tax | | 0 | 0 |
| 27. Change in nonadmitted assets | (205,221) | 27,885 | 692,601 |
| 28. Change in provision for reinsurance | | (5,596,754) | 0 |
| 29. Change in surplus notes | | 0 | 0 |
| 30. Surplus (contributed to) withdrawn from protected cells | | 0 | 0 |
| 31. Cumulative effect of changes in accounting principles | | 0 | 0 |
| 32. Capital changes: | | | |
| 32.1 Paid in | | 0 | 0 |
| 32.2 Transferred from surplus (Stock Dividend) | | 0 | 0 |
| 32.3 Transferred to surplus | | 0 | 0 |
| 33. Surplus adjustments: | | | |
| 33.1 Paid in | | 0 | 0 |
| 33.2 Transferred to capital (Stock Dividend) | | 0 | 0 |
| 33.3 Transferred from capital | | 0 | 0 |
| 34. Net remittances from or (to) Home Office | | 0 | 0 |
| 35. Dividends to stockholders | | 0 | 0 |
| 36. Change in treasury stock | | 0 | 0 |
| 37. Aggregate write-ins for gains and losses in surplus | (19,350,465) | (20,706,256) | (10,854,159) |
| 38. Change in surplus as regards policyholders (Lines 22 through 37) | 0 | 0 | 0 |
| 39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38) | 66,400,000 | 66,400,000 | 66,400,000 |
| **DETAILS OF WRITE-INS** | | | |
| 0501. | | | |
| 0502. | | | |
| 0503. | | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | 0 | 0 | 0 |
| 0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 |
| 1401. Other Income | | 74,935 | 130,757 |
| 1402. Salvage and Subrogation Income | (3,227,644) | 4,895,918 | 55,058,175 |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 |
| 1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) | (3,227,644) | 4,970,853 | 55,188,932 |
| 3701. (Increase) Decrease in Contingency Reserves | (19,350,465) | (20,706,256) | (10,854,159) |
| 3702. | | 0 | 0 |
| 3703. | | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page | 0 | 0 | 0 |
| 3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above) | (19,350,465) | (20,706,256) | (10,854,159) |

# CASH FLOW

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| **Cash from Operations** | | | |
| 1. Premiums collected net of reinsurance | 4,082,103 | 4,989,916 | 8,625,606 |
| 2. Net investment income | 46,574,458 | 45,893,049 | 94,241,050 |
| 3. Miscellaneous income | 7,064,624 | 4,970,853 | 55,188,932 |
| 4. Total (Lines 1 to 3) | 57,721,185 | 55,853,818 | 158,055,588 |
| 5. Benefit and loss related payments | 6,410,416 | 11,856,782 | 85,485,354 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | 0 | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 21,724,234 | 9,124,512 | 28,041,430 |
| 8. Dividends paid to policyholders | 0 | 0 | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of $ tax on capital gains (losses) | (532,562) | 1,769,307 | 1,895,607 |
| 10. Total (Lines 5 through 9) | 27,602,088 | 22,750,601 | 115,422,391 |
| 11. Net cash from operations (Line 4 minus Line 10) | 30,119,097 | 33,103,217 | 42,633,197 |
| **Cash from Investments** | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds | 331,971,912 | 455,514,440 | 798,389,975 |
| 12.2 Stocks | 61,701,454 | 13,747,174 | 37,327,482 |
| 12.3 Mortgage loans | 0 | 0 | 0 |
| 12.4 Real estate | 0 | 0 | 0 |
| 12.5 Other invested assets | 6,774,973 | 1,928,413 | 55,701,847 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | 0 | 416 |
| 12.7 Miscellaneous proceeds | 10,503,569 | 0 | 0 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 410,951,908 | 471,190,027 | 891,419,719 |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds | 287,783,611 | 402,193,890 | 761,670,954 |
| 13.2 Stocks | 84,695,585 | 51,911,908 | 99,898,889 |
| 13.3 Mortgage loans | 0 | 0 | 0 |
| 13.4 Real estate | 0 | 0 | 0 |
| 13.5 Other invested assets | 12,388,931 | 5,887,760 | 3,353,013 |
| 13.6 Miscellaneous applications | 0 | 277,481 | 45,526,349 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 384,868,127 | 460,271,039 | 910,449,205 |
| 14. Net increase (or decrease) in contract loans and premium notes | 0 | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | 26,083,781 | 10,918,988 | (19,029,486) |
| **Cash from Financing and Miscellaneous Sources** | | | |
| 16. Cash provided (applied): | | | |
| 16.1 Surplus notes, capital notes | 0 | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock | 0 | 0 | 0 |
| 16.3 Borrowed funds | 0 | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | 0 | 0 |
| 16.5 Dividends to stockholders | 0 | 0 | 0 |
| 16.6 Other cash provided (applied) | (382,969) | 5,969 | 712,199 |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | (382,969) | 5,969 | 712,199 |
| **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) | 55,819,909 | 44,028,174 | 24,315,910 |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year | 101,105,926 | 76,790,016 | 76,790,016 |
| 19.2 End of period (Line 18 plus Line 19.1) | 156,925,835 | 120,818,190 | 101,105,926 |

# NOTES TO FINANCIAL STATEMENTS

**Organization and Background**

Financial Guaranty Insurance Company (the "Company" or "FGIC"), a New York stock insurance corporation, is a wholly owned subsidiary of FGIC Corporation ("FGIC Corp."), a Delaware corporation which emerged from a proceeding under Chapter 11 of the United States Bankruptcy Code on April 19, 2013.

FGIC previously issued financial guaranty insurance policies insuring public finance, structured finance and other obligations, but it is no longer engaged in the business of writing new insurance policies. FGIC operates in accordance with the terms and conditions set forth in the Rehabilitation Plan (defined below). FGIC's primary regulator is the New York State Department of Financial Services (the "NYSDFS"). FGIC UK Limited ("FGIC UK"), a wholly owned United Kingdom insurance subsidiary of FGIC, previously issued financial guaranties covering public finance, structured finance and other obligations, but it is no longer engaged in the business of writing new financial guaranties. FGIC UK's primary regulator is the UK Prudential Regulation Authority.

On June 28, 2012, the Supreme Court of the State of New York (the "Rehabilitation Court") issued an order pursuant to Article 74 of the New York Insurance Law (the "NYIL") placing FGIC in rehabilitation and appointing the Superintendent of Financial Services of the State of New York as FGIC's rehabilitator.

On June 11, 2013, the Rehabilitation Court approved the First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013, together with all exhibits and the plan supplement thereto (as the same may be amended from time to time, collectively, the "Rehabilitation Plan") in an order issued pursuant to Article 74 of the NYIL. The Rehabilitation Plan became effective on August 19, 2013 (the "Effective Date"), whereupon FGIC's rehabilitation proceeding terminated. By notice dated on the Effective Date, FGIC's rehabilitator set the initial cash payment percentage ("CPP") at 17%.

On the Effective Date, FGIC emerged from its rehabilitation proceeding as a solvent insurance company under the NYIL, with its policies restructured in a manner intended to ensure it remains solvent and the Rehabilitation Plan became the exclusive means for resolving and paying (i) all policy claims, whenever arising, (ii) all other claims arising during, or relating to, the period prior to the Effective Date and (iii) all equity interests in FGIC in existence as of the commencement date of FGIC's rehabilitation proceeding (June 28, 2012), in each case other than claims (including policy claims) paid in full by FGIC prior to such date. Claims arising during or relating to the period on and after the Effective Date (other than policy claims) are not covered by the Rehabilitation Plan and will be resolved and paid by FGIC in the ordinary course of business.

As of the Effective Date, any and all policies in force as of the Effective Date (except for certain policies that were novated on that date) were automatically modified by the Rehabilitation Plan.

The Rehabilitation Plan, including the restructured policy terms attached to the Rehabilitation Plan as Exhibit B (the "Restructured Policy Terms"), supersedes any and all provisions of each policy that are inconsistent with the Rehabilitation Plan. FGIC is responsible for administering, reviewing, verifying, reconciling, objecting to, compromising or otherwise resolving all claims (including policy claims) not resolved prior to the Effective Date, in each case in compliance with the Rehabilitation Plan and any applicable guidelines the NYSDFS has issued or may issue to carry out the purposes and effects of the Rehabilitation Plan ("NYSDFS Guidelines").

With respect to any policy claim permitted by FGIC, pursuant to the Rehabilitation Plan and the applicable policy (as modified by the Rehabilitation Plan), FGIC is obligated to pay in cash to the applicable policy payee only an upfront amount equal to the product of the then-existing CPP and the amount of such permitted policy claim (subject to any setoff rights FGIC may have). The portion of such permitted policy claim not paid or deemed to be paid by FGIC generally comprises a deferred payment obligation ("DPO") with respect to the applicable policy. The DPO with respect to any policy generally represents the aggregate amount of all permitted policy claims under such policy minus the aggregate amount paid, or deemed to be paid, in cash by FGIC with respect to such policy (other than DPO Accretion, defined below) from and after the

# NOTES TO FINANCIAL STATEMENTS

Effective Date, subject to further adjustments as provided in the Rehabilitation Plan. From and after the Effective Date, each policy with an outstanding DPO accrues an amount ("DPO Accretion") in accordance with the Rehabilitation Plan based on such DPO at a rate of 3% per annum (on a daily basis on the basis of a 365-day year). The DPO for any policy and any related DPO Accretion shall only be payable by FGIC when, if and to the extent provided in the Restructured Policy Terms and the Rehabilitation Plan. In the absence of an upward adjustment of the CPP, FGIC shall have no obligation to pay any portion of any DPO or DPO Accretion.

FGIC is required to re-evaluate the CPP (at least annually) pursuant to the procedures set forth in the Restructured Policy Terms to determine whether the CPP should remain the same or be adjusted upward or downward (each, a "CPP Revaluation"). All CPP Revaluations require review and approval by the board of directors of FGIC, and any change in the CPP (among other things) requires the approval of the NYSDFS. In October 2016, in connection with FGIC's annual CPP Revaluation for 2016, the NYSDFS approved an upward adjustment to the CPP from 22% to 25%. FGIC has submitted its annual CPP Revaluation for 2017 for consideration by the NYSDFS in accordance with the Rehabilitation Plan.

The percentage of permitted policy claims that FGIC ultimately pays in cash in accordance with the Rehabilitation Plan, and the timing of any such payments, are subject to various factors and the outcome of future events, including the performance of FGIC's insured and investment portfolios and the results of FGIC's litigation and other loss mitigation efforts, and no assurance can be given with respect to the amount of any such percentage or the timing of any such payments. Based on the magnitude of FGIC's accrued and projected policy claims, while the CPP may further increase over time, FGIC expects to make payments in cash pursuant to the Rehabilitation Plan of only a fractional portion of its permitted policy claims and it does not expect to make any payments pursuant to the Rehabilitation Plan with respect to non-policy claims or equity interests.

References to and descriptions of provisions of the Restructured Policy Terms, the Rehabilitation Plan (and related agreements) and orders of the Rehabilitation Court included in these financial statements are merely summaries thereof, and do not contain all information necessary to fully understand such provisions and orders. Please refer to the specific terms, requirements and conditions of the Restructured Policy Terms, the Rehabilitation Plan (and related agreements) and orders of the Rehabilitation Court for a full understanding thereof, which in all cases shall govern, rather than any summary description contained in these financial statements.

## Note 1 - Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

Pursuant to the provisions of the Rehabilitation Plan, the NYSDFS has issued NYSDFS Guidelines that define certain accounting practices for FGIC for reporting periods ending on or after the Effective Date. In accordance with such NYSDFS Guidelines, for reporting periods ending on or after the Effective Date, FGIC records loss reserves at the applicable reporting date in an amount equal to the excess of (i) the amount of FGIC's admitted assets minus FGIC's minimum required statutory surplus to policyholders at the reporting date (the "Minimum Surplus Amount," currently $66.4 million) over (ii) the sum of FGIC's statutory reserves excluding loss reserves (e.g., unearned premiums, contingency reserves, loss adjustment expense reserves) and other liabilities. In accordance with such NYSDFS Guidelines, the loss reserve amount comprises the total amount of (i) the sum, net of reinsurance, of (x) the total amount of all policy claims submitted to FGIC in accordance with the Rehabilitation Plan that are unpaid (excluding any portions of such policy claims that are being disputed by FGIC) and (y) the net present value of the total amount of all policy claims that the Company expects to receive in the future in accordance with the Rehabilitation Plan (using the prescribed statutory discount rate which is based on the average rate of return on FGIC's admitted assets) (such sum is referred to as the "Claims Reserve"), (ii) the DPO for all policies at such reporting date and (iii) the DPO Accretion for all policies at such reporting date, minus an adjustment (the "Policy Revision Adjustment") in an amount that will permit FGIC to report a surplus to policyholders at such reporting date equal to the Minimum Surplus Amount (See also Note 25, Changes in Incurred Losses and Loss Adjustment Expenses).

# NOTES TO FINANCIAL STATEMENTS

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of New York for the six months ended June 30, 2017 and for the year ended December 31, 2016 is shown below:

| | SSAP # | F/S Page | F/S Line # | 2017 | 2016 |
|---|---|---|---|---|---|
| NET INCOME | | | | | |
| (1) Company state basis (Page 4, Line 20, Columns 1 & 3) | XXX | XXX | XXX | $ 17,562,253 | $ 2,711,509 |
| (2) State Prescribed Practices that are an increase/(decrease) NAIC SAP: | | | | $ | $ |
| (3) State Permitted Practices that are an increase/(decrease) NAIC SAP: | | | | $ | $ |
| (4) NAIC SAP (1-2-3=4) | XXX | XXX | XXX | $ 17,562,253 | $ 2,711,509 |
| SURPLUS | | | | | |
| (5) Company state basis (Page 3, Line 37, Columns 1 & 2) | XXX | XXX | XXX | $ 66,400,000 | $ 66,400,000 |
| (6) State Prescribed Practices that are an increase/(decrease) NAIC SAP: | | | | $ | $ |
| (7) State Permitted Practices that are an increase/(decrease) NAIC SAP: | | | | $ | $ |
| (8) NAIC SAP (5-6-7=8) | XXX | XXX | XXX | $ 66,400,000 | $ 66,400,000 |

B. Use of Estimates in the Preparation of the Financial Statements

The accompanying financial statements of the Company have been prepared in conformity with statutory accounting practices prescribed or permitted by the NYSDFS as well as those accounting practices detailed in NYSDFS Guidelines ("SAP"). The preparation of financial statements in conformity with SAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates, and those differences could be material.

C. Accounting Policies

No significant changes from the 2016 Notes to Financial Statements, except the following addition:

Surplus notes have an NAIC designation of 1 and are stated at amortized cost unless the issuer of the note is under regulatory action, with premiums and discounts amortized to net income using the effective interest method over the remaining term of the notes. If the issuer is under regulatory action, the surplus notes must be stated at zero until the regulatory action ends.

(6) All single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method, including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment. All such securities are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective method

D. Not Applicable

## Note 2 – Accounting Changes and Corrections of Errors

Certain 2016 amounts in the Company's Annual Statement have been reclassified to conform to the 2017 presentation.

There were no changes in accounting principles and/or correction of errors during the six months ended June 30, 2017.

## Note 3 – Business Combinations and Goodwill

A-C. No significant changes from the 2016 Notes to Financial Statements

# NOTES TO FINANCIAL STATEMENTS

## Note 4 – Discontinued Operations

No significant changes from the 2016 Notes to Financial Statements

## Note 5 – Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans – None

B. Debt Restructuring – None

C. Reverse Mortgages – None

D. Loan-Backed Securities

(1) Prepayment assumptions for mortgage-backed/loan-backed and structured securities are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment.

(2) The following summarizes those securities held at June 30, 2017 for which OTTI was recorded during the six months ended June 30, 2017:

| | | (1) Amortized Cost Basis Before Other-than-Temporary Impairment | (2) Other-than-Temporary Impairment Recognized in Loss | (3) Fair Value 1 - 2 |
|---|---|---|---|---|
| OTTI recognized 1st Quarter | | | | |
| a. | Intent to sell | $ 12,157,585 | $ 19,944 | $ 12,137,641 |
| b. | Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ 0 | $ 0 | $ 0 |
| c. | Total 1st Quarter | $ 12,157,585 | $ 19,944 | $ 12,137,641 |
| OTTI recognized 2nd Quarter | | | | |
| d. | Intent to sell | $ 0 | $ 0 | $ 0 |
| e. | Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ 0 | $ 0 | $ 0 |
| f. | Total 2nd Quarter | $ 0 | $ 0 | $ 0 |
| OTTI recognized 3rd Quarter | | | | |
| g. | Intent to sell | $ | $ | $ 0 |
| h. | Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ | $ | $ 0 |
| i. | Total 3rd Quarter | $ 0 | $ 0 | $ 0 |
| OTTI recognized 4th Quarter | | | | |
| j. | Intent to sell | $ | $ | $ 0 |
| k. | Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ | $ | $ 0 |
| l. | Total 4th Quarter | $ 0 | $ 0 | $ 0 |
| m. | Annual Aggregate Total | | $ 19,944 | |

(3)

| 1 CUSIP | 2 Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI | 3 Present Value of Projected Cash Flows | 4 Recognized Other-Than-Temporary Impairment | 5 Amortized Cost After Other-Than-Temporary Impairment | 6 Fair Value at time of OTTI | 7 Date of Financial Statement Where Reported |
|---|---|---|---|---|---|---|
| 3128M8-U8-5 | 8,118,335 | 8,107,140 | 11,195 | 8,107,140 | 8,107,140 | 03/31/2017 |
| 3138EG-ZZ-0 | 1,850,184 | 1,847,080 | 3,104 | 1,847,080 | 1,847,080 | 03/31/2017 |
| 3138X3-X5-6 | 1,025,296 | 1,022,018 | 3,278 | 1,022,018 | 1,022,018 | 03/31/2017 |
| 31419A-X7-7 | 1,163,770 | 1,161,403 | 2,367 | 1,161,403 | 1,161,403 | 03/31/2017 |
| Total | XXX | XXX | $ 19,944 | XXX | XXX | XXX |

(4)

a. The aggregate amount of unrealized losses:

1. Less than 12 Months $ 4,357,466
2. 12 Months or Longer $ -

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

1. Less than 12 Months $ 132,925,597
2. 12 Months or Longer $ -

(5) For all investments in bonds and loan-backed and structured securities acquired prior to October 1, 2015, a decline in the fair value of any such security below its cost basis as of a reporting date is automatically treated as an other-than-temporary impairment ("OTTI").

FGIC conducts an impairment review no less than quarterly for all investments in bonds, loan-backed and structured securities and surplus notes acquired on or after October 1, 2015, and for

# NOTES TO FINANCIAL STATEMENTS

all investments in common stocks, in each case which have fair values lower than their respective cost bases as of the review date. The analysis of a security's decline in value is performed at the lot level. FGIC first determines whether it intends to sell the security. For loan-backed and structured securities, FGIC also determines whether it is more likely than not that it will be unable to hold the security for a period of time to recover its amortized cost basis. The impairment for any security that FGIC determines it intends to sell or, in the case of loan-backed and structured securities, it is more likely than not that it will be unable to hold for a period of time to recover its amortized cost basis, is considered to be an OTTI.

For loan-backed and structured securities (e.g., asset-backed and mortgage-backed securities) that the Company does not intend to sell and has not determined that it is unable to hold until recovery of their amortized cost bases, the Company estimates the cash flows expected to be collected over the term of each security as of the review date and calculates the present value of those expected cash flows using a discount rate equal to the original effective yield of the security, or in the case of floating rate securities, the then-current coupon. If the present value of future expected cash flows is less than the amortized cost basis of the security, the carrying value of such security is reduced to such present value as of the reporting date, establishing a new cost basis, with a charge to realized loss at such date for the entire reduction. Such realized losses are recorded through income and the new cost basis is not adjusted for subsequent recoveries in fair value. Amortization of premium or discount, as applicable, from the date the securities are written down is based on the new cost basis.

E. Repurchase Agreements and/or Securities Lending Transactions – None

F. Real Estate – None

G. Investments in low-income housing tax credits (LIHTC) – None

H. Restricted Assets

| | Gross (Admitted & Nonadmitted) Restricted | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current Year | | | | | 6 | 7 |
| Restricted Asset Category | 1<br>Total General Account (G/A) | 2<br>G/A Supporting Protected Cell Account Activity (a) | 3<br>Total Protected Cell Account Restricted Assets | 4<br>Protected Cell Account Assets Supporting G/A Activity (b) | 5<br>Total (1 plus 3) | Total From Prior Year | Increase/ (Decrease) (5 minus 6) |
| j. On deposit with states | 4,275,324 | 0 | 0 | 0 | 4,275,324 | 4,198,515 | 76,809 |
| k. On deposit with other regulatory bodies | | | | | 0 | 520,366 | (520,366) |
| o. Total Restricted Assets | $ 4,275,324 | $ 0 | $ 0 | $ 0 | $ 4,275,324 | $ 4,718,881 | $ (443,557) |

(a) Subset of column 1
(b) Subset of column 3

| | Current Year | | | |
|---|---|---|---|---|
| | 8 | 9 | Percentage | |
| Restricted Asset Category | Total Nonadmitted Restricted | Total Admitted Restricted (5 minus 8) | 10<br>Gross (Admitted & Nonadmitted) Restricted to Total Assets (c) | 11<br>Admitted Restricted to Total Admitted Assets (d) |
| j. On deposit with states | | 4,275,324 | 0.2 | 0.2 |
| k. On deposit with other regulatory bodies | | 0 | 0.0 | 0.0 |
| o. Total Restricted Assets | $ 0 | $ 4,275,324 | 0.2 % | 0.2 % |

(c) Column 5 divided by Asset Page, Column 1 Line 28
(d) Column 9 divided by Asset Page, Column 3 Line 28

I. Working Capital Finance Investments – None

J. Offsetting and Netting of Assets and Liabilities – None

K. Structured Notes – None

L. 5* Securities - None

M. Short Sales – None

N. Prepayment Penalty and Acceleration Fees - None

# NOTES TO FINANCIAL STATEMENTS

The amortized cost and fair value of admitted investments in bonds, surplus notes, common stock unaffiliated, other invested assets and short-term investments are as follows:

| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value |
|---|---|---|---|---|
| **June 30, 2017** | | | | |
| Obligations of states and political subdivisions | **$ 548,727,668** | **$ 44,827,279** | **$ (1,439,906)** | **$ 592,115,041** |
| Asset-backed and mortgage-backed securities | **295,968,117** | **3,111,074** | **(4,357,465)** | **294,721,726** |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | **248,523,296** | **10,579,164** | **(6,386,572)** | **252,715,888** |
| Corporate | **996,733,410** | **47,020,661** | **(3,894,469)** | **1,039,859,602** |
| Total bonds | **2,089,952,491** | **105,538,178** | **(16,078,412)** | **2,179,412,257** |
| Surplus notes | **8,874,975** | **666,904** | **-** | **9,541,879** |
| Common stocks unaffiliated | **150,782,017** | **14,112,287** | **(27,467)** | **164,866,837** |
| Other invested assets | **13,300,591** | **27,797,079** | **-** | **41,097,670** |
| Short-term investments | **139,837,458** | **-** | **-** | **139,837,458** |
| Total | **$ 2,402,747,532** | **$ 148,114,448** | **$ (16,105,879)** | **$ 2,534,756,101** |

| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value |
|---|---|---|---|---|
| **December 31, 2016** | | | | |
| Obligations of states and political Subdivisions | $ 606,448,536 | $ 34,561,713 | $ (2,703,334) | $ 638,306,915 |
| Asset-backed and mortgage-backed Securities | 266,965,603 | 3,252,230 | (5,375,968) | 264,841,865 |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | 235,854,270 | 6,657,971 | (13,128,413) | 229,383,828 |
| Corporate | 1,019,444,592 | 33,162,787 | (5,597,435) | 1,047,009,944 |
| Total bonds | 2,128,713,001 | 77,634,701 | (26,805,150) | 2,179,542,552 |
| Common stocks unaffiliated | 118,453,608 | 12,663,373 | (8,162) | 131,108,819 |
| Other invested assets | 20,704,691 | 53,037,867 | - | 73,742,558 |
| Short-term investments | 79,779,765 | - | - | 79,779,765 |
| Total | $ 2,347,651,065 | $ 143,335,941 | $ (26,813,312) | $ 2,464,173,694 |

The Company has recorded OTTI of $0.1 million and $0.7 million, and $0.1 million and $0.6 million, on certain bonds for the three and six months ended June 30, 2017 and 2016, respectively. The Company has recorded OTTI of $0.0 million and $0.0 million, and $1.1 million and $1.9 million, on common stocks for the three and six months ended June 30, 2017 and 2016, respectively. OTTI is included in "Net realized capital gains or losses net of tax" in the statutory-basis statements of operations and represents the difference between the cost bases of these securities and their fair values at the reporting date. The Company has recorded OTTI on other invested assets of $10.3 million for both the three and six months ended June 30, 2017 and $0.6 million for both the three and six months ended June 30, 2016. OTTI on other invested assets is included in "Other (loss) income" and represents the difference between the cost bases of these securities and their fair values at the reporting date.

The amortized cost and fair value of investments in bonds (including asset-backed and mortgage-backed securities) at June 30, 2017, by contractual maturity date, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | Amortized Cost | Fair Value |
|---|---|---|
| Due in one year | $ 7,431,057 | $ 7,498,648 |
| Due after one through five years | 191,919,327 | 198,217,836 |
| Due after five years through ten years | 426,682,360 | 442,199,394 |
| Due after ten years | 1,167,951,630 | 1,236,774,653 |
| Asset-backed and mortgage-backed securities | 295,968,117 | 294,721,726 |
| Total | $ 2,089,952,491 | $2,179,412,257 |

# NOTES TO FINANCIAL STATEMENTS

Net investment income was derived from the following sources:

| | Six months ended June 30, 2017 | 2016 |
|---|---|---|
| Income from bonds | **$ 42,813,517** | $ 43,823,485 |
| Income from common stocks | **1,707,313** | 968,801 |
| Income from surplus notes | **102,834** | – |
| Income from cash, cash equivalents and short term investments | **292,147** | 176,102 |
| Total investment income | **44,915,811** | 44,968,388 |
| Investment expenses | **(1,080,536)** | (1,172,297) |
| Net investment income | **$ 43,835,275** | $ 43,796,091 |

For the three and six months ended June 30, 2017 and 2016, proceeds from dispositions of investments in bonds carried at amortized cost were $226.4 million and $323.1 million, and $238.1 million and $455.5 million, respectively. For the three and six months ended June 30, 2017 and 2016, gross realized gains on such dispositions were $8.0 million and $10.6 million, and $0.0 million and $22.3 million, respectively. For the three and six months ended June 30, 2017 and 2016, gross realized losses on such dispositions were $0.1 million and $2.3 million, and $0.1 million and $0.2 million, respectively. For the three and six months ended June 30, 2017 and 2016, proceeds from dispositions of investments in common stock were $0.0 million and $61.7 million, and $7.1 million and $13.7 million, respectively. Gross realized gains on such dispositions were $0.0 million and $9.9 million, and $0.4 million and $0.7 million, for the three and six months ended June 30, 2017 and 2016, respectively. Gross realized losses on such dispositions were $0.0 million and $0.5 million, and $0.1 million and $1.9 million, respectively, for the three and six months ended June 30, 2017 and 2016, respectively

The carrying values of the Company's investment in the common stock of SCA entities were $33.2 million as of both June 30, 2017 and December 31, 2016. Included in the change in net unrealized gains or losses for both the three and six months ended June 30, 2017 and 2016 were gains of $0.0 million for each period related to the change in carrying values of the Company's investments in SCA entities.

## Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

A-B: No significant changes from the 2016 Notes to Financial Statements

## Note 7 – Investment Income

All investment income due and accrued was admitted at June 30, 2017 and December 31, 2016.

## Note 8 – Derivative Investments

During the six months ended June 30, 2017, the Company did not enter into any derivative contracts and there were no derivative contracts outstanding as of June 30, 2017 or December 31, 2016.

# NOTES TO FINANCIAL STATEMENTS

## Note 9 - Income Taxes

A. The following table presents the total of deferred tax assets and liabilities by tax character:

| 1 | | 06/30/2017 | | |
|---|---|---|---|---|
| | | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total |
| (a) | Gross Deferred Tax Assets | $ 1,180,579,432 | $ 15,279,313 | $ 1,195,858,745 |
| (b) | Statutory Valuation Allowance Adjustments | $ 769,036,106 | $ 10,346,820 | $ 779,382,926 |
| (c) | Adjusted Gross Deferred Tax Assets (1a - 1b) | $ 411,543,326 | $ 4,932,493 | $ 416,475,819 |
| (d) | Deferred Tax Assets Nonadmitted | $ 0 | $ 0 | $ 0 |
| (e) | Subtotal Net Admitted Deferred Tax Asset (1c -1d ) | $ 411,543,326 | $ 4,932,493 | $ 416,475,819 |
| (f) | Deferred Tax Liabilities | $ 411,543,326 | $ 4,932,493 | $ 416,475,819 |
| (g) | Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f) | $ 0 | $ 0 | $ 0 |

| | | 12/31/2016 | | |
|---|---|---|---|---|
| | | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total |
| (a) | Gross Deferred Tax Assets | $ 1,091,968,817 | $ 17,377,253 | $ 1,109,346,070 |
| (b) | Statutory Valuation Allowance Adjustments | $ 771,386,339 | $ 13,141,819 | $ 784,528,158 |
| (c) | Adjusted Gross Deferred Tax Assets (1a - 1b) | $ 320,582,478 | $ 4,235,434 | $ 324,817,912 |
| (d) | Deferred Tax Assets Nonadmitted | $ 0 | $ 0 | $ 0 |
| (e) | Subtotal Net Admitted Deferred Tax Asset (1c -1d ) | $ 320,582,478 | $ 4,235,434 | $ 324,817,912 |
| (f) | Deferred Tax Liabilities | $ 320,582,478 | $ 4,235,434 | $ 324,817,912 |
| (g) | Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f) | $ 0 | $ 0 | $ 0 |

| | | Change | | |
|---|---|---|---|---|
| | | (7) (Col 1-4) Ordinary | (8) (Col 2-5) Capital | (9) (Col 7+8) Total |
| (a) | Gross Deferred Tax Assets | $ 88,610,615 | $ (2,097,940) | $ 86,512,675 |
| (b) | Statutory Valuation Allowance Adjustments | $ (2,350,233) | $ (2,794,999) | $ (5,145,232) |
| (c) | Adjusted Gross Deferred Tax Assets (1a - 1b) | $ 90,960,848 | $ 697,059 | $ 91,657,907 |
| (d) | Deferred Tax Assets Nonadmitted | $ 0 | $ 0 | $ 0 |
| (e) | Subtotal Net Admitted Deferred Tax Asset (1c -1d ) | $ 90,960,848 | $ 697,059 | $ 91,657,907 |
| (f) | Deferred Tax Liabilities | $ 90,960,848 | $ 697,059 | $ 91,657,907 |
| (g) | Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f) | $ 0 | $ 0 | $ 0 |

In accordance with SSAP 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP 101"), the Company evaluates its deferred income tax asset to determine if valuation allowances are required. SSAP 101 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a "more likely than not" standard. In making such judgments, significant weight is given to evidence that can be objectively verified. Management believes it is more likely than not that the amortization of the net unearned premium reserve, collection of future installment premiums on contracts already written, and income from the investment portfolio will not generate sufficient taxable income to realize the entire deferred tax asset that currently exists. Accordingly, a full valuation allowance was established against the Company's domestic net deferred tax asset of $779.4 million as of June 30, 2017. The Company will continue to analyze the need for a valuation allowance on a quarterly basis. The Company's tax returns are subject to routine audits by the Internal Revenue Service and other taxing authorities. On June 6, 2016, the Internal Revenue Service notified the Company that it had concluded its audit of the 2012 and 2013 tax years with no changes to taxable income.

B. None

# NOTES TO FINANCIAL STATEMENTS

C. Current income taxes incurred consist of the following major components:

1. Current Income Tax

| | | June 30, 2017 | December 31, 2016 | Change |
|---|---|---|---|---|
| (a) | Federal | $- | $ (4,663,215) | $ 4,663,215 |
| (b) | Foreign | $- | $ 147,441 | $ (147,441) |
| (c) | Subtotal | $- | $ (4,515,774) | $ 4,515,774 |
| (d) | Federal income tax on net capital gains | $- | $ 5,933,154 | $ (5,933,154) |
| (e) | Utilization of capital loss carry-forwards | $- | $ - | $ - |
| (f) | Other | $- | $ - | $ - |
| (g) | Federal and foreign income taxes incurred | $ - | $ 1,417,380 | $ (1,417,380) |

The change in net deferred income taxes is composed of the following:

| | June 30, 2017 | December 31, 2016 | Change |
|---|---|---|---|
| Current: | | | |
| Total adjusted gross deferred assets | $ 416,475,819 | $ 324,817,912 | $ 91,657,907 |
| Total adjusted gross deferred liabilities | (416,475,819) | (324,817,912) | (91,657,907) |
| Federal and foreign income tax expense | $ - | $ - | $ - |
| Less: tax effect of unrealized gains | | | (697,059) |
| Change in net deferred tax | | | $ (697,059) |

The tax effects of temporary differences that give rise to significant portions of the net deferred tax asset at June 30, 2017 and December 31, 2016 are presented below by tax component:

| | | June 30, 2017 | December 31, 2016 | Change |
|---|---|---|---|---|
| 2. | Deferred Tax Assets: | | | |
| (a) | Ordinary | | | |
| (1) | Discounting of unpaid losses | $ 0 | $ 0 | $ 0 |
| (2) | Unearned premium reserve | $ 1,540,725 | $ 1,675,673 | $ (134,948) |
| (3) | Policyholder reserves | $ 0 | $ 0 | $ 0 |
| (4) | Investments | $ 0 | $ 0 | $ 0 |
| (5) | Deferred acquisition costs | $ 0 | $ 0 | $ 0 |
| (6) | Policyholder dividends accrual | $ 0 | $ 0 | $ 0 |
| (7) | Fixed assets | $ 0 | $ 0 | $ 0 |
| (8) | Compensation and benefits accrual | $ 3,457,531 | $ 4,961,121 | $ (1,503,590) |
| (9) | Pension accrual | $ 0 | $ 0 | $ 0 |
| (10) | Receivables – nonadmitted | $ 0 | $ 0 | $ 0 |
| (11) | Net operating loss carry-forward | $ 1,144,234,219 | $ 1,054,320,503 | $ 89,913,716 |
| (12) | Tax credit carry-forward | $ 931,901 | $ 931,901 | $ 0 |
| (13) | Other (including items <5% of total ordinary tax assets) | $ 30,415,056 | $ 30,079,619 | $ 335,437 |
| (99) | Subtotal | $ 1,180,579,432 | $ 1,091,968,817 | $ 88,610,615 |
| (b) | Statutory valuation allowance adjustment | $ 769,036,106 | $ 771,386,339 | $ (2,350,233) |
| (c) | Nonadmitted | $ 0 | $ 0 | $ 0 |
| (d) | Admitted ordinary deferred tax assets (2a99 - 2b - 2c) | $ 411,543,326 | $ 320,582,478 | $ 90,960,848 |
| (e) | Capital: | | | |
| (1) | Investments | $ 15,279,313 | $ 17,377,253 | $ (2,097,940) |
| (2) | Net capital loss carry-forward | $ 0 | $ 0 | $ 0 |
| (3) | Real estate | $ 0 | $ 0 | $ 0 |
| (4) | Other (including items <5% of total capital tax assets) | $ 0 | $ 0 | $ 0 |
| (99) | Subtotal | $ 15,279,313 | $ 17,377,253 | $ (2,097,940) |
| (f) | Statutory valuation allowance adjustment | $ 10,346,820 | $ 13,141,819 | $ (2,794,999) |
| (g) | Nonadmitted | $ 0 | $ 0 | $ 0 |
| (h) | Admitted capital deferred tax assets (2e99 - 2f - 2g) | $ 4,932,493 | $ 4,235,434 | $ 697,059 |
| (i) | Admitted deferred tax assets (2d + 2h) | $ 416,475,819 | $ 324,817,912 | $ 91,657,907 |
| 3. | Deferred Tax Liabilities: | | | |
| (a) | Ordinary | | | |
| (1) | Investments | $ 1,906,978 | $ 1,906,978 | $ 0 |
| (2) | Fixed assets | $ 893,621 | $ 838,577 | $ 55,044 |
| (3) | Deferred and uncollected premium | $ 0 | $ 0 | $ 0 |
| (4) | Policyholder reserves | $ 0 | $ 0 | $ 0 |
| (5) | Other (including items<5% of total ordinary tax liabilities) | $ 408,742,727 | $ 317,836,923 | $ 90,905,804 |
| (99) | Subtotal | $ 411,543,326 | $ 320,582,478 | $ 90,960,848 |
| (b) | Capital: | | | |
| (1) | Investments | $ 115,259 | $ 115,259 | $ 0 |
| (2) | Real estate | $ 0 | $ 0 | $ 0 |
| (3) | Other (including items <5% of total capital tax liabilities) | $ 4,817,234 | $ 4,120,175 | $ 697,059 |
| (99) | Subtotal | $ 4,932,493 | $ 4,235,434 | $ 697,059 |
| (c) | Deferred tax liabilities (3a99 + 3b99) | $ 416,475,819 | $ 324,817,912 | $ 91,657,907 |
| 4. | Net deferred tax assets/liabilities (2i - 3c) | $ 0 | $ 0 | $ 0 |

# NOTES TO FINANCIAL STATEMENTS

D. The following is a reconciliation of current federal income taxes computed on income before provision for federal and foreign income taxes at the statutory rate and the provision for current federal income taxes:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Income tax expense at the statutory rate, computed on income before provision for federal and foreign income taxes | **$6,146,739** | $ 1,457,604 |
| Tax effect of: | | |
| Tax-exempt interest | **(1,306,605)** | (3,403,797) |
| Provision to return adjustment | **-** | 344,694 |
| NOL carryforward adjustment | **-** | 12,367 |
| Change in valuation allowance | **(5,145,231)** | 250,292 |
| Other, net | **(391,962)** | (853,418) |
| Expense for federal and foreign income taxes | **$ (697,059)** | $ (2,192,258) |
| | | |
| Federal and foreign income taxes incurred | **-** | 1,417,380 |
| Change in net deferred income taxes | **(697,059)** | (3,609,638) |
| Total statutory income taxes | **$ (697,059)** | $ (2,192,258) |

E. As of June 30, 2017, the Company had a domestic net operating loss ("NOL") carryforward of $3,269.2 million for federal income tax purposes, which will be available (subject to certain limitations) to offset future taxable income. If not used, the NOL carryforward will start expiring in 2029 through 2037 depending on the originating year. As of June 30, 2017, the Company had an alternative minimum tax ("AMT") credit carryforward of $11.5 million for federal income tax purposes, which will be available to offset future regular tax. AMT credit carryforwards do not expire. As of June 30, 2017, the Company had a foreign tax credit carryforward of $0.9 million, which will be available to offset future regular tax. If not used, the foreign tax credit carryforward will start expiring in 2034 through 2036 depending on the originating year.

The amount of federal income taxes incurred and available for recoupment in the event of future losses is $0.

F. FGIC Corp. files a consolidated U.S. federal income tax return which includes FGIC. The method of allocation between FGIC Corp. and FGIC is determined under an amended and restated income tax allocation agreement approved by the NYSDFS, and is based upon separate return calculations.

G. None

## Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A-E & G-N. No significant changes from the 2016 Notes to Financial Statements.

F. The Company is a party to cost-sharing agreements with FGIC Corp. and FGIC UK, pursuant to which the Company may provide these affiliates with management, administrative and other services, the Company may incur and pay costs and other expenses that benefit these affiliates, and these affiliates are obligated to pay the Company for the allocated cost of such services and to reimburse the Company for their allocated share of such expenses paid by the Company. Such shared costs and expenses are allocated to affiliates and vary depending on the assumptions underlying the allocations.

The Company is a party to an amended and restated income tax allocation agreement with FGIC Corp. (see Note 9, Income Taxes).

# NOTES TO FINANCIAL STATEMENTS

The assets provided by the City of Detroit, Michigan in connection with the settlement of certain claims related to the FGIC-insured certificates of participation (the "COPs") issued by the Detroit Retirement Systems Funding Trust 2005 and the Detroit Retirement Systems Funding Trust 2006 (together, the "COPs Trusts") pursuant to Detroit's bankruptcy plan, are held by Gotham Motown Recovery, LLC ("GMR"), a Delaware limited liability company formed on February 5, 2016 for the purpose of owning, managing, administering, and otherwise dealing with such assets. FGIC is the managing member of GMR and as such is entitled to receive expense reimbursement from GMR, but such membership interest does not entitle FGIC to receive any distributions made by GMR or to any direct economic ownership of GMR. The COPs Trusts are members of GMR holding in the aggregate a 100% economic interest in GMR on behalf of the holders of the COPs (including FGIC to the extent it has acquired or will acquire COPs by paying policy claims in cash or otherwise acquires COPs). All distributions made by GMR are payable to the COPs Trust Members, which in turn will generally pay such distributions to the holders of the COPs. FGIC currently owns 25% of the COPs by virtue of having paid policy claims in cash, and accordingly is currently entitled to receive 25% of all payments on the COPs made by the Trusts. All such payments received by FGIC are recorded as reductions to incurred losses when received. In accordance with SAP, FGIC does not assign any value as an asset to its membership interest in GMR or its ownership of COPs. Expense reimbursements that FGIC receives from GMR in connection with acting as the managing member of GMR are recorded as reductions to other underwriting expenses.

## Note 11 – Debt

A-B. No significant changes from the 2016 Notes to Financial Statements.

## Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A-I: No significant changes from the 2016 Notes to Financial Statements.

## Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

1-13: No significant changes from the 2016 Notes to Financial Statements.

## Note 14 – Liabilities, Contingencies and Assessments

A – F: No significant changes from the 2016 Notes to Financial Statements.

G. Legal Proceedings

FGIC may be involved from time to time in various legal proceedings filed against it, including the case described below. In addition, FGIC has received, and may in the future receive, various subpoenas, regulatory inquiries, requests for information and document preservation letters. Defending against legal proceedings and responding to subpoenas, regulatory inquiries, requests for information and document preservation letters may involve significant expense and diversion of management's attention and other FGIC resources.

In *Modern Art Services LLC v. Financial Guaranty Insurance Company,* (N.Y. Sup.Ct., Index No. 651115/2016, filed on March 3, 2016), plaintiff sued FGIC alleging breach of contract, breach of the implied covenant of good faith and fair dealing and unjust enrichment, arising out of FGIC's purported failure to compensate plaintiff for its role in connection with the bankruptcy of the City of Detroit. On October 11, 2016, the Court granted in part and denied in part FGIC's

motion to dismiss each of plaintiff's causes of action. On March 17, 2017, plaintiff appealed such decision. On March 22, 2017, FGIC filed its answer to the complaint.

FGIC has asserted, and from time to time may assert, claims in legal or arbitration proceedings against third parties to recover losses already incurred by FGIC or to mitigate future losses that FGIC may incur, including the lawsuits described below. The amount of losses that FGIC may recover or mitigate as a result of these proceedings is uncertain, although, in the event of favorable outcomes or settlements, such amount could be material to FGIC's results of operations, financial position, profitability or cash flows.

In *Financial Guaranty Insurance Company v. The Putnam Advisory Company, LLC* (U.S. District Court for the Southern District of New York, filed October 1, 2012 and thereafter amended on November 19, 2012), FGIC sued The Putnam Advisory Company ("Putnam"), alleging fraud, negligent misrepresentation and negligence by Putnam in connection with the Pyxis ABS CDO 2006-1 transaction for which Putnam acted as collateral manager. On September 10, 2013, FGIC's complaint was dismissed, with leave to file a further amended complaint. On September 30, 2013, FGIC filed a further amended complaint. On April 28, 2014, the District Court granted Putnam's motion to dismiss all of FGIC's claims. On April 15, 2015, the United States Court of Appeals for the Second Circuit vacated the District Court's dismissal of FGIC's complaint and remanded the case for further proceedings. On May 18, 2015, Putnam filed its answer to the complaint.

In *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. and Morgan Stanley Mortgage Capital Holdings LLC,* (N.Y. Sup.Ct., Index No. 652853/2014, filed on September 19, 2014), FGIC sued Morgan Stanley ABS Capital I Inc. ("MSAC") and Morgan Stanley Mortgage Capital Holdings LLC ("MSMC"), alleging, *inter alia*, that MSAC and MSMC breached various warranties and affirmative covenants in connection with the securitization transaction known as Basket of Aggregated Residential NIMS 2007-1, including their obligations to repurchase breaching net interest margin securities that collateralized the insured securities, and to reimburse FGIC for payments made under the related FGIC policy. On January 19, 2017, the Court denied in its entirety MSAC and MSMC's motion to dismiss FGIC's claims. On February 24, 2017, defendants appealed such decision. On March 1, 2017, defendants filed their answer to the complaint.

In *Financial Guaranty Insurance Company v. Morgan Stanley, et al.,* (N.Y. Sup.Ct., Index No. 652914/2014, filed on September 23, 2014), FGIC sued MSAC, MSMC, Morgan Stanley("MS") and Morgan Stanley & Co. LLC (collectively, "Morgan Stanley"), and Saxon Mortgage Services, Inc. ("Saxon"), alleging, *inter alia*, that (i) Morgan Stanley fraudulently induced FGIC to insure the RMBS transaction known as MSAC 2007-NC4; (ii) MSAC, MSMC and MS breached various warranties and affirmative covenants, including their obligations to repurchase breaching or fraudulent mortgage loans and to reimburse FGIC for payments made under the related FGIC policy; and (iii) Saxon and MS breached their warranties and obligations under the Pooling and Servicing Agreement for the MSAC 2007-NC4 transaction, including their obligation to provide notice of breaching mortgage loans. On January 23, 2017, the Court denied in its entirety Morgan Stanley's motion to dismiss FGIC's claims. On February 24, 2017, Morgan Stanley appealed such decision. On March 1, 2017, Morgan Stanley filed its answer to the complaint.

In *Assured Guaranty Corp., et al. v. Commonwealth of Puerto Rico, et al.*, (D.P.R., Case No. 17-00156-LTS, filed on June 3, 2017, and thereafter amended on July 23, 2017), FGIC, Assured Guaranty Corp., Assured Guaranty Municipal Corp., and National Public Finance Guarantee Corporation commenced an adversary proceeding in the PRHTA Title III case seeking to enforce the special revenue protections of the U.S. Bankruptcy Code (11 U.S.C. §§ 902, 922(d), 928(a)), which Congress incorporated into Title III proceedings under PROMESA, with respect to special revenues pledged to secure the repayment of PRHTA bonds. Plaintiffs seek a declaration that defendants have violated Sections 922(d) and 928(a) of the U.S. Bankruptcy Code, and that efforts to compel defendants to transfer such revenues to pay for debt service on PRHTA bonds are not stayed pursuant to Section 922(d) of the U.S. Bankruptcy Code. Plaintiffs also seek injunctive relief prohibiting defendants from taking or causing to be taken any action that would further violate Sections 922(d) and 928(a) of the U.S. Bankruptcy Code and ordering defendants to remit revenues securing the PRHTA Bonds in accordance with such Sections. Plaintiffs also seek declaratory relief that all funds held in reserve accounts are property of the PRHTA

# NOTES TO FINANCIAL STATEMENTS

bondholders and are being improperly withheld. On July 28, 2017, defendants filed a motion to dismiss the claims made by FGIC and the other plaintiffs.

In *Financial Guaranty Insurance Company v. Alejandro García Padilla, et al.,* (D.P.R., Case No. 3:16-cv-01095, filed on January 19, 2016), FGIC sued Governor Alejandro García Padilla and certain other officials of the Commonwealth of Puerto Rico alleging Section 8 of Article VI of the Commonwealth Constitution ("Section 8," and defendants' stated basis for the Clawback (which is discussed in Note 25, Changes in Incurred Losses and Loss Adjustment Expenses)), the Management and Budget Office Organic Act (the "OMB Act," and defendants' stated law regarding procedures implementing the Clawback), and the Clawback Orders (directing the Clawback) are unconstitutional on the grounds that they: (1) are preempted by federal law; (2) violate the Contracts Clause of Article I of the United States Constitution; and (3) violate the Fifth and Fourteenth Amendments of the United States Constitution. FGIC is seeking a judgment declaring Section 8, the OMB Act and the Clawback Orders to be unconstitutional, and also is seeking an injunction enjoining the defendants from taking or causing to be taken any and all acts under Section 8, the OMB Act and the Clawback Orders. On January 21, 2016, FGIC's action was consolidated with an analogous action brought by Assured Guaranty Corp., Assured Guaranty Municipal Corp., and Ambac Assurance Corporation. On February 10, 2016, defendants filed motions to dismiss FGIC's claims. On October 4, 2016, the District Court entered an order denying all defendants' motions to dismiss, except that it granted the motion to dismiss FGIC's claim that the Clawback was preempted by federal law. The commencement of the Commonwealth's PROMESA Title III proceeding stays this action.

On March 16, 2017, FGIC filed a motion for leave to intervene as a plaintiff in Lex Claims, LLC, et al. v. The Commonwealth of Puerto Rico, et al., (D.P.R. Case No. 3:16-cv-02374, filed on July 20, 2016), which case was filed by a group of holders of the Commonwealth's GO bonds challenging, inter alia, the validity of the Moratorium Act, the Moratorium Orders, and the availability of resources pledged to pay bonds issued by the Puerto Rico Sales Tax Financing Corporation (also known by its acronym in Spanish, "COFINA"). Before the District Court ruled on FGIC's motion to intervene, the United States Court of Appeals for the First Circuit, on April 4, 2017, ruled that the PROMESA Stay applied to all claims asserted by the original plaintiffs in this action. Therefore, FGIC's motion for leave to intervene was similarly subject to the PROMESA Stay. While the PROMESA Stay expired on May 1, 2017, the commencement of the Commonwealth's PROMESA Title III proceeding stays this action.

## Note 15 - Leases

A-B: No significant changes from the 2016 Notes to Financial Statements.

## Note 16 – Information About Financial Instruments With Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk

No significant changes from the 2016 Notes to Financial Statements.

## Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

B.(2) ; B(4)a and B(4)b - There were no transferring and servicing of assets and liabilities during the six months ended June 30, 2017.

C. There were no wash sales involving securities with NAIC designation 3 or below, or unrated during the six months ended June 30, 2017.

# NOTES TO FINANCIAL STATEMENTS

## Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Not Applicable

## Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

None

## Note 20 – Fair Value Measurements

SSAP 100 specifies a fair value hierarchy based on whether the inputs to valuation techniques used to measure fair value are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about market participants' assumptions based on the best information available in the circumstances. The fair value hierarchy prioritizes model inputs into three broad levels: quoted prices for identical instruments in active markets are Level 1 inputs; quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 inputs; and model-driven valuations in which one or more significant inputs or significant value drivers are unobservable are Level 3 inputs.

A.

(1)Fair Value Measurements at Reporting Date

| Description for each class of asset or liability | (Level 1) | (Level 2) | (Level 3) | Total |
|---|---|---|---|---|
| a. Assets at fair value | | | | |
| Obligations of states and political subdivisions | $ 0 | $ 592,115,041 | $ 0 | $ 592,115,041 |
| Asset-backed and mortgage-backed securities | $ 0 | $ 294,721,726 | $ 0 | $ 294,721,726 |
| US Treasury securities and obligations of US Government corporations and agencies | $ 0 | $ 252,715,888 | $ 0 | $ 252,715,888 |
| Corporate | $ 0 | $ 1,039,859,602 | $ 0 | $ 1,039,859,602 |
| Surplus notes | $ 0 | $ 9,541,879 | $ 0 | $ 9,541,879 |
| Common stocks unaffiliated | $ 164,866,837 | $ 0 | $ 0 | $ 164,866,837 |
| Other invested assets | $ 0 | $ 0 | $ 41,097,670 | $ 41,097,670 |
| Short-term Investments | $ 0 | $ 139,837,458 | $ 0 | $ 139,837,458 |
| Total assets at fair value | $ 164,866,837 | $ 2,328,791,594 | $ 41,097,670 | $ 2,534,756,101 |
| b. Liabilities at fair value | $ - | $ - | $ - | $ - |
| Total liabilities at fair value | $ - | $ - | $ - | $ - |

(2) Not applicable.

(3) Transfers among Levels 1, 2 and 3 are recognized at the end of the period when the transfer occurs. The Company reviews the classification of financial instruments in Levels 1, 2 and 3 quarterly to determine whether a transfer is necessary. There have been no transfers into or out of Levels 1, 2 or 3 during the period.

(4) There have been no changes in the valuation technique as described for fair value measurements within Level 2 and Level 3 in the December 31, 2016 Annual Statement.

B. None

C.

| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets | (Level 1) | (Level 2) | (Level 3) | Not Practicable (Carrying Value) |
|---|---|---|---|---|---|---|
| Bonds | $ 2,179,412,257 | $ 2,089,952,491 | $ | $ 2,179,412,257 | $ | $ 0 |
| Surplus notes | $ 9,541,879 | $ 8,874,975 | $ | $ 9,541,879 | $ | $ 0 |
| Common stocks unaffiliated | $ 164,866,837 | $ 164,866,837 | $ 164,866,837 | $ | $ | $ 0 |
| Other invested assets | $ 41,097,670 | $ 13,300,591 | $ | $ | $ 41,097,670 | $ 0 |
| Short-term Investments | $ 139,837,458 | $ 139,837,458 | $ | $ 139,837,458 | $ | $ 0 |

# NOTES TO FINANCIAL STATEMENTS

D. No significant changes from the 2016 Notes to Financial Statements

## Note 21 – Other Items

A-G: No significant changes from the 2016 Notes to Financial Statements.

## Note 22 – Events Subsequent

Subsequent events described elsewhere in the notes to these financial statements include in Note 25, Changes in Incurred Losses and Loss Adjustment Expenses, information about developments concerning FGIC's Puerto Rico-related insured exposures and in Note 14, Liabilities, Contingencies and Assessments, information about developments concerning certain legal proceedings.

SSAP 9, Subsequent Events defines events subsequent to the financial statement date requiring disclosure. The date through which subsequent events have been evaluated is August 11, 2017.

## Note 23 - Reinsurance

A-J: No significant changes from the 2016 Notes to Financial Statements.

## Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

None

## Note 25 – Changes in Incurred Losses and Loss Adjustment Expenses

Loss reserves comprise the total amount of (i) the Claims Reserve, (ii) the DPO for all policies and (iii) the DPO Accretion for all policies, *minus* the Policy Revision Adjustment. The Policy Revision Adjustment shown in the table below is prescribed by NYSDFS Guidelines and reflects the reduction in the loss reserve components necessary to reflect a Minimum Surplus Amount of $66.4 million.

The loss reserve components as of June 30, 2017 and December 31, 2016 are summarized as follows:

| | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| | *(In thousands)* | |
| Claims Reserve | **$ 1,793,377** | $ 1,311,571 |
| DPO | **1,683,821** | 1,678,310 |
| DPO Accretion | **154,497** | 128,836 |
| Total | **3,631,695** | 3,118,717 |
| Policy Revision Adjustment | **(1,653,557)** | (1,169,008) |
| Loss reserve | **$ 1,978,138** | $ 1,949,709 |

# NOTES TO FINANCIAL STATEMENTS

**Claims Reserve**

The Claims Reserve is calculated on a policy-by-policy basis for insured obligations, net of reinsurance, as of the reporting date (using the prescribed statutory discount rate which is based on the average rate of return on the Company's admitted assets, which was 4.27% at both June 30, 2017 and December 31, 2016). The amount of the discount as of June 30, 2017 and December 31, 2016 was $1,121.4 million and $896.8 million, respectively.

Activity related to the Claims Reserve for the six months ended June 30, 2017 and the year ended December 31, 2016 is summarized as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(In thousands)* | |
| Claims Reserve, beginning of period | **$ 1,311,571** | $ 1,362,406 |
| Incurred related to: | | |
| Current year | **–** | – |
| Prior years | **493,727** | 9,160 |
| Total incurred | **493,727** | 9,160 |
| Paid related to: | | |
| Current year | **–** | – |
| Prior years | **(6,410)** | (12,383) |
| Total paid | **(6,410)** | (12,383) |
| Transferred to DPO: | | |
| Current year | **–** | – |
| Prior years | **(5,511)** | (47,612) |
| Total transferred to DPO | **(5,511)** | (47,612) |
| Claims Reserve, end of period | **$ 1,793,377** | $ 1,311,571 |

The Claims Reserve increased $481.8 million to $1,793.4 million at June 30, 2017 from $1,311.6 million at December 31, 2016, primarily driven by increases in estimated losses relating to Puerto Rico-related exposures insured by FGIC.

The following table shows the gross and net par in force for FGIC's Puerto Rico-related insured exposures as of June 30, 2017:

| | Gross Par In Force* | Net Par In Force* |
|---|---|---|
| | *(In thousands)* | |
| Puerto Rico General Obligation | $ 252,590 | $ 249,671 |
| Puerto Rico Convention Center District Authority | 97,075 | 97,075 |
| Puerto Rico Highways & Transportation Authority (Trans Revs - Senior) | 382,335 | 354,664 |
| Puerto Rico Highways & Transportation Authority (Trans Revs - Subordinate) | 64,570 | 64,570 |
| Puerto Rico Infrastructure Financing Authority ** | 344,495 | 344,495 |
| Total | $ 1,141,065 | $ 1,110,475 |

* *With respect to any FGIC-insured exposure, (i) gross par in force is based on the outstanding principal amount of such exposure, as of the date of determination, but, if such exposure has been the subject of any permitted policy claim paid by FGIC at the CPP in accordance with the Rehabilitation Plan, the gross par in force is reduced by the total amount of all such permitted policy claims relating to principal (without duplication of any other actual reductions), not merely by the CPP portion thereof paid in cash, since the Rehabilitation Plan prohibits future policy claims for that principal amount or interest thereon, and (ii) net par in force means the gross par in force for such exposure net of any related reinsurance.*

** *Includes capital appreciation bonds (CABs) using the principal amount at the time they were insured. As of June 30, 2017, the accretion on these CABs totaled $193.7 million.*

# NOTES TO FINANCIAL STATEMENTS

The following table shows the scheduled net debt service due on FGIC's Puerto Rico-related insured exposures as of June 30, 2017, during the remainder of 2017 and each of the years or periods presented:

| | Puerto Rico General Obligation | Puerto Rico Convention Center District Authority | Puerto Rico Highways & Transportation Authority (Trans Revs - Senior) | Puerto Rico Highways & Transportation Authority (Trans Revs - Subordinate) | Puerto Rico Infrastructure Financing Authority | Total |
|---|---|---|---|---|---|---|
| 2017 | $ 34,938 | $ 2,378 | $ 9,643 | $ 16,977 | $ 10,727 | $ 74,663 |
| 2018 | 28,392 | 4,755 | 18,943 | 17,872 | 17,048 | 87,010 |
| 2019 | 26,109 | 4,755 | 32,301 | 8,910 | 54,714 | 126,789 |
| 2020 | 26,288 | 4,755 | 24,820 | 12,571 | 54,716 | 123,150 |
| 2021 | 95,317 | 19,075 | 38,486 | 17,258 | 54,712 | 224,848 |
| Thereafter | 99,787 | 95,371 | 516,189 | – | 553,559 | 1,264,906 |
| Total | $ 310,831 | $ 131,089 | $ 640,382 | $ 73,588 | $ 745,476 | $ 1,901,366 |

FGIC's Puerto Rico-related insured exposures are subject to significant stress and credit deterioration arising from Puerto Rico's fiscal, financial, liquidity and other challenges. There is substantial uncertainty as to Puerto Rico's ability and willingness to pay its various debt service obligations in a timely manner, as discussed below.

Puerto Rico has already defaulted on all semi-annual debt service payments on FGIC-insured Puerto Rico Infrastructure Financing Authority (PRIFA) bonds due from and after January 1, 2016, FGIC-insured General Obligation (GO) and GO Guaranteed bonds due from and after July 1, 2016, and FGIC-insured Puerto Rico Highways & Transportation Authority (PRHTA) and Puerto Rico Convention Center District Authority (PRCCDA) bonds due on July 1, 2017. Due to Puerto Rico's defaults, FGIC has made payments in accordance with the terms of its related policies (as modified by the Rehabilitation Plan) in respect of aggregate policy claims of approximately $66.5 million through June 30, 2017, and additional aggregate policy claims of approximately $73.6 million in July and August 2017. To the extent Puerto Rico continues to fail to pay scheduled debt service on FGIC-insured exposures as and when due, FGIC would be obligated to pay the related claims under its policies (as modified by the Rehabilitation Plan), and such claims could be material. While FGIC will seek to recover any claim payments it makes, there can be no assurance that FGIC will be able to recover any such payments.

On June 30, 2016, the President of the United States signed into law the Puerto Rico Oversight Management and Economic Stability Act ("PROMESA"). PROMESA, among other things, establishes the Financial Oversight and Management Board (the "Oversight Board") with broad responsibilities and authority for (i) overseeing the development of budgets and fiscal plans for the Commonwealth and its instrumentalities and (ii) initiating judicial processes under Title III of PROMESA to restructure the debts of the Commonwealth and its instrumentalities, by accessing multiple sections of the U.S. Bankruptcy Code (including cramdown provisions) that were not previously available to Puerto Rico. PROMESA also sets forth collective action provisions intended to facilitate consensual debt restructurings pursuant to Title VI of PROMESA. PROMESA provided for an automatic stay of debt-related litigation and other enforcement actions upon its enactment (the "PROMESA Stay"), which expired on May 1, 2017.

On March 13, 2017, the Oversight Board certified the fiscal plan for the Commonwealth, which it asserts complies with PROMESA. The certified fiscal plan allocated funds available for the payment of Puerto Rico's debt service, including public corporation debt, in an aggregate amount that is materially less than the aggregate amount required to pay such debt service. On April 28, 2017, the Oversight Board certified fiscal plans for certain public corporations, including PRHTA, which it asserts complies with PROMESA. The PRHTA certified fiscal plan allocated no funds as available for the payment of PRHTA's debt service on bonds. These fiscal plans have been, or likely will be, challenged by creditors and other interested parties.

The Commonwealth publicly disclosed certain settlement proposals it made shortly before the filing of the Commonwealth's PROMESA Title III proceeding, which it stated were based on the cash flow available for debt service under its certified fiscal plan. The settlement proposals taken together, among other things, provide for (i) new senior bonds and/or (ii) new senior or junior cash flow bonds that would not receive any payments unless and to the extent that Puerto Rico

# NOTES TO FINANCIAL STATEMENTS

outperforms its certified fiscal plan, to be issued and allocated among the various kinds of Puerto Rico-related debt, in satisfaction of those debt obligations. Puerto Rico offered both senior bonds and senior cash flow bonds in respect of its GO and GO Guaranteed bonds and offered only junior cash flow bonds in respect of PRHTA, PRIFA and PRCCDA bonds, in each case in principal amounts that were materially lower than the respective outstanding principal amounts thereof.

On May 3, 2017, the Oversight Board filed a petition in the U.S. District Court for the District of Puerto Rico and thereby commenced a debt adjustment proceeding for the Commonwealth of Puerto Rico under Title III of PROMESA. On May 21, 2017, the Oversight Board filed a petition in the U.S. District Court for the District of Puerto Rico and thereby commenced a debt adjustment proceeding for PRHTA under Title III of PROMESA. The terms and timing for any final outcome of these Title III proceedings are uncertain, but could materially impact FGIC. The filing of these Title III proceedings created an automatic stay of all litigation against Puerto Rico and PRHTA.

On November 30 and December 7, 2015, the Governor of Puerto Rico issued executive orders (the "Clawback Orders") authorizing the Commonwealth's Treasury Department to retain or redirect certain revenues that the Commonwealth had previously assigned to particular public corporations (the "Clawback"), including PRIFA, PRHTA and PRCCDA, which revenues had been pledged to secure bonds issued by these public corporations, including bonds insured by FGIC. On January 19, 2016, FGIC filed a complaint against the Governor of Puerto Rico and other Commonwealth officials asserting, among other things, claims challenging the constitutionality of the Clawback and the Clawback Orders under the U.S. Constitution (See Note 14, Liabilities, Contingencies and Assessments).

On April 6, 2016, the Governor of Puerto Rico signed into law the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act (the "Moratorium Act"). Pursuant to the authority purportedly granted by the Moratorium Act, the Governor issued various executive orders affecting Puerto Rico-related obligations insured by FGIC or the issuers thereof or the pledged security therefor (the "Moratorium Orders"), including executive orders suspending payments on the Commonwealth's GO and GO Guaranteed bonds and diverting revenues pledged to secure the repayment of PRIFA, PRHTA and PRCCDA bonds. On March 16, 2017, FGIC filed a motion to intervene as a plaintiff in litigation challenging portions of the Moratorium Act and various Moratorium Orders (See Note 14, Liabilities, Contingencies and Assessments).

On January 29, 2017, the Governor of Puerto Rico signed into law the Puerto Rico Financial Emergency and Fiscal Responsibility Act (the "Emergency Act"), which provides the Governor with broad powers to designate government services as necessary for the health, safety and welfare of the residents of Puerto Rico and to use all available resources to pay for those essential services. The Emergency Act also repeals certain parts of the Moratorium Act, but provides for the Moratorium Orders to remain effective (unless and until amended, rescinded or superseded by the Governor). Pursuant to the authority purportedly granted by the Emergency Act, the Governor could issue executive orders adversely affecting Puerto Rico-related obligations insured by FGIC or the issuers thereof or the pledged security therefor.

Numerous parties, including FGIC, have commenced legal actions challenging, among other things, the Commonwealth's certified fiscal plan, the Emergency Act, the Moratorium Act, the Moratorium Orders and the Clawback Orders. On June 3, 2017, FGIC and other parties commenced an adversary proceeding in the PRHTA Title III case seeking to enforce the special revenue protections of the U.S. Bankruptcy Code, which Congress incorporated into Title III proceedings under PROMESA, with respect to special revenues pledged to secure the repayment of PRHTA bonds (See Note 14, Liabilities, Contingencies and Assessments).

On June 14, 2017, the federal judge hearing the Title III cases entered an order designating a mediation team comprising five sitting federal judges to facilitate confidential settlement negotiations of any and all issues and proceedings arising in the Title III cases. FGIC intends to participate in these negotiations.

The ultimate impact of PROMESA (including the Title III proceedings that have been or may be filed), laws enacted by the Commonwealth (including the Emergency Act and the Moratorium Act), executive orders issued by the Governor of Puerto Rico (including the Moratorium Orders and the Clawback Orders), and actions taken (or not taken) by the Oversight Board or the

# NOTES TO FINANCIAL STATEMENTS

Commonwealth, on Puerto Rico and its fiscal, financial, liquidity and other challenges, including the payment or restructuring of its debt obligations (including those insured by FGIC), is uncertain, but could be material to FGIC.

As of June 30, 2017, FGIC maintained a Claims Reserve for its Puerto Rico-related insured exposures based on various assumptions, including the PROMESA Title III proceedings, Puerto Rico's most recent settlement proposal and other matters highlighted above. Rulings, outcomes or other developments relating to Puerto Rico may lead to changes in the Claims Reserve for FGIC's Puerto Rico-related insured exposures and the policy claims that FGIC may be required to pay under its related policies, and such changes could be material. It is impossible to predict with any certainty how or when Puerto Rico will be able to resolve its debt and other challenges, and any such resolution could have a material effect on FGIC's Claims Reserve and the related policy claims that FGIC would be required to pay.

The Company has insured LIBOR-based floating rate RMBS transactions. Accordingly, the Company is exposed to interest rate risk. For Claims Reserve purposes, each quarter the Company projects its insured exposure on these transactions using forward LIBOR curves (1-month or 6-month as applicable) as of the end of the second month of such quarter. For such RMBS transactions where FGIC projects losses, all other things being equal, increases or decreases in the interest rates comprising such curves as compared to the prior quarter would increase or decrease FGIC's Claims Reserve, and such changes could be material. The Claims Reserve should be most significantly impacted on such RMBS transactions where FGIC is not required to pay policy claims relating to principal losses until legal maturity of the transactions (2035-2037) because they will continue to have relatively high principal balances on which interest generally will accrue except as otherwise provided in the transaction documents.

The Company believes that the Claims Reserve as of June 30, 2017 is adequate to reflect the sum, net of reinsurance, of (i) the present value of net policy claims submitted to the Company in accordance with the Rehabilitation Plan that are unpaid and not objected to by FGIC as of such date and (ii) the present value of net policy claims that are expected to be received by FGIC in the future. The total amount of policy claims FGIC expects to receive in the future is determined for each policy using internally developed cash flow projection models or other methods for estimating losses. However, the establishment of the appropriate level of the Claims Reserve to reflect the future policy claims expected by the Company is an inherently uncertain process involving numerous assumptions, estimates and subjective judgments by management about the outcome of future events, including as to the final resolution of FGIC's Puerto Rico-related insured exposures, the default probability and liquidation value of assets supporting the insured obligations, future interest rate movements, the amount and timing of collateral cash flows, the priority of application of those cash flows under the transactions documents, and the behavior of the underlying borrower.

Small changes in the assumptions, estimates or judgments used by management, which may arise from, among other things, further deterioration in FGIC-insured Puerto Rico-related exposures or the performance of FGIC-insured RMBS, interest rate movements, or changes in the ability or willingness of insured obligors (including Puerto Rico-related entities) to pay their debt service obligations, could result in significant changes in the Company's loss expectations and the related Claims Reserve. These changes will not affect the Company's loss reserve or operating results as long as a Policy Revision Adjustment is required to be made. There can be no assurance that the Company's estimate of the Claims Reserve is accurate. Accordingly, there can be no assurance that the total amount of policy claims permitted by the Company after June 30, 2017 will not exceed or be less than its Claims Reserve at June 30, 2017, and it is possible that they could significantly exceed such reserve.

The Company evaluates the portfolio of insured financial obligations on a regular basis to determine if there has been credit deterioration. The Company evaluates such factors as rating agency downgrades, significant changes in a specific industry and specific events impacting a particular credit, such as a negative credit event, performance below expectations, breaches of representations, warranties, covenants or deal triggers, management changes, regulatory changes, material litigation and other legal issues. Based on the Company's evaluation of these and other factors, the Company assigns credits to risk ratings categories, which assignment determines the level of on-going monitoring and surveillance efforts required and whether a Claims Reserve is recorded.

# NOTES TO FINANCIAL STATEMENTS

In RMBS, asset-backed securities and other securitization transactions insured by FGIC, the structure of the waterfall of cash flows in the transaction documents and applicable terms and conditions of the Rehabilitation Plan may permit FGIC to recover claims paid from subsequent cash flows. The projected recoveries in the table found in Note 36B, Financial Guaranty Insurance reflect FGIC's current estimate of these recoveries, but there can be no assurance that such recoveries will be received by FGIC. The Company's insured financial obligations are structured to provide for rights and remedies in order to mitigate claim loss exposure. Loss mitigation activities may include making repurchase claims or pursuing other claims for breaches of representations and warranties by the originator or others, obtaining appraisals of collateral or reviews of loan files, enforcing collateral provisions and covenants of the servicer or others, more frequent meetings with the issuer or servicer, evaluating the financial position of the originator or servicer, renegotiating financial covenants, triggers, or terms of servicing, enforcing rights to remove and replace the servicer, evaluating restructuring plans or bankruptcy proceedings, and commencing litigation or arbitration proceedings as and where appropriate.

There can be no assurance that any loss mitigation efforts will be successful, or as to the magnitude of any benefit that might be derived from any such efforts that are successful.

In accordance with the Rehabilitation Plan, each reinsurer is obligated to pay FGIC in full in cash for such reinsurer's reinsured portion of the entire amount of each permitted policy claim covered by the reinsurance, in each case without giving effect to the modification of FGIC's policy obligations and regardless of the amount paid in cash by FGIC on account of such policy claim. Any reinsurance recoverable on losses is calculated in a manner consistent with the calculation of gross Claims Reserve and reflected in the Claims Reserve as a reduction of the liability.

**DPO**

Activity in the DPO for the six months ended June 30, 2017 and for the year ended December 31, 2016 is summarized as follows:

| | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| | *(In Thousands)* | |
| Balance, beginning of period | **$ 1,678,310** | $ 1,700,456 |
| Payments of DPO | **–** | (69,758) |
| Additions: | | |
| DPO relating to Permitted Policy Claims that were initially paid (or deemed to be paid) in cash during the period | **5,511** | 47,612 |
| Balance, end of period | **$ 1,683,821** | $ 1,678,310 |

With respect to FGIC-insured securities purchased and owned by FGIC for which there is a DPO outstanding under the related policy, if the CPP is increased in the future, FGIC, as the holder of such insured securities, would be entitled to receive a ratable portion of the related DPO and DPO Accretion payments that would be payable by FGIC under such policy.

# NOTES TO FINANCIAL STATEMENTS

**DPO Accretion**

Activity in the DPO Accretion for the six months ended June 30, 2017 and the year ended December 31, 2016 is summarized as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(In thousands)* | |
| Balance, beginning of period | **$ 128,836** | $ 80,446 |
| Accretion on outstanding DPO | **25,661** | 51,727 |
| Payment of DPO Accretion | **–** | (3,337) |
| Balance, end of period | **$ 154,497** | $ 128,836 |

**PRA**

Activity in the PRA for the six months ended June 30, 2017 and the year ended December 31, 2016 is summarized as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(In thousands)* | |
| Balance, beginning of period | **$ (1,169,008)** | $ (1,247,386) |
| (Increase) decrease in PRA | **(484,549)** | 78,378 |
| Balance, end of period | **$ (1,653,557)** | $ (1,169,008) |

**Loss Adjustment Expense Reserves**

The Company estimates a loss adjustment expense reserve based on the ultimate future net cost, determined using internally developed estimates, of the efforts involved in managing and mitigating existing and future policy claims.

Activity in the loss adjustment expense reserve for the six months ended June 30, 2017 and the year ended December 31, 2016 is summarized as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(In thousands)* | |
| Net balance at beginning of period | **$ 24,081** | $ 13,643 |
| Incurred related to: | | |
| Current year | **–** | – |
| Prior years | **241** | 19,480 |
| Total incurred | **241** | 19,480 |
| Paid related to: | | |
| Current year | **–** | – |
| Prior years | **(6,929)** | (9,042) |
| Total paid | **(6,929)** | (9,042) |
| Net balance at end of period | **$ 17,393** | $ 24,081 |

# NOTES TO FINANCIAL STATEMENTS

**Note 26 - Intercompany Pooling Arrangements**

The Company was not subject to any intercompany pooling arrangements during the six months ended June 30, 2017.

**Note 27 - Structured Settlements**

Not Applicable

**Note 28 - Health Care Receivables**

Not Applicable

**Note 29 - Participating Policies**

None

**Note 30 - Premium Deficiency Reserves**

None

**Note 31 - High Deductibles**

None

**Note 32 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

A-B: No significant changes from the 2016 Notes to Financial Statements.

**Note 33 - Asbestos/Environmental Reserves**

None

**Note 34 - Subscriber Savings Accounts**

None

**Note 35 - Multiple Peril Crop Insurance**

None

# NOTES TO FINANCIAL STATEMENTS

## Note 36 - Financial Guaranty Insurance

A. (1a-1c) and 2-4 – No significant changes from the 2016 Notes to Financial Statements.

B. The following table is a breakdown, as of June 30, 2017, of the Company's portfolio of insured financial obligations assigned to risk category 4:

| | | Surveillance Categories | | | | |
|---|---|---|---|---|---|---|
| | | A | B | C | D | Total |
| 1. | Number of policies | | | | 85 | 85 |
| 2. | Remaining weighted-average contract period (in years) | | | | 9.0 | XXX |
| Insured contractual payments outstanding: | | | | | | |
| 3a. | Principal | $ | $ | $ | $ 4,201,149,846 | $ 4,201,149,846 |
| 3b. | Interest | | | | 1,830,362,155 | 1,830,362,155 |
| 3c. | Total | $ 0 | $ 0 | $ 0 | $ 6,031,512,001 | $ 6,031,512,001 |
| 4. | Gross claim liability | $ | $ | $ | $ 3,136,006,843 | $ 3,136,006,843 |
| Less: | | | | | | |
| 5a. | Gross potential recoveries | | | | 154,571,733 | 154,571,733 |
| 5b. | Discount, net | | | | 1,146,133,384 | 1,146,133,384 |
| 6. | Net claim liability | $ 0 | $ 0 | $ 0 | $ 1,835,301,726 | $ 1,835,301,726 |
| 7. | Unearned premium revenue | $ | $ | $ | $ 30,154,714 | $ 30,154,714 |
| 8. | Reinsurance recoverables | $ | $ | $ | $ 26,320 | $ 26,320 |

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES
## GENERAL

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

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

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

2.2 If yes, date of change: .....

3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [X] No [ ]

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

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

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

.....

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

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

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>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 [ ] NA [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. ..... 12/31/2016

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. ..... 12/31/2004

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ..... 05/29/2007

6.4 By what department or departments?

New York State Department of Financial Services.....

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

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

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

7.2 If yes, give full information:

.....

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

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

.....

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

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

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

# GENERAL INTERROGATORIES

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

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

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

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

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

(e) Accountability for adherence to the code.

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

.....

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

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

.....

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

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

.....

## FINANCIAL

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

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... $ ..... 7,265

## INVESTMENT

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

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

.....

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

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<br>Prior Year-End<br>Book/Adjusted<br>Carrying Value | 2<br>Current Quarter<br>Book/Adjusted<br>Carrying Value |
|---|---|---|---|
| 14.21 | Bonds | $ | $ |
| 14.22 | Preferred Stock | $ | $ |
| 14.23 | Common Stock | $ 33,200,000 | $ 33,200,000 |
| 14.24 | Short-Term Investments | $ | $ |
| 14.25 | Mortgage Loans on Real Estate | $ | $ |
| 14.26 | All Other | $ | $ |
| 14.27 | Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) | $ 33,200,000 | $ 33,200,000 |
| 14.28 | Total Investment in Parent included in Lines 14.21 to 14.26 above | $ | $ |

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

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

If no, attach a description with this statement.

# GENERAL INTERROGATORIES

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

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

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

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

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

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

| 1<br>Name of Custodian(s) | 2<br>Custodian Address |
|---|---|
| State Street Global Services | 801 Pennsylvania Ave., Kansas City, MO 64105 |

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<br>Name(s) | 2<br>Location(s) | 3<br>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<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|---|---|---|---|
| | | | |

17.5 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["…that have access to the investment accounts"; "…handle securities"]

| 1<br>Name of Firm or Individual | 2<br>Affiliation |
|---|---|
| Wellington Management Company, LLP | U |
| | |
| | |
| | |

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [ X ] No [ ]

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [ X ] No [ ]

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

| 1<br>Central Registration Depository Number | 2<br>Name of Firm or Individual | 3<br>Legal Entity Identifier (LEI) | 4<br>Registered With | 5<br>Investment Management Agreement (IMA) Filed |
|---|---|---|---|---|
| 106595 | Wellington Management Company, LLP | 549300YHP12TEZNLCX41 | Securities and Exchange Commission | NO |

18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis 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 [ ] NA [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<br>Line of Business | 2<br>Maximum Interest | 3<br>Discount Rate | 4<br>Unpaid Losses | 5<br>Unpaid LAE | 6<br>IBNR | 7<br>TOTAL | 8<br>Unpaid Losses | 9<br>Unpaid LAE | 10<br>IBNR | 11<br>TOTAL |
| Financial Guaranty | | 4.270 | 1,121,353,599 | | | 1,121,353,599 | 224,605,004 | | | 224,605,004 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | TOTAL | 1,121,353,599 | 0 | 0 | 1,121,353,599 | 224,605,004 | 0 | 0 | 224,605,004 |

5. Operating Percentages:

   5.1 A&H loss percent ..... 0.0 %

   5.2 A&H cost containment percent ..... 0.0 %

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

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

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

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

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

# SCHEDULE F - CEDED REINSURANCE

**Showing All New Reinsurers - Current Year to Date**

| 1<br>NAIC<br>Company Code | 2<br>ID Number | 3<br>Name of Reinsurer | 4<br>Domiciliary Jurisdiction | 5<br>Type of Reinsurer | 6<br>Certified<br>Reinsurer Rating<br>(1 through 6) | 7<br>Effective Date<br>of Certified<br>Reinsurer Rating |
|---|---|---|---|---|---|---|
| | | NONE | | | | |

# SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

**Current Year to Date – Allocated by States and Territories**

| States, etc. | 1 Active Status | Direct Premiums Written 2 Current Year To Date | Direct Premiums Written 3 Prior Year To Date | Direct Losses Paid (Deducting Salvage) 4 Current Year To Date | Direct Losses Paid (Deducting Salvage) 5 Prior Year To Date | Direct Losses Unpaid 6 Current Year To Date | Direct Losses Unpaid 7 Prior Year To Date |
|---|---|---|---|---|---|---|---|
| 1. Alabama AL | N | | 0 | | 0 | 571,653 | 577,611 |
| 2. Alaska AK | N | | 0 | | 0 | | 0 |
| 3. Arizona AZ | N | | 0 | | 0 | | 0 |
| 4. Arkansas AR | N | | 0 | | 0 | | 0 |
| 5. California CA | N | 1,101 | 1,111,265 | | 0 | | 0 |
| 6. Colorado CO | N | | 0 | | 0 | | 0 |
| 7. Connecticut CT | N | | 0 | | 0 | | 0 |
| 8. Delaware DE | N | | 0 | | 0 | | 0 |
| 9. Dist. Columbia DC | L | | 0 | | 0 | | 0 |
| 10. Florida FL | N | | 0 | 112,500 | 45,747 | 1,503,441 | 1,740,582 |
| 11. Georgia GA | N | 13,307 | 13,289 | | 0 | | 0 |
| 12. Hawaii HI | L | 728,750 | 0 | | 0 | | 0 |
| 13. Idaho ID | N | | 0 | | 0 | | 0 |
| 14. Illinois IL | N | 15,035 | 20,650 | | 0 | | 0 |
| 15. Indiana IN | N | | 74,250 | | 0 | | 0 |
| 16. Iowa IA | N | | 0 | | 0 | | 0 |
| 17. Kansas KS | N | | 0 | | 0 | | 0 |
| 18. Kentucky KY | N | | 0 | | 0 | | 0 |
| 19. Louisiana LA | N | | 0 | | 0 | | 0 |
| 20. Maine ME | N | | 0 | | 0 | | 0 |
| 21. Maryland MD | N | | 0 | | 0 | | 0 |
| 22. Massachusetts MA | N | 83 | 36 | | 0 | | 0 |
| 23. Michigan MI | N | | 0 | (1,600,919) | (372,812) | 987,526,931 | 1,009,215,578 |
| 24. Minnesota MN | L | 89 | 38 | | 0 | | 0 |
| 25. Mississippi MS | N | | 0 | | 0 | | 0 |
| 26. Missouri MO | N | | 0 | | 0 | | 0 |
| 27. Montana MT | N | | 0 | | 0 | | 0 |
| 28. Nebraska NE | N | | 0 | | 0 | | 0 |
| 29. Nevada NV | L | | 0 | | 0 | | 0 |
| 30. New Hampshire NH | N | | 0 | | 0 | | 0 |
| 31. New Jersey NJ | L | 135,240 | 139,795 | | 0 | | 0 |
| 32. New Mexico NM | N | | 0 | | 0 | | 0 |
| 33. New York NY | L | 2,874,501 | 2,637,775 | (1,381,250) | 7,110,618 | (6,819,544) | 402,410,754 |
| 34. No. Carolina NC | N | | 0 | | 0 | | 0 |
| 35. No. Dakota ND | N | | 0 | | 0 | | 0 |
| 36. Ohio OH | N | | 0 | | 0 | | 0 |
| 37. Oklahoma OK | N | | 0 | | 0 | | 0 |
| 38. Oregon OR | N | | 0 | | 0 | | 0 |
| 39. Pennsylvania PA | L | | 0 | | 0 | | 0 |
| 40. Rhode Island RI | L | | 0 | | 0 | | 0 |
| 41. So. Carolina SC | N | | 0 | | 0 | | 0 |
| 42. So. Dakota SD | N | | 0 | | 0 | | 0 |
| 43. Tennessee TN | N | | 0 | | 0 | | 0 |
| 44. Texas TX | L | | 0 | | 31,629 | 2,207,525 | 2,229,599 |
| 45. Utah UT | N | | 0 | | 0 | | 0 |
| 46. Vermont VT | N | | 0 | | 0 | | 0 |
| 47. Virginia VA | N | | 0 | | 0 | | 0 |
| 48. Washington WA | N | | 0 | | 0 | | 0 |
| 49. West Virginia WV | N | | 0 | | 0 | | 0 |
| 50. Wisconsin WI | L | | 0 | | 0 | | 0 |
| 51. Wyoming WY | N | | 0 | | 0 | | 0 |
| 52. American Samoa AS | N | | 0 | | 0 | | 0 |
| 53. Guam GU | N | | 0 | | 0 | | 0 |
| 54. Puerto Rico PR | L | | 0 | 9,376,063 | 1,835,965 | 1,019,543,144 | 514,520,621 |
| 55. U.S. Virgin Islands VI | N | | 0 | | 0 | | 0 |
| 56. Northern Mariana Islands MP | N | | 0 | | 0 | | 0 |
| 57. Canada CAN | N | | 0 | | 0 | | 0 |
| 58. Aggregate Other Alien OT | XXX | 639,431 | 813,040 | 0 | 0 | 0 | 0 |
| 59. Totals | (a) 11 | 4,407,537 | 4,810,138 | 6,506,394 | 8,651,147 | 2,004,533,150 | 1,930,694,745 |
| **DETAILS OF WRITE-INS** | | | | | | | |
| 58001. AUS Australia | XXX | 130,649 | 126,496 | | 0 | | 0 |
| 58002. BRA Brazil | XXX | 0 | 35,966 | | 0 | | 0 |
| 58003. TUR Turkey | XXX | 36,662 | 97,658 | | 0 | | 0 |
| 58998. Summary of remaining write-ins for Line 58 from overflow page | XXX | 472,120 | 552,920 | 0 | 0 | 0 | 0 |
| 58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above) | XXX | 639,431 | 813,040 | 0 | 0 | 0 | 0 |

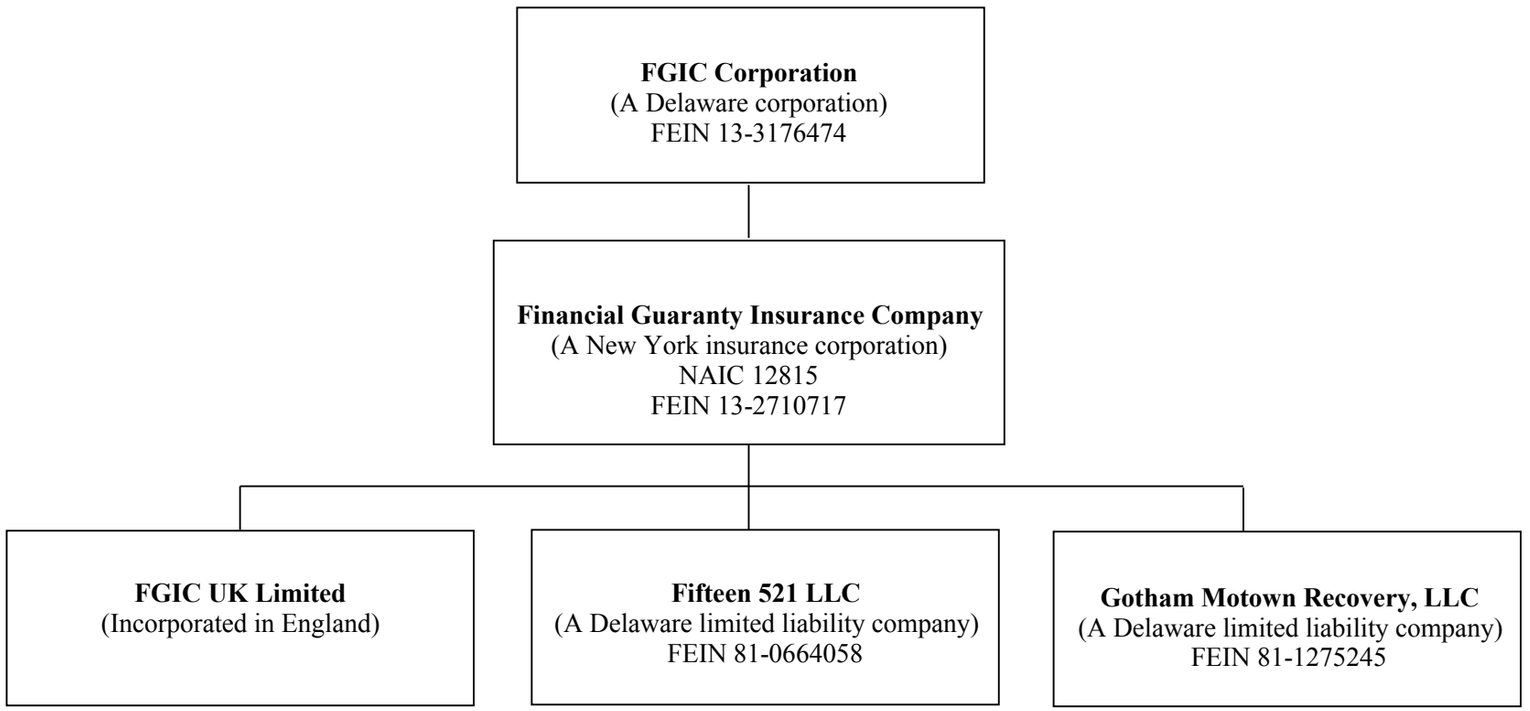
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state (other than their state of domicile – see DSLI); (D) DSLI – Domestic Surplus Lines Insurer (DSLI) – Reporting entities authorized to write Surplus Lines in the state of domicile; (N) None of the above - Not allowed to write business in the state.

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

Line 33, New York business column 6, Current Year to Date Direct Losses Unpaid includes losses unpaid of $(1,653,557,061) representing the June 30, 2017 Policy Revsion Adjustment ("PRA") in accordance with NYSDFS guidelines.

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

# FGIC Corporation Structure (as of 6/30/17)




*Each entity owns 100% of the common voting securities (or membership interests) of each direct subsidiary, except for Gotham Motown Recovery, LLC, which FGIC controls by virtue of being its managing member but in which FGIC does not hold any direct economic membership interest.*

# SCHEDULE Y
# PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

| 1<br>Group Code | 2<br>Group Name | 3<br>NAIC Company Code | 4<br>ID Number | 5<br>Federal RSSD | 6<br>CIK | 7<br>Name of Securities Exchange if Publicly Traded (U.S. or International) | 8<br>Names of Parent, Subsidiaries or Affiliates | 9<br>Domiciliary Location | 10<br>Relationship to Reporting Entity | 11<br>Directly Controlled by (Name of Entity/Person) | 12<br>Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other) | 13<br>If Control is Ownership Provide Percentage | 14<br>Ultimate Controlling Entity(ies)/Person(s) | 15<br>Is an SCA Filing Required? (Y/N) | 16<br>* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 00000 | FGIC Corporation | 00000 | 13-3176474 | | | | FGIC Corporation | DE | UDP | | | 0.0 | | N | 0 |
| 00000 | FGIC Corporation | 12815 | 13-2710717 | | | | Financial Guaranty Insurance Company | NY | RE | FGIC Corporation | Ownership | 100.0 | FGIC Corporation | N | 0 |
| 00000 | FGIC Corporation | 00000 | | | | | FGIC UK Limited | GBR | DS | Financial Guaranty Insurance Company | Ownership | 100.0 | FGIC Corporation | Y | 0 |
| 00000 | FGIC Corporation | 00000 | 81-0664058 | | | | Fifteen 521 LLC | DE | DS | Financial Guaranty Insurance Company | Ownership | 100.0 | FGIC Corporation | N | 0 |
| 00000 | FGIC Corporation | 00000 | 87-1275245 | | | | Gotham Motown Recovery, LLC | DE | NIA | Financial Guaranty Insurance Company | Management | 0.0 | FGIC Corporation | N | 0 |

| Asterisk | Explanation |
|---|---|
| | |

# PART 1 - LOSS EXPERIENCE

| | Line of Business | Current Year to Date 1 Direct Premiums Earned | 2 Direct Losses Incurred | 3 Direct Loss Percentage | 4 Prior Year to Date Direct Loss Percentage |
|---|---|---|---|---|---|
| 1. | Fire | | | 0.0 | 0.0 |
| 2. | Allied lines | | | 0.0 | 0.0 |
| 3. | Farmowners multiple peril | | | 0.0 | 0.0 |
| 4. | Homeowners multiple peril | | | 0.0 | 0.0 |
| 5. | Commercial multiple peril | | | 0.0 | 0.0 |
| 6. | Mortgage guaranty | | | 0.0 | 0.0 |
| 8. | Ocean marine | | | 0.0 | 0.0 |
| 9. | Inland marine | | | 0.0 | 0.0 |
| 10. | Financial guaranty | 8,513,727 | 534,968,556 | 6,283.6 | 479.7 |
| 11.1 | Medical professional liability -occurrence | | | 0.0 | 0.0 |
| 11.2 | Medical professional liability -claims made | | | 0.0 | 0.0 |
| 12. | Earthquake | | | 0.0 | 0.0 |
| 13. | Group accident and health | | | 0.0 | 0.0 |
| 14. | Credit accident and health | | | 0.0 | 0.0 |
| 15. | Other accident and health | | | 0.0 | 0.0 |
| 16. | Workers' compensation | | | 0.0 | 0.0 |
| 17.1 | Other liability occurrence | | | 0.0 | 0.0 |
| 17.2 | Other liability-claims made | | | 0.0 | 0.0 |
| 17.3 | Excess Workers' Compensation | | | 0.0 | 0.0 |
| 18.1 | Products liability-occurrence | | | 0.0 | 0.0 |
| 18.2 | Products liability-claims made | | | 0.0 | 0.0 |
| 19.1,19.2 | Private passenger auto liability | | | 0.0 | 0.0 |
| 19.3,19.4 | Commercial auto liability | | | 0.0 | 0.0 |
| 21. | Auto physical damage | | | 0.0 | 0.0 |
| 22. | Aircraft (all perils) | | | 0.0 | 0.0 |
| 23. | Fidelity | | | 0.0 | 0.0 |
| 24. | Surety | | | 0.0 | 0.0 |
| 26. | Burglary and theft | | | 0.0 | 0.0 |
| 27. | Boiler and machinery | | | 0.0 | 0.0 |
| 28. | Credit | | | 0.0 | 0.0 |
| 29. | International | | | 0.0 | 0.0 |
| 30. | Warranty | | | 0.0 | 0.0 |
| 31. | Reinsurance - Nonproportional Assumed Property | XXX | XXX | XXX | XXX |
| 32. | Reinsurance - Nonproportional Assumed Liability | XXX | XXX | XXX | XXX |
| 33. | Reinsurance - Nonproportional Assumed Financial Lines | XXX | XXX | XXX | XXX |
| 34. | Aggregate write-ins for other lines of business | 0 | (484,550,005) | 0.0 | 0.0 |
| 35. | TOTALS | 8,513,727 | 50,418,551 | 592.2 | 0.0 |
| | **DETAILS OF WRITE-INS** | | | | |
| 3401. | Policy Revision Adjustment ("PRA") - NYSDFS Guidelines | | (484,550,005) | 0.0 | |
| 3402. | | | | | |
| 3403. | | | | | |
| 3498. | Sum. of remaining write-ins for Line 34 from overflow page | 0 | 0 | 0.0 | 0.0 |
| 3499. | Totals (Lines 3401 through 3403 plus 3498) (Line 34) | 0 | (484,550,005) | 0.0 | 0.0 |

# PART 2 - DIRECT PREMIUMS WRITTEN

| | Line of Business | 1 Current Quarter | 2 Current Year to Date | 3 Prior Year Year to Date |
|---|---|---|---|---|
| 1. | Fire | 0 | | 0 |
| 2. | Allied lines | 0 | | 0 |
| 3. | Farmowners multiple peril | 0 | | 0 |
| 4. | Homeowners multiple peril | 0 | | 0 |
| 5. | Commercial multiple peril | 0 | | 0 |
| 6. | Mortgage guaranty | 0 | | 0 |
| 8. | Ocean marine | 0 | | 0 |
| 9. | Inland marine | 0 | | 0 |
| 10. | Financial guaranty | 1,238,567 | 4,407,537 | 4,810,138 |
| 11.1 | Medical professional liability-occurrence | 0 | | 0 |
| 11.2 | Medical professional liability-claims made | 0 | | 0 |
| 12. | Earthquake | 0 | | 0 |
| 13. | Group accident and health | 0 | | 0 |
| 14. | Credit accident and health | 0 | | 0 |
| 15. | Other accident and health | 0 | | 0 |
| 16. | Workers' compensation | 0 | | 0 |
| 17.1 | Other liability occurrence | 0 | | 0 |
| 17.2 | Other liability-claims made | 0 | | 0 |
| 17.3 | Excess Workers' Compensation | 0 | | 0 |
| 18.1 | Products liability-occurrence | 0 | | 0 |
| 18.2 | Products liability-claims made | 0 | | 0 |
| 19.1,19.2 | Private passenger auto liability | 0 | | 0 |
| 19.3,19.4 | Commercial auto liability | 0 | | 0 |
| 21. | Auto physical damage | 0 | | 0 |
| 22. | Aircraft (all perils) | 0 | | 0 |
| 23. | Fidelity | 0 | | 0 |
| 24. | Surety | 0 | | 0 |
| 26. | Burglary and theft | 0 | | 0 |
| 27. | Boiler and machinery | 0 | | 0 |
| 28. | Credit | 0 | | 0 |
| 29. | International | 0 | | 0 |
| 30. | Warranty | 0 | | 0 |
| 31. | Reinsurance - Nonproportional Assumed Property | XXX | XXX | XXX |
| 32. | Reinsurance - Nonproportional Assumed Liability | XXX | XXX | XXX |
| 33. | Reinsurance - Nonproportional Assumed Financial Lines | XXX | XXX | XXX |
| 34. | Aggregate write-ins for other lines of business | 0 | 0 | 0 |
| 35. | TOTALS | 1,238,567 | 4,407,537 | 4,810,138 |
| | **DETAILS OF WRITE-INS** | | | |
| 3401. | | | | |
| 3402. | | | | |
| 3403. | | | | |
| 3498. | Sum. of remaining write-ins for Line 34 from overflow page | 0 | 0 | 0 |
| 3499. | Totals (Lines 3401 through 3403 plus 3498) (Line 34) | 0 | 0 | 0 |

# PART 3 (000 omitted)

## LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

| Years in Which Losses Occurred | 1<br>Prior Year-End Known Case Loss and LAE Reserves | 2<br>Prior Year-End IBNR Loss and LAE Reserves | 3<br>Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2) | 4<br>2017 Loss and LAE Payments on Claims Reported as of Prior Year-End | 5<br>2017 Loss and LAE Payments on Claims Unreported as of Prior Year-End | 6<br>Total 2017 Loss and LAE Payments (Cols. 4 + 5) | 7<br>Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End | 8<br>Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End | 9<br>Q.S. Date IBNR Loss and LAE Reserves | 10<br>Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9) | 11<br>Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1) | 12<br>Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2) | 13<br>Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. 2014 + Prior | 2,835,176 | (1,055,556) | 1,779,620 | 5,672 | | 5,672 | 3,027,396 | | (1,374,184) | 1,653,212 | 197,892 | (318,628) | (120,736) |
| 2. 2015 | 307,621 | (113,451) | 194,170 | 7,667 | | 7,667 | 621,691 | | (279,373) | 342,318 | 321,737 | (165,922) | 155,815 |
| 3. Subtotals 2015 + prior | 3,142,797 | (1,169,007) | 1,973,790 | 13,339 | 0 | 13,339 | 3,649,087 | 0 | (1,653,557) | 1,995,530 | 519,629 | (484,550) | 35,079 |
| 4. 2016 | | | 0 | | | 0 | | | | 0 | 0 | 0 | 0 |
| 5. Subtotals 2016 + prior | 3,142,797 | (1,169,007) | 1,973,790 | 13,339 | 0 | 13,339 | 3,649,087 | 0 | (1,653,557) | 1,995,530 | 519,629 | (484,550) | 35,079 |
| 6. 2017 | XXX | XXX | XXX | XXX | | 0 | XXX | | | 0 | XXX | XXX | XXX |
| 7. Totals | 3,142,797 | (1,169,007) | 1,973,790 | 13,339 | 0 | 13,339 | 3,649,087 | 0 | (1,653,557) | 1,995,530 | 519,629 | (484,550) | 35,079 |
| 8. Prior Year-End Surplus As Regards Policy-holders | 66,400 | | | | | | | | | | Col. 11, Line 7 As % of Col. 1, Line 7 | Col. 12, Line 7 As % of Col. 2, Line 7 | Col. 13, Line 7 As % of Col. 3, Line 7 |
| | | | | | | | | | | | 1. 16.5 | 2. 41.4 | 3. 1.8 |
| | | | | | | | | | | | | | Col. 13, Line 7 Line 8 |
| | | | | | | | | | | | | | 4. 52.8 |

# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

**Explanation:**

1. Company is a US entity

2.

3.

4.

**Bar Code:**

2. 1 2 8 1 5 2 0 1 7 4 5 5 0 0 0 0 2

3. 1 2 8 1 5 2 0 1 7 3 6 5 0 0 0 0 2

4. 1 2 8 1 5 2 0 1 7 5 0 5 0 0 0 0 2

# OVERFLOW PAGE FOR WRITE-INS

PQ010 Additional Aggregate Lines for Page 10 Line 58.
*SCT

| | 1<br>Active Status | 2<br>Current Year To Date | 3<br>Prior Year To Date | 4<br>Current Year To Date | 5<br>Prior Year To Date | 6<br>Current Year To Date | 7<br>Prior Year To Date |
|---|---|---|---|---|---|---|---|
| 58004. GBR United Kingdom | XXX | 472,120 | 552,920 | 0 | 0 | 0 | 0 |
| 58997. Summary of remaining write-ins for Line 58 from Page 10 | XXX | 472,120 | 552,920 | 0 | 0 | 0 | 0 |

# SCHEDULE A – VERIFICATION

**Real Estate**

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

NONE

# SCHEDULE B – VERIFICATION

**Mortgage Loans**

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

NONE

# SCHEDULE BA – VERIFICATION

**Other Long-Term Invested Assets**

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year | 0 | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition | 8,876,572 | 0 |
| 2.2 Additional investment made after acquisition | 0 | 0 |
| 3. Capitalized deferred interest and other | 0 | 0 |
| 4. Accrual of discount | 0 | 0 |
| 5. Unrealized valuation increase (decrease) | 0 | 0 |
| 6. Total gain (loss) on disposals | 0 | 0 |
| 7. Deduct amounts received on disposals | 0 | 0 |
| 8. Deduct amortization of premium and depreciation | 1,597 | 0 |
| 9. Total foreign exchange change in book/adjusted carrying value | 0 | 0 |
| 10. Deduct current year's other-than-temporary impairment recognized | 0 | 0 |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) | 8,874,975 | 0 |
| 12. Deduct total nonadmitted amounts | 0 | 0 |
| 13. Statement value at end of current period (Line 11 minus Line 12) | 8,874,975 | 0 |

# SCHEDULE D – VERIFICATION

**Bonds and Stocks**

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year | 2,293,021,821 | 2,236,770,596 |
| 2. Cost of bonds and stocks acquired | 376,700,281 | 861,569,843 |
| 3. Accrual of discount | 1,144,964 | 3,159,297 |
| 4. Unrealized valuation increase (decrease) | 1,991,597 | 10,832,378 |
| 5. Total gain (loss) on disposals | 17,620,047 | 33,650,548 |
| 6. Deduct consideration for bonds and stocks disposed of | 397,894,451 | 835,717,456 |
| 7. Deduct amortization of premium | 3,899,588 | 9,744,528 |
| 8. Total foreign exchange change in book/adjusted carrying value | 0 | (3,513,665) |
| 9. Deduct current year's other-than-temporary impairment recognized | 665,343 | 3,985,193 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 2,288,019,328 | 2,293,021,821 |
| 11. Deduct total nonadmitted amounts | 0 | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 2,288,019,328 | 2,293,021,821 |

# SCHEDULE D - PART 1B

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

| NAIC Designation | 1<br>Book/Adjusted Carrying Value Beginning of Current Quarter | 2<br>Acquisitions During Current Quarter | 3<br>Dispositions During Current Quarter | 4<br>Non-Trading Activity During Current Quarter | 5<br>Book/Adjusted Carrying Value End of First Quarter | 6<br>Book/Adjusted Carrying Value End of Second Quarter | 7<br>Book/Adjusted Carrying Value End of Third Quarter | 8<br>Book/Adjusted Carrying Value December 31 Prior Year |
|---|---|---|---|---|---|---|---|---|
| **BONDS** | | | | | | | | |
| 1. NAIC 1 (a) | 1,724,617,827 | 235,005,385 | 265,260,634 | (8,556,393) | 1,724,617,827 | 1,685,806,185 | 0 | 1,754,204,031 |
| 2. NAIC 2 (a) | 337,769,662 | 66,332,164 | 12,728,342 | 9,614,214 | 337,769,662 | 400,987,697 | 0 | 309,038,678 |
| 3. NAIC 3 (a) | 94,783,374 | 7,378,546 | 6,160,309 | (4,858,487) | 94,783,374 | 91,143,124 | 0 | 94,841,668 |
| 4. NAIC 4 (a) | 50,295,237 | 5,513,191 | 6,606,744 | 2,651,259 | 50,295,237 | 51,852,942 | 0 | 50,408,443 |
| 5. NAIC 5 (a) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. NAIC 6 (a) | 0 | 0 | 1,084 | 1,084 | 0 | 0 | 0 | 0 |
| 7. Total Bonds | 2,207,466,100 | 314,229,286 | 290,757,113 | (1,148,323) | 2,207,466,100 | 2,229,789,949 | 0 | 2,208,492,819 |
| **PREFERRED STOCK** | | | | | | | | |
| 8. NAIC 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. NAIC 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. NAIC 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. NAIC 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. NAIC 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13. NAIC 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14. Total Preferred Stock | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. Total Bonds & Preferred Stock | 2,207,466,100 | 314,229,286 | 290,757,113 | (1,148,323) | 2,207,466,100 | 2,229,789,949 | 0 | 2,208,492,819 |

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation: NAIC 1 $ 139,837,458 ; NAIC 2 $ 0 ;
NAIC 3 $ 0 ; NAIC 4 $ 0 ; NAIC 5 $ 0 ; NAIC 6 $ 0

# SCHEDULE DA - PART 1

**Short-Term Investments**

| | 1<br>Book/Adjusted Carrying Value | 2<br>Par Value | 3<br>Actual Cost | 4<br>Interest Collected Year To Date | 5<br>Paid for Accrued Interest Year To Date |
|---|---|---|---|---|---|
| 9199999 | 139,837,458 | XXX | 139,837,458 | 59,337 | 0 |

# SCHEDULE DA - VERIFICATION

**Short-Term Investments**

| | 1<br>Year To Date | 2<br>Prior Year Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year | 79,779,818 | 75,278,464 |
| 2. Cost of short-term investments acquired | 216,293,303 | 704,642,051 |
| 3. Accrual of discount | 0 | 0 |
| 4. Unrealized valuation increase (decrease) | 0 | 0 |
| 5. Total gain (loss) on disposals | 0 | 416 |
| 6. Deduct consideration received on disposals | 156,235,663 | 699,869,902 |
| 7. Deduct amortization of premium | 0 | 0 |
| 8. Total foreign exchange change in book/adjusted carrying value | 0 | (271,211) |
| 9. Deduct current year's other-than-temporary impairment recognized | 0 | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 139,837,458 | 79,779,818 |
| 11. Deduct total nonadmitted amounts | 0 | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 139,837,458 | 79,779,818 |

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E - Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

# SCHEDULE BA - PART 2

**Showing Other Long-Term Invested Assets ACQUIRED AND ADDITIONS MADE During the Current Quarter**

| 1 | 2 | Location | | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CUSIP Identification | Name or Description | 3 City | 4 State | Name of Vendor or General Partner | NAIC Designation | Date Originally Acquired | Type and Strategy | Actual Cost at Time of Acquisition | Additional Investment Made After Acquisition | Amount of Encumbrances | Commitment for Additional Investment | Percentage of Ownership |
| Oil and Gas Production - Unaffiliated | | | | | | | | | | | | |
| Oil and Gas Production - Affiliated | | | | | | | | | | | | |
| Transportation Equipment - Unaffiliated | | | | | | | | | | | | |
| Transportation Equipment - Affiliated | | | | | | | | | | | | |
| Mineral Rights - Unaffiliated | | | | | | | | | | | | |
| Mineral Rights - Affiliated | | | | | | | | | | | | |
| Fixed or Variable Interest Rate Investments that have the Underlying Characteristics of - Bonds - Unaffiliated | | | | | | | | | | | | |
| Fixed or Variable Interest Rate Investments that have the Underlying Characteristics of - Bonds - Affiliated | | | | | | | | | | | | |
| Fixed or Variable Interest Rate Investments that have the Underlying Characteristics of - Mortgage Loans - Unaffiliated | | | | | | | | | | | | |
| Fixed or Variable Interest Rate Investments that have the Underlying Characteristics of - Mortgage Loans - Affiliated | | | | | | | | | | | | |
| Fixed or Variable Interest Rate Investments that have the Underlying Characteristics of - Other - Unaffiliated | | | | | | | | | | | | |
| Fixed or Variable Interest Rate Investments that have the Underlying Characteristics of - Other - Affiliated | | | | | | | | | | | | |
| Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Fixed Income Instruments Unaffiliated | | | | | | | | | | | | |
| Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Fixed Income Instruments - Affiliated | | | | | | | | | | | | |
| Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Common Stocks - Unaffiliated | | | | | | | | | | | | |
| Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Common Stocks - Affiliated | | | | | | | | | | | | |
| Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Real Estate - Unaffiliated | | | | | | | | | | | | |
| Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Real Estate - Affiliated | | | | | | | | | | | | |
| Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Mortgage Loans - Unaffiliated | | | | | | | | | | | | |
| Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Mortgage Loans - Affiliated | | | | | | | | | | | | |
| Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Other - Unaffiliated | | | | | | | | | | | | |
| Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Other - Affiliated | | | | | | | | | | | | |
| Surplus Debentures, etc. – Unaffiliated | | | | | | | | | | | | |
| 878091-BD-8 | TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMER | NY | NY | TEACHERS INSURANCE AND ANNUITY ASSOCIATI | 1FE | 05/01/2017 | | 8,876,572 | 0 | 0 | 0 | 0.000 |
| 2399999 - Surplus Debentures, etc. - Unaffiliated | | | | | | | | 8,876,572 | 0 | 0 | 0 | XXX |
| Surplus Debentures, etc. - Affiliated | | | | | | | | | | | | |
| Collateral Loans - Unaffiliated | | | | | | | | | | | | |
| Collateral Loans - Affiliated | | | | | | | | | | | | |
| Non-collateral Loans - Unaffiliated | | | | | | | | | | | | |
| Non-collateral Loans - Affiliated | | | | | | | | | | | | |
| Capital Notes - Unaffiliated | | | | | | | | | | | | |
| Capital Notes - Affiliated | | | | | | | | | | | | |
| Guaranteed Federal Low Income Housing Tax Credit - Unaffiliated | | | | | | | | | | | | |
| Guaranteed Federal Low Income Housing Tax Credit - Affiliated | | | | | | | | | | | | |
| Non-Guaranteed Federal Low Income Housing Tax Credit - Unaffiliated | | | | | | | | | | | | |
| Non-Guaranteed Federal Low Income Housing Tax Credit - Affiliated | | | | | | | | | | | | |
| Guaranteed State Low Income Housing Tax Credit - Unaffiliated | | | | | | | | | | | | |
| Guaranteed State Low Income Housing Tax Credit - Affiliated | | | | | | | | | | | | |
| Non-Guaranteed State Low Income Housing Tax Credit - Unaffiliated | | | | | | | | | | | | |
| Non-Guaranteed State Low Income Housing Tax Credit - Affiliated | | | | | | | | | | | | |
| All Other Low Income Housing Tax Credit - Unaffiliated | | | | | | | | | | | | |
| All Other Low Income Housing Tax Credit - Affiliated | | | | | | | | | | | | |
| Working Capital Finance Investment - Unaffiliated | | | | | | | | | | | | |
| Any Other Class of Assets - Unaffiliated | | | | | | | | | | | | |
| Any Other Class of Assets - Affiliated | | | | | | | | | | | | |
| 4499999 – Subtotals - Unaffiliated | | | | | | | | 8,876,572 | 0 | 0 | 0 | XXX |
| 4599999 – Subtotals - Affiliated | | | | | | | | 0 | 0 | 0 | 0 | XXX |
| 4699999 Totals | | | | | | | | 8,876,572 | 0 | 0 | 0 | XXX |

# SCHEDULE BA - PART 3

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

| 1 | 2 | Location | | 5 | 6 | 7 | 8 | Change in Book/Adjusted Carrying Value | | | | | | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 3 | 4 | | | | | 9 | 10 | 11 | 12 | 13 | 14 | | | | | | |
| CUSIP Identification | Name or Description | City | State | Name of Purchaser or Nature of Disposal | Date Originally Acquired | Disposal Date | Book/ Adjusted Carrying Value Less Encumbrances Prior Year | Unrealized Valuation Increase (Decrease) | Current Year's (Depreciation) or (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Capitalized Deferred Interest and Other | Total Change in B./A.C.V. (9+10-11+12) | Total Foreign Exchange Change in B./A.C.V. | Book/Adjusted Carrying Value Less Encumbrances on Disposal | Consideration | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Investment Income |
| | | | | | | | | | | | | | | | | | | | |
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| 4499999 – Subtotals - Unaffiliated | | | | | | | | | | | | | | | | | | | |
| 4599999 – Subtotals - Affiliated | | | | | | | | | | | | | | | | | | | |
| 4699999 Totals | | | | | | | | | | | | | | | | | | | |

NONE

# SCHEDULE D - PART 3

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

| 1<br>CUSIP Identification | 2<br>Description | 3<br>Foreign | 4<br>Date Acquired | 5<br>Name of Vendor | 6<br>Number of Shares of Stock | 7<br>Actual Cost | 8<br>Par Value | 9<br>Paid for Accrued Interest and Dividends | 10<br>NAIC Designation or Market Indicator [a] |
|---|---|---|---|---|---|---|---|---|---|
| Bonds - U.S. Governments | | | | | | | | | |
| 912810-RX-8 | UNITED STATES TREASURY | | 06/01/2017 | FED BUY | | 11,822,029 | 11,510,000 | 19,705 | 1 |
| 0599999 - Bonds - U.S. Governments | | | | | | 11,822,029 | 11,510,000 | 19,705 | XXX |
| Bonds - All Other Governments | | | | | | | | | |
| Bonds - U.S. States, Territories and Possessions | | | | | | | | | |
| Bonds - U.S. Political Subdivisions of States, Territories and Possessions | | | | | | | | | |
| 215457-BZ-4 | COOK CNTY ILL HIGH SCH DIST NO 201 J STE | | 04/26/2017 | FIFTH THIRD BANK | | 2,555,000 | 2,555,000 | 0 | 1FE |
| 2499999 - Bonds - U.S. Political Subdivisions of States, Territories and Possessions | | | | | | 2,555,000 | 2,555,000 | 0 | XXX |
| Bonds - U.S. Special Revenue | | | | | | | | | |
| 3137BX-HC-9 | FHMS K1503 A3 - CMBS | | 04/19/2017 | Credit Suisse Securities (USA), LLC | | 5,722,760 | 5,700,000 | 13,325 | 1 |
| 3138LJ-ZL-7 | FN AN6146 | | 06/22/2017 | MORGAN STANLEY | | 9,330,835 | 9,190,111 | 0 | 1 |
| 651779-BZ-2 | NEWPORT BEACH CALIF CTFS PARTN | | 04/10/2017 | MORGAN STANLEY CO | | 9,201,817 | 6,820,000 | 134,436 | 1FE |
| 3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions | | | | | | 24,255,411 | 21,710,111 | 147,761 | XXX |
| Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | | | | |
| 67111N-AA-2 | OZLM 17-17A A1 144A - CDO | | 06/30/2017 | MORGAN STANLEY | | 7,205,000 | 7,205,000 | 0 | 1FE |
| 00130H-BW-4 | AES CORP | | 06/07/2017 | GOLDMAN SACHS AND CO | | 1,784,473 | 1,700,000 | 14,804 | 3FE |
| 00213M-AK-0 | APX GROUP INC | | 05/04/2017 | CORPORATE ACTION-TRANSFER | | 904,502 | 840,000 | 28,114 | 4FE |
| 01879N-AA-3 | ALLIANCE RESOURCE OPERATING PARTNERS LP | | 04/07/2017 | JP MORGAN SECURITIES INC | | 210,000 | 210,000 | 0 | 3FE |
| 053332-AV-4 | AUTOZONE INC | | 04/07/2017 | JP MORGAN SECURITIES INC | | 3,932,481 | 3,930,000 | 0 | 2FE |
| 06738E-AN-5 | BARCLAYS PLC | C | 06/26/2017 | BARCLAYS CAPITAL INC | | 6,890,428 | 6,563,000 | 133,197 | 2FE |
| 09627L-AL-1 | BLUEM 141R AR - CDO | | 06/28/2017 | CITIGROUP GLOBAL MKTS/SALOMON | | 4,385,686 | 4,355,000 | 18,794 | 1FE |
| 12508E-AE-1 | CDK GLOBAL INC | | 05/24/2017 | VARIOUS | | 889,161 | 885,000 | 1,158 | 3FE |
| 12543D-AY-6 | CHS/COMMUNITY HEALTH SYSTEMS, INC | | 05/09/2017 | Credit Suisse Securities (USA), LLC | | 488,400 | 480,000 | 4,750 | 3FE |
| 128195-AP-9 | CALATLANTIC GROUP INC | | 06/06/2017 | CITIGROUP GLOBAL MKTS/SALOMON | | 170,000 | 170,000 | 0 | 3FE |
| 14040H-BJ-3 | CAPITAL ONE FINANCIAL CORP | | 06/26/2017 | BARCLAYS CAPITAL INC | | 6,960,088 | 6,806,000 | 47,642 | 2FE |
| 163851-AE-8 | CHEMOURS CO | | 05/09/2017 | Credit Suisse Securities (USA), LLC | | 396,204 | 400,000 | 0 | 4FE |
| 16412X-AE-5 | CHENIERE CORPUS CHRISTI HOLDINGS LLC | | 05/15/2017 | RBC CAPITAL MARKETS | | 130,000 | 130,000 | 0 | 3FE |
| 172967-EW-7 | CITIGROUP INC | | 06/26/2017 | Credit Suisse Securities (USA), LLC | | 2,487,099 | 1,595,000 | 59,037 | 2FE |
| 20030N-AV-3 | COMCAST CORP | | 06/26/2017 | BARCLAYS CAPITAL INC | | 9,616,644 | 6,700,000 | 173,325 | 1FE |
| 201723-AL-7 | COMMERCIAL METALS CO | | 06/29/2017 | CITIGROUP GLOBAL MKTS/SALOMON | | 185,188 | 185,000 | 0 | 3FE |
| 26882P-BE-1 | ERAC USA FINANCE CO | | 06/26/2017 | GOLDMAN SACHS AND CO | | 4,122,318 | 3,140,000 | 45,181 | 2FE |
| 29273D-AA-8 | ENDO DAC | C | 05/01/2017 | VARIOUS | | 889,025 | 875,000 | 754 | 3FE |
| 30251G-AU-1 | FMG RESOURCES (AUGUST 2006) PTY LTD | C | 05/09/2017 | J.P. Morgan Securities LLC | | 405,400 | 405,000 | 0 | 3FE |
| 428040-CT-4 | HERTZ CORP | | 06/06/2017 | VARIOUS | | 880,125 | 880,000 | 73 | 4FE |
| 46625H-HF-0 | JPMORGAN CHASE & CO | | 06/26/2017 | J.P. Morgan Securities LLC | | 9,741,870 | 7,125,000 | 55,733 | 1FE |
| 48250N-AC-9 | KFC HOLDING CO | | 06/12/2017 | GOLDMAN SACHS AND CO | | 595,000 | 595,000 | 0 | 4FE |
| 49338L-AE-3 | KEYSIGHT TECHNOLOGIES INC | | 04/01/2017 | VARIOUS | | 1,903,891 | 1,890,000 | 0 | 2FE |
| 49456B-AH-4 | KINDER MORGAN INC | | 06/26/2017 | J.P. Morgan Securities LLC | | 1,409,150 | 1,321,000 | 5,702 | 2FE |
| 526057-BZ-6 | LENNAR CORP | | 04/19/2017 | Deutsche Bank Securities, Inc | | 330,000 | 330,000 | 0 | 3FE |
| 60871R-AH-3 | MOLSON COORS BREWING CO | | 06/26/2017 | J.P. Morgan Securities LLC | | 5,719,323 | 5,700,000 | 109,060 | 2FE |
| 654902-AE-5 | NOKIA OYJ | C | 06/06/2017 | VARIOUS | | 597,555 | 595,000 | 0 | 3FE |
| 68245X-AB-5 | 1011778 BC UNLIMITED LIABILITY CO | | 06/07/2017 | Morgan Stanley | | 1,751,000 | 1,700,000 | 32,105 | 4FE |
| 718172-AC-3 | PHILIP MORRIS INTERNATIONAL INC | | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 2,444,468 | 1,813,000 | 13,805 | 1FE |
| 72650R-BJ-0 | PLAINS ALL AMERICAN PIPELINE LP | | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 6,950,145 | 6,693,000 | 63,974 | 2FE |
| 78442F-ET-1 | NAVIENT CORP | | 06/01/2017 | GOLDMAN SACHS AND CO | | 1,105,500 | 1,100,000 | 13,288 | 3FE |
| 80282K-AE-6 | SANTANDER HOLDINGS USA INC | C | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 5,884,333 | 5,656,000 | 114,534 | 2FE |
| 85172F-AK-5 | SPRINGLEAF FINANCE CORP | | 05/23/2017 | VARIOUS | | 453,704 | 445,000 | 599 | 4FE |
| 853254-AZ-3 | STANDARD CHARTERED PLC | C | 06/26/2017 | CSI US INSTITUTIONAL DESK | | 3,568,167 | 3,467,000 | 30,033 | 1FE |
| 87165B-AG-8 | SYNCHRONY FINANCIAL | | 06/26/2017 | VARIOUS | | 6,878,314 | 6,619,000 | 129,071 | 2FE |
| 925524-AX-8 | VIACOM INC | | 06/27/2017 | J.P. Morgan Securities LLC | | 5,658,575 | 4,812,000 | 55,138 | 2FE |
| 949746-RF-0 | WELLS FARGO & CO | | 06/26/2017 | Wells Fargo Securities LLC | | 9,595,182 | 7,900,000 | 201,754 | 1FE |
| 95001M-AF-7 | WFRBS 17C38 A5 - CMBS | | 06/27/2017 | Wells Fargo Securities LLC | | 5,922,029 | 5,750,000 | 6,618 | 1FE |
| 95001M-AH-3 | WFRBS 17C38 XA - CMBS | | 06/28/2017 | Wells Fargo Securities LLC | | 2,465,327 | 0 | 0 | 1FE |
| 960413-AQ-5 | WESTLAKE CHEMICAL CORP | | 04/26/2017 | CORPORATE ACTION-TRANSFER | | 746,505 | 825,000 | 7,525 | 2FE |
| 969457-BM-1 | WILLIAMS COMPANIES, INC. (THE) | | 05/01/2017 | Stifel Nicolaus & Co | | 193,845 | 150,000 | 1,714 | 3FE |
| 96949L-AB-1 | WILLIAMS PARTNERS LP | | 06/26/2017 | J.P. Morgan Securities LLC | | 6,789,513 | 6,599,000 | 76,255 | 2FE |
| 983130-AX-3 | WYNN LAS VEGAS LLC | | 05/24/2017 | VARIOUS | | 532,656 | 530,000 | 139 | 4FE |
| 3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | 134,168,273 | 119,069,000 | 1,443,876 | XXX |
| Bonds - Hybrid Securities | | | | | | | | | |

# SCHEDULE D - PART 3

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

| 1<br>CUSIP Identification | 2<br>Description | 3<br>Foreign | 4<br>Date Acquired | 5<br>Name of Vendor | 6<br>Number of Shares of Stock | 7<br>Actual Cost | 8<br>Par Value | 9<br>Paid for Accrued Interest and Dividends | 10<br>NAIC Designation or Market Indicator [a] |
|---|---|---|---|---|---|---|---|---|---|
| Bonds - Parent, Subsidiaries and Affiliates | | | | | | | | | |
| Bonds - SVO Identified Funds | | | | | | | | | |
| 8399997 - Subtotals - Bonds - Part 3 | | | | | | 172,800,713 | 154,844,111 | 1,611,341 | XXX |
| 8399999 - Subtotals - Bonds | | | | | | 172,800,713 | 154,844,111 | 1,611,341 | XXX |
| Preferred Stocks - Industrial and Miscellaneous (Unaffiliated) | | | | | | | | | |
| Preferred Stocks - Parent, Subsidiaries and Affiliates | | | | | | | | | |
| Common Stocks - Industrial and Miscellaneous | | | | | | | | | |
| Common Stocks - Parent, Subsidiaries and Affiliates | | | | | | | | | |
| Common Stocks - Mutual Funds | | | | | | | | | |
| 922040-10-0 | VANGUARD CL INST INDEX MF | | 06/22/2017 | VARIOUS | 61,022.683 | 13,324,118 | | 0 | L |
| 9299999 - Common Stocks - Mutual Funds | | | | | | 13,324,118 | XXX | 0 | XXX |
| Common Stocks - Money Market Mutual Funds | | | | | | | | | |
| 9799997 - Subtotals - Common Stocks - Part 3 | | | | | | 13,324,118 | XXX | 0 | XXX |
| 9799999 - Subtotals - Common Stocks | | | | | | 13,324,118 | XXX | 0 | XXX |
| 9899999 - Subtotals- Preferred and Common Stocks | | | | | | 13,324,118 | XXX | 0 | XXX |
| 9999999 Totals | | | | | | 186,124,831 | XXX | 1,611,341 | 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 Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Change in Book/Adjusted Carrying Value | | | | | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 11 | 12 | 13 | 14 | 15 | | | | | | | |
| CUSIP Identification | Description | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change in B./A.C.V. (11+12-13) | Total Foreign Exchange Change in B./A.C.V. | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |
| Bonds - U.S. Governments | | | | | | | | | | | | | | | | | | | | | |
| Bonds - All Other Governments | | | | | | | | | | | | | | | | | | | | | |
| Bonds - U.S. States, Territories and Possessions | | | | | | | | | | | | | | | | | | | | | |
| 594610-6V-4 | MICHIGAN ST | | 04/15/2017 | Maturity @ 100.016 | | 7,965,000 | 7,965,000 | 8,085,112 | 7,971,388 | 0 | (6,388) | 0 | (6,388) | 0 | 7,965,000 | 0 | 0 | 0 | 139,388 | 04/15/2017 | 1FE |
| 1799999 - Bonds - U.S. States, Territories and Possessions | | | | | | 7,965,000 | 7,965,000 | 8,085,112 | 7,971,388 | 0 | (6,388) | 0 | (6,388) | 0 | 7,965,000 | 0 | 0 | 0 | 139,388 | XXX | XXX |
| Bonds - U.S. Political Subdivisions of States, Territories and Possessions | | | | | | | | | | | | | | | | | | | | | |
| 259030-QJ-6 | DOUGLAS CNTY GA SCH DIST | | 04/01/2017 | Call @ 100.0 | | 700,000 | 700,000 | 709,758 | 700,763 | 0 | (763) | 0 | (763) | 0 | 700,000 | 0 | 0 | 0 | 17,500 | 04/01/2022 | 1FE |
| 259030-QR-8 | DOUGLAS CNTY GA SCH DIST | | 04/01/2017 | Call @ 100.0 | | 1,040,000 | 1,040,000 | 1,141,982 | 1,047,964 | 0 | (7,964) | 0 | (7,964) | 0 | 1,040,000 | 0 | 0 | 0 | 26,000 | 04/01/2022 | 1FE |
| 442403-FX-4 | HOUSTON TEX INDPT SCH DIST | | 06/01/2017 | JANNEY MONTGOMERY, SCOTT INC. | | 10,776,900 | 10,000,000 | 9,836,800 | 9,907,725 | 0 | 2,882 | 0 | 2,882 | 0 | 9,910,608 | 0 | 866,292 | 866,292 | 363,010 | 02/15/2024 | 1FE |
| 2499999 - Bonds - U.S. Political Subdivisions of States, Territories and Possessions | | | | | | 12,516,900 | 11,740,000 | 11,688,541 | 11,656,452 | 0 | (5,844) | 0 | (5,844) | 0 | 11,650,608 | 0 | 866,292 | 866,292 | 406,510 | XXX | XXX |
| Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions | | | | | | | | | | | | | | | | | | | | | |
| 13077C-5U-4 | CALIFORNIA ST UNIV REV | | 05/01/2017 | Call @ 100.0 | | 1,755,000 | 1,755,000 | 1,780,600 | 1,760,122 | 0 | (5,122) | 0 | (5,122) | 0 | 1,755,000 | 0 | 0 | 0 | 43,875 | 11/01/2019 | 1FE |
| 13077C-6K-5 | CALIFORNIA ST UNIV REV | | 05/01/2017 | Call @ 100.0 | | 2,735,000 | 2,735,000 | 2,774,895 | 2,742,982 | 0 | (7,982) | 0 | (7,982) | 0 | 2,735,000 | 0 | 0 | 0 | 68,375 | 11/01/2019 | 1FE |
| 13077C-Z5-6 | CALIFORNIA ST UNIV REV | | 05/01/2017 | Call @ 100.0 | | 1,940,000 | 1,940,000 | 1,972,947 | 1,946,529 | 0 | (6,529) | 0 | (6,529) | 0 | 1,940,000 | 0 | 0 | 0 | 48,500 | 11/01/2019 | 1FE |
| 176553-ET-8 | CITIZENS PPTY INS CORP FLA | | 06/01/2017 | Maturity @ 100.0 | | 7,500,000 | 7,500,000 | 8,012,250 | 7,539,110 | 0 | (39,110) | 0 | (39,110) | 0 | 7,500,000 | 0 | 0 | 0 | 196,875 | 06/01/2017 | 1FE |
| 3128K8-NN-2 | FH A47597 - RMBS | | 06/01/2017 | Paydown | | 16,085 | 16,085 | 15,452 | 15,379 | 0 | 706 | 0 | 706 | 0 | 16,085 | 0 | 0 | 0 | 291 | 11/01/2035 | 1 |
| 3128KY-6C-8 | FH A68067 - RMBS | | 06/01/2017 | Paydown | | 403 | 403 | 413 | 411 | 0 | (8) | 0 | (8) | 0 | 403 | 0 | 0 | 0 | 9 | 10/01/2037 | 1 |
| 3128M8-U8-5 | FH G06607 - RMBS | | 06/01/2017 | Paydown | | 588,369 | 588,369 | 628,561 | 628,998 | 0 | (40,075) | 554 | (40,629) | 0 | 588,369 | 0 | 0 | 0 | 9,485 | 06/01/2041 | 1 |
| 3128MJ-S6-8 | FH G08540 - RMBS | | 06/01/2017 | Paydown | | 110,723 | 110,723 | 106,897 | 106,962 | 0 | 3,762 | 0 | 3,762 | 0 | 110,723 | 0 | 0 | 0 | 1,141 | 08/01/2043 | 1 |
| 3128MJ-SY-7 | FH G08534 - RMBS | | 06/01/2017 | Paydown | | 115,971 | 115,971 | 111,964 | 111,982 | 0 | 3,989 | 0 | 3,989 | 0 | 115,971 | 0 | 0 | 0 | 1,178 | 06/01/2043 | 1 |
| 31292J-BG-4 | FH C01839 - RMBS | | 06/01/2017 | Paydown | | 30,823 | 30,823 | 30,018 | 30,049 | 0 | 774 | 0 | 774 | 0 | 30,823 | 0 | 0 | 0 | 512 | 05/01/2034 | 1 |
| 312938-YF-4 | FH A90710 - RMBS | | 06/01/2017 | VARIOUS | | 1,061,711 | 978,848 | 1,041,773 | 1,040,761 | 0 | (1,340) | 0 | (1,340) | 0 | 1,039,421 | 0 | 22,290 | 22,290 | 17,940 | 01/01/2040 | 1 |
| 312945-ZG-6 | FH A97043 - RMBS | | 06/26/2017 | VARIOUS | | 2,114,033 | 1,953,568 | 2,031,406 | 2,028,788 | 0 | (2,622) | 0 | (2,622) | 0 | 2,026,166 | 0 | 87,867 | 87,867 | 50,589 | 02/01/2041 | 1 |
| 312968-JE-1 | FH B15661 - RMBS | | 06/26/2017 | VARIOUS | | 238,838 | 234,672 | 231,739 | 233,359 | 0 | 359 | 0 | 359 | 0 | 233,718 | 0 | 5,120 | 5,120 | 5,974 | 07/01/2019 | 1 |
| 31297U-AZ-3 | FH A38124 - RMBS | | 06/01/2017 | Paydown | | 2,738 | 2,738 | 2,727 | 2,726 | 0 | 12 | 0 | 12 | 0 | 2,738 | 0 | 0 | 0 | 53 | 09/01/2035 | 1 |
| 3132GK-ZQ-2 | FH Q04651 - RMBS | | 06/01/2017 | Paydown | | 18,404 | 18,404 | 19,002 | 18,981 | 0 | (577) | 0 | (577) | 0 | 18,404 | 0 | 0 | 0 | 255 | 11/01/2041 | 1 |
| 3132HN-UT-4 | FH Q12394 - RMBS | | 06/01/2017 | Paydown | | 268,406 | 268,406 | 254,672 | 255,536 | 0 | 12,870 | 0 | 12,870 | 0 | 268,406 | 0 | 0 | 0 | 2,864 | 11/01/2042 | 1 |
| 31359M-7X-5 | FEDERAL NATIONAL MORTGAGE ASSOCIATION | | 05/11/2017 | Maturity @ 100.0 | | 1,000,000 | 1,000,000 | 1,044,688 | 1,002,226 | 0 | (2,226) | 0 | (2,226) | 0 | 1,000,000 | 0 | 0 | 0 | 25,000 | 05/11/2017 | 1 |
| 31371L-MZ-9 | FN 255176 - RMBS | | 06/26/2017 | VARIOUS | | 156,737 | 154,226 | 153,624 | 153,565 | 0 | 132 | 0 | 132 | 0 | 153,697 | 0 | 3,041 | 3,041 | 3,897 | 04/01/2019 | 1 |
| 31371L-QV-4 | FN 255268 - RMBS | | 06/01/2017 | Paydown | | 18,570 | 18,570 | 18,163 | 18,155 | 0 | 414 | 0 | 414 | 0 | 18,570 | 0 | 0 | 0 | 319 | 07/01/2034 | 1 |
| 3138AF-XA-3 | FN AI2472 - RMBS | | 06/01/2017 | Paydown | | 160,773 | 160,773 | 173,072 | 173,072 | 0 | (12,299) | 0 | (12,299) | 0 | 160,773 | 0 | 0 | 0 | 2,336 | 05/01/2041 | 1 |
| 3138AV-P6-6 | FN AJ4044 - RMBS | | 06/01/2017 | Paydown | | 486,844 | 486,844 | 510,768 | 509,889 | 0 | (23,045) | 0 | (23,045) | 0 | 486,844 | 0 | 0 | 0 | 6,097 | 10/01/2041 | 1 |
| 3138E7-XW-9 | FN AK3392 - RMBS | | 06/01/2017 | Paydown | | 9,374 | 9,374 | 9,658 | 9,671 | 0 | (296) | 0 | (296) | 0 | 9,374 | 0 | 0 | 0 | 129 | 02/01/2042 | 1 |
| 3138ED-FB-2 | FN AK8261 - RMBS | | 06/01/2017 | Paydown | | 93,845 | 93,845 | 99,298 | 99,014 | 0 | (5,170) | 0 | (5,170) | 0 | 93,845 | 0 | 0 | 0 | 1,217 | 04/01/2042 | 1 |
| 3138EG-ZZ-0 | FN AL0759 - RMBS | | 06/01/2017 | Paydown | | 68,397 | 68,397 | 73,978 | 74,124 | 0 | (5,602) | 124 | (5,727) | 0 | 68,397 | 0 | 0 | 0 | 1,074 | 09/01/2041 | 1 |
| 3138LG-YY-6 | FN AN4326 - RMBS | | 06/01/2017 | Paydown | | 44,041 | 44,041 | 44,640 | 0 | 0 | (599) | 0 | (599) | 0 | 44,041 | 0 | 0 | 0 | 222 | 01/01/2027 | 1 |
| 3138NY-DD-4 | FN AR1899 - RMBS | | 06/01/2017 | Paydown | | 24,721 | 24,721 | 24,621 | 24,616 | 0 | 104 | 0 | 104 | 0 | 24,721 | 0 | 0 | 0 | 282 | 01/01/2043 | 1 |
| 3138W4-SW-2 | FN AR6832 - RMBS | | 06/01/2017 | Paydown | | 181,902 | 181,902 | 178,514 | 178,508 | 0 | 3,393 | 0 | 3,393 | 0 | 181,902 | 0 | 0 | 0 | 1,734 | 02/01/2043 | 1 |
| 3138W7-CT-9 | FN AR9081 - RMBS | | 06/01/2017 | VARIOUS | | 3,832,123 | 3,695,023 | 3,676,620 | 3,676,620 | 0 | (213) | 0 | (213) | 0 | 3,676,407 | 0 | 155,716 | 155,716 | 52,376 | 03/01/2043 | 1 |
| 3138WA-6D-4 | FN AS1767 - RMBS | | 06/26/2017 | VARIOUS | | 3,060,857 | 2,877,247 | 3,034,933 | 3,035,988 | 0 | (6,497) | 0 | (6,497) | 0 | 3,029,491 | 0 | 31,365 | 31,365 | 57,450 | 02/01/2044 | 1 |
| 3138WP-GY-4 | FN AT2014 - RMBS | | 06/01/2017 | Paydown | | 31,671 | 31,671 | 31,176 | 31,167 | 0 | 504 | 0 | 504 | 0 | 31,671 | 0 | 0 | 0 | 320 | 04/01/2043 | 1 |
| 3138WS-XE-3 | FN AT5176 - RMBS | | 06/01/2017 | VARIOUS | | 1,203,292 | 1,158,198 | 1,153,154 | 1,152,729 | 0 | 35 | 0 | 35 | 0 | 1,152,763 | 0 | 50,529 | 50,529 | 16,359 | 05/01/2043 | 1 |
| 3138X3-X5-6 | FN AU4299 - RMBS | | 06/26/2017 | VARIOUS | | 1,023,218 | 953,707 | 1,022,018 | 1,025,477 | 0 | (4,174) | 3,278 | (7,452) | 0 | 1,018,025 | 0 | 5,192 | 5,192 | 24,818 | 09/01/2043 | 1 |
| 31391C-5F-8 | FN 663346 - RMBS | | 06/01/2017 | Paydown | | 2,641 | 2,641 | 2,637 | 2,629 | 0 | 13 | 0 | 13 | 0 | 2,641 | 0 | 0 | 0 | 58 | 09/01/2017 | 1 |
| 31391D-PG-2 | FN 663823 - RMBS | | 06/01/2017 | Paydown | | 24 | 24 | 24 | 24 | 0 | 0 | 0 | 0 | 0 | 24 | 0 | 0 | 0 | 1 | 12/01/2017 | 1 |
| 31400F-XS-1 | FN 686589 - RMBS | | 06/01/2017 | Paydown | | 60 | 60 | 60 | 60 | 0 | 0 | 0 | 0 | 0 | 60 | 0 | 0 | 0 | 1 | 02/01/2018 | 1 |
| 31402C-4H-2 | FN 725424 - RMBS | | 06/01/2017 | Paydown | | 13,034 | 13,034 | 13,105 | 13,086 | 0 | (52) | 0 | (52) | 0 | 13,034 | 0 | 0 | 0 | 240 | 04/01/2034 | 1 |
| 31402C-WR-9 | FN 725256 - RMBS | | 06/01/2017 | Paydown | | 11,907 | 11,907 | 11,888 | 11,874 | 0 | 33 | 0 | 33 | 0 | 11,907 | 0 | 0 | 0 | 213 | 02/01/2034 | 1 |
| 31402D-KH-2 | FN 725796 - RMBS | | 06/01/2017 | Paydown | | 2,419 | 2,419 | 2,410 | 2,407 | 0 | 12 | 0 | 12 | 0 | 2,419 | 0 | 0 | 0 | 46 | 09/01/2019 | 1 |
| 31402D-P7-9 | FN 725946 - RMBS | | 06/01/2017 | Paydown | | 17,868 | 17,868 | 17,751 | 17,736 | 0 | 132 | 0 | 132 | 0 | 17,868 | 0 | 0 | 0 | 333 | 11/01/2034 | 1 |
| 31402Q-SZ-5 | FN 735036 - RMBS | | 06/01/2017 | Paydown | | 19,373 | 19,373 | 19,229 | 19,213 | 0 | 159 | 0 | 159 | 0 | 19,373 | 0 | 0 | 0 | 361 | 12/01/2034 | 1 |
| 31402Q-WA-5 | FN 735141 - RMBS | | 06/01/2017 | Paydown | | 15,360 | 15,360 | 14,859 | 14,864 | 0 | 495 | 0 | 495 | 0 | 15,360 | 0 | 0 | 0 | 282 | 01/01/2035 | 1 |
| 31402R-D2-2 | FN 735521 - RMBS | | 06/01/2017 | Paydown | | 6,140 | 6,140 | 6,125 | 6,112 | 0 | 28 | 0 | 28 | 0 | 6,140 | 0 | 0 | 0 | 119 | 03/01/2020 | 1 |
| 31403C-2Z-3 | FN 745192 - RMBS | | 06/01/2017 | Paydown | | 4,223 | 4,223 | 4,209 | 4,202 | 0 | 21 | 0 | 21 | 0 | 4,223 | 0 | 0 | 0 | 82 | 06/01/2020 | 1 |
| 31403J-YU-4 | FN 750523 - RMBS | | 06/01/2017 | Paydown | | 2,571 | 2,571 | 2,643 | 2,584 | 0 | (13) | 0 | (13) | 0 | 2,571 | 0 | 0 | 0 | 45 | 01/01/2019 | 1 |
| 31403K-SM-6 | FN 751224 - RMBS | | 06/01/2017 | Paydown | | 1,690 | 1,690 | 1,730 | 1,717 | 0 | (27) | 0 | (27) | 0 | 1,690 | 0 | 0 | 0 | 31 | 02/01/2034 | 1 |
| 31403R-KJ-6 | FN 755497 - RMBS | | 06/01/2017 | Paydown | | 1,752 | 1,752 | 1,747 | 1,744 | 0 | 8 | 0 | 8 | 0 | 1,752 | 0 | 0 | 0 | 35 | 11/01/2018 | 1 |
| 31403V-ED-7 | FN 758932 - RMBS | | 06/01/2017 | Paydown | | 3,912 | 3,912 | 4,022 | 3,917 | 0 | (5) | 0 | (5) | 0 | 3,912 | 0 | 0 | 0 | 69 | 01/01/2019 | 1 |
| 31403W-BU-0 | FN 759751 - RMBS | | 06/01/2017 | Paydown | | 529 | 529 | 535 | 538 | 0 | (9) | 0 | (9) | 0 | 529 | 0 | 0 | 0 | 10 | 01/01/2034 | 1 |
| 31403X-YW-9 | FN 761325 - RMBS | | 06/01/2017 | Paydown | | 4,988 | 4,988 | 4,973 | 4,964 | 0 | 24 | 0 | 24 | 0 | 4,988 | 0 | 0 | 0 | 94 | 04/01/2019 | 1 |
| 31404A-G5-7 | FN 762620 - RMBS | | 06/01/2017 | Paydown | | 1,674 | 1,674 | 1,715 | 1,710 | 0 | (36) | 0 | (36) | 0 | 1,674 | 0 | 0 | 0 | 30 | 12/01/2033 | 1 |
| 31404B-3G-5 | FN 764099 - RMBS | | 06/01/2017 | Paydown | | 1,907 | 1,907 | 1,917 | 1,914 | 0 | (7) | 0 | (7) | 0 | 1,907 | 0 | 0 | 0 | 32 | 03/01/2034 | 1 |

# SCHEDULE D - PART 4

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Change in Book/Adjusted Carrying Value | | | | | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 11 | 12 | 13 | 14 | 15 | | | | | | | |
| CUSIP Identification | Description | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change in B./A.C.V. (11+12-13) | Total Foreign Exchange Change in B./A.C.V. | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |
| 31404B-QD-7 | FN 763752 - RMBS | | 06/01/2017 | Paydown | | 5,375 | 5,375 | 5,373 | 5,367 | 0 | 8 | 0 | 8 | 0 | 5,375 | 0 | 0 | 0 | 112 | 01/01/2034 | 1 |
| 31404K-FX-5 | FN 770682 - RMBS | | 06/01/2017 | Paydown | | 37,200 | 37,200 | 37,380 | 37,320 | 0 | (120) | 0 | (120) | 0 | 37,200 | 0 | 0 | 0 | 754 | 04/01/2034 | 1 |
| 31404V-VP-0 | FN 780122 - RMBS | | 06/01/2017 | Paydown | | 4,421 | 4,421 | 4,324 | 4,327 | 0 | 94 | 0 | 94 | 0 | 4,421 | 0 | 0 | 0 | 75 | 05/01/2034 | 1 |
| 31405A-TF-0 | FN 783650 - RMBS | | 06/01/2017 | Paydown | | 16,499 | 16,499 | 15,828 | 15,834 | 0 | 665 | 0 | 665 | 0 | 16,499 | 0 | 0 | 0 | 307 | 06/01/2034 | 1 |
| 31405F-4E-9 | FN 788421 - RMBS | | 06/01/2017 | Paydown | | 759 | 759 | 756 | 755 | 0 | 4 | 0 | 4 | 0 | 759 | 0 | 0 | 0 | 14 | 09/01/2019 | 1 |
| 31405F-4M-1 | FN 788428 - RMBS | | 06/01/2017 | Paydown | | 2,251 | 2,251 | 2,243 | 2,240 | 0 | 11 | 0 | 11 | 0 | 2,251 | 0 | 0 | 0 | 36 | 09/01/2019 | 1 |
| 31406G-YR-4 | FN 809920 - RMBS | | 06/01/2017 | Paydown | | 86,779 | 86,779 | 87,551 | 87,358 | 0 | (580) | 0 | (580) | 0 | 86,779 | 0 | 0 | 0 | 1,600 | 03/01/2035 | 1 |
| 31410C-QT-2 | FN 885266 - RMBS | | 06/01/2017 | Paydown | | 660 | 660 | 666 | 663 | 0 | (3) | 0 | (3) | 0 | 660 | 0 | 0 | 0 | 13 | 05/01/2036 | 1 |
| 31410G-AF-0 | FN 888406 - RMBS | | 06/01/2017 | Paydown | | 20,293 | 20,293 | 19,212 | 19,197 | 0 | 1,096 | 0 | 1,096 | 0 | 20,293 | 0 | 0 | 0 | 337 | 08/01/2036 | 1 |
| 31410K-XB-5 | FN 889974 - RMBS | | 06/01/2017 | Paydown | | 34,973 | 34,973 | 37,804 | 37,725 | 0 | (2,752) | 0 | (2,752) | 0 | 34,973 | 0 | 0 | 0 | 591 | 09/01/2035 | 1 |
| 31417F-4R-6 | FN AB8931 - RMBS | | 06/01/2017 | VARIOUS | | 988,373 | 985,448 | 970,050 | 969,993 | 0 | 306 | 0 | 306 | 0 | 970,298 | 0 | 18,074 | 18,074 | 11,275 | 04/01/2043 | 1 |
| 31419A-X7-7 | FN AE0701 - RMBS | | 06/01/2017 | VARIOUS | | 1,165,105 | 1,074,819 | 1,161,403 | 1,164,137 | 0 | (1,806) | 2,367 | (4,173) | 0 | 1,159,964 | 0 | 5,141 | 5,141 | 19,798 | 12/01/2040 | 1 |
| 517840-Z6-4 | LAS VEGAS VALLEY NEV WTR DIST | | 06/01/2017 | Maturity @ 100.0 | | 2,500,000 | 2,500,000 | 2,530,300 | 2,502,309 | 0 | (2,309) | 0 | (2,309) | 0 | 2,500,000 | 0 | 0 | 0 | 45,900 | 06/01/2017 | 1FE |
| 546398-XP-8 | LOUISIANA PUB FACS AUTH REV | | 06/01/2017 | Call @ 100.0 | | 5,000,000 | 5,000,000 | 5,495,550 | 5,039,654 | 0 | (39,654) | 0 | (39,654) | 0 | 5,000,000 | 0 | 0 | 0 | 125,000 | 06/01/2018 | 1FE |
| 663903-CZ-3 | NORTHEAST OHIO REGL SWR DIST WASTEWTR RE | | 05/15/2017 | Call @ 100.0 | | 10,000,000 | 10,000,000 | 10,397,200 | 10,099,969 | 0 | (99,969) | 0 | (99,969) | 0 | 10,000,000 | 0 | 0 | 0 | 237,500 | 11/15/2033 | 1FE |
| 678514-BC-3 | OKLAHOMA CAP IMPT AUTH ST HWY CAP IMPT R | | 05/01/2017 | Adjustment | | 0 | 0 | 0 | 0 | 0 | 13,949 | 0 | 13,949 | 0 | 0 | 0 | 0 | 0 | 0 | 07/01/2025 | 1FE |
| 88283L-EL-6 | TEXAS TRANSN COMMN ST HWY FD REV | | 04/01/2017 | Call @ 100.0 | | 1,950,000 | 1,950,000 | 2,216,936 | 1,962,394 | 0 | (12,394) | 0 | (12,394) | 0 | 1,950,000 | 0 | 0 | 0 | 48,750 | 04/01/2021 | 1FE |
| 3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions | | | | | | 51,817,624 | 51,039,092 | 53,358,394 | 51,688,030 | 0 | (279,109) | 6,323 | (285,432) | 0 | 51,433,289 | 0 | 384,335 | 384,335 | 1,135,688 | XXX | XXX |
| Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | | | | | | | | | | | | | | | | |
| 00209T-AB-1 | COMCAST CABLE COMMUNICATIONS HOLDINGS IN | | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 4,244,279 | 3,150,000 | 4,362,989 | 4,001,825 | 0 | (63,741) | 0 | (63,741) | 0 | 3,938,084 | 0 | 306,195 | 306,195 | 185,318 | 11/15/2022 | 1FE |
| 00213M-AN-4 | APX GROUP INC | | 05/04/2017 | CORPORATE ACTION-TRANSFER | | 904,502 | 840,000 | 909,300 | 0 | 0 | (4,798) | 0 | (4,798) | 0 | 904,502 | 0 | 0 | 0 | 28,114 | 12/01/2022 | 4FE |
| 03524B-AE-6 | ANHEUSER-BUSCH INBEV FINANCE INC | C | 06/26/2017 | J.P. Morgan Securities LLC | | 5,120,873 | 4,850,000 | 4,877,325 | 4,871,791 | 0 | (1,344) | 0 | (1,344) | 0 | 4,870,447 | 0 | 250,425 | 250,425 | 163,499 | 02/01/2024 | 1FE |
| 06406H-DF-3 | BANK OF NEW YORK MELLON CORP | | 06/26/2017 | BNY/SUNTRUST CAPITAL MARKETS | | 5,158,548 | 5,100,000 | 5,096,685 | 5,097,425 | 0 | 312 | 0 | 312 | 0 | 5,097,737 | 0 | 60,811 | 60,811 | 73,582 | 11/27/2020 | 1FE |
| 084664-BT-7 | BERKSHIRE HATHAWAY FINANCE CORP | | 06/26/2017 | US BANCORP INVESTMENTS INC | | 8,072,922 | 7,800,000 | 7,782,567 | 7,787,573 | 0 | 1,058 | 0 | 1,058 | 0 | 7,788,631 | 0 | 284,291 | 284,291 | 145,600 | 05/15/2022 | 1FE |
| 12505F-AD-3 | OUTFRONT MEDIA CAPITAL LLC | | 06/01/2017 | Credit Suisse Securities (USA), LLC | | 862,025 | 820,000 | 861,000 | 0 | 0 | (2,130) | 0 | (2,130) | 0 | 858,870 | 0 | 3,155 | 3,155 | 21,653 | 02/15/2024 | 4FE |
| 125581-GL-6 | CIT GROUP INC | | 05/04/2017 | Call @ 103.16 | | 1,000,000 | 1,000,000 | 1,031,619 | 1,013,818 | 0 | (3,816) | 0 | (3,816) | 0 | 1,010,002 | 0 | (10,002) | (10,002) | 64,966 | 03/15/2018 | 3FE |
| 126408-HC-0 | CSX CORP | | 06/26/2017 | BARCLAYS CAPITAL INC | | 7,750,310 | 7,750,000 | 6,555,105 | 6,569,493 | 0 | 7,104 | 0 | 7,104 | 0 | 6,576,597 | 0 | 1,173,713 | 1,173,713 | 202,383 | 05/01/2050 | 2FE |
| 131347-CC-8 | CALPINE CORP | | 06/01/2017 | Credit Suisse Securities (USA), LLC | | 1,033,750 | 1,000,000 | 1,028,895 | 1,022,472 | 0 | (1,100) | 0 | (1,100) | 0 | 1,021,372 | 0 | 12,378 | 12,378 | 51,569 | 01/15/2024 | 3FE |
| 141781-AX-2 | CARGILL INC | | 05/26/2017 | Call @ 102.219 | | 5,180,000 | 5,180,000 | 6,121,569 | 5,328,328 | 0 | (65,273) | 0 | (65,273) | 0 | 5,263,055 | 0 | (83,055) | (83,055) | 274,609 | 11/27/2017 | 1FE |
| 14313L-AD-8 | CARMX 131 A4 - ABS | | 04/17/2017 | Paydown | | 2,513,224 | 2,513,224 | 2,511,947 | 2,511,767 | 0 | 1,457 | 0 | 1,457 | 0 | 2,513,224 | 0 | 0 | 0 | 8,409 | 08/15/2018 | 1FE |
| 17275R-AP-7 | CISCO SYSTEMS INC | | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 2,063,640 | 2,000,000 | 1,996,360 | 1,997,784 | 0 | 246 | 0 | 246 | 0 | 1,998,030 | 0 | 65,610 | 65,610 | 47,528 | 03/04/2021 | 1FE |
| 20030N-BD-2 | COMCAST CORP | | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 2,002,385 | 1,925,000 | 1,837,031 | 1,864,855 | 0 | 4,875 | 0 | 4,875 | 0 | 1,869,730 | 0 | 132,655 | 132,655 | 57,483 | 07/15/2022 | 1FE |
| 25243Y-AU-3 | DIAGEO CAPITAL PLC | C | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 3,086,692 | 3,050,000 | 2,810,693 | 2,878,074 | 0 | 11,978 | 0 | 11,978 | 0 | 2,890,052 | 0 | 196,639 | 196,639 | 53,375 | 04/29/2023 | 1FE |
| 25245B-AB-3 | DIAGEO INVESTMENT CORP | C | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 8,232,240 | 8,000,000 | 7,821,072 | 7,857,283 | 0 | 12,110 | 0 | 12,110 | 0 | 7,869,392 | 0 | 362,848 | 362,848 | 145,667 | 05/11/2022 | 1FE |
| 35906A-AW-8 | FRONTIER COMMUNICATIONS CORP | | 06/01/2017 | GOLDMAN SACHS AND CO | | 531,225 | 540,000 | 544,569 | 528,567 | 0 | 607 | 0 | 607 | 0 | 529,175 | 0 | 2,050 | 2,050 | 40,163 | 09/15/2022 | 4FE |
| 35906A-AZ-1 | FRONTIER COMMUNICATIONS CORP | | 06/01/2017 | Deutsche Bank Securities, Inc | | 603,075 | 645,000 | 649,800 | 626,000 | 0 | 538 | 0 | 538 | 0 | 626,539 | 0 | (23,464) | (23,464) | 50,256 | 09/15/2025 | 4FE |
| 386088-AF-5 | GRAND METROPOLITAN INVESTMENT CORPORATIO | C | 06/26/2017 | Morgan Stanley | | 882,945 | 700,000 | 912,026 | 846,753 | 0 | (11,387) | 0 | (11,387) | 0 | 835,365 | 0 | 47,580 | 47,580 | 44,178 | 09/15/2022 | 1FE |
| 398435-AC-1 | GRIFOLS WORLDWIDE OPERATIONS LTD | C | 04/24/2017 | CORPORATE ACTION | | 1,347,250 | 1,290,000 | 1,331,260 | 1,320,692 | 4,854 | (3,293) | 0 | 1,561 | 0 | 1,322,253 | 0 | 24,997 | 24,997 | 38,189 | 04/01/2022 | 4FE |
| 404119-BQ-1 | HCA INC | | 05/01/2017 | Adjustment | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 04/15/2025 | 3FE |
| 43813N-AC-0 | HAROT 152 A3 - ABS | | 06/21/2017 | Paydown | | 1,161,549 | 1,161,549 | 1,161,322 | 1,161,396 | 0 | 153 | 0 | 153 | 0 | 1,161,549 | 0 | 0 | 0 | 4,364 | 02/21/2019 | 1FE |
| 458140-AM-2 | INTEL CORP | | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 6,623,695 | 6,500,000 | 6,098,878 | 6,217,450 | 0 | 21,118 | 0 | 21,118 | 0 | 6,238,568 | 0 | 385,127 | 385,127 | 94,575 | 12/15/2022 | 1FE |
| 464592-AQ-7 | ISLE OF CAPRI CASINOS INC | | 06/01/2017 | VARIOUS | | 1,315,329 | 1,275,000 | 1,317,810 | 1,307,513 | 0 | (3,849) | 0 | (3,849) | 0 | 1,303,664 | 0 | 11,666 | 11,666 | 46,610 | 03/15/2021 | 4FE |
| 46625H-JE-1 | JPMORGAN CHASE & CO | | 06/26/2017 | J.P. Morgan Securities LLC | | 10,163,251 | 9,875,000 | 9,719,489 | 9,759,559 | 0 | 9,019 | 0 | 9,019 | 0 | 9,768,578 | 0 | 394,673 | 394,673 | 246,052 | 09/23/2022 | 1FE |
| 46636D-AE-6 | JPMCC 11C4 A3 - CMBS | | 06/01/2017 | MORGAN STANLEY CO | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 32,219 | 07/15/2046 | 1FM |

# SCHEDULE D - PART 4

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Change in Book/Adjusted Carrying Value | | | | | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 11 | 12 | 13 | 14 | 15 | | | | | | | |
| CUSIP Identification | Description | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change in B./A.C.V. (11+12-13) | Total Foreign Exchange Change in B./A.C.V. | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |
| 51769R-AA-2 | LAS VEGAS MONORAIL CO | | 05/01/2017 | Paydown | | 1,084 | 1,084 | 0 | 0 | 0 | 1,084 | 0 | 1,084 | 0 | 1,084 | 0 | 0 | 0 | (1,084) | 07/15/2019 | 6Z |
| 58933Y-AF-2 | MERCK & CO INC | | 06/26/2017 | J.P. Morgan Securities LLC | | 10,024,616 | 9,800,000 | 9,406,432 | 9,511,081 | 0 | 20,218 | 0 | 20,218 | 0 | 9,531,299 | 0 | 493,317 | 493,317 | 168,451 | 05/18/2023 | 1FE |
| 59156R-AX-6 | METLIFE INC | | 06/26/2017 | Wells Fargo Securities LLC | | 9,505,713 | 8,725,000 | 9,639,520 | 9,335,082 | 0 | (69,493) | 0 | (69,493) | 0 | 9,265,589 | 0 | 240,124 | 240,124 | 369,540 | 02/08/2021 | 1FE |
| 629377-BS-0 | NRG ENERGY INC | | 06/01/2017 | VARIOUS | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,703 | 05/15/2021 | 4FE |
| 63946B-AH-3 | NBCUNIVERSAL MEDIA LLC | | 06/26/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 3,283,058 | 3,219,000 | 3,126,077 | 3,142,842 | 0 | 5,679 | 0 | 5,679 | 0 | 3,148,520 | 0 | 134,538 | 134,538 | 88,433 | 01/15/2023 | 1FE |
| 65478V-AB-3 | NAROT 16B A2A - ABS | | 06/15/2017 | Paydown | | 1,372,960 | 1,372,960 | 1,372,853 | 1,372,894 | 0 | 66 | 0 | 66 | 0 | 1,372,960 | 0 | 0 | 0 | 5,177 | 04/15/2019 | 1FE |
| 714294-AD-7 | PERRIGO CO | C | 06/13/2017 | CORPORATE ACTION | | 5,374,100 | 5,000,000 | 4,933,700 | 4,942,210 | 0 | 3,333 | 0 | 3,333 | 0 | 4,945,543 | 0 | 428,557 | 428,557 | 116,667 | 11/15/2023 | 2FE |
| 747301-AC-3 | QUADGRAPHICS INC | | 06/01/2017 | MERRILL LYNCH, PIERCE, FENNER & SMI/BAS | | 249,375 | 250,000 | 155,933 | 166,189 | 0 | 2,716 | 0 | 2,716 | 0 | 168,905 | 0 | 80,470 | 80,470 | 7,663 | 05/01/2022 | 4FE |
| 78012K-JA-6 | ROYAL BANK OF CANADA | | 06/26/2017 | BANK OF NEW YORK MELLON NATIXIS SECUR NA | | 4,962,332 | 4,925,000 | 4,922,685 | 4,923,266 | 0 | 214 | 0 | 214 | 0 | 4,923,480 | 0 | 38,852 | 38,852 | 76,837 | 10/30/2020 | 1FE |
| 822582-BQ-4 | SHELL INTERNATIONAL FINANCE BV | C | 06/26/2017 | GOLDMAN SACHS AND CO | | 115,506 | 115,000 | 112,928 | 112,951 | 0 | 18 | 0 | 18 | 0 | 112,969 | 0 | 2,537 | 2,537 | 2,926 | 05/10/2046 | 1FE |
| 82967N-AS-7 | SIRIUS XM RADIO INC | | 06/06/2017 | VARIOUS | | 2,111,241 | 1,970,000 | 2,066,782 | 2,048,105 | 13,033 | (5,277) | 0 | 7,756 | 0 | 2,055,861 | 0 | 55,380 | 55,380 | 106,380 | 07/15/2024 | 3FE |
| 84346L-AA-8 | SOUTHERN NATURAL GAS COMPANY LLC | | 06/26/2017 | PIERPONT SECURITIES LLC | | 497,414 | 461,000 | 459,691 | 0 | 0 | 6 | 0 | 6 | 0 | 459,697 | 0 | 37,717 | 37,717 | 6,454 | 03/15/2047 | 2FE |
| 852061-AK-6 | SPRINT NEXTEL CORP | C | 05/23/2017 | CORPORATE ACTION | | 951,500 | 865,000 | 923,039 | 899,765 | 0 | (6,928) | 0 | (6,928) | 0 | 892,837 | 0 | 58,663 | 58,663 | 40,655 | 11/15/2018 | 4FE |
| 857477-AS-2 | STATE STREET CORP | | 06/01/2017 | US BANCORP INVESTMENTS INC | | 5,452,774 | 5,350,000 | 5,337,802 | 5,341,058 | 0 | 1,007 | 0 | 1,007 | 0 | 5,342,065 | 0 | 110,708 | 110,708 | 108,761 | 08/18/2020 | 1FE |
| 878091-BD-8 | TEACHERS INSURANCE AND ANNUITY ASSOCIATI | | 05/01/2017 | Classification Change | | 8,876,572 | (8,525,000) | 8,883,476 | 8,878,144 | 0 | (1,571) | 0 | (1,571) | 0 | 8,876,572 | 0 | 0 | 0 | 0 | 09/15/2044 | 1FE |
| 878742-BC-8 | TECK RESOURCES LTD | | 06/30/2017 | MERRILL LYNCH PIERCE FENNER & SMITH INC | | 1,663,200 | 1,440,000 | 1,563,631 | 1,558,219 | 0 | (7,606) | 0 | (7,606) | 0 | 1,550,613 | 0 | 112,587 | 112,587 | 73,100 | 06/01/2024 | 3FE |
| 89153V-AB-5 | TOTAL CAPITAL INTERNATIONAL SA | C | 06/26/2017 | BNP Paribas | | 8,059,737 | 7,865,000 | 7,785,453 | 7,806,351 | 0 | 5,248 | 0 | 5,248 | 0 | 7,811,599 | 0 | 248,138 | 248,138 | 195,970 | 02/17/2022 | 1FE |
| 893829-AA-9 | TRANSOCEAN PROTEUS LTD | C | 06/02/2017 | Paydown | | 42,000 | 42,000 | 43,260 | 0 | 0 | (1,260) | 0 | (1,260) | 0 | 42,000 | 0 | 0 | 0 | 1,261 | 12/01/2024 | 3FE |
| 90783V-AA-3 | UNION PACIFIC RAILROAD COMPANY 2005-1 PA | | 06/01/2017 | Paydown | | 0 | 0 | 0 | 0 | 0 | 104 | 0 | 104 | 0 | 0 | 0 | 0 | 0 | 0 | 01/02/2029 | 1FE |
| 913017-BV-0 | UNITED TECHNOLOGIES CORP | | 06/26/2017 | BARCLAYS CAPITAL INC | | 4,768,095 | 4,587,000 | 4,584,463 | 4,585,302 | 0 | 143 | 0 | 143 | 0 | 4,585,444 | 0 | 182,650 | 182,650 | 82,158 | 06/01/2022 | 1FE |
| 91324P-BP-6 | UNITEDHEALTH GROUP INC | | 06/26/2017 | KEYBANC CAPITAL MARKETS INC | | 3,690,632 | 3,400,000 | 3,723,377 | 3,582,584 | 0 | (21,974) | 0 | (21,974) | 0 | 3,560,610 | 0 | 130,022 | 130,022 | 139,381 | 02/15/2021 | 1FE |
| 91324P-BV-3 | UNITEDHEALTH GROUP INC | | 06/26/2017 | TORONTO DOMINION SECS USA INC | | 1,849,032 | 1,800,000 | 1,709,766 | 1,741,419 | 0 | 5,069 | 0 | 5,069 | 0 | 1,746,487 | 0 | 102,545 | 102,545 | 40,825 | 03/15/2022 | 1FE |
| 94974B-FJ-4 | WELLS FARGO & CO | | 06/26/2017 | Wells Fargo Securities LLC | | 10,700,231 | 10,410,000 | 10,106,073 | 10,190,653 | 0 | 15,808 | 0 | 15,808 | 0 | 10,206,461 | 0 | 493,770 | 493,770 | 315,250 | 02/13/2023 | 1FE |
| 960413-AL-6 | WESTLAKE CHEMICAL CORP | | 04/26/2017 | CORPORATE ACTION-TRANSFER | | 746,505 | 825,000 | 720,197 | 740,956 | 0 | 5,550 | 0 | 5,550 | 0 | 746,505 | 0 | 0 | 0 | 26,603 | 02/15/2021 | 2FE |
| 983130-AT-2 | WYNN LAS VEGAS LLC | | 05/11/2017 | CORPORATE ACTION | | 514,675 | 500,000 | 476,250 | 479,243 | 0 | 1,218 | 0 | 1,218 | 0 | 480,461 | 0 | 34,214 | 34,214 | 17,618 | 03/15/2022 | 3FE |
| 3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | 164,666,061 | 141,362,818 | 159,392,699 | 155,928,731 | 17,887 | (136,786) | 0 | (118,899) | 0 | 158,082,979 | 0 | 6,583,082 | 6,583,082 | 4,111,089 | XXX | XXX |
| Bonds - Hybrid Securities | | | | | | | | | | | | | | | | | | | | | |
| Bonds - Parent, Subsidiaries, and Affiliates | | | | | | | | | | | | | | | | | | | | | |
| Bonds - SVO Identified Funds | | | | | | | | | | | | | | | | | | | | | |
| 8399997 - Subtotals - Bonds - Part 4 | | | | | | 236,965,585 | 212,106,910 | 232,524,746 | 227,244,601 | 17,887 | (428,127) | 6,323 | (416,563) | 0 | 229,131,876 | 0 | 7,833,709 | 7,833,709 | 5,792,675 | XXX | XXX |
| 8399999 - Subtotals - Bonds | | | | | | 236,965,585 | 212,106,910 | 232,524,746 | 227,244,601 | 17,887 | (428,127) | 6,323 | (416,563) | 0 | 229,131,876 | 0 | 7,833,709 | 7,833,709 | 5,792,675 | XXX | XXX |
| Preferred Stocks - Industrial and Miscellaneous (Unaffiliated) | | | | | | | | | | | | | | | | | | | | | |
| Preferred Stocks - Parent, Subsidiaries, and Affiliates | | | | | | | | | | | | | | | | | | | | | |
| Common Stocks - Industrial and Miscellaneous (Unaffiliated) | | | | | | | | | | | | | | | | | | | | | |
| 02209S-10-3 | ALTRIA GROUP ORD | | 05/01/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,436 | XXX | L |
| 023608-10-2 | AMEREN ORD | | 04/01/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 264 | XXX | L |
| 02665T-30-6 | AMERICAN HOMES 4 RENT CL A REIT ORD | | 04/01/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 185 | XXX | L |
| 026874-78-4 | AMERICAN INTERNATIONAL GROUP ORD | | 04/03/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 745 | XXX | L |
| 071813-10-9 | BAXTER INTERNATIONAL ORD | | 04/03/2017 | VARIOUS | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,476 | XXX | L |
| 075896-10-0 | BED BATH AND BEYOND ORD | | 04/21/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100 | XXX | L |
| 093671-10-5 | H&R BLOCK ORD | | 04/12/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 811 | XXX | L |
| 124857-20-2 | CBS CL B ORD | | 05/01/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 95 | XXX | L |
| 25754A-20-1 | DOMINOS PIZZA ORD | | 04/05/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 477 | XXX | L |
| 369604-10-3 | GENERAL ELECTRIC ORD | | 04/25/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,921 | XXX | L |

# SCHEDULE D - PART 4

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Change in Book/Adjusted Carrying Value | | | | | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 11 | 12 | 13 | 14 | 15 | | | | | | | |
| CUSIP Identification | Description | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amortization)/ Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change in B./A.C.V. (11+12-13) | Total Foreign Exchange Change in B./A.C.V. | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |
| 375558-10-3 | GILEAD SCIENCES ORD | | 04/04/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,668 | XXX | L |
| 40434L-10-5 | HP ORD | | 04/05/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,935 | XXX | L |
| 42824C-10-9 | HEWLETT PACKARD ENTERPRISE ORD | | 04/14/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 729 | XXX | L |
| 494368-10-3 | KIMBERLY CLARK ORD | | 04/04/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 650 | XXX | L |
| 58155Q-10-3 | MCKESSON ORD | | 04/03/2017 | VARIOUS | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 525 | XXX | L |
| 58933Y-10-5 | MERCK & CO ORD | | 05/01/2017 | VARIOUS | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,248 | XXX | L |
| 65249B-10-9 | NEWS CL A ORD | | 04/24/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,384 | XXX | L |
| 674599-10-5 | OCCIDENTAL PETROLEUM ORD | | 04/14/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,466 | XXX | L |
| 74340W-10-3 | PROLOGIS REIT | | 04/12/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 467 | XXX | L |
| 90130A-20-0 | TWENTY FIRST CENTURY FOX CL B ORD | | 04/24/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 516 | XXX | L |
| 931142-10-3 | WAL MART STORES ORD | | 04/03/2017 | VARIOUS | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,758 | XXX | L |
| 959802-10-9 | WESTERN UNION ORD | | 03/16/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,050 | XXX | L |
| 981811-10-2 | WORTHINGTON INDS ORD | | 04/03/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 150 | XXX | L |
| G98294-10-4 | XL GROUP ORD | D | 04/18/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 204 | XXX | L |
| H2906T-10-9 | GARMIN ORD | C | 04/18/2017 | MERRILL LYNCH PIERCE FENNER | 0.000 | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 598 | XXX | L |
| 9099999 - Common Stocks - Industrial and Miscellaneous (Unaffiliated) | | | | | | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,857 | XXX | XXX |
| Common Stocks - Parent, Subsidiaries, and Affiliates | | | | | | | | | | | | | | | | | | | | | |
| Common Stock - Mutual Funds | | | | | | | | | | | | | | | | | | | | | |
| Common Stocks - Money Market Mutual Funds | | | | | | | | | | | | | | | | | | | | | |
| 9799997 - Subtotals - Common Stocks - Part 4 | | | | | | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,857 | XXX | XXX |
| 9799999 - Subtotals - Common Stocks | | | | | | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,857 | XXX | XXX |
| 9899999 - Subtotals - Preferred and Common Stocks | | | | | | 0 | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,857 | XXX | XXX |
| 9999999 Totals | | | | | | 236,965,585 | XXX | 232,524,746 | 227,244,601 | 17,887 | (428,127) | 6,323 | (416,563) | 0 | 229,131,876 | 0 | 7,833,709 | 7,833,709 | 5,830,532 | 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

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

# SCHEDULE E - PART 1 - CASH

**Month End Depository Balances**

| 1 | 2 | 3 | 4 | 5 | Book Balance at End of Each Month During Current Quarter | | | 9 |
|---|---|---|---|---|---|---|---|---|
| | | | | | 6 | 7 | 8 | |
| Depository | Code | Rate of Interest | Amount of Interest Received During Current Quarter | Amount of Interest Accrued at Current Statement Date | First Month | Second Month | Third Month | * |
| Open Depositories | | | | | | | | |
| Citibank, NA.....New York, NY..... | | 0.000 | 0 | 0 | 578,091 | 1,662,134 | 1,318,918 | XXX |
| Citibank, NA.....London, UK..... | | | | | 623,010 | 634,352 | 633,456 | XXX |
| State Street Bank.....Boston, MA..... | | 0.000 | | | 51,221 | 52,605 | 0 | XXX |
| 0199998 Deposits in .....151 depositories that do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories | XXX | XXX | 21,380 | 9,662 | 20,113,622 | 15,125,690 | 15,136,003 | XXX |
| 0199999 Total Open Depositories | XXX | XXX | 21,380 | 9,662 | 21,365,944 | 17,474,781 | 17,088,377 | XXX |
| 0399999 Total Cash on Deposit | XXX | XXX | 21,380 | 9,662 | 21,365,944 | 17,474,781 | 17,088,377 | XXX |
| 0499999 Cash in Company's Office | XXX | XXX | XXX | XXX | 0 | 0 | 0 | XXX |
| **0599999 Total** | XXX | XXX | 21,380 | 9,662 | 21,365,944 | 17,474,781 | 17,088,377 | XXX |

# SCHEDULE E - PART 2 - CASH EQUIVALENTS

**Show Investments Owned End of Current Quarter**

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