

QUARTERLY STATEMENT

OF THE

Ambac Assurance Corporation

Of

Madison

in the state of WI

to the Insurance Department

of the State of

For the Period Ended

March 31,

2010



QUARTERLY STATEMENT

As of March 31, 2010
of the Condition and Affairs of the

Ambac Assurance Corporation

NAIC Group Code 1248, 1248 NAIC Company Code 18708 Employer's ID Number 39-1135174
 (Current Period) (Prior Period)
 Organized under the Laws of Wisconsin State of Domicile or Port of Entry Wisconsin Country of Domicile United States of America
 Incorporated/Organized February 25, 1970 Commenced Business March 16, 1970
 Statutory Home Office c/o Dewitt Ross & Stevens S.C., 2 East Mifflin Street, Suite 600 Madison, WI 53703
 (Street and Number) (City or Town, State and Zip Code)
 Main Administrative Office One State Street Plaza New York, NY 10004 212-668-0340
 (Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)
 Mail Address One State Street Plaza New York, NY 10004
 (Street and Number or P. O. Box) (City or Town, State and Zip Code)
 Primary Location of Books and Records One State Street Plaza New York, NY 10004 212-668-0340
 (Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)
 Internet Website Address http://www.ambac.com
 Statutory Statement Contact Kevin John Doyle 212-668-0340
 (Name) (Area Code) (Telephone Number) (Extension)
KDoyle@ambac.com 212-208-3558
 (E-Mail Address) (Fax Number)
 Policyowner Relations Contact Kevin John Doyle One State Street Plaza
 (Name) (Street and Number)
New York, NY 10004 212-668-0340
 (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
1. David William Wallis	President & Chief Executive Officer	2. Michael Anthony Callen	Executive Chairman
3. Kevin John Doyle	Senior Vice President & General Counsel	4. David Trick	Senior Managing Director & Chief Financial Officer
5. Robert Bryan Eisman	Senior Managing Director and Chief Accounting Officer	6. Diana Adams	Senior Managing Director
7. Gregg Lloyd Bienstock	Senior Vice President	8. Timothy Stevens	Senior Managing Director

DIRECTORS OR TRUSTEES

Michael Anthony Callen	Jill Marie Considine	Philip Nicholas Duff	Thomas Charles Theobald
Laura Simone Unger	Henry Daniel George Wallace	Paul DeRosa	David William Wallis

State of New York
County of New York

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 of the enclosed statement (except for formatting differences due to electronic filing). The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) David William Wallis	_____ (Signature) Kevin John Doyle	_____ (Signature) Robert Bryan Eisman
1. (Printed Name) President (President & Chief Executive Officer)	2. (Printed Name) Secretary (Senior Vice President & General Counsel)	3. (Printed Name) Senior Managing Director & Chief Accounting Officer
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me
This _____ day of _____

a. Is this an original filing? Yes [X] No []
 b. If no: 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	5,398,664,891		5,398,664,891	6,195,482,761
2. Stocks:				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	527,903,152	156,458	527,746,694	341,318,196
3. Mortgage loans on real estate:				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....5,333,176), cash equivalents (\$.....1,199,900,000) and short-term investments (\$.....1,022,687,898).....	2,227,921,074		2,227,921,074	625,356,082
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives.....			0	
8. Other invested assets.....	10,278,566	2,121,232	8,157,334	8,931,318
9. Receivables for securities.....	40,742,989		40,742,989	2,249,882
10. Aggregate write-ins for invested assets.....	745,503,909	0	745,503,909	835,917,909
11. Subtotals, cash and invested assets (Lines 1 to 10).....	8,951,014,581	2,277,690	8,948,736,891	8,009,256,148
12. Title plants less \$.....0 charged off (for Title insurers only).....			0	
13. Investment income due and accrued.....	43,392,744		43,392,744	58,539,489
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection.....	3,095,710	2,510,304	585,406	400,640
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	32,449,832	15,313,085	17,136,747	29,981,495
14.3 Accrued retrospective premiums.....			0	
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers.....	3,433,284		3,433,284	2,663,451
15.2 Funds held by or deposited with reinsured companies.....			0	
15.3 Other amounts receivable under reinsurance contracts.....			0	20,723
16. Amounts receivable relating to uninsured plans.....			0	
17.1 Current federal and foreign income tax recoverable and interest thereon.....			0	425,820,805
17.2 Net deferred tax asset.....			0	
18. Guaranty funds receivable or on deposit.....			0	
19. Electronic data processing equipment and software.....	1,632,886	1,632,886	0	
20. Furniture and equipment, including health care delivery assets (\$.....0).....	10,662,052	10,662,052	0	
21. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
22. Receivables from parent, subsidiaries and affiliates.....	8,219,756		8,219,756	6,734,056
23. Health care (\$.....0) and other amounts receivable.....			0	
24. Aggregate write-ins for other than invested assets.....	3,959,162	2,031,080	1,928,082	94,623
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 through 24).....	9,057,860,007	34,427,097	9,023,432,910	8,533,511,430
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	2,002,198,133		2,002,198,133	
27. Total (Lines 25 and 26).....	11,060,058,140	34,427,097	11,025,631,043	8,533,511,430

DETAILS OF WRITE-INS

1001 Inter-company loans with affiliates.....	557,110,909		557,110,909	654,237,909
1002 Secured Inter-company loans with affiliates.....	188,393,000		188,393,000	181,680,000
1003.....			0	
1098. Summary of remaining write-ins for Line 10 from overflow page.....	0	0	0	0
1099. Totals (Lines 1001 thru 1003 plus 1098) (Line 10 above).....	745,503,909	0	745,503,909	835,917,909
2401. Other assets.....	3,959,162	2,031,080	1,928,082	94,623
2402. Taxes, licenses and fees receivable.....			0	
2403. Amounts receivable under cancelled reinsurance contracts.....			0	
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	3,959,162	2,031,080	1,928,082	94,623

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$....291,010,215).....	1,452,640,280	1,104,542,208
2. Reinsurance payable on paid losses and loss adjustment expenses.....		
3. Loss adjustment expenses.....	30,973,129	32,441,773
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	23,829,490	32,451,009
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	2,609,610	2,044,931
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....	18,169,917	
7.2 Net deferred tax liability.....		
8. Borrowed money \$....2,000,000,000 and interest thereon \$....1,972,603.....	2,001,972,603	
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$....151,259,805 and including warranty reserves of \$.....0).....	2,310,523,959	2,364,518,832
10. Advance premium.....	1,393,654	1,393,654
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	5,772,223	1,462,356
13. Funds held by company under reinsurance treaties.....		
14. Amounts withheld or retained by company for account of others.....	1,832,392	1,540,025
15. Remittances and items not allocated.....		
16. Provision for reinsurance.....	4,364,000	4,364,000
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	1,753,958	6,500,235
20. Derivatives.....		
21. Payable for securities.....	399,959,443	2,070,174
22. Liability for amounts held under uninsured plans.....		
23. Capital notes \$.....0 and interest thereon \$.....0.....		
24. Aggregate write-ins for liabilities.....	4,609,686,561	4,178,313,548
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24).....	10,865,481,219	7,731,642,745
26. Protected cell liabilities.....		
27. Total liabilities (Lines 25 and 26).....	10,865,481,219	7,731,642,745
28. Aggregate write-ins for special surplus funds.....	0	0
29. Common capital stock.....	82,000,000	82,000,000
30. Preferred capital stock.....	26,411,000	26,411,000
31. Aggregate write-ins for other than special surplus funds.....	0	0
32. Surplus notes.....		
33. Gross paid in and contributed surplus.....	3,526,886,314	3,526,088,310
34. Unassigned funds (surplus).....	(3,475,147,490)	(2,832,630,625)
35. Less treasury stock, at cost:		
35.1 .....0.000 shares common (value included in Line 29 \$.....0).....		
35.2 .....0.000 shares preferred (value included in Line 30 \$.....0).....		
36. Surplus as regards policyholders (Lines 28 to 34, less 35).....	160,149,824	801,868,685
37. Totals.....	11,025,631,043	8,533,511,430

DETAILS OF WRITE-INS

2401. Mandatory contingency reserve for adverse losses.....	349,852,156	336,056,097
2402. Estimated impairment losses on subsidiary guarantees and commitments.....	4,258,961,721	3,841,324,296
2403. Deferred gain on purchase of securities from subsidiary.....	730,387	730,387
2498. Summary of remaining write-ins for Line 24 from overflow page.....	142,297	202,768
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	4,609,686,561	4,178,313,548
2801.		
2802.		
2803.		
2898. Summary of remaining write-ins for Line 28 from overflow page.....	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above).....	0	0
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page.....	0	0
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above).....	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct..... (written \$.....64,527,190).....	115,390,889	199,846,342	718,278,906
1.2 Assumed..... (written \$.....19,201,941).....	24,828,948	26,005,749	175,963,981
1.3 Ceded..... (written \$.....7,417,610).....	9,913,443	34,787,444	97,870,984
1.4 Net..... (written \$.....76,311,521).....	130,306,394	191,064,647	796,371,903
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....305,781,619):			
2.1 Direct.....	586,659,721	231,289,283	1,398,111,118
2.2 Assumed.....			
2.3 Ceded.....	14,415,380	(340,931)	
2.4 Net.....	572,244,341	231,630,214	1,398,111,118
3. Loss adjustment expenses incurred.....	6,580,362	(6,208)	110,587,255
4. Other underwriting expenses incurred.....	39,820,612	29,565,598	113,274,449
5. Aggregate write-ins for underwriting deductions.....	0	0	(348,390,963)
6. Total underwriting deductions (Lines 2 through 5).....	618,645,315	261,189,604	1,273,581,859
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(488,338,921)	(70,124,957)	(477,209,956)
INVESTMENT INCOME			
9. Net investment income earned.....	113,402,471	95,251,770	467,509,271
10. Net realized capital gains (losses) less capital gains tax of \$.....0.....	(498,094,528)	(320,536,434)	(3,026,926,294)
11. Net investment gain (loss) (Lines 9 + 10).....	(384,692,057)	(225,284,664)	(2,559,417,023)
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0		
13. Finance and service charges not included in premiums.....			
14. Aggregate write-ins for miscellaneous income.....	51,196,092	64,140,105	73,494,090
15. Total other income (Lines 12 through 14).....	51,196,092	64,140,105	73,494,090
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(821,834,886)	(231,269,516)	(2,963,132,889)
17. Dividends to policyholders.....			
18. Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	(821,834,886)	(231,269,516)	(2,963,132,889)
19. Federal and foreign income taxes incurred.....	50,000	950,960	(483,521,179)
20. Net income (Line 18 minus Line 19) (to Line 22).....	(821,884,886)	(232,220,476)	(2,479,611,710)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year.....	801,868,685	1,554,448,410	1,554,448,411
22. Net income (from Line 20).....	(821,884,886)	(232,220,476)	(2,479,611,710)
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....	208,774,294	(1,044,550,107)	(2,695,389)
25. Change in net unrealized foreign exchange capital gain (loss).....			23,735,605
26. Change in net deferred income tax.....		102,578,584	(1,395,276,863)
27. Change in nonadmitted assets.....	(15,018,543)	(71,976,769)	1,474,628,315
28. Change in provision for reinsurance.....			(4,364,000)
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....		3,097,000	(1,589,000)
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....	798,004	98,456,225	101,661,433
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....	(817,203)	(5,052,966)	(12,509,301)
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	(13,570,527)	(32,010,308)	1,543,441,184
38. Change in surplus as regards policyholders (Lines 22 through 37).....	(641,718,861)	(1,181,678,817)	(752,579,726)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	160,149,824	372,769,593	801,868,685
DETAILS OF WRITE-INS			
0501. Gains on reinsurance commutations.....			(348,390,963)
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	(348,390,963)
1401. Other miscellaneous income.....	2,123,489	4,140,105	31,894,090
1402. Estimated provision for uncollectible intercompany loan with affiliate.....	47,100,000	60,000,000	41,600,000
1403. Change in net retroactive reinsurance reserves retroceded from Ambac Assurance Corp Segregated Account.....	2,046,785,435		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	(2,044,812,832)		
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	51,196,092	64,140,105	73,494,090
3701. Mandatory contingency reserve for adverse losses.....	(13,796,057)	(32,010,308)	1,578,541,184
3702. Surplus from Ambac Assurance Corporation Segregated Account.....	225,530		
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	(35,100,000)
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	(13,570,527)	(32,010,308)	1,543,441,184

CASH FLOW

	1 Current Year to Date	2 Prior Year To Date	3 Prior Year Ended December 31
CASH FROM OPERATIONS			
1. Premiums collected net of reinsurance.....	75,484,256	83,180,665	443,070,312
2. Net investment income.....	77,159,395	87,419,764	295,112,153
3. Miscellaneous income.....	2,123,489	4,140,105	31,894,090
4. Total (Lines 1 through 3).....	154,767,140	174,740,534	770,076,555
5. Benefit and loss related payments.....	224,895,379	281,709,319	1,377,023,524
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions.....	55,926,458	95,766,845	1,274,639,004
8. Dividends paid to policyholders.....			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	(443,940,722)	12,633	(275,095,747)
10. Total (Lines 5 through 9).....	(163,118,885)	377,488,797	2,376,566,781
11. Net cash from operations (Line 4 minus Line 10).....	317,886,025	(202,748,263)	(1,606,490,226)
CASH FROM INVESTMENTS			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	1,312,340,246	286,055,678	2,384,771,722
12.2 Stocks.....			486,572
12.3 Mortgage loans.....			
12.4 Real estate.....			
12.5 Other invested assets.....		400,000	156,701,487
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(66,396)	(443,639)	2,891,731
12.7 Miscellaneous proceeds.....	488,303,269	13,067,267	348,407,464
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,800,577,119	299,079,306	2,893,258,976
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....	519,588,738	495,471,862	1,794,596,803
13.2 Stocks.....			486,572
13.3 Mortgage loans.....			
13.4 Real estate.....			
13.5 Other invested assets.....		25,738,699	165,974,850
13.6 Miscellaneous applications.....	38,493,107	157,901,487	7,376,756
13.7 Total investments acquired (Lines 13.1 to 13.6).....	558,081,845	679,112,048	1,968,434,981
14. Net increase (decrease) in contract loans and premium notes.....			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	1,242,495,274	(380,032,742)	924,823,995
CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....			
16.2 Capital and paid in surplus, less treasury stock.....	798,004	98,526,361	90,403,915
16.3 Borrowed funds.....			
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....			
16.5 Dividends to stockholders.....	817,203	5,052,966	12,509,301
16.6 Other cash provided (applied).....	42,202,892	78,970,654	50,296,377
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	42,183,693	172,444,049	128,190,991
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	1,602,564,992	(410,336,956)	(553,475,240)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	625,356,082	1,178,831,322	1,178,831,322
19.2 End of period (Line 18 plus Line 19.1).....	2,227,921,074	768,494,366	625,356,082

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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NOTES TO FINANCIAL STATEMENTS**Note 1 - Summary of Significant Accounting Policies**

a. Accounting Practices

The accompanying financial statements of Ambac Assurance Corporation (the "Company" or "Ambac") have been prepared on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance ("Wisconsin Insurance Commissioner").

The Wisconsin Insurance Commissioner recognizes only statutory accounting practices prescribed or permitted by the State of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under Wisconsin Insurance Law. The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP") has been adopted as a component of prescribed practices by the State of Wisconsin.

The Wisconsin Insurance Commissioner has prescribed an accounting practice that differs from NAIC SAP. Paragraph 7 of Statement of Statutory Accounting Principles No. 60 "Financial Guaranty Insurance" ("SSAP 60") allows for a deduction from loss reserves for the time value of money by application of a discount rate equal to the average rate of return on the admitted assets of the financial guaranty insurer at each, December 31, 2009. Additionally, in accordance with paragraph 7 of Statutory Accounting Principles No. 5 "Liabilities, Contingencies and Impairments of Assets", Ambac records probable losses on its subsidiaries credit derivative contracts, using a discount rate equal to the average rate of return on its admitted assets. The Company's average rate of return on its admitted assets at December 31, 2009 was 6.74%. The Wisconsin Insurance Commissioner has directed the Company to utilize a prescribed discount rate of 5.10% for the purpose of discounting both its loss reserves and its estimated impairment losses on subsidiary guarantees. Statutory surplus at March 31, 2010 and December 31, 2009 was lower by \$1,583,565,773 and \$1,515,691,199, respectively, than if the Company had reported such amounts in accordance with NAIC SAP. Net income at March 31, 2010 and December 31, 2009 was lower by \$67,874,574 and \$1,515,691,199, respectively, than if the Company had reported such amounts in accordance with NAIC SAP.

Wisconsin accounting practices for changes to contingency reserves differ from NAIC SAP. Under NAIC SAP, contributions to and releases from the contingency reserve are recorded via a direct charge or credit to surplus. Under section 3.08(7)(b) of the Wisconsin Administrative Code, contributions to and releases from the contingency reserve are to be recorded through underwriting income. The Company received permission of the Wisconsin Insurance Commissioner to record contributions to and releases from the contingency reserve and the related tax and loss bond impact, in accordance with NAIC SAP. Statutory surplus is the same using each of these accounting practices. Net income for three months ended March 31, 2010 and year end December 31, 2009 are higher by \$13,796,057 and lower by \$1,578,541,184 respectively than if the Company had reported the contributions to the contingency reserve in accordance with the Wisconsin Administrative Code.

The Wisconsin Insurance Commissioner has permitted an additional accounting practice that differs from NAIC SAP. The Company received permission of the Wisconsin Insurance Commissioner to adjust its carrying value of its common stock investment in Ambac Assurance UK Ltd ("Ambac UK") to eliminate for any impairment that Ambac UK recorded on reinsurance recoverable from Ambac. Statutory surplus at March 31, 2010 is higher by \$302,709,880 than if the Company had taken into consideration the implications of such impairments on the quarterly statutory financial statements.

A reconciliation of the Company's net income and capital and statutory surplus between practices prescribed and permitted by the Wisconsin Insurance Commissioner and NAIC SAP is shown below:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Net Loss, Wisconsin Basis	\$ (835,680,943)	\$ (901,070,526)
Effect of Wisconsin Prescribed Practice:	67,874,574	1,515,691,199
Effect of Wisconsin Permitted Practice	<u>13,796,057</u>	<u>(1,578,541,184)</u>
Net Loss, NAIC SAP	\$ <u>(754,010,312)</u>	\$ <u>(963,920,511)</u>
Statutory Surplus, Wisconsin Basis	\$ 160,149,824	\$ 801,868,685
Effect of Wisconsin Prescribed Practice:	1,583,565,773	1,515,691,199
Effect of Wisconsin Permitted Practice:	<u>(302,709,880)</u>	<u>-</u>
Statutory Surplus, NAIC SAP	\$ <u>1,441,005,717</u>	\$ <u>2,317,559,884</u>

Note 2 - Accounting Changes and Corrections of Errors

No significant change from 2009 Notes to Financial Statements.

Note 3 - Business Combinations and Goodwill

No significant change from 2009 Notes to Financial Statements.

Note 4 - Discontinued Operations

No significant change from 2009 Notes to Financial Statements.

Note 5 - Investments

d. Loan-Backed Securities

- i. The Company consistently uses the retrospective method to revalue loan-backed securities using current prepayment assumptions.
- ii. Prepayment assumptions for single class and multi-class loan-backed securities were obtained from publicly available sources.
- iii. During 2010, there were no changes in the methodology utilized by the Company to revalue loan-backed securities.
- iv. During 2010, the Company recognized other-than-temporary impairment losses ("OTTI losses") on certain loan-backed securities for which it had the intent to sell as well as on securities where the present value of cash flows expected to be collected were less than the amortized cost basis of the securities. For the loan-backed securities still held at March 31, 2010, the total amortized cost immediately prior to the recognition of OTTI losses, the OTTI losses recognized during the three months ended March 31, 2010, and the fair value

NOTES TO FINANCIAL STATEMENTS

of these securities at the time OTTI losses were recognized are as follows:

	Amortized Cost Basis – Immediately Prior to Recognition of OTTI Losses	OTTI Losses Recognized during three months ended March 31, 2010	Fair Value at the time OTTI Losses were recognized ⁽¹⁾
Aggregate of all loan-backed securities for which OTTI losses were recognized during 2010 that were classified as “Intent to Sell”	\$58,835,250	\$13,275,711	\$45,559,539
Aggregate of all loan-backed securities for which OTTI losses were recognized during 2010 that were classified as “Intent & Ability to Hold to Maturity”	-	-	-
Aggregate of all loan-backed securities for which OTTI losses were recognized during 2010 due to the present value of cash flows expected to be collected were less than the amortized cost basis of the security ⁽²⁾	\$364,365,818	\$117,906,189	\$246,459,629

(1) Fair value of these loan backed securities at March 31, 2010 was \$311,329,165.

(2) Cash flows on Ambac insured residential mortgage-backed securities were adversely impacted due to the claims moratorium and actions OCI, resulting in other-than-temporary impairment losses which was reported as a realized capital loss in the Statement of Income.

- v. During 2010, the Company recognized other-than-temporary impairment losses (“OTTI losses”) on certain loan-backed securities where the present value of cash flows expected to be collected were less than the amortized cost basis of the securities. For the loan-backed securities still held at March 31, 2010, the total amortized cost immediately prior to the recognition of OTTI losses, the OTTI losses recognized during the three months ended March 31, 2010, and the fair value of these securities at the time OTTI losses were recognized are as follows:

CUSIP	Amortized cost before current period OTTI	Projected Cash flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value
000759CF5	3,298,057.59	1,525,525.68	1,772,531.91	1,525,525.68	2,609,547.47
07401WAA7	11,543,282.67	5,256,702.88	6,286,579.79	5,256,702.88	8,727,602.67
07401WAP4	14,175,642.58	6,680,459.49	7,495,183.09	6,680,459.49	4,443,667.94
07401WBA6	288,942.46	98,680.01	190,262.45	98,680.01	154,762.12
12666TAC0	8,103,823.05	5,829,259.19	2,274,563.86	5,829,259.19	6,591,659.39
12666TAD8	3,425,766.56	3,173,542.74	252,223.82	3,173,542.74	3,637,942.30
126670NY0	3,166,370.26	2,663,241.18	503,129.08	2,663,241.18	3,136,379.22
126673TP7	315,438.88	263,559.20	51,879.68	263,559.20	239,136.42
126684AB5	9,766,524.64	9,036,720.00	729,804.64	9,036,720.00	9,156,238.63
126684AC3	6,096,709.35	4,970,609.82	1,126,099.53	4,970,609.82	5,798,410.29
126684AD1	736,315.28	404,858.11	331,457.17	404,858.11	703,391.52
126684AE9	8,316,522.70	4,648,332.63	3,668,190.07	4,648,332.63	6,422,833.59
126684AF6	9,315,252.26	6,829,348.94	2,485,903.32	6,829,348.94	7,485,045.33
126685AK2	822,731.12	731,687.52	91,043.60	731,687.52	952,530.79
126685CS3	1,384,265.01	1,076,485.95	307,779.06	1,076,485.95	1,402,396.92
126685CZ7	17,719,487.93	16,401,064.26	1,318,423.67	16,401,064.26	16,255,578.42
126685DA1	566,844.97	373,581.76	193,263.21	373,581.76	590,612.02
126685DC7	5,414,234.43	4,248,905.81	1,165,328.62	4,248,905.81	5,136,488.46
126685DJ2	20,089,072.33	12,831,374.50	7,257,697.83	12,831,374.50	14,996,677.15
12668RAC2	2,901,825.79	1,141,483.81	1,760,341.98	1,141,483.81	946,380.32
23242EAC3	8,735,282.58	8,398,471.47	336,811.11	8,398,471.47	9,107,933.82
23243NAD0	5,432,996.64	5,185,050.14	247,946.50	5,185,050.14	4,997,109.13
23243NAF5	1,046,001.03	313,260.98	732,740.05	313,260.98	887,044.51
23243NAG3	11,598,445.48	6,247,488.40	5,350,957.08	6,247,488.40	4,063,245.17
23243NAH1	9,960,856.38	5,516,397.14	4,444,459.24	5,516,397.14	3,167,975.18
25457VAB2	710,002.37	462,285.42	247,716.95	462,285.42	884,375.00
25457VAU0	892,532.45	489,325.72	403,206.73	489,325.72	1,281,480.00
32029HAB8	2,773,848.60	1,205,631.86	1,568,216.74	1,205,631.86	1,707,952.51
361856EH6	12,644,122.22	12,109,729.17	534,393.05	12,109,729.17	12,430,253.67
361856EK9	29,834,475.80	23,254,888.04	6,579,587.76	23,254,888.04	24,131,126.64
39538WCZ9	2,392,987.63	1,669,908.35	723,079.28	1,669,908.35	2,227,425.68
39538WEF1	1,370,231.19	669,894.45	700,336.74	669,894.45	712,664.79
43709RAA2	1,878,646.71	701,584.09	1,177,062.62	701,584.09	643,104.94
45661AAC6	3,272,496.59	2,783,268.90	489,227.69	2,783,268.90	2,479,045.82
45667HAB7	25,196,478.31	21,260,671.65	3,935,806.66	21,260,671.65	23,697,713.67
46412RAB1	8,707,046.56	7,560,092.64	1,146,953.92	7,560,092.64	7,717,511.35
464125AC7	9,303,872.68	6,546,748.03	2,757,124.65	6,546,748.03	8,110,215.00
464126CG4	1,415,036.43	1,072,159.45	342,876.98	1,072,159.45	1,375,433.11
52524PAG7	4,565,001.12	4,089,821.03	475,180.09	4,089,821.03	3,981,945.95
52525LAS9	51,026,757.59	23,383,934.44	27,642,823.15	23,383,934.44	19,392,365.20
55265DAH8	2,207,892.50	415,478.45	1,792,414.05	415,478.45	1,177,607.40
68402VAE2	2,670,084.36	2,164,338.55	505,745.81	2,164,338.55	2,243,334.84
68402VAG7	3,215,470.87	2,563,068.71	652,402.16	2,563,068.71	2,408,715.10
69121YAA2	12,042,925.94	654,956.00	11,387,969.94	654,956.00	733,353.73
785778PF2	658,849.23	321,618.48	337,230.75	321,618.48	348,111.40
785778PG0	1,614,351.02	793,237.44	821,113.58	793,237.44	1,250,754.35
785813AA4	1,357,102.90	733,326.32	623,776.58	733,326.32	897,407.49
8815612U7	2,691,970.07	1,477,425.49	1,214,544.58	1,477,425.49	2,293,183.56
881561W91	442,472.04	360,504.37	81,967.67	360,504.37	406,890.85
92976YAA0	4,138,995.18	3,871,759.91	267,235.27	3,871,759.91	5,160,888.15
92978LAA6	13,121,475.71	11,997,880.66	1,123,595.05	11,997,880.66	16,466,177.47
TOTAL	364,365,818.04	246,459,629.23	117,906,188.81	246,459,629.23	265,769,626.45

NOTES TO FINANCIAL STATEMENTS

- vi. The following table shows all impaired securities (Fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings by length of time that the individual securities have been in a continuous unrealized loss position at March 31, 2010:

	Unrealized Loss	Fair Value
Less than 12 months	\$7,440,026	\$41,675,918
Greater than 12 months	\$29,567,266	\$61,918,820

- vii. Ambac has a formal impairment review process for all securities in its investment portfolio. Ambac conducts a review each quarter to identify and evaluate investments that have indications of possible other than temporary impairment, including substantial or continuous declines in fair value below amortized cost or declines in external credit ratings from the time the securities were purchased. Management has determined that the unrealized losses reflected in the table above are temporary in nature as of March 31, 2010 based upon (i) no principal and interest payment defaults on these securities; (ii) analysis of the creditworthiness of the issuer and financial guarantor, as applicable, and analysis of projected defaults on the underlying collateral; (iii) management has no intent to sell these investments in debt securities; and (iv) it is not more likely than not that Ambac will be required to sell these debt securities before the anticipated recovery of its amortized cost basis. The assessment under (iv) is based on a comparison of future available liquidity from the fixed income investment portfolio against the projected net cash outflow from operating activities and debt service. For purposes of this assessment, available liquidity from the fixed income investment portfolio is comprised of the fair value of securities for which management has asserted its intent to sell plus the scheduled maturities and interest payments from the remaining securities in the portfolio. As of March 31, 2010, for securities that have indications of possible other-than-temporary impairment but which management does not intend to sell and will not more likely than not be required to sell, management compared the present value of cash flows expected to be collected to the amortized cost basis of the securities to assess whether the amortized cost will be recovered. Cash flows were discounted at the effective interest rate implicit in the security at the date of acquisition. For floating rate securities, future cash flows and the discount rate used were both adjusted to reflect changes in the index rate applicable to each security as of the evaluation date.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

No significant change from 2009 Notes to Financial Statements.

Note 7 - Investment Income

No significant change from 2009 Notes to Financial Statements.

Note 8 - Derivative Instruments

No significant change from 2009 Notes to Financial Statements.

Note 9 - Income Taxes

- A. The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before taxes as follows:

	3/31/2010
Current income taxes incurred	\$ 50,000
Change in def. income tax (w/o tax on unrealized gains & losses)	0
Total income Tax Reported	<u>\$50,000</u>
Income before taxes	(722,150,173)
	35%
Expected income tax expense (benefit) at 35% statutory rate	(252,752,561)
Increase (decrease) in actual tax reported resulting from:	
a. Dividends received deduction	-
b. Non-deductible expenses for meals, penalties and lobbying	14,000
c. Tax-exempt income	(8,746,978)
d. Change in deferred taxes on non-admitted assets	-
e. Change in valuation allowance adjustment	304,252,418
f. Other	(42,716,880)
Total income tax reported	<u>\$ 50,000</u>

B. Operating loss carryforward

- At March 31, 2010 the Company had \$5,796,837,703 of unused operating loss carryforwards available to offset against future taxable income, which will begin expiring in 2028 and fully expire in 2030.
- At March 31, 2010 there are no amounts available for recoupment in the event of future net losses.
- The Company has no deposits admitted under Section 6603 of the Internal Revenue Code

C. Consolidated federal income tax return

- The Company will be included in Ambac Financial Group, Inc.'s ("Ambac Financial") consolidated federal income tax return, which includes the following taxable entities: Ambac Financial, Ambac Assurance Corporation ("Ambac"), Ambac (Bermuda) Limited, Ambac Capital Corporation, Ambac Investments Inc., Ambac Capital Funding, Inc., RangeMark Financial Services Inc., Ambac Asset Funding Corporation, Ambac All Corporation, Connie Lee Holdings, Inc. ("Connie Lee Holdings") and Everspan.
- The method of allocation between the Companies is subject to a written Tax Sharing Agreement approved by both the Wisconsin Insurance Department and the Company's Board of Directors. Amounts assessed/reimbursed are based upon separate return calculations made as if the Company had filed its own federal income tax return for each taxable period. Pursuant to an agreement with Ambac

NOTES TO FINANCIAL STATEMENTS

Financial, the Company will be paid for losses to the extent they could be utilized by the Company on a standalone basis under the rules of the Internal Revenue Code.

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

Recent Developments:

Segregated Account

On March 24, 2010, Ambac Assurance established a Segregated Account pursuant to Wisc. Stat. §611.24(2) (the "Segregated Account"). Under Wisconsin insurance law, the Segregated Account is a separate insurer from Ambac Assurance for purposes of the Segregated Account Rehabilitation Proceedings (as defined below). The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities, and in connection with such segregation Ambac Assurance has allocated to the Segregated Account (i) certain policies insuring or relating to credit default swaps, (ii) all residential mortgage-backed securities ("RMBS") policies, (iii) certain other identified policies, including those relating to Las Vegas Monorail Company, and (iv) certain Student Loan Policies (as defined below) (collectively, the "Segregated Account Policies"). The Segregated Account Rehabilitation Plan will, if approved, provide that Ambac Assurance may, with the approval of the OCI, cause additional Student Loan Policies to be transferred to the Segregated Account. Ambac Assurance also allocated the following to the Segregated Account: (i) all remediation claims, defenses, offsets, and/or credits (but excluding recoveries arising from remediation efforts or reimbursement or collection rights with respect to policies allocated to the Segregated Account), if any, in respect of the Segregated Account Policies, (ii) Ambac Assurance's disputed contingent liability, if any, under the long-term lease with One State Street, LLC, and its contingent liability (as guarantor, if any, under the Ambac Assurance UK Limited ("Ambac UK") lease with British Land, (iii) Ambac Assurance's limited liability interests in Ambac Credit Products, LLC ("ACP"), Ambac Conduit Funding LLC, Aleutian Investments LLC and Juneau Investments LLC and (iv) all of Ambac Assurance's liabilities as reinsurer under reinsurance agreements (except for reinsurance assumed from Everspan). Net par exposure allocated to the Segregated Account is \$64,012,000,000 as of March 31, 2010, which is inclusive of net par exposures assumed under reinsurance contracts, primarily from Ambac UK, in an aggregate amount of \$22,770,000,000.

On March 24, 2010, the Office of the Commissioner of Insurance of the state of Wisconsin ("OCI") commenced rehabilitation proceedings with respect to the Segregated Account (the "Segregated Account Rehabilitation Proceedings") in order to permit the OCI to facilitate an orderly run-off and/or settlement of the liabilities allocated to the Segregated Account pursuant to the provisions of the Wisconsin Insurers Rehabilitation and Liquidation Act. On March 24, 2010, the rehabilitation court also issued an injunction effective until further order of the court enjoining certain actions by Segregated Account policyholders and other counterparties, including the assertion of damages or acceleration of losses based on early termination and the loss of control rights in insured transactions. Pursuant to the Verified Petition filed in Wisconsin in connection with such proceedings, the OCI has stated that it will seek the approval of the rehabilitation court for a plan of rehabilitation with respect to the Segregated Account (the "Segregated Account Rehabilitation Plan"). The Verified Petition states that the Segregated Account Rehabilitation Plan will, if approved, provide, among other things, that the holders of Segregated Account Policies shall receive in respect of claims made a combination of (i) cash and (ii) surplus notes. The Surplus Notes shall have a maturity date of ten years from their issue date. Interest on the Surplus Notes shall be payable annually at the annual rate of 5.1%. All payments of principal and interest on the Surplus Notes shall be subject to the prior approval of OCI. If the OCI does not approve the payment of interest on the Surplus Notes, such interest will accrue and compound annually until paid or otherwise. Until the Segregated Account Rehabilitation Plan is approved, which OCI has indicated will be filed in six months, it is anticipated that no claims will be paid on Segregated Account Policies, except as approved by the rehabilitation court.

The Segregated Account has no cash or securities, but has the ability to demand payment from time to time to pay claims and other liabilities of up to \$2 billion under a secured note due 2050 issued by Ambac Assurance (the "Secured Note"). In addition, once the Secured Note has been exhausted, the Segregated Account has the ability to demand payment from time to time under an aggregate excess of loss reinsurance agreement provided by Ambac Assurance (the "Reinsurance Agreement") to pay claims and other liabilities. Ambac Assurance is not obligated to make payments on the Secured Note or under the Reinsurance Agreement if its surplus as regards policyholders is (or would be) less than \$100 million, or such higher amount as the OCI permits pursuant to a prescribed accounting practice (the "Minimum Surplus Amount"). As long as the surplus as regards to policyholders is not less than the Minimum Surplus Amount, payments by the General Account to the Segregated Account under the Reinsurance Agreement are not capped. In addition, the Plan of Operation (as defined below) provides that Ambac Assurance's General Account may issue surplus notes directly to holders of Segregated Account Policies to satisfy the portion of claim liability not paid by the Segregated Account in cash or in Segregated Account Surplus Notes.

Pursuant to the terms of the Plan of Operation, defined below, assets and investments, if any, allocated to the Segregated Account will be available and used solely to satisfy costs, expenses, charges, and liabilities attributable to the business placed therein. Such assets and investments, if any, will not be charged with any costs, expenses, charges, or liabilities arising out of any other business of Ambac Assurance, except as otherwise provided in the Secured Note or the Reinsurance Agreement. Likewise, assets and investments in Ambac Assurance's General Account will not be charged with any costs, expenses, charges, or liabilities arising out of the direct business allocated to the Segregated Account, except as otherwise provided in the Secured Note or the Cooperation Agreement (as defined and described below).

The Secured Note will be subject to mandatory prepayment on demand in an amount equal to (i) the cash portion of claim liabilities, loss settlements, commutations and purchases of Segregated Account Policies (or related insured obligations) due and payable by the Segregated Account ("Segregated Account Policy Cash Payments"), amounts due and payable by the Segregated Account arising out of the non-policy obligations allocated thereto, and any cash interest payment and cash principal repayment under any Segregated Account Surplus Notes in connection with any of the foregoing, provided in each case such amounts due and payable are in accordance with the Segregated Account Rehabilitation Plan (as defined below) and not otherwise disapproved by the rehabilitator of the Segregated Account plus (ii) amounts due and payable by the Segregated Account in respect of specified administrative expenses of the Segregated Account plus (iii) other amounts directed to be paid by the rehabilitator of the Segregated Account in conjunction with the rehabilitation proceeding, minus (iv) the amount of the Segregated Account's liquid assets as determined by the Segregated Account. In addition, if an event of default occurs under the Secured Note, the Segregated Account is entitled to accelerate the outstanding principal amount due under the Secured Note.

Interest on the Secured Note accrues at the rate of 4.5% per annum, and accrued interest will be added to principal quarterly. Ambac Assurance has secured its obligations under the Secured Note and the Reinsurance Agreement by granting to the Segregated Account a security interest in all of Ambac Assurance's right, title and interest in installment premiums received in respect of the Segregated Account Policies; reinsurance premiums received in respect of assumed reinsurance agreements with respect to which the liabilities of Ambac Assurance have been allocated to the Segregated Account; recoveries under third party reinsurance agreements in respect of the Segregated Account Policies; and any recoveries arising from remediation efforts or reimbursement or collection rights with respect to policies allocated to the Segregated Account. Pursuant to the Secured Note, Ambac Assurance has made certain covenants to the Segregated Account, including covenants that Ambac Assurance will not, (i) without the Segregated Account's consent (not to be unreasonably withheld), amend its investment policies if doing so would have a material adverse effect on Ambac Assurance's ability to perform its obligations under the Secured Note, the Reinsurance Agreement and the documents relating thereto or under any other material agreement to which it is a party, (ii) without the prior approval of the OCI and the rehabilitator of the Segregated Account, directly or indirectly make any distribution to its shareholder or redeem any of its securities and, (iii) without the Segregated Account's consent (not to be unreasonably withheld), enter into any transaction other than pursuant to the reasonable requirements of Ambac Assurance's business and which Ambac Assurance reasonably believes are fair and reasonable terms and provisions.

Pursuant to the Reinsurance Agreement, Ambac Assurance has agreed to pay Segregated Account Policy Cash Payments, any cash interest payment and cash principal repayment under any Segregated Account Surplus Notes in connection with any of the foregoing and other amounts directed to be paid by the rehabilitator of the Segregated Account in conjunction with the rehabilitation proceeding, minus the amount of the Segregated Account's liquid assets as determined by the Segregated Account. Ambac Assurance's liability under the Reinsurance Agreement will attach only after all principal under the Secured

NOTES TO FINANCIAL STATEMENTS

Note has been paid. The Reinsurance Agreement contains the same covenants for the benefit of the Segregated Account as those that appear in the Secured Note, as described in the preceding paragraph.

Policy obligations not transferred to the Segregated Account remain in the general account of Ambac Assurance (the “General Account”), and such policies in the General Account are not subject to and, therefore, will not be directly impacted by, the Segregated Account Rehabilitation Plan. Ambac Assurance is not, itself, in rehabilitation proceedings.

The Segregated Account will be operated in accordance with a Plan of Operation (the “Plan of Operation”) and certain operative documents relating thereto (which include the Secured Note, the Reinsurance Agreement, the Management Services Agreement and the Cooperation Agreement). These operative documents provide that the Segregated Account will act exclusively through the rehabilitator.

During the Segregated Account Rehabilitation Proceedings, the rehabilitator of the Segregated Account has the authority to control the management of the Segregated Account. Ambac Assurance will provide certain management and administrative services to the Segregated Account and the rehabilitator pursuant to a Management Services Agreement (the “Management Services Agreement”), including information technology services, credit exposure management, treasury, accounting, tax, management information, risk management, loss management, internal audit services and business continuity services. Services will be provided at cost, subject to mutual agreement of the Segregated Account and Ambac Assurance. Either party may terminate the Management Services Agreement for cause upon 120 days written notice (or such shorter period as the rehabilitator may determine) and the Segregated Account may terminate without cause at any time upon at least 30 days prior notice. If the Segregated Account elects to terminate the Management Services Agreement, Ambac Assurance will not have the right to consent to the replacement services provider.

Ambac Assurance and the Segregated Account have also entered into a Cooperation Agreement (the “Cooperation Agreement”), pursuant to which the parties have agreed to certain matters related to decision-making, information sharing, tax compliance and allocation of expenses (including an agreement by Ambac Assurance to reimburse the Segregated Account for specified expenses to the extent not reimbursed under the Secured Note, subject to the Minimum Surplus Amount). Ambac Assurance has made certain covenants to the Segregated Account, including an agreement to not enter into any transaction involving more than \$5 million (or such higher amount as is agreed with the rehabilitator) without the Segregated Account’s prior consent (other than policy claim payments made in the ordinary course of business and investments in accordance with Ambac Assurance’s investment policy), and providing the Segregated Account with an annual budget and projection for Ambac Assurance and its subsidiaries for the forthcoming fiscal year, as well as quarterly updates thereto. The Cooperation Agreement also addresses Ambac Assurance’s rights in the event Ambac Assurance is no longer the management and administrative services provider to the Segregated Account as described above.

Accounting Considerations

- 1) The \$2 billion secured note due 2050 has been recorded as a liability as borrowed money, including accrued interest payable.
- 2) The allocation of insurance policies to the Segregated Account as well as the aggregate excess of loss reinsurance agreement has been recorded as retroactive reinsurance since these contracts were executed in connection with a court-ordered rehabilitation of the Ambac Assurance Segregated Account. Accordingly, the net balances due under these obligations are reported in as a net write-in contra-liability.

Outline of Proposed Settlement Agreement

On March 24, 2010, Ambac Assurance reached a non-binding agreement (the “Proposed Settlement”) with certain counterparties (the “Counterparties”) to outstanding credit default swaps with ACP that were guaranteed by Ambac Assurance. The Proposed Settlement provides that Ambac Assurance will enter into a settlement agreement (the “Settlement Agreement”) with the Counterparties, pursuant to which it will commute substantially all of the ABS CDO transactions insured by Ambac Assurance (the “Committed ABS CDO Obligations”). The Proposed Settlement is not a binding agreement, and there can be no assurance that a definitive agreement will be executed or that a definitive agreement will be reached with all Counterparties. In addition, the terms of the Proposed Settlement, as negotiated to date, may change prior to the Closing Date (as defined below), or the transactions contemplated by the Proposed Settlement may not be consummated at all. Pursuant to the terms of the Proposed Settlement, in exchange for the termination of the Committed ABS CDO Obligations, Ambac Assurance shall transfer to the Counterparties in the aggregate (i) \$2.6 billion in cash and (ii) \$2 billion of newly issued surplus notes of Ambac Assurance (the “Ambac Assurance Surplus Notes”). Each of the Counterparties, on the one hand, and Ambac Assurance and the Company, on the other hand, has agreed to provide a release of the other party relating to any credit default swaps or financial guaranty insurance policies commuted pursuant to the Proposed Settlement. In addition, each of the Counterparties, on the one hand, and Ambac Assurance and the Company, on the other hand, has agreed to negotiate in good faith a general release relating to all actions taken or omitted to be taken prior to the Closing Date, subject to certain exceptions. In addition to the commutation of the Committed ABS CDO Obligations, Ambac Assurance will also commute certain additional obligations (the “Additional Commuted Obligations”).

The Ambac Assurance Surplus Notes shall have a maturity date of ten years from the Closing Date. Interest on the Ambac Assurance Surplus Notes shall be payable annually at the annual rate of 5.1%. All payments of principal and interest on the Ambac Assurance Surplus Notes shall be subject to the prior approval of OCI. If the OCI does not approve the payment of interest on the Ambac Assurance Surplus Notes, such interest will accrue and compound annually until paid or otherwise. Ambac Assurance and the Counterparties have agreed to negotiate in good faith (but shall be under no obligation to agree to) bilateral redemption provisions applicable to the Ambac Assurance Surplus Notes. The parties to the Proposed Settlement shall also agree to consider in good faith any alternative proposal intended to mitigate the risk that the issuance of the Ambac Assurance Surplus Notes will adversely impact the preservation of Ambac Assurance’s net operating losses (the “NOLs”), so long as implementation of such alternative proposal would not adversely affect the interests of the Counterparties.

The Settlement Agreement shall provide that Ambac Assurance’s payment obligations relating to financial guarantee insurance policies on bonds, certificates, notes or other securities payable from certain specified student loan assets (“Student Loan Policies”) shall be transferred to the Segregated Account. The Segregated Account Rehabilitation Plan will, if approved, provide that Ambac Assurance may, with the approval of the OCI, cause additional Student Loan Policies to be transferred to the Segregated Account.

Counterparties to credit default swaps with ACP with respect to which policies remain in the General Account have agreed to temporarily forbear from terminating or accelerating the obligations of ACP under such credit default swaps or asserting any claims against Ambac Assurance or any affiliate thereof based upon the Segregated Account Rehabilitation Proceedings or events relating thereto until the earlier of (i) May 23, 2010, unless otherwise extended, and (ii) the occurrence of certain termination events (the “Forbearance Period”). Effective on the date of the closing of the transactions contemplated by the Settlement Agreement (the “Closing Date”), the credit default swaps remaining in the General Account (primarily, credit default swaps with respect to certain collateralized loan obligations) will be amended to remove certain events of default and termination events, including those arising from the Segregated Account Rehabilitation Proceedings.

Assumed reinsurance obligations of Ambac Assurance (except for reinsurance assumed from Everspan) shall be allocated to the Segregated Account and, pursuant to the Segregated Account Rehabilitation Plan when it is approved shall be treated consistent with the junior priority of such obligations in liquidation.

It is expected that, on or prior to the Closing Date and the consummation of the Proposed Settlement, the articles of incorporation of Ambac Assurance shall be amended to provide that, not later than 120 days after the Closing Date, the board of directors of Ambac Assurance shall be reconstituted (whether by the appointment of additional directors, the resignation of current directors to be replaced with new directors, or a combination of the foregoing) so that at all times thereafter at least one-third of the total number of members of the board (and not less than three such members) are independent, qualified and unaffiliated with Ambac Assurance (“Unaffiliated Directors”), any Counterparty or any of their respective affiliates. Unaffiliated Directors will not include

NOTES TO FINANCIAL STATEMENTS

directors, if any, appointed by the holders of Ambac Assurance's Auction Market Preferred Shares.

The Settlement Agreement is also expected to include covenants that shall remain in force until the redemption of all of the Ambac Assurance Surplus Notes as approved by OCI, and can be amended or waived with (i) the consent of 50% in face amount of the Ambac Assurance Surplus Notes that cast a ballot and (ii) the approval of OCI. The Settlement Agreement may include the following covenants:

- At all times after the 120th day after the Closing Date and prior to the expiration of the Covenants, at least one-third of the board of directors of Ambac Assurance shall be Unaffiliated Directors;
- Ambac Assurance shall not write new business or guarantee or reinsure any new Everspan business (including under any existing treaties) so long as any Ambac Assurance Surplus Notes held by Counterparties remain outstanding, unless approved by OCI and Ambac Assurance has a financial strength rating of at least A (and is not on negative watch for downgrade) from at least two nationally recognized rating agencies. New business may be undertaken by Everspan with an infusion of new outside capital, if approved by the board of directors of Ambac Assurance, including a majority of the Unaffiliated Directors;
- Except as expressly contemplated by the Settlement Agreement, Ambac Assurance shall not issue or assume any surplus notes, policies or other material obligations that are pari passu with or senior to the Ambac Assurance Surplus Notes (including, without limitation, debt instruments of affiliates that are structurally senior to the Ambac Assurance Surplus Notes), other than the Segregated Account Surplus Notes or any other surplus notes or other material obligations approved for issuance by the rehabilitation court in satisfaction or partial satisfaction of any liabilities of the Segregated Account;
- While the Ambac Assurance Surplus Notes are outstanding, all other surplus notes issued by Ambac Assurance shall be on terms no more favorable to the noteholder than the Ambac Assurance Surplus Notes;
- Ambac Assurance shall provide Counterparties who are holders of Ambac Assurance Surplus Notes with quarterly financial information, as specified in the Settlement Agreement;
- No mergers, sales, pledges or other transfers of 10% or more of Ambac Assurance's assets (in one transaction, a series of related transactions or a series of unrelated transactions that occur within a 6-month time period), dividends, cedes of material business, or investments shall be permitted, in each case, whether such transaction is with an affiliate or a third party, except as follows:
 - Transactions by the Segregated Account approved by the rehabilitation court pursuant to a final and non-appealable order of the rehabilitation court or a plan of rehabilitation approved by a final and non-appealable order of the rehabilitation court;
 - Dividends or loans (approved by OCI) in an amount (i) up to \$52 million per annum solely to pay interest on indebtedness outstanding as of March 15, 2010 (at the rate of interest applicable on March 15, 2010) that remains outstanding at the time of such dividend or loan, to the extent allowed by OCI, and (ii) up to \$7.5 million per annum solely to pay operating expenses of the Company, to the extent allowed by OCI; provided, that, concurrently with any such permitted dividend or loan, the total principal amount of all outstanding surplus notes shall be prepaid on a pro rata basis by an amount equal to the amount of such permitted payment;
 - Investments in accordance with investment guidelines as required by statutory accounting principles and as approved by OCI, provided, that Ambac Assurance's investment plan and performance shall be reviewed at least annually by its board of directors and modified as necessary and approved by the board of directors of Ambac Assurance (including a majority of the Unaffiliated Directors);
 - Calls or purchases of Ambac Assurance Surplus Notes on a non-pro rata basis or redemptions of Ambac Assurance Surplus Notes on a pro rata basis funded solely with new equity capital or Ambac Assurance funds, in each case subject to the approval of OCI;
 - Transactions related to and arising from the ongoing RMBS liability remediation efforts and any other loss mitigation activities approved by the rehabilitation court;
 - Bulk cession(s) of liabilities to direct or indirect subsidiaries together with a transfer of corresponding assets and necessary capital as approved by OCI; and
 - Transactions otherwise not permitted by the Covenants if approved by OCI and if, after giving effect thereto, Ambac Assurance has a financial strength rating of at least A (and is not on negative watch for downgrade) from at least two nationally recognized rating agencies.
- With respect to any financial guarantee insurance policy commuted or credit default swap terminated pursuant to the Settlement Agreement, Ambac Assurance shall cooperate with any reasonable requests of the Counterparties to assist in the restructuring of the underlying insured transactions, including, without limitation, by transferring any voting or consent rights held by Ambac Assurance to such Counterparty to the extent permitted by the transaction documents;

NOTES TO FINANCIAL STATEMENTS

- Ambac Assurance shall not enter into any tax-sharing agreement with the Company or any of its affiliates adverse to Ambac Assurance. Without limiting the generality of the foregoing, immediately prior to the Closing Date, the existing tax sharing agreement among the members of the consolidated tax group of which the Company is the common parent shall be terminated as to Ambac Assurance and its subsidiaries, including Everspan (the “Ambac Assurance Subgroup”), and shall be replaced by an agreement that recognizes the consolidated NOL of the group as an asset of the Ambac Assurance Subgroup and that requires the Company to compensate Ambac Assurance on a current basis for use of any portion of that asset, except that the Company shall not be required to compensate Ambac Assurance for the Company’s use of net operating losses in connection with cancellation of debt (“COD”) income associated with restructurings of its bonds outstanding as of March 15, 2010;
- The Counterparties shall be entitled pursuant to the Settlement Agreement to specific enforcement of the foregoing covenants; and
- All transactions between Ambac Assurance and its affiliates shall be approved by a majority of the Unaffiliated Directors.

Depending upon the final terms of the Ambac Assurance Surplus Notes and the final terms of the Settlement Agreement, it is possible the Ambac Assurance Surplus Notes may be characterized as equity of Ambac Assurance for U.S. federal income tax purposes. If the Ambac Assurance Surplus Notes are characterized as equity of Ambac Assurance and it is determined the Ambac Assurance Surplus Notes represent more than 20% of the total value of the stock of Ambac Assurance, Ambac Assurance may no longer be characterized as an includable corporation that is affiliated with Ambac. As a result, Ambac Assurance may no longer be characterized as a member of the U.S. federal income tax consolidated group of which Ambac is the common parent (the “Company Consolidated Tax Group”) and Ambac Assurance would be required to file a separate consolidated tax return as the common parent of a new U.S. federal income tax consolidated group including Ambac Assurance as the new common parent and Ambac Assurance’s affiliated subsidiaries (the “Ambac Assurance Consolidated Tax Group”).

To the extent Ambac Assurance is no longer a member of the Company Consolidated Tax Group, Ambac Assurance’s NOL (and certain other available tax attributes of Ambac Assurance and the other members of the Ambac Assurance Consolidated Tax Group) may no longer be available for use by the Company or any of the remaining members of the Company Consolidated Tax Group to reduce the U.S. federal income tax liabilities of the Company Consolidated Tax Group. This could result in a material increase in the tax liabilities of the Company Consolidated Tax Group. In addition, certain other benefits resulting from U.S. federal income tax consolidation may no longer be available to the Company Consolidated Tax Group, including certain favorable rules relating to transactions occurring between members of the Company Consolidated Tax Group and members of the Ambac Assurance Consolidated Tax Group.

If the Ambac Assurance Surplus Notes are characterized as equity of Ambac Assurance and it is determined the Ambac Assurance Surplus Notes represent more than 50% of the total value of the stock of Ambac Assurance, the Ambac Assurance NOL (and certain other tax attributes or tax benefits of the Ambac Assurance Consolidated Tax Group) may be subject to limitation including the limitation provided by Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). If Section 382 were applicable with respect to the Ambac Assurance Consolidated Tax Group, in general the Ambac Assurance Consolidated Tax Group annual use of the group’s NOL may be limited to an amount equal to the product of (i) the value of the Ambac Assurance Consolidated Tax Group’s stock and (ii) the applicable federal long term tax exempt interest rate. However, certain exemptions to the Code Section 382 limitation may be applicable. In light of these potential exemptions, the parties to the Settlement Agreement have agreed to consider in good faith certain alternative proposals intended to mitigate the risk that the issuance of the Ambac Assurance Surplus Notes will adversely impact the preservation of Ambac Assurance’s NOL, so long as implementation of such alternative proposal would not adversely affect the interest of the Counterparties.

Furthermore, to the extent Ambac Assurance is no longer characterized as a member of the Company Consolidated Tax Group, the Ambac Assurance Consolidated Tax Group may not reconsolidate with the Company Consolidated Tax Group for a period of five years following such event, even if the Company were to be characterized as reacquiring or owning 80% or more of the stock of the Ambac Assurance Consolidated Tax Group following any deconsolidation. In addition, depending upon certain facts related to the potential deconsolidation of the Ambac Assurance Consolidated Tax Group and any reconsolidation with the Company Consolidated Tax Group, the acquisition by the Company Consolidated Tax Group of additional value with respect to the stock of the Ambac Assurance Consolidated Tax Group may also result in the imposition of a Code Section 382 limitation with respect to the Ambac Assurance Consolidated Tax Group’s NOL reducing or eliminating the potential tax benefit of the NOLs to the Company Consolidated Tax Group.

Since the commencement of the Segregated Account Rehabilitation Proceedings, several applications have been made to the rehabilitation court challenging the propriety of the allocation of certain policies to the Segregated Account. The first of these applications was brought by Wells Fargo Bank National Association, acting as Trustee for certain Las Vegas Monorail bondholders holding policies allocated to the Segregated Account. The rehabilitation court has set a hearing on this application for July 9, 2010. A second application was made on April 30, 2010 by certain policyholders of residential mortgage backed securities (“RMBS Policyholders”). The RMBS Policyholders claim that the Order for Temporary Injunctive Relief granted by the rehabilitation court on March 24, 2010 should be modified by enjoining Ambac Assurance from entering into the Proposed Settlement described above. The RMBS Policyholders also have requested that the rehabilitation court remove from the Segregated Account those policies held by the RMBS Policyholders and return those policies to the general account of Ambac Assurance, and that an order be entered declaring the establishment of the Segregated Account was invalid due to non-compliance with the Wisconsin Insurance Statutes and the Constitutions of the United States and Wisconsin. On May 5, certain Las Vegas Monorail bondholders filed an application in the rehabilitation court seeking relief similar to that sought by the RMBS Policyholders. Both the RMBS Policyholders and the Las Vegas Monorail bondholders’ applications will be heard before the rehabilitation court on May 25, 2010.

Accounting Considerations

The terms of the non-binding Proposed Settlement are at a statutory value that is less than the estimated impairment losses on subsidiary guarantees and commitments at March 31, 2010. Due to the non-binding nature of the Proposed Settlement, we consider it to a potential gain contingency. As further evidence of the uncertainty surrounding the Proposed Settlement, certain RMBS policyholders filed a motion with the State of Wisconsin Circuit Court seeking, among other things, to prevent AAC from executing the Proposed Settlement. Consequently, we would not record the Proposed Settlement amount as our CDS impairment liability estimate as of March 31, 2010, since it would result in a gain for the period. Nor will we consider the Proposed Settlement amount as a data point in calculating an estimated CDS impairment. That is, we will continue to apply our existing CDS impairment model to derive our liability estimate.

Ambac UK

Pursuant to the Amended and Restated 1997 Reinsurance Agreement between Ambac UK and Ambac Assurance (the “AUK Reinsurance Agreement”), Ambac Assurance reinsures on a quota share basis 90% of the liabilities under policies issued by Ambac UK, and reinsures on an excess of loss basis Ambac UK policy liabilities in excess of £500,000. Ambac UK has sent Ambac Assurance notices of termination with respect to the AUK Reinsurance Agreement in which Ambac UK demands payment of unearned premium reserves, loss reserves and loss adjustment expense reserves related to the reinsured policies, less ceding commissions and certain adjustments. Ambac Assurance has not agreed or accepted that the purported termination of the AUK Reinsurance Agreement was valid.

Pursuant to the Segregated Account Rehabilitation Proceedings, the liabilities of Ambac Assurance under the AUK Reinsurance Agreement have been allocated to the Segregated Account; as such, the rehabilitator of the Segregated Account will determine the actions, if any, to be taken in respect of the AUK Reinsurance Agreement.

During the three months of 2010, Ambac Investments, Inc. increased the un-secured portion of the cash loan by \$1,837,000 and increased the secured portion of the cash loan by \$6,713,000. These loans are included in aggregate write-ins for invested assets.

NOTES TO FINANCIAL STATEMENTS

The Company loaned cash and securities to Ambac Financial Services, LLC pursuant to a revolving credit facility approved by the Wisconsin Insurance Commissioner. During the three months of 2010, the cash loan decreased by \$146,064,000. This loan is included in aggregate write-ins for invested assets. The securities loan decreased by \$71,707,000 for the three months ended March 31, 2010.

For the purposes of the Segregated Account Rehabilitation Proceedings, Ambac Assurance allocated Ambac Assurance's limited liability interests in ACP, Ambac Conduit Funding LLC, Aleutian Investments LLC and Juneau Investments LLC to the Segregated Account.

Note 11 - Debt

- a. On March 24, 2010, the Company has issued a \$2,000,000 secured demand note ("Secured Note") to Ambac Assurance Corporation Segregated Account ("Segregated Account") due 2050. Interest on the Secured Note accrues at the rate of 4.5% per annum, and accrued interest will be added to principal quarterly. No interest has been paid during the current year. Amounts due under this Secured Note, including interest thereon, are reported in borrowed money on the statutory balance sheet. See Recent Developments section: Segregated Account in Note 10 for further information.
- b. The Company has no funding agreements with Federal Home Loan Banks (FHLB).

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

No significant change from 2009 Notes to Financial Statements.

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

No significant change from 2009 Notes to Financial Statements.

Note 14 - Contingencies

Ambac Assurance has been named in lawsuits filed by certain policyholders seeking to enjoin Ambac Assurance from entering into the Proposed Settlement Agreement discussed above in "Recent Developments" section contained in this Report and to request the rehabilitation court to remove from the Segregated Account certain policies and return these policies to the general account of Ambac Assurance.

Note 15 - Leases

In connection with the establishment of the Segregated Account, Ambac Assurance allocated its disputed contingent liability, if any, under the long-term lease with One State Street, LLC, and its contingent liability (as guarantor), if any, under the Ambac Assurance UK Limited ("Ambac UK") lease with British Land.

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

In connection with the establishment of the Segregated Account certain financial guarantee insurance policies were allocated to the Segregated Account. Financial guarantee insurance policies guarantee payment, when due, of principal and interest on the guaranteed obligation. Total gross principal on exposures allocated to the Segregated Account, at March 31, 2010 was \$68.5 million.

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

- c. The Company did not engage in any wash sale transactions during 2010.

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

No significant change from 2009 Notes to Financial Statements.

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

No significant change from 2009 Notes to Financial Statements.

Note 20 - Other Items

- d. The Company did not engage in any wash sale transactions during 2010.

Note 21 - Events Subsequent

There have been no material Type I or Type II events that have occurred subsequent to March 31, 2010 that require disclosure in accordance with SSAP No. 9, Subsequent Events. The date through which subsequent events have been evaluated was May 17, 2010.

Note 22 - Reinsurance

During the quarter ended March 31, 2010 Ambac Assurance ceded liabilities to Segregated Account of \$3,639,973,059 in return for consideration in the form of a secured note in the amount of \$2,000,000,000 resulting in a gain of \$1,639,973,059. Pursuant to the aggregate excess of loss agreement, the Segregated Account in turn retroceded \$1,639,973,059 of these liabilities back to Ambac Assurance, resulting in a net gain of \$-0- on the initial allocation of liabilities and retrocession.

NOTES TO FINANCIAL STATEMENTS**Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

No significant change from 2009 Notes to Financial Statements.

Note 24 - Change in Incurred Losses and Loss Adjustment Expenses

Loss incurred of \$572.2 million in 2010 is primarily due to \$303.4 million of incurred losses on residential mortgage backed credits that defaulted during 2010. Additionally, there was continued adverse development of \$179.2 million relating to residential mortgage backed credits that defaulted in 2008. Case basis loss reserves at March 31, 2010 and December 31, 2009 were as follows:

Amounts in \$ millions

	March 31, 2010	December 31, 2009	Change
Mortgage-Backed & Home Equity - Second Lien	\$ 511.50	\$ 235.70	\$ 5.80
Mortgage-Backed & Home Equity - Other	64.30	87.10	(22.80)
Mortgage-Backed & Home Equity - First Lien	616.80	543.70	73.10
Total Mortgage-Backed & Home Equity	1,192.60	866.50	\$326.10
Public Finance	3.90	4.20	(0.30)
Other	256.10	233.80	22.30
Total Case Basis Loss Reserves	\$ 1,452.60	\$ 1,104.50	\$ 348.10
Total Losses Paid for the three months ended March 31, 2010			\$ 224.10
Total Losses Incurred for the three months ended March 31, 2010			\$ 572.20

Ambac has updated its estimated subrogation recoveries from \$1,882.1 million at December 31, 2009 to \$1,943.6 million at March 31, 2010. In an effort to better understand the unprecedented levels of delinquencies, Ambac engaged consultants with significant mortgage lending experience to review the underwriting documentation for mortgage loans underlying certain insured RMBS transactions. These transactions which have exhibited exceptionally poor performance were chosen for further examination of the underwriting documentation supporting the underlying loans. Factors Ambac believes to be indicative of this poor performance include (i) increased levels of early payment defaults, (ii) the significant number of loan liquidations or charge-offs and resulting high level of losses, and (iii) the rapid elimination of credit protections inherent in the transactions' structures. With respect to item (ii), "loan liquidations" refers to loans for which the servicer has liquidated the related collateral and the securitization has realized losses on the loan; "charge-offs" refers to loans which have been written off as uncollectible by the servicer, thereby generating no recoveries to the securitization, and may also refer to the unrecovered balance of liquidated loans. In either case, the servicer has taken such actions as it has deemed viable to recover against the collateral, and the securitization has incurred losses to the extent such actions did not fully repay the borrower's obligations. Generally, the sponsor of the transaction provides representations and warranties with respect to the securitized loans including the loan characteristics, the absence of fraud or other misconduct in the origination process, including those attesting to the compliance of home loans with the prevailing underwriting policies. Per the transaction documents, the sponsor of the transaction is contractually obligated to repurchase, cure or substitute any loan that breaches the representations and warranties. Substitution is generally limited to two years from the closing of the transaction and the cure remedy is permitted only to the extent cure is possible.

Subsequent to the forensic exercise of examining loan files to ascertain whether the loans conformed to the representations and warranties, we submit nonconforming loans to the sponsor for repurchase. For all of the transactions reviewed by Ambac, the substitution remedy is no longer available. To effect a repurchase, depending on the transaction, the sponsor is contractually required to repurchase the loan at (a) for loans which have not been liquidated or charged off, either (i) the current unpaid principal balance of the loan, (ii) the current unpaid principal balance plus accrued unpaid interest, or (iii) the current unpaid principal balance plus accrued interest plus unreimbursed servicer advances/expenses and/or trustee expenses resulting from the breach of representations and warranties that trigger the repurchase, and (b) for a loan that has already been liquidated or charged-off, the amount of the realized loss. Notwithstanding the material breaches of representations and warranties, Ambac has continued to pay claims submitted under the financial guarantee insurance policies related to these securitizations. In cases where loans are repurchased by a sponsor, the effect is typically to offset current period losses and then to increase the over-collateralization of the securitization, depending on the extent of loan repurchases and the structure of the securitization. Specifically, the repurchase price is paid by the sponsor to the securitization trust which holds the loan. The cash becomes an asset of the trust, replacing the loan that was repurchased by the sponsor. On a monthly basis the cash received related to loan repurchases by the sponsor is aggregated with cash collections from the underlying mortgages and applied in accordance with the trust indenture payment waterfall. This payment waterfall typically includes principal and interest payments to the note holders, various expenses of the trust and reimbursements to Ambac, as financial guarantor, for claim payments made in previous months. Notwithstanding the reimbursement of previous monthly claim payments, to the extent there continues to be insufficient cash in the waterfall in the current month to make scheduled principal and interest payments to the note holders, Ambac is required to make additional claim payments to cover this shortfall.

Ambac's estimate of subrogation recoveries includes two components: (1) estimated dollar amounts of loans with material breaches of representations and warranties based on an extrapolation of the breach rate identified in a random sample of loans taken from the entire population of loans in a securitization ("random sample approach") and (2) dollar amount of actual loans with identified material breaches of representations and warranties discovered from samples of impaired loans in a securitization ("adverse sample approach"). We do not include estimates of damages in our estimate of subrogation recoveries under either approach. The amount the sponsors believe to be their liability for these breaches is not known.

The random sample approach to estimate subrogation recoveries was based on obtaining a statistically valid random sample for all the original loans in the pool. First, a "breach rate" was computed by dividing (i) the loans identified in sample as having breached representations and warranties by (ii) the total sample size. Second, an extrapolation to the entire loan pool was performed by multiplying the breach rate by the sum of (a) the current unpaid loan pool balance ("CULPB") plus (b) realized losses resulting from loan liquidations or charge-offs to date, to compute an estimated repurchase obligation. The CULPB includes principal only on non-charged-off and non-liquidated loans, and the realized losses include principal, interest and unreimbursed servicer advances and/or trustee expenses on charged-off and liquidated loans. As a result, the CULPB and realized loss components, which are used in extrapolating the estimated repurchase obligation, do not precisely correspond to each sponsor's contractual repurchase obligation as defined in the transaction documents. Nonetheless, the CULPB and realized loss components are provided through regular trustee reports we receive in the normal course of our surveillance of these transactions and is the best information we have available to estimate the sponsor's repurchase obligation under the random sample approach. Third, a realization factor was then applied to the estimated repurchase obligation to compute the undiscounted subrogation recovery, which incorporates Ambac's views about the uncertainties surrounding the settlement negotiation and litigation processes. The realization factor was developed from a range of realization factors using Ambac's own assumptions about the likelihood of outcomes based on all the information available to it including (i) discussions with external legal counsel and their views on ultimate settlement, (ii) recent experience with loan put back negotiations where the existence of a material breach was

NOTES TO FINANCIAL STATEMENTS

debated and negotiated at the loan level, and (iii) the pervasiveness of the breach rates. Finally, a discount factor was applied to the undiscounted subrogation recovery to compute the estimated subrogation recovery using the assumptions discussed below.

The adverse sample approach to estimate subrogation recoveries was based on a sample taken from those loans in the pool that were impaired, meaning loans greater than 90 days past due, charged-off, in foreclosure, REO or bankruptcy. The estimated subrogation recovery under this approach represents 100% of the original principal balance of those specific loans identified as having not met the underwriting criteria or otherwise breaching representations and warranties (i.e. the adverse loans), multiplied by a discount factor using the same assumptions used for the discount factor in the random sample approach.

During the latter half of 2009, Ambac expanded its use of the random sample approach for estimating the amount of subrogation recoveries to include all transactions where a statistically valid random sample of loan files was available. Given the scale of the losses in the RMBS portfolio, and the evidence of pervasive breaches, Ambac believes limiting remediation credit to the loan amounts where actual breaches have been discovered (i.e. the adverse sample approach) is inconsistent with its gross claim projection methodology and understates the amount Ambac is expected to recover from sponsors. The adverse sample approach continues to be used only on transactions insured for one sponsor (10 different transactions) who has limited Ambac's access to the underlying loan files and therefore a statistically valid random sample from the entire loan pool cannot be selected.

While the obligation by sponsors to repurchase loans with material breaches is clear, generally the sponsors have not yet honored those obligations. Ambac's approach to resolving these disputes has included negotiating with individual sponsors at the transaction level and in some cases at the individual loan level and has resulted in the repurchase of some loans. Ambac has utilized the results of the above described loan file examinations to make demands for loan repurchases from sponsors or their successors and, in certain instances, as a part of the basis for litigation filings. Ambac has initiated and will continue to initiate lawsuits seeking compliance with the repurchase obligations in the securitization documents. Ambac estimates that it will take approximately three years from the initiation of litigation with the sponsor to ultimate resolution. Based on this estimate as a basis for projecting the future subrogation cash flows, Ambac assumes, on average, approximately three and a half years to collect recoveries, discounted at a rate of 5.10%. Estimated recoveries will continue to be revised and supplemented as the scrutiny of the mortgage loan pools progresses.

We have performed the above-mentioned, detailed examinations on a variety of second-lien transactions and three first-lien transactions that have experienced exceptionally poor performance. However, the loan file examinations and related estimated recoveries we have reviewed and recorded to date have been limited to only those transactions whose sponsors (or their successors) are subsidiaries of large financial institutions, all of which carry an investment grade rating from at least one nationally recognized rating agency. A total of six sponsors represent the twenty transactions which have been reviewed as of March 31, 2010. Each of these financial institutions has significant financial resources and an ongoing interest in mortgage finance. Additionally, in the case of successor institutions, we are not aware of any provisions that explicitly preclude or limit the successors' obligations to honor the obligations of the original sponsor. As a result, we did not make any significant adjustments to our estimated subrogation recoveries with respect to the credit risk of these sponsors (or their successors). We believe that focusing our loan remediation efforts on large financial institutions first will provide the greatest economic benefit to Ambac. Ambac retains the right to review all RMBS transactions for representations and warranties breaches. Since a significant number of other second-lien and first-lien transactions are also experiencing poor performance, management is considering expanding the scope of this effort.

Note 25 - Intercompany Pooling Arrangements

No significant change from 2009 Notes to Financial Statements.

Note 26 - Structured Settlements

No significant change from 2009 Notes to Financial Statements.

Note 27 - Health Care Receivables

No significant change from 2009 Notes to Financial Statements.

Note 28 - Participating Policies

No significant change from 2009 Notes to Financial Statements.

Note 29 - Premium Deficiency Reserves

No significant change from 2009 Notes to Financial Statements.

Note 30 - High Deductibles

No significant change from 2009 Notes to Financial Statements.

Note 31 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

No significant change from 2009 Notes to Financial Statements.

Note 32 - Asbestos/Environmental Reserves

No significant change from 2009 Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 33 - Subscriber Savings Accounts

No significant change from 2009 Notes to Financial Statements.

Note 34 - Multiple Peril Crop Insurance

No significant change from 2009 Notes to Financial Statements.

Note 35 - Financial Guaranty Insurance

- a. Ambac's loss reserves are based on management's on-going review of the non-derivative financial guarantee credit portfolio. Active surveillance of the insured portfolio enables Ambac's surveillance group to track credit migration of insured obligations from period to period and update internal classifications and credit ratings for each transaction. Non-adversely classified credits are assigned a Class I or Survey List ("SL") rating while adversely classified credits are assigned a rating of Class IA through Class V. The criteria for an exposure to be assigned an adversely classified credit rating includes the deterioration of an issuer's financial condition, underperformance of the underlying collateral (for collateral dependent transactions such as mortgage-backed securitizations), poor performance by the servicer of the underlying collateral and other adverse economic events or trends. The servicer of the underlying collateral of an insured securitization transaction is a consideration in assessing credit quality because the servicer's performance can directly impact the performance of the related issue. For example, a servicer of a mortgage-backed securitization that does not remain current in its collection loss mitigation efforts could cause an increase in the delinquency and potential default of the underlying obligation. Similarly, loss severities increase when a servicer does not effectively handle loss mitigation activities such as (i) the advancing of delinquent principal and interest and of default related expenses which are deemed to be recoverable by the servicer, (ii) pursuit of loan charge-offs which maximize cash flows from the mortgage loan pool, and (iii) foreclosure and real estate owned disposition strategies and timelines.

One of two approaches is utilized to estimate expected losses to ultimately determine if a loss reserve should be established. The first approach is a statistical expected loss approach, which considers the likelihood of all possible outcomes. The statistical expected loss is the product of: (i) the net par outstanding on the credit; (ii) internally developed historical default information (taking into consideration internal ratings and average life of an obligation); (iii) internally developed loss severities; and (iv) a discount factor. The loss severities and default information are based on rating agency information, are specific to each bond type and are established and approved by Ambac's Enterprise Risk Management Committee ("ERMC"), which is comprised of Ambac's senior risk management professionals and other senior management. For certain credit exposures, Ambac's additional monitoring and loss remediation efforts may provide information relevant to adjust this estimate of statistical expected losses. As such, ERMC-approved loss severities used in estimating the statistical expected losses may be adjusted based on the professional judgment of the surveillance analyst monitoring the credit with the approval of senior management. Analysts may accept the "base case" statistical expected loss as the best estimate of expected loss or determine an adjusted statistical expected loss that better reflects a given transaction's potential severity.

The second approach entails the use of more precise estimates of expected net cash outflows (future claim payments, net of potential recoveries, expected to be paid to the holder of the insured financial obligation). This approach can include the utilization of market accepted software tools to develop net claim payment estimates. We have utilized such tools for residential mortgage-backed exposures as well as certain other types of exposures. These tools, in conjunction with detailed data of the historical performance of the collateral pools, assist Ambac in the determination of certain assumptions, such as default and voluntary prepayment rates, which are needed in order to estimate expected future net claim payments. For certain policies, estimated potential recoveries exceed estimated future claim payments because all or a portion of such recoveries relate to claims previously paid.

Additional remediation activities applied to adversely classified credits can include various actions by Ambac. The most common actions include obtaining detailed appraisal information on collateral, more frequent meetings with the issuer's or servicer's management to review operations, financial condition and financial forecasts and more frequent analysis of the issuer's financial statements. Senior management meets at least quarterly with the surveillance group to review the status of their work to determine the adequacy of Ambac's loss reserves and make any necessary adjustments.

Case basis loss reserves are established for losses on guaranteed obligations that have already defaulted. All credits are assigned risk classifications by the Surveillance Group using the following guidelines:

CLASS I – "Fully Performing – Meets Ambac Criteria with Remote Probability of Claim"

Credits that demonstrate adequate security and structural protection with a strong capacity to pay interest, repay principal and perform as underwritten. Factors supporting debt service payment and performance are considered unlikely to change and any such change would not have a negative impact upon the fundamental credit quality.

SURVEY LIST (SL) – "Investigation of Specific Condition or Weakness Underway"

Credits that require additional analysis to determine if adverse classification is warranted. These credits may lack information or demonstrate a weakness but further deterioration is not expected.

CLASS IA – "Potential Problem with Risks to be Dimensioned"

Credits that are fully current and monetary default or claims-payment are not anticipated. The payor's or issuer's financial condition may be deteriorating or the credits may lack adequate collateral. A structured financing may also evidence weakness in its fundamental credit quality as evidenced by its under-performance relative to its modeled projections at underwriting, issues related to the servicer's ability to perform, or questions about the structural integrity of the transaction. While these credits may still retain an investment grade rating, they usually have experienced or are vulnerable to a ratings downgrade. Further investigation is required to dimension and correct any deficiencies. A complete legal review of documents may be required. An action plan should be developed with triggers for future classification changes upward or downward.

CLASS II – "Substandard Requiring Intervention"

Credits whose fundamental credit quality has deteriorated to the point that timely payment of debt service may be jeopardized by adversely developing trends of a financial, economic, structural, managerial or political nature. No claim payment is currently foreseen but the probability of loss or claim payment over the life of the transaction is now existent (10% or greater probability). Class II credits may be borderline or below investment grade (BBB- to B). Prompt and sustained action must be taken to execute a comprehensive loss mitigation plan and correct deficiencies.

NOTES TO FINANCIAL STATEMENTS**CLASS III – “Doubtful with Clear Potential for Loss”**

Credits whose fundamental credit quality has deteriorated to the point that timely payment of debt service has been or will be jeopardized by adverse trends of a financial, economic, structural, managerial or political nature which, in the absence of positive change or corrective action, are likely to result in a loss. The probability of monetary default or claims paying over the life of the transaction is 50% or greater. Full exercise of all available remedial actions is required to avert or minimize losses. Class III credits will generally be rated below investment grade (B to CCC).

CLASS IV – “Imminent Default or Defaulted”

Monetary default or claims payment has occurred or is expected imminently. Class IV credits are generally rated D.

CLASS V – “Fully Reserved”

The credit has defaulted and payments have occurred. The claim payments are scheduled and known, and reserves have been established to fully cover such claims.

Below is the losses and loss adjustment expense roll-forward, net of subrogation recoverable and reinsurance for the period ended March 31, 2010:

(\$ in Thousands)	Three Months Ended March 31, 2010
Losses and Loss Adjustment Expenses at December 31, 2009, net of subrogation recoverable and net of reinsurance	\$ 1,136.9
Change in loss reserves due to:	
Credits added	380.5
Change in existing credit	259.8
Change in subrogation recoveries	(61.7)
Claim payments, net of subrogation received and reinsurance	(231.1)
Net change in loss reserve	(346.5)
Loss and Loss Adjustment Expenses at December 31, 2009	\$ 1,483.4

	IV	V	Total
Number of Policies	105	1	106
Remaining weighted-average contract period (in years)	8	8	8
Gross insured contractual payments outstanding:			
Principal	\$ 13,888,494	\$ 747	\$ 13,889,241
Interest	3,095,412	118	3,095,531
Total	\$ 16,983,907	\$ 865	\$ 16,984,772
Gross claim liability	\$ 5,721,256	\$ 865	\$ 5,722,121
Less:			
Gross potential recoveries	(3,214,340)	-	(3,214,340)
Discount	(1,024,124)	(50)	(1,027,174)
Claim liability reported in the balance sheet (excl. reinsurance)	\$ 1,479,792	\$ 815	\$ 1,480,607
Gross unearned premium revenue	\$ 1,971	\$ -	\$ 1,971
Reinsurance recoverable reported in the balance sheet	\$ (28,131)	\$ -	\$ (28,131)

* Excludes \$31,358 gross of reinsurance and \$30,973 net of reinsurance, of loss adjustment expense reserves

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

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

2.2 If yes, date of change:

3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes No
 If yes, complete the Schedule Y-Part 1 - Organizational chart.

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

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

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes No N/A
 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. 12/31/2006.....

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. 12/31/2006.....

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). 8/31/2007.....

6.4 By what department or departments?
Wisconsin

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes No N/A

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A

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

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

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

8.4 If the 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 Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator].

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Rangemark Capital Markets, Inc.	New York, NY	NO	NO	NO	NO	YES
RangeMark Investment Management, Inc	New York, NY	NO	NO	NO	NO	YES

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 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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

FINANCIAL

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

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.....8,219,756

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

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

The Company loaned securities with a carrying value of \$127,616,515 to Ambac Financial Services, LLC pursuant to a revolving credit facility approved by the Wisconsin Insurance Commissioner. There is no collateral for the loan.

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 No

14.2 If yes, please complete the following:

	1	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21 Bonds.....	\$0	\$0
14.22 Preferred Stock.....	\$0	\$0
14.23 Common Stock.....	\$341,474,654	\$527,903,152
14.24 Short-Term Investments.....	\$0	\$0
14.25 Mortgage Loans on Real Estate.....	\$0	\$0
14.26 All Other.....	\$242,965	\$0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$341,717,619	\$527,903,152
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above.....	\$0	\$0

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

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.

16. 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 3, III. Conducting Examinations, F-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes No

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

1	2
Name of Custodian(s)	Custodian Address
Citibank, N.A.	333 West 34th Street, 3rd Floor, Securities Vault, NY, NY 10001
Bank of New York Mellon	One Wall Street, 14th Floor, NY, NY 10286

16.2 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	2	3
Name(s)	Location(s)	Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes No

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

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

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

1	2	3
Central Registration Depository	Name(s)	Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes No

17.2 If no, list exceptions:

GENERAL INTERROGATORIES (continued)

PART 2

PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [] N/A [X]
 If yes, attach an explanation.

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

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

3.2 If yes, give full and complete information thereto:

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation liabilities 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:

1 Line of Business	2 Maximum Interest	3 Disc. Rate	Total Discount				Discount Taken During Period			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 Total	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 Total
		5.100 %	1,004,141,912			1,004,141,912	..115,704,582			..115,704,582
Total.....	XXX..	XXX.....	1,004,141,912	.....0	.....0	1,004,141,912	..115,704,582	.....0	.....0	..115,704,582

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. _____ 0

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

6.4 If yes, please provide the amount of funds administered as of the reporting date. _____ 0

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (YES or NO)
------------------------------	------------------------------	------------------------	---------------	---

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama.....AL.....L.....		59,809	60,029				
2. Alaska.....AK.....L.....							
3. Arizona.....AZ.....L.....		9,932	444,732				
4. Arkansas.....AR.....L.....		27,290	738,423				
5. California.....CA.....L.....		3,257,630	4,278,382	45,547,756	64,397,090	294,474,349	267,859,595
6. Colorado.....CO.....L.....		716,708	1,618,190				
7. Connecticut.....CT.....L.....		1,106,483	1,838,953				
8. Delaware.....DE.....L.....		2,271,355	3,111,072	24,410,713	15,516,975	(2,483,215)	40,993,987
9. District of Columbia.....DC.....L.....							
10. Florida.....FL.....L.....		166,879	193,934			(6,792,239)	
11. Georgia.....GA.....L.....		401,303	99,764				
12. Hawaii.....HI.....L.....		512,003	512,025				
13. Idaho.....ID.....L.....		102	224				
14. Illinois.....IL.....L.....		4,107,026	4,396,369	24,985,659	47,870,884	(8,834,501)	(81,707,215)
15. Indiana.....IN.....L.....		57,736	234,227				
16. Iowa.....IA.....L.....		20,081	112,211				
17. Kansas.....KS.....L.....		128,506	123,524				
18. Kentucky.....KY.....L.....		81,638	91,742				
19. Louisiana.....LA.....L.....		210,571	211,605				
20. Maine.....ME.....L.....		15,660					
21. Maryland.....MD.....L.....		541,496	575,698	3,744,206	1,015,969	201,196,382	16,882,429
22. Massachusetts.....MA.....L.....		3,000,360	3,143,620	3,453,239	4,762,684	68,218,937	101,979,026
23. Michigan.....MI.....L.....		34,435	22,469				3,925
24. Minnesota.....MN.....L.....		3,488,118	3,957,665	11,146,438	12,510,096	292,262,834	74,805,132
25. Mississippi.....MS.....L.....							
26. Missouri.....MO.....L.....		1,552,138	1,619,094				
27. Montana.....MT.....L.....		242,790	364,185				
28. Nebraska.....NE.....L.....							
29. Nevada.....NV.....L.....		32,830	32,601			453,363	
30. New Hampshire.....NH.....L.....		(3,831)	105,578				
31. New Jersey.....NJ.....L.....		87,809	151,588				
32. New Mexico.....NM.....L.....		188,456	189,692				
33. New York.....NY.....L.....		35,170,792	50,486,905	109,846,956	157,693,330	235,134,548	555,644,953
34. North Carolina.....NC.....L.....		439,786	895,132				
35. North Dakota.....ND.....L.....							
36. Ohio.....OH.....L.....		283,458	451,576				
37. Oklahoma.....OK.....L.....							
38. Oregon.....OR.....L.....		5,591	5,745				
39. Pennsylvania.....PA.....L.....		235,643	263,572	(839,622)		(24,080,665)	
40. Rhode Island.....RI.....L.....							
41. South Carolina.....SC.....L.....		176,866	197,468				
42. South Dakota.....SD.....L.....							
43. Tennessee.....TN.....L.....		12,316	13,976				
44. Texas.....TX.....L.....		1,178,060	1,181,229				
45. Utah.....UT.....L.....			5				
46. Vermont.....VT.....L.....		124,495					
47. Virginia.....VA.....L.....		137,166	137,332				
48. Washington.....WA.....L.....		193,260	194,638				
49. West Virginia.....WV.....L.....							
50. Wisconsin.....WI.....L.....			2				
51. Wyoming.....WY.....L.....							
52. American Samoa.....AS.....N.....							
53. Guam.....GU.....L.....							
54. Puerto Rico.....PR.....L.....							
55. US Virgin Islands.....VI.....L.....							
56. Northern Mariana Islands.....MP.....N.....							
57. Canada.....CN.....N.....							
58. Aggregate Other Alien.....OT.....XXX.....		4,254,444	7,193,373	0	0	0	0
59. Totals.....(a).....54.....		64,527,190	89,248,549	222,295,345	303,767,028	1,049,549,793	976,461,832

DETAILS OF WRITE-INS

5801. Cayman Islands.....XXX.....		3,231,871	6,184,317				
5802. Australia.....XXX.....		999,660	743,979				
5803. Bermuda.....XXX.....			246,562				
5898. Summary of remaining write-ins for Line 58 from overflow page.....XXX.....		22,913	18,515	0	0	0	0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....XXX.....		4,254,444	7,193,373	0	0	0	0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

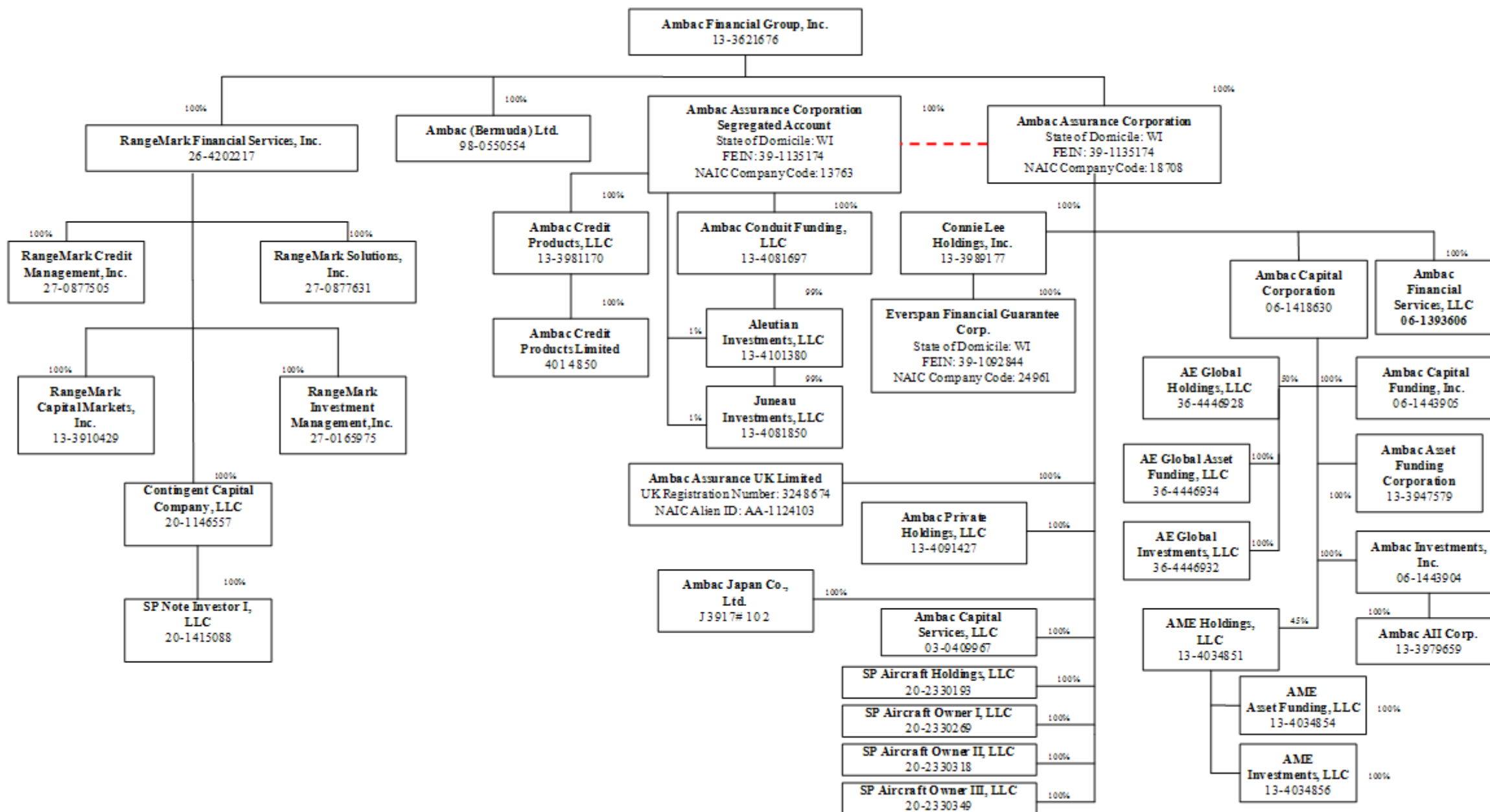
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

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

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

Q11



PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire.....			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.....	114,210,699	586,659,721	513.7	116.4
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.....	1,180,190		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	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0.0	
35. Totals.....	115,390,889	586,659,721	508.4	115.7
DETAILS OF WRITE-INS				
3401.....			0.0	
3402.....			0.0	
3403.....			0.0	
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0.0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0.0	

PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire.....			
2. Allied lines.....			
3. Farmowners multiple peril.....			
4. Homeowners multiple peril.....			
5. Commercial multiple peril.....			
6. Mortgage guaranty.....			
8. Ocean marine.....			
9. Inland marine.....			
10. Financial guaranty.....	64,507,410	64,507,411	89,228,769
11.1. Medical professional liability - occurrence.....			
11.2. Medical professional liability - claims made.....			
12. Earthquake.....			
13. Group accident and health.....			
14. Credit accident and health.....			
15. Other accident and health.....			
16. Workers' compensation.....			
17.1 Other liability-occurrence.....			
17.2 Other liability-claims made.....			
17.3 Excess workers' compensation.....			
18.1 Products liability-occurrence.....			
18.2 Products liability-claims made.....			
19.1 19.2 Private passenger auto liability.....			
19.3 19.4 Commercial auto liability.....			
21. Auto physical damage.....			
22. Aircraft (all perils).....			
23. Fidelity.....			
24. Surety.....	19,780	19,780	19,780
26. Burglary and theft.....			
27. Boiler and machinery.....			
28. Credit.....			
29. International.....			
30. Warranty.....			
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0
35. Totals.....	64,527,190	64,527,191	89,248,549
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 thru 3403 plus 3498) (Line 34).....	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2010 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2007 + Prior.....	(73,670)		(73,670)	11,952		11,952	(45,357)			(45,357)	40,265	0	40,265
2. 2008.....	132,404		132,404	106,319		106,319	263,983			263,983	237,898	0	237,898
3. Subtotals 2008 + Prior.....	58,734	0	58,734	118,271	0	118,271	218,626	0	0	218,626	278,163	0	278,163
4. 2009.....	1,078,249		1,078,249	97,473		97,473	973,969			973,969	(6,807)	0	(6,807)
5. Subtotals 2009 + Prior.....	1,136,983	0	1,136,983	215,744	0	215,744	1,192,595	0	0	1,192,595	271,356	0	271,356
6. 2010.....	XXX	XXX	XXX	XXX	16,450	16,450	XXX	291,018		291,018	XXX	XXX	XXX
7. Totals.....	1,136,983	0	1,136,983	215,744	16,450	232,194	1,192,595	291,018	0	1,483,613	271,356	0	271,356
8. Prior Year-End's Surplus As Regards Policyholders	801,869										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. ....23.9 %	2. ....0.0 %	3. ....23.9 %
													Col. 13, Line 7 Line 8
													4. ....33.8 %

Q13

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

Explanation:

- 1.
- 2.
- 3.

Bar Code:



Overflow Page for Write-Ins

Additional Write-ins for Liabilities:

	1 Current Statement Date	2 December 31, Prior Year
2404. Unapplied premium liability.....	142,297	202,768
2405. Retroactive reinsurance reserves assumed from Ambac Assurance Corporation Segregated Account.....	(4,046,785,435)	
2406. Retroactive reinsurance reserves ceded to Ambac Assurance Corporation Segregated Account.....	2,044,812,832	
2407. Liabilities from Ambac Assurance Corporation Segregated Account.....	2,001,972,603	
2497. Summary of remaining write-ins for Line 24.....	142,297	202,768

Additional Write-ins for Statement of Income:

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
1404. Change in net retroactive reinsurance reserves assumed from Ambac Assurance Corp Segregated Account.....	(2,044,812,832)		
1497. Summary of remaining write-ins for Line 14.....	(2,044,812,832)	0	0

Additional Write-ins for Statement of Income:

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
3704. Cumulative effect of prior period error in correction of the liability for estimated losses in subsidiary guarantees.....			(35,100,000)
3797. Summary of remaining write-ins for Line 37.....	0	0	(35,100,000)

Additional Write-ins for Schedule T:

	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
States, Etc.							
5804. New Zealand.....	XXX	22,913	18,515				
5897. Summary of remaining write-ins for Line 58 from overflow.....	XXX	22,913	18,515	0	0	0	0

SCHEDULE A - VERIFICATION

Real Estate

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

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and mortgage interest points and commitment fees.....		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....		
10. Deduct current year's other than temporary impairment recognized.....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Total valuation allowance.....		
13. Subtotal (Line 11 plus Line 12).....	0	0
14. Deduct total nonadmitted amounts.....		
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 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	11,052,550	87,346,288
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		8,707,902
2.2 Additional investment made after acquisition.....		157,286,867
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....	4,757,056	(85,684,869)
6. Total gain (loss) on disposals.....	(5,097,869)	97,849
7. Deduct amounts received on disposals.....		156,701,487
8. Deduct amortization of premium and depreciation.....		
9. Total foreign exchange change in book/adjusted carrying value.....	(433,171)	
10. Deduct current year's other than temporary impairment recognized.....		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	10,278,566	11,052,550
12. Deduct total nonadmitted amounts.....	2,121,232	2,121,232
13. Statement value at end of current period (Line 11 minus Line 12).....	8,157,334	8,931,318

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	6,536,957,415	8,031,425,062
2. Cost of bonds and stocks acquired.....	706,017,236	1,795,515,626
3. Accrual of discount.....	68,854,878	218,817,390
4. Unrealized valuation increase (decrease).....	20,849,735	82,417,561
5. Total gain (loss) on disposals.....	55,974,152	88,262,547
6. Deduct consideration for bonds and stocks disposed of.....	1,312,340,246	2,385,258,294
7. Deduct amortization of premium.....	15,492,454	33,803,153
8. Total foreign exchange change in book/adjusted carrying value.....	(3,034,144)	22,779,236
9. Deduct current year's other than temporary impairment recognized.....	131,218,529	1,283,198,560
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	5,926,568,043	6,536,957,415
11. Deduct total nonadmitted amounts.....	156,458	156,458
12. Statement value at end of current period (Line 10 minus Line 11).....	5,926,411,585	6,536,800,957

SCHEDULE D - PART 1B

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

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	6,042,239,611	4,511,452,401	3,601,783,784	(59,161,747)	6,892,746,481			6,042,239,611
2. Class 2 (a).....	690,559,813	14,738,474	40,241,191	(7,638,544)	657,418,552			690,559,813
3. Class 3 (a).....	48,505,263		42,958,290	12,329,161	17,876,134			48,505,263
4. Class 4 (a).....								
5. Class 5 (a).....	4,275,004		1,644,494	(1,992,169)	638,341			4,275,004
6. Class 6 (a).....	29,003,597	25,547,973	182,001	(1,796,288)	52,573,281			29,003,597
7. Total Bonds.....	6,814,583,288	4,551,738,848	3,686,809,760	(58,259,587)	7,621,252,789	0	0	6,814,583,288
PREFERRED STOCK								
8. Class 1.....								
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock.....	6,814,583,288	4,551,738,848	3,686,809,760	(58,259,587)	7,621,252,789	0	0	6,814,583,288

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(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation:
 NAIC 1 \$.....2,222,587,898; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0.

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999. Totals.....	1,022,687,898	XXX	1,022,821,221	119,515	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	619,100,527	1,163,645,364
2. Cost of short-term investments acquired.....	2,832,260,554	10,404,435,600
3. Accrual of discount.....		254,138
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....	(272,716)	1,501,908
6. Deduct consideration received on disposals.....	2,428,606,705	10,951,581,190
7. Deduct amortization of premium.....	82	111,663
8. Total foreign exchange change in book/adjusted carrying value.....	206,320	956,370
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	1,022,687,898	619,100,527
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	1,022,687,898	619,100,527

**Sch. DB-Pt A-Verification
NONE**

**Sch. DB-Pt B-Verification
NONE**

**Sch. DB-Pt C-Sn 1
NONE**

**Sch. DB-Pt C-Sn 2
NONE**

**Sch. DB-Verification
NONE**

SCHEDULE E- VERIFICATION

Cash Equivalents

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	8,000,000
2. Cost of cash equivalents acquired.....	1,199,889,556	40,001,003
3. Accrual of discount.....	29,457	726,643
4. Unrealized valuation increase (decrease).....	(19,013)	
5. Total gain (loss) on disposals.....		466,684
6. Deduct consideration received on disposals.....		49,194,330
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/ adjusted carrying value.....		
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	1,199,900,000	0
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	1,199,900,000	0

**Sch. A-Pt 2
NONE**

**Sch. A-Pt 3
NONE**

**Sch. B-Pt 2
NONE**

**Sch. B-Pt 3
NONE**

SCHEDULE BA - PART 2

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

1 CUSIP Identification	2 Name or Description	Location		5 Name of Vendor or General Partner	6 NAIC Design- ation	7 Date Originally Acquired	8 Type and Strategy	9 Actual Cost at Time of Acquisition	10 Additional Investment Made After Acquisition	11 Amount of Encumbrances	12 Commitment for Additional Investment	13 Percentage of Ownership	
		3 City	4 State										
	Ambac Conduit Funding, LLC.....	New York.....	NY.....	Ambac Financial Group, Inc.....		03/19/2010....						100.0	
2099999. Total - Joint Venture or Partnership Interests That Have Underlying Characteristics of Other - Affiliated.....									0	0	0	0	XXX
4099999. Subtotal - Affiliated.....									0	0	0	0	XXX
4199999. Totals.....									0	0	0	0	XXX

SCHEDULE BA - PART 3

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

QE03

1 CUSIP Identification	2 Name or Description	Location		5 Name of Purchaser or Nature of Disposal	6 Date Originally Acquired	7 Disposal Date	8 Book/Adjusted Carrying Value Less Encumbrances, Prior Year	Changes in Book/Adjusted Carrying Value						15 Book/Adjusted Carrying Value Less Encumbrances on Disposal	16 Consideration	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Investment Income
		3 City	4 State					9 Unrealized Valuation Increase (Decrease)	10 Current Year's (Depreciation) or (Amortization)/ Accretion	11 Current Year's Other Than Temporary Impairment Recognized	12 Capitalized Deferred Interest and Other	13 Total Change in B./A.C.V. (9+10-11+12)	14 Total Foreign Exchange Change in B./A.C.V.						
	Ambac Credit Products, LLC.....	New York.....	NY...	Ambac Assurance Corporation Segregated Account	12/22/1997	03/24/2010	5,000,000					5,000,000				(5,000,000)	(5,000,000)		
	Juneau Investments, LLC.....	New York.....	NY...	Ambac Assurance Corporation Segregated Account	06/14/1999	03/24/2010	161,095	(161,085)				(161,085)				(10)	(10)		
	Aleutian Investments, LLC.....	New York.....	NY...	Ambac Assurance Corporation Segregated Account	03/16/2000	03/24/2010	81,869	(81,859)				(81,859)				(10)	(10)		
	Ambac Conduit Funding, LLC.....	New York.....	NY...	Ambac Assurance Corporation Segregated Account	03/19/2010	03/24/2010						0					0		
2099999. Total - Joint Venture or Partnership Interests That Have Underlying Characteristics of Other - Affiliated.....								242,964	4,757,056	0	0	0	4,757,056	0	0	0	(5,000,020)	(5,000,020)	0
Non-Collateral Loans - Unaffiliated																			
	Exchequer Partnership Finance.....	London.....	UK... Direct.....		09/30/2009	03/31/2010						0	(433,171)			(97,849)	(97,849)		
2599999. Total - Non-Collateral Loans - Unaffiliated.....								0	0	0	0	0	(433,171)	0	0	(97,849)	(97,849)	0	
3999999. Subtotal - Unaffiliated.....								0	0	0	0	0	(433,171)	0	0	(97,849)	(97,849)	0	
4099999. Subtotal - Affiliated.....								242,964	4,757,056	0	0	0	4,757,056	0	0	0	(5,000,020)	(5,000,020)	0
4199999. Totals.....								242,964	4,757,056	0	0	0	4,757,056	(433,171)	0	(97,849)	(5,000,020)	(5,097,869)	0

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - U.S. Government									
912828 MP 2	US Treasury Note NOTES 3.625% 02/15/20.....		...02/25/2010	RBC Dan Rauscher Inc. (Tucker Anthony).....		1,222,512	1,225,000	1,840	1.....
0399999.	Total - Bonds - U.S. Government.....					1,222,512	1,225,000	1,840	XXX.....
Bonds - U.S. States, Territories and Possessions									
13067J MK 4	California St Economic 0.280% 07/01/23.....		...03/25/2010	Goldman Sachs.....		25,000,000	25,000,000	2,849	1FE.....
939745 DU 6	Washington St. Adj-Ser 0.250% 06/01/20.....		...02/16/2010	Goldman Sachs.....		25,000,000	25,000,000	1,479	1FE.....
1799999.	Total - Bonds - U.S. States, Territories & Possessions.....					50,000,000	50,000,000	4,328	XXX.....
Bonds - U.S. Political Subdivisions of States, Territories and Possessions									
64966C LY 5	New York N Y Adj-Subser 0.280% 08/01/31.....		...02/04/2010	Citigroup Global Markets.....		25,000,000	25,000,000	329	1FE.....
2499999.	Total - Bonds - U.S. Political Subdivision of States, Territories & Possessions.....					25,000,000	25,000,000	329	XXX.....
Bonds - U.S. Special Revenue and Special Assessment									
13033K P5 2	California Hsg Fin Agy 0.190% 08/01/34.....		...02/04/2010	Goldman Sachs.....		24,625,000	24,625,000	472	1FE.....
45129Y XX 9	Idaho Hsg & Fin Assn Si 0.120% 07/01/39.....		...02/05/2010	Barclay's Bank.....		25,000,000	25,000,000	3,863	1FE.....
451443 UH 6	Idaho St Bldg Auth Bldg 0.310% 09/01/25.....		...02/16/2010	Barclay's Bank.....		24,310,000	24,310,000	921	1FE.....
455057 TL 3	Indiana St Fin Auth Rev 0.250% 02/01/35.....		...02/17/2010	Barclay's Bank.....		23,000,000	23,000,000	1,853	1FE.....
45505T GA 3	Indiana St Hsg & Cmnty 0.180% 01/01/37.....		...03/15/2010	Goldman Sachs.....		25,000,000	25,000,000	4,507	1FE.....
485424 JB 2	Kansas St Dept Transn H 0.280% 09/01/19.....		...02/16/2010	Goldman Sachs.....		25,000,000	25,000,000	1,877	1FE.....
544495 DG 6	Los Angeles Calif Wtr & 0.270% 07/01/34.....		...02/04/2010	Goldman Sachs.....		25,000,000	25,000,000	267	1FE.....
64970H AC 8	New York NYCity Hsg Dev 0.280% 11/15/19.....		...03/08/2010	Goldman Sachs.....		25,000,000	25,000,000	2,678	1FE.....
64972F SE 7	New York N Y City Mun F 0.290% 06/15/24.....		...03/26/2010	Goldman Sachs.....		25,000,000	25,000,000	1,726	1FE.....
649876 K5 7	New York St Loc Govt As 0.270% 04/01/21.....		...02/16/2010	Goldman Sachs.....		25,000,000	25,000,000	809	1FE.....
769125 DP 7	Riverside Cnty Calif Tr 0.250% 06/01/29.....		...02/18/2010	Barclay's Bank.....		22,200,000	22,200,000	1,776	1FE.....
79765T BY 0	San Francisco Calif Cit 0.290% 06/15/34.....		...02/23/2010	Goldman Sachs.....		25,000,000	25,000,000	1,342	1FE.....
828905 EA 3	Simi VY Calif Multifami 0.290% 07/15/36.....		...02/05/2010	Citigroup Global Markets.....		17,500,000	17,500,000	1,812	1FE.....
83755G 6R 3	South Dakota Hsg Dev Au 0.300% 05/01/39.....		...02/22/2010	Citigroup Global Markets.....		25,000,000	25,000,000	19,205	1FE.....
842475 D3 6	Southern Calif Pub Pwr 0.270% 07/01/17.....		...02/23/2010	Citigroup Global Markets.....		25,000,000	25,000,000	2,295	1FE.....
871720 CB 2	Syracuse Ny Indl Dev Ag 0.280% 12/01/35.....		...02/18/2010	Goldman Sachs.....		20,200,000	20,200,000	1,372	1FE.....
3199999.	Total - Bonds - U.S. Special Revenue & Special Assessments.....					381,835,000	381,835,000	46,775	XXX.....
Bonds - Industrial and Miscellaneous									
05531Y AC 6	BCAP LLC Trust Series 5.350% 08/26/35.....		...10/05/2009	Barclay's Bank.....				(462)	1FE.....
126117 AM 2	CNA Financial PRPL 6.500% 08/15/16.....		...01/14/2010	Goldman, Sachs & Co. (FI & Eq.) EPN - MBGS.....		2,023,460	2,000,000	55,972	2FE.....
12666T AF 3	Countrywide Asset-Backe 6.150% 09/25/46.....		...01/01/2010	ICP Securities LLC.....		1,138	2,409	3	1FE.....
14170T AB 7	Carefusion Corp Medical 6.375% 08/01/19.....		...02/08/2010	Tax Free Exchange.....		3,040,062	3,000,000	3,719	2FE.....
14170T AF 8	Carefusion Corp Medical 5.125% 08/01/14.....		...02/08/2010	Tax Free Exchange.....		2,538,625	2,500,000	2,491	2FE.....
23243N AF 5	Countrywide Asset-Backe 5.804% 07/25/34.....		...01/05/2010	ICP Securities LLC.....		576,473	1,670,936	1,886	1FE.....
45667H AB 7	Indymac Loan Trust Seri 0.416% 04/25/12.....		...01/08/2010	Barclay's Bank.....		25,547,973	48,686,442	8,572	6FE.....
50075N BB 9	KRAFT Foods Inc Food-Mi 4.125% 02/09/16.....		...02/04/2010	RBS.....		4,260,380	4,275,000		2FE.....
501044 CG 4	Kroger Co/The Food - Re 6.400% 08/15/17.....		...02/23/2010	Barclays.....		1,106,020	1,000,000	1,956	2FE.....
91913Y AQ 3	Valero Energy Corp Oil 4.500% 02/01/15.....		...02/03/2010	JP Morgan.....		997,360	1,000,000		2FE.....
92344S AP 5	Cellco Part/Veri Wirele 5.550% 02/01/14.....		...01/01/2010	Tax Free Exchange.....		4,341,542	4,000,000	62,283	1FE.....

QE04

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
53947M AA 4	Lloyds TSB Bank Plc Mon 4.375% 01/12/15.....	F.....	...01/05/2010	Citigroup Capital Markets Limited.....		.....6,694,732	.....6,695,000		1FE.....
53947M AB 2	Lloyds TSB Bank Plc Mon 5.800% 01/13/20.....	F.....	...01/05/2010	Bank of America, N.A.....		.....3,027,928	.....3,035,000		1FE.....
65535H AA 7	Nomura Holdings Inc. Pr 5.000% 03/04/15.....	F.....	...02/26/2010	Nomura Securities EPN - MBNS.....		.....772,567	.....775,000		2FE.....
90261X BY 7	UBS AG Stamford Commer 5.875% 07/15/16.....	F.....	...01/08/2010	Goldman, Sachs & Co. (FI & Eq.) EPN - MBGS.....		.....4,113,640	.....4,000,000	.....116,195	1FE.....
90261X FY 3	UBS AG Stamford 3.875% 01/15/15.....	F.....	...01/12/2010	UBS.....		.....2,489,326	.....2,500,000		1FE.....
3899999.	Total - Bonds - Industrial & Miscellaneous.....					.....61,531,226	.....85,139,787	.....252,615	.....XXX.....
8399997.	Total - Bonds - Part 3.....					.....519,588,738	.....543,199,787	.....305,887	.....XXX.....
8399999.	Total - Bonds.....					.....519,588,738	.....543,199,787	.....305,887	.....XXX.....
Common Stocks - Parent, Subsidiaries and Affiliates									
G0231# 10 0	Ambac Assurance UK Limited.....	D.....	...03/31/2010	Direct.....		.....186,428,498	.....XXX.....		
9199999.	Total - Common Stocks - Parent, Subsidiaries and Affiliates.....					.....186,428,498	.....XXX.....	.....0	.....XXX.....
9799997.	Total - Common Stocks - Part 3.....					.....186,428,498	.....XXX.....	.....0	.....XXX.....
9799999.	Total - Common Stocks.....					.....186,428,498	.....XXX.....	.....0	.....XXX.....
9899999.	Total - Preferred and Common Stocks.....					.....186,428,498	.....XXX.....	.....0	.....XXX.....
9999999.	Total - Bonds, Preferred and Common Stocks.....					.....706,017,236	.....XXX.....	.....305,887	.....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	Forfeiture	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	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Government																					
36213C	YP 9		03/01/2010	Paydown		27,761	27,761	28,781	28,756		(995)		(995)		27,761			0	229	11/15/2035	1
36241K	VV 7		03/01/2010	Paydown		114,359	114,359	118,486	118,400		(4,041)		(4,041)		114,359			0	775	10/15/2038	1
36241K	YZ 5		03/01/2010	Paydown		58,537	58,537	60,649	60,605		(2,069)		(2,069)		58,537			0	423	01/15/2039	1
36297A	3U 5		03/01/2010	Paydown		62,205	62,205	64,460	64,410		(2,205)		(2,205)		62,205			0	327	02/15/2039	1
0399999	Total - Bonds - U.S. Government					262,862	262,862	272,376	272,171	0	(9,310)	0	(9,310)	0	262,862	0	0	0	1,754	XXX	XXX
Bonds - All Other Government																					
ED9767	80 4		03/10/2010	Goldman Sachs		8,902,551	8,839,350	7,818,915	9,306,732		2,876		2,876	(1,430,379)	8,832,714	953,484	69,838	1,023,322	147,121	07/12/2010	1Z
ED7799	64 3		03/10/2010	Dain Rauscher Pierce		6,696,956	6,670,740	5,552,358	6,558,218		(668)		(668)	(1,016,550)	6,671,539	1,130,540	25,417	1,155,957	197,419	08/15/2010	1FE
EG8497	27 3		03/10/2010	Goldman Sachs		6,584,655	6,112,751	6,365,043	6,434,476		110		110	(64,434)	6,104,626	(265,526)	480,029	214,503	109,611	10/12/2012	1FE
EC2595	99 8		03/10/2010	Dain Rauscher Pierce		10,378,957	9,960,420	8,741,265	9,949,934		(7,729)		(7,729)	(1,310,750)	10,114,027	1,482,572	264,930	1,747,502	214,647	05/15/2013	1FE
EC5752	49 7		03/10/2010	Dain Rauscher Pierce		5,184,797	4,980,210	4,706,777	5,049,375		(4,539)		(4,539)	(351,562)	5,132,281	439,007	52,516	491,523	129,137	04/15/2015	1FE
ED6903	47 7		03/10/2010	Dain Rauscher Pierce		4,544,430	4,498,500	5,665,761	4,846,751		494		494	834,733	4,496,939	(1,185,039)	47,491	(1,137,548)	55,768	06/07/2010	1Z
EF2962	77 9		03/10/2010	Dain Rauscher Pierce		8,813,858	8,472,175	9,832,857	9,507,697		(9,754)		(9,754)	304,798	8,811,948	(990,793)	1,910	(988,883)	175,743	09/07/2016	1FE
1099999	Total - Bonds - All Other Government					51,106,204	49,534,146	48,682,976	51,653,183	0	(19,210)	0	(19,210)	(3,034,144)	50,164,074	1,564,245	942,131	2,506,376	1,029,446	XXX	XXX
Bonds - U.S. States, Territories and Possessions																					
452151	BC 6		03/18/2010	Merrill Lynch		8,889,575	8,815,000	8,633,209	8,664,003		430		430		8,664,433		225,142	225,142	320,768	07/01/2027	1FE
452220	HQ 2		01/15/2010	Goldman Sachs		1,512,150	1,500,000	1,495,545	1,497,914		(62)		(62)		1,497,852		14,298	14,298	53,125	07/01/2017	2FE
882721	MA 8		03/15/2010	Citigroup Global Markets		10,919,428	10,245,000	10,601,424	10,492,186		(6,856)		(6,856)		10,485,330		434,098	434,098	237,627	04/01/2027	1FE
882721	NV 1		03/15/2010	Citigroup Global Markets		26,884,500	25,000,000	25,873,500	25,825,612		(19,550)		(19,550)		25,806,061		1,078,439	1,078,439	579,861	04/01/2027	1FE
1799999	Total - Bonds - U.S. States, Territories & Possessions					48,205,653	45,560,000	46,603,678	46,479,715	0	(26,038)	0	(26,038)	0	46,453,676	0	1,751,977	1,751,977	1,191,381	XXX	XXX
Bonds - U.S. Political Subdivisions of States, Territories and Possessions																					
09088R	ET 9		01/14/2010	Call 100.0000		7,900,000	7,900,000	7,484,850	7,572,312		215		215		7,572,527		327,473	327,473	201,176	01/01/2029	1FE
248775	XK 9		03/15/2010	Redemption 100.0000		180,000	180,000	178,390	178,563		2		2		178,566		1,434	1,434	6,150	07/15/2026	1FE
249174	HK 2		03/18/2010	Seattle Northwest Securities		27,233,724	22,990,000	25,873,406	25,782,368		(42,640)		(42,640)		25,739,728		1,493,996	1,493,996	375,503	12/01/2021	1FE
249174	HL 0		03/17/2010	Seattle Northwest Securities		12,485,476	10,285,000	11,803,889	11,760,741		(19,980)		(19,980)		11,740,762		744,714	744,714	174,416	12/01/2022	1FE
495044	PJ 2		01/07/2010	Seattle Northwest Securities		8,493,235	7,680,000	7,868,467	7,734,147		(744)		(744)		7,733,403		759,832	759,832	47,013	12/01/2019	1FE
647639	AW 3		01/15/2010	Redemption 100.0000		5,000	5,000	5,000	5,000		0		0		5,000		0	0	156	01/15/2011	1
2499999	Total - Bonds - U.S. Political Subdivisions of States, Territories & Possessions					56,297,435	49,040,000	53,214,002	53,033,131	0	(63,147)	0	(63,147)	0	52,969,986	0	3,327,449	3,327,449	804,414	XXX	XXX
Bonds - U.S. Special Revenue and Special Assessment																					
013493	CG 4		03/23/2010	Goldman Sachs		5,248,000	5,000,000	4,950,050	4,952,802		(140)		(140)		4,952,662		295,338	295,338	184,028	07/01/2033	1FE
091086	AL 2		03/12/2010	Seattle Northwest Securities		19,396,675	20,310,000	19,043,270	19,091,845		4,319		4,319		19,096,164		300,511	300,511	623,255	01/01/2029	1FE
130039	AA 8		01/04/2010	Redemption 100.0000		405,000	405,000	405,000	405,000		0		0		405,000		0	0	473	01/01/2017	1FE
13077C	BG 8		03/12/2010	Citigroup Global Markets		27,766,385	27,295,000	26,372,429	26,388,956		7,437		7,437		26,396,393		1,369,992	1,369,992	515,572	11/01/2026	1FE
13077C	BJ 2		03/11/2010	Citigroup Global Markets		48,447,508	48,105,000	44,994,531	45,033,598		17,151		17,151		45,050,749		3,396,759	3,396,759	901,969	11/01/2030	1FE
13077C	RE 6		03/18/2010	Barclay's Bank		11,514,344	11,375,000	10,865,855	10,871,072		2,628		2,628		10,873,700		640,644	640,644	224,340	11/01/2033	1FE
162393	DQ 2		01/21/2010	Goldman Sachs		6,315,663	5,730,000	6,062,798	6,014,916		(1,935)		(1,935)		6,012,982		302,682	302,682	115,396	09/01/2022	1FE

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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	For e i g n	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	Maturity Date	NAIC Designation or Market Indicator (a)
162393 DR 0	Chattanooga Tenn Elec R 5.000% 09/01/23	01/21/2010	Goldman Sachs	6,796,163	6,195,000	6,514,166	6,468,314	(1,836)	(1,836)	6,468,314			6,468,314								
16557H BT 1	Chester Cnty PA Health 5.375% 05/15/27	01/13/2010	Goldman Sachs	22,077,717	22,055,000	21,734,761	21,747,578	217	217	21,747,578			21,747,578								
31283H 5A 9	Freddie Mac Pool # G017 6.500% 10/01/34	03/01/2010	Paydown	31,042	31,042	32,677	32,639	(1,597)	(1,597)	31,042			31,042								
31283H N2 7	Freddie Mac Pool # G013 7.000% 08/01/31	03/01/2010	Paydown	287	287	304	304	(17)	(17)	287			287								
3128H7 H3 9	Freddie MacFGCI # E992 6.000% 09/01/18	03/01/2010	Paydown	30,868	30,868	32,424	32,295	(1,427)	(1,427)	30,868			30,868								
3128KF BD 1	Freddie Mac Pool # A527 6.000% 09/01/36	03/01/2010	Paydown	119,698	119,698	124,691	124,583	(4,886)	(4,886)	119,698			119,698								
3128NC 5Z 3	FreddieMacFHARM#1G08 4.796%08/01/35	03/01/2010	Paydown	14,929	14,929	14,894	14,894	35	35	14,929			14,929								
31292H VU 5	Freddie Mac C01527 5.500% 04/01/33	03/01/2010	Paydown	45,068	45,068	46,279	46,217	(1,149)	(1,149)	45,068			45,068								
31295W D7 0	FGLMC A01026 9.500% 05/01/20	03/01/2010	Paydown	361	361	375	368	(7)	(7)	361			361								
31295W GF 9	FGLMC A01098 9.500% 09/01/20	03/01/2010	Paydown	503	503	523	513	(10)	(10)	503			503								
31295W PP 7	FGLMC A01330 9.500% 09/01/16	03/01/2010	Paydown	1,022	1,022	1,063	1,036	(14)	(14)	1,022			1,022								
312962 5K 5	Freddie Mac FG #B10850 4.500% 11/01/18	03/01/2010	Paydown	72,588	72,588	74,765	74,582	(1,995)	(1,995)	72,588			72,588								
31296P EM 0	Freddie Mac FG #A14640 5.000% 10/01/33	03/01/2010	Paydown	48,517	48,517	50,033	49,992	(1,475)	(1,475)	48,517			48,517								
312971 H9 8	Freddie Mac FG #B18356 5.000% 05/01/20	03/01/2010	Paydown	26,684	26,684	27,664	27,594	(910)	(910)	26,684			26,684								
31297M H2 7	Freddie Mac Pool #A3204 5.500% 04/01/35	03/01/2010	Paydown	2,939,432	2,939,432	3,042,312	3,040,962	(101,530)	(101,530)	2,939,432			2,939,432								
31297T 6K 4	FGLMC FGA38074 5.000% 10/01/35	03/01/2010	Paydown	48,680	48,680	50,133	50,097	(1,417)	(1,417)	48,680			48,680								
3133TD JS 6	FHLMC 2050 PE 6.500% 04/15/13	03/01/2010	Paydown	289,433	289,433	291,468	289,433	0	0	289,433			289,433								
3133TG U4 9	FHLMC Series 2091 Class6.000% 11/15/28	03/01/2010	Paydown	15,763	15,763	16,295	16,276	(514)	(514)	15,763			15,763								
3133TS BS 1	Freddie Mac FHR 2293 6.500% 03/15/31	03/01/2010	Paydown	72,063	72,063	77,333	77,147	(5,084)	(5,084)	72,063			72,063								
31362T GE 7	FNMA #070367 8.000% 07/01/19	03/01/2010	Paydown	1,066	1,066	1,005	1,017	49	49	1,066			1,066								
31365D JV 8	FNCL #124576 9.000% 09/01/22	03/01/2010	Paydown	214	214	218	216	(2)	(2)	214			214								
31371J 6T 6	FNMA 15YR 5.500% 08/01/16	03/01/2010	Paydown	42,917	42,917	42,038	42,274	642	642	42,917			42,917								
31371K EJ 6	FNCL #254037 5.500% 10/01/16	03/01/2010	Paydown	24,738	24,738	24,376	24,493	245	245	24,738			24,738								
31371L A6 6	Fannie Mae FN 254829 5.500% 08/01/33	03/01/2010	Paydown	190,586	190,586	189,083	189,178	1,408	1,408	190,586			190,586								
31384W BA 7	FNCL # 535633 5.500% 12/01/14	03/01/2010	Paydown	38,207	38,207	37,649	37,863	343	343	38,207			38,207								
31385J CH 9	FNCL #545572 6.000% 04/01/17	03/01/2010	Paydown	63,516	63,516	63,719	63,558	(43)	(43)	63,516			63,516								
31387K V5 9	FNMA 15 YR 586636 6.000% 06/01/16	03/01/2010	Paydown	1,556	1,556	1,541	1,545	11	11	1,556			1,556								
31387K V8 3	FNMA #586639 6.000% 06/01/16	03/01/2010	Paydown	4,511	4,511	4,466	4,479	32	32	4,511			4,511								
31387N YL 5	FNMA 589415 5.500% 07/01/16	03/01/2010	Paydown	3,580	3,580	3,513	3,544	36	36	3,580			3,580								
31389H HL 5	Fannie Mae # 625835 6.000% 01/01/17	03/01/2010	Paydown	8,166	8,166	8,178	8,170	(4)	(4)	8,166			8,166								
31392J AD 1	Fannie Mae Series 2003- 7.500% 07/25/42	03/01/2010	Paydown	393	393	418	417	(25)	(25)	393			393								
31392J YH 6	Fannie Mae Series 2003- 7.500% 08/25/42	03/01/2010	Paydown	479	479	510	509	(31)	(31)	479			479								
31401H PU 0	Fannie Mae FN #708835 5.000% 06/01/18	03/01/2010	Paydown	14,586	14,586	15,160	15,109	(523)	(523)	14,586			14,586								
31401H SE 3	Fannie Mae 708917 6.000% 06/01/33	03/01/2010	Paydown	3,774	3,774	3,969	3,906	(132)	(132)	3,774			3,774								
31401J ND 6	Fannie Mae FN 709688 5.500% 06/01/33	03/01/2010	Paydown	257,015	257,015	257,103	256,311	704	704	257,015			257,015								
31401W GV 5	Fannie Mae 720312 4.500% 06/01/18	03/01/2010	Paydown	628,002	628,002	628,689	627,829	173	173	628,002			628,002								

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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	For e i g n	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	Maturity Date	NAIC Designation or Market Indicator (a)
31401W KH 1	Fannie Mae FN 720396 5.000% 07/01/18...		03/01/2010	Paydown.....		634,135	634,135	643,845	640,837		(6,702)		(6,702)		634,135			0	4,465	07/01/2018	1
31402C 4H 2	FNCL 725424 5.500% 04/01/34.....		03/01/2010	Paydown.....		703,417	703,417	707,264	705,275		(1,858)		(1,858)		703,417			0	6,099	04/01/2034	1
31402C XE 7	FNCL 725277 4.500% 03/01/19.....		03/01/2010	Paydown.....		570,341	570,341	575,688	573,058		(2,718)		(2,718)		570,341			0	4,218	03/01/2019	1
31402J SW 8	FNCL 730533 5.000% 08/01/33.....		03/01/2010	Paydown.....		450,290	450,290	452,423	451,427		(1,137)		(1,137)		450,290			0	3,062	08/01/2033	1
31403N UF 2	Fannie Mae 753982 5.500% 12/01/33.....		03/01/2010	Paydown.....		170,247	170,247	176,258	176,131		(5,884)		(5,884)		170,247			0	2,095	12/01/2033	1
31403U MG 3	Fannie Mae FN #758259 6.000% 12/01/33.....		03/01/2010	Paydown.....		2,221	2,221	2,321	2,318		(97)		(97)		2,221			0	.22	12/01/2033	1
31404F JZ 7	Fannie Mae 767180 4.500% 02/01/19.....		03/01/2010	Paydown.....		1,636,061	1,636,061	1,651,399	1,645,027		(8,966)		(8,966)		1,636,061			0	12,572	02/01/2019	1
31404K SG 8	Fannie Mae FN #771019 5.000% 04/01/34.....		03/01/2010	Paydown.....		4,960	4,960	5,115	5,111		(151)		(151)		4,960			0	.44	04/01/2034	1
31405A KB 8	Fannie Mae FN #783390 6.500% 09/01/34.....		03/01/2010	Paydown.....		1,317	1,317	1,385	1,384		(67)		(67)		1,317			0	.11	09/01/2034	1
31407M MT 9	FNCL FN #834770 6.500% 07/01/35.....		03/01/2010	Paydown.....		28,761	28,761	30,231	30,197		(1,436)		(1,436)		28,761			0	302	07/01/2035	1
31409W W8 0	Fannie Mae FN #880971 5.500% 10/01/21.....		03/01/2010	Paydown.....		8,451	8,451	8,791	8,770		(319)		(319)		8,451			0	.65	10/01/2021	1
34073M LG 5	Florida Housing Fin Cor 0.000% 07/01/30.....		01/01/2010	Redemption 32.5546.....		19,533	60,000	18,548	19,074				0		19,074		459	459		07/01/2030	1FE
349250 MA 5	Fort Wayne IN Hosp Auth 4.750% 11/15/28.....		02/03/2010	Seattle Northwest Securities.....		1,451,289	1,515,000	1,260,359	1,263,822		593		593		1,264,415		186,873	186,873	15,554	11/15/2028	1FE
373541 H2 0	Georgia Mun Elec Auth P 6.500% 01/01/17.....		03/11/2010	Barclay's Bank.....		8,489,775	7,210,000	7,146,491	7,166,109		113		113		7,166,223		1,323,552	1,323,552	331,960	01/01/2017	1FE
373541 TN 1	Georgia Mun Elec Auth P 6.600% 01/01/18.....		01/01/2010	Redemption 100.0000.....		5,000	5,000	4,994	4,997				0		4,997		3	3	165	01/01/2018	1FE
373541 TP 6	Georgia Mun Elec Auth P 6.600% 01/01/18.....		03/12/2010	Barclay's Bank.....		7,335,825	6,230,000	6,222,938	6,226,177		(737)		(737)		6,225,440		1,110,385	1,110,385	292,395	01/01/2018	1FE
373541 TP 6	Georgia Mun Elec Auth P 6.600% 01/01/18.....		01/01/2010	Redemption 100.0000.....		35,000	35,000	34,960	34,979				0		34,979		21	21	1,155	01/01/2018	1FE
392274 VR 4	Greater Orlando FL Avia 5.000% 10/01/20.....		03/30/2010	Barclay's Bank.....		14,564,533	14,270,000	13,667,378	13,687,031		11,584		11,584		13,698,615		865,917	865,917	7,928	10/01/2020	1FE
413893 AV 0	Harris Cnty-Houston 0.000% 11/15/19.....		03/25/2010	Seattle Northwest Securities.....		131,099	225,000	109,366	109,366		1,994		1,994		111,359		19,739	19,739		11/15/2019	2FE
41981T AY 9	Hawaii St Hbr Sys Rev S 5.750% 07/01/29.....		03/09/2010	Goldman Sachs.....		4,209,637	4,135,000	3,864,406	3,908,006		760		760		3,908,766		300,871	300,871	165,773	07/01/2029	1FE
451296 BK 2	Idaho Housing Agency -S 6.950% 07/01/10.....		01/01/2010	Redemption 100.0000.....		10,000	10,000	10,000	10,000				0		10,000			0	348	07/01/2010	1FE
534272 ZE 2	Lincoln Neb Elec Sys Re 4.250% 09/01/20.....		02/17/2010	Seattle Northwest Securities.....		30,502,346	28,930,000	28,994,514	28,977,950		347		347		28,978,297		1,524,049	1,524,049	584,024	09/01/2020	1FE
575579 LP 0	Massachusetts Bay Trans 5.250% 07/01/34.....		03/23/2010	Barclay's Bank.....		19,068,900	17,000,000	17,726,580	17,719,073		(4,969)		(4,969)		17,714,104		1,354,796	1,354,796	656,979	07/01/2034	1FE
576018 AV 7	Massachusetts St Tpk 5.125% 01/01/37.....		01/12/2010	Barclay's Bank.....		13,086,900	13,100,000	10,895,925	10,910,982		811		811		10,911,794		2,175,106	2,175,106	361,797	01/01/2037	1FE
586111 EL 6	Memphis-Shelby Cnty TN 6.250% 02/15/10.....		02/15/2010	Maturity.....		1,000,000	1,000,000	1,047,880	1,000,501		(501)		(501)		1,000,000			0	31,250	02/15/2010	1FE
59189V AD 2	Metropolitan Football 0.000% 01/01/10.....		01/01/2010	Maturity.....		3,500,000	3,500,000	2,068,185	3,500,000				0		3,500,000			0		01/01/2010	2FE
59259R BD 5	Metropolitan Transn Aut 5.000% 11/15/25.....		03/18/2010	Merrill Lynch.....		5,155,700	5,000,000	4,812,800	4,850,281		1,360		1,360		4,851,642		304,058	304,058	88,889	11/15/2025	1FE
602248 AQ 9	Milwaukee Cnty Wis Arpt 6.000% 12/01/16.....		03/29/2010	Goldman Sachs.....		1,549,680	1,500,000	1,532,550	1,503,611		(1,043)		(1,043)		1,502,567		47,113	47,113	30,000	12/01/2016	1FE
602248 AR 7	Milwaukee Cnty Wis Arpt 6.000% 12/01/17.....		03/29/2010	Goldman Sachs.....		1,033,120	1,000,000	1,016,210	1,001,790		(531)		(531)		1,001,259		31,861	31,861	20,000	12/01/2017	1FE
602248 AS 5	Milwaukee Cnty Wis Arpt 6.000% 12/01/18.....		03/29/2010	Goldman Sachs.....		2,143,724	2,075,000	2,100,523	2,077,796		(857)		(857)		2,076,940		66,784	66,784	41,500	12/01/2018	1FE
64468T JW 8	New Hampshire St Hsg Fi 6.000% 07/01/16.....		01/29/2010	Redemption 100.0000.....		95,000	95,000	95,000	95,000				0		95,000			0	2,943	07/01/2016	1FE
64468T JY 4	New Hampshire St Hsg Fi 6.100% 07/01/28.....		01/29/2010	Redemption 100.0000.....		5,000	5,000	5,031	5,000				0		5,000			0	176	07/01/2028	1FE
646135 2Y 8	New Jersey St Transn Tr 5.250% 12/15/12.....		03/10/2010	Goldman Sachs.....		13,590,393	12,300,000	13,706,423	12,882,726		(39,094)		(39,094)		12,843,632		746,761	746,761	161,438	12/15/2012	1FE
649716 7L 5	New York NY City Trans 5.000% 11/01/27.....		03/18/2010	Barclay's Bank.....		18,103,400	17,500,000	17,160,255	17,218,032		2,507		2,507		17,220,539		882,861	882,861	345,139	11/01/2027	1FE
649716 JR 9	New York NY City Trans 4.750% 11/01/23.....		03/01/2010	Redemption 101.0000.....		499,950	495,000	468,834	476,515		154		154		476,669		23,281	23,281	7,838	11/01/2023	1FE

QE05.2

SCHEDULE D - PART 4

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

1 CUSIP Identification	2 Description	3 F o r e i g n Disposal Date	4 Name of Purchaser	5 Number of Shares of Stock	6 Consideration	7 Par Value	8 Actual Cost	9 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value At Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Desig- nation or Market Indicator (a)	
									11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.								
64983W 8Q 2	New York State Dorm Aut 5.250% 11/15/29	03/10/2010	Barclay's Bank.....		27,046,500	25,000,000	27,906,250	25,814,037		(67,995)		(67,995)		25,746,042		1,300,458	1,300,458	437,500	11/15/2029	1FE.....	
64985W N3 4	New York St Environment 5.000% 06/15/28	03/11/2010	Merrill Lynch.....		23,720,803	22,810,000	23,175,559	22,953,601		(9,182)		(9,182)		22,944,419		776,384	776,384	288,293	06/15/2028	1FE.....	
650034 RT 0	New York St Urban Dev C 5.500% 01/01/13	01/01/2010	Redemption 100.0000.....		695,000	695,000	720,201	702,642				0		702,642		(7,642)	(7,642)	19,113	01/01/2013	1FE.....	
662858 CA 5	North Texas Twy Auth Da 4.750% 01/01/29	02/24/2010	Seattle Northwest Securities.....		6,086,275	6,250,000	5,956,688	5,956,687		924		924		5,957,611		128,664	128,664	190,338	01/01/2029	1FE.....	
681793 US 2	Omaha Pub Pwr Dist NE E 7.625%02/01/12	02/01/2010	Redemption 100.0000.....		620,000	620,000	606,732	617,732		145		145		617,877		2,123	2,123	23,638	02/01/2012	1.....	
796253 NS 7	San Antonio Tex Elec & 5.750% 02/01/11..	02/01/2010	Redemption 100.0000.....		1,215,000	1,215,000	1,230,540	1,217,052		(92)		(92)		1,216,961		(1,961)	(1,961)	34,931	02/01/2011	1.....	
812631 FK 0	Seattle Wash Drain & 5.000% 02/01/29.....	03/17/2010	Seattle Northwest Securities.....		16,214,506	15,400,000	15,681,050	15,665,382		(7,455)		(7,455)		15,657,928		556,578	556,578	494,083	02/01/2029	1FE.....	
812633 DQ 5	Seattle Wash Drain & Wa 5.000% 11/01/27	01/19/2010	Call 100.0000.....		2,000,000	2,000,000	1,940,440	1,953,715		64		64		1,953,779		46,221	46,221	21,667	11/01/2027	1FE.....	
88283L BE 5	Texas St Transn CommF 5.000% 04/01/26..	03/15/2010	Citigroup Global Markets.....		21,428,200	20,000,000	20,863,700	20,592,250		(16,726)		(16,726)		20,575,523		852,677	852,677	463,889	04/01/2026	1FE.....	
896029 8W 8	Triborough Brdg & Tuml 5.000% 11/15/27...	03/17/2010	Merrill Lynch.....		5,181,400	5,000,000	5,135,500	5,044,971		(3,358)		(3,358)		5,041,612		139,788	139,788	88,194	11/15/2027	1FE.....	
89602N BF 0	Triborough Brdg & Tuml 5.000% 11/15/26...	03/10/2010	Merrill Lynch.....		26,565,235	25,590,000	25,612,828	25,579,861		(1,348)		(1,348)		25,578,513		986,722	986,722	426,500	11/15/2026	1FE.....	
91412F D8 7	University Calif Revs 5.000% 09/01/29.....	03/11/2010	Citigroup Global Markets.....		46,143,624	45,425,000	44,462,444	44,476,227		7,969		7,969		44,484,196		1,659,427	1,659,427	1,230,260	09/01/2029	1FE.....	
921444 AA 3	VanceCnty NC Hsg Dev C 6.150% 03/01/22	03/01/2010	Redemption 100.0000.....		30,000	30,000	25,656	25,758		39		39		25,797		4,203	4,203	923	03/01/2022	1Z*.....	
929836 AP 9	Waco Tex Health Facs De 5.270% 02/01/16	02/01/2010	Redemption 100.0000.....		810,000	810,000	810,000	810,000				0		810,000				21,344	02/01/2016	2FE.....	
95662M PQ 7	West Virginia St Hsg De 5.300% 05/01/24..	02/01/2010	Redemption 100.0000.....		1,325,000	1,325,000	1,325,000	1,325,000				0		1,325,000				17,556	05/01/2024	1FE.....	
97710N ZN 9	Wisconsin St Health & E 4.750% 06/01/28..	03/30/2010	Various.....		9,760,800	9,960,000	9,084,018	9,265,006		3,800		3,800		9,268,806		491,994	491,994	126,678	06/01/2028	1FE.....	
3199999.	Total - Bonds - U.S. Special Revenue & Assessment.....				491,646,047	475,045,445	468,869,204	467,021,705		0	(241,332)	0	(241,332)	0	466,780,385	0	24,865,658	24,865,658	10,022,332XXX..XXX..
Bonds - Industrial and Miscellaneous																					
000759 CF 5	ABFS MtgLoan Trus 7.010% 12/15/32.....	03/01/2010	Paydown.....		65,948	65,948	33,633	41,785		24,163		24,163		65,948				736	12/15/2032	1Z*.....	
007036 SE 7	Adjustable Rate Mortgag 0.516% 11/25/35..	03/25/2010	Paydown.....		284,064	284,064	138,727	138,411		145,654		145,654		284,064				222	11/25/2035	1Z*.....	
007036 TM 8	Adjustable Rate Mortgag 0.506% 01/25/36..	03/25/2010	Paydown.....		465,340	465,340	216,729	218,110		247,230		247,230		465,340				376	01/25/2036	1FE.....	
007036 UQ 7	Adjustable Rate Mortgag 0.516% 02/25/36..	03/25/2010	Paydown.....		348,507	348,507	157,961	159,167		189,339		189,339		348,507				299	02/25/2036	1Z*.....	
009325 AD 3	Aircraft Certificate Ow 6.455% 09/20/22.....	02/18/2010	Jefferies Group Inc.....		5,589,451	6,245,196	6,250,241	5,183,513	1,066,384	338		1,066,722		6,250,235		(660,784)	(660,784)	171,329	09/20/2022	3FE.....	
02660T FV 0	American Home Mortgage 0.506% 09/25/35	02/25/2010	Paydown.....		550,107	550,107	550,107	550,107				0		550,107				335	09/25/2035	1Z*.....	
026935 AR 7	American Home Mortgage 0.596% 09/25/27	03/25/2010	Paydown.....		1,508,331	1,508,331	1,508,331	1,508,331				0		1,508,331				1,457	09/25/2027	1Z*.....	
05522R CG 1	Bank Of America Credit 4.070% 07/16/12..	02/15/2010	Paydown.....		10,000,000	10,000,000	10,118,750	10,041,498		(41,498)		(41,498)		10,000,000				67,833	07/16/2012	1FE.....	
05531Y AC 6	BCAP LLC Trust Series 5.350% 08/26/35...	03/01/2010	Paydown.....		242,511	242,511	230,385	(215,675)		22,909		22,909		242,511				(76,146)	08/26/2035	1Z*.....	
05564C AA 8	Florida CapCo DIR 8.960% 03/01/10.....	03/01/2010	Maturity.....		37,566	37,566	37,566	37,566				0		37,566				3,366	03/01/2010	1FE.....	
07386H XN 6	Bear Sterns Alt- A Trus 0.506% 11/25/35...	03/25/2010	Paydown.....		708,402	708,402	357,804	357,804		350,598		350,598		708,402				560	11/25/2035	1Z*.....	
07401W AA 7	Bear Sterns Second Lien 0.436% 01/25/37..	03/25/2010	Paydown.....		2,606,083	2,606,083	573,286	1,258,888		2,032,797	685,602	1,347,195		2,606,083				1,808	01/25/2037	1Z*.....	
07401W AP 4	Bear Sterns Second Lien 0.466% 08/25/37..	03/25/2010	Paydown.....		1,712,362	1,712,362	834,625	1,712,362		877,737	877,737	0		1,712,362				1,378	08/25/2037	1Z*.....	
07401W BA 6	Bear Sterns Second Lien 0.466% 08/25/37..	03/25/2010	Paydown.....		46,832	46,832	9,059	26,526		37,772	17,467	20,305		46,832				34	08/25/2037	1Z*.....	
09247X AE 1	Blackrock Inc Invest Mg 5.000% 12/10/19...	02/25/2010	RBC Dan Rauscher Inc.....		1,325,000	1,325,000	1,321,396	1,321,370		(12)		(12)		1,321,358		3,642	3,642	15,090	12/10/2019	1FE.....	
125093 BL 7	Constant Recovery 1.353% 07/07/14.....	03/18/2010	Morgan Stanley.....		20,625,000	25,000,000	25,072,085	16,562,500	8,495,542	(2,796)		8,492,746		25,055,246		(4,430,246)	(4,430,246)	158,869	07/07/2014	3FE.....	
12666T AC 0	Countrywide Asset-Backe 6.050% 09/25/46	02/01/2010	Paydown.....		6,542	6,542	(4,856)	(37,065)		53,674	10,067	43,607		6,542				(80,401)	00/00/0000	1Z*.....	
12666T AD 8	Countrywide Asset-Backe 6.300% 09/25/46	02/01/2010	Paydown.....		3,842	3,842	1,323	(29,969)		33,811		33,811		3,842				(49,169)	00/00/0000	1Z*.....	

QE05.3

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	For re i g n	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	Maturity Date	NAIC Designation or Market Indicator (a)
12666T AF 3	Countrywide Asset-Backe 6.150% 09/25/46		03/01/2010	Paydown.....		36,604	36,604	16,325	(8,691)		42,325		42,325		36,604			0	(42,952)	09/25/2046	1Z*
126673 TP 7	Countrywide Home Equity 0.470% 02/15/30		03/15/2010	Paydown.....		29,574	29,574	10,224	12,236		19,350	2,012	17,338		29,574			0	26	02/15/2030	1Z*
126684 AB 5	Countrywide Asset-Backe 5.519% 03/25/34		03/01/2010	Paydown.....		1,022,859	1,022,859	711,042	768,466		311,817	57,424	254,393		1,022,859			0	12,035	03/25/2034	1Z*
126684 AC 3	Countrywide Asset-Backe 5.658% 03/25/34		03/01/2010	Paydown.....		1,139,014	1,139,014	395,911	479,711		747,908	88,606	659,302		1,139,014			0	13,740	03/25/2034	5FE
126684 AD 1	Countrywide Asset-Backe 5.799% 03/25/34		03/01/2010	Paydown.....		173,366	173,366	31,856	57,936		141,510	26,080	115,430		173,366			0	2,143	03/25/2034	5FE
126684 AE 9	Countrywide Asset-Backe 5.962% 11/25/36		03/01/2010	Paydown.....		1,733,659	1,733,659	365,748	654,374		1,367,911	288,627	1,079,284		1,733,659			0	22,036	11/25/2036	1Z*
126684 AF 6	Countrywide Asset-Backe 5.657% 03/25/34		03/01/2010	Paydown.....		1,466,945	1,466,945	582,199	794,121		884,746	211,922	672,824		1,466,945			0	17,149	03/25/2034	1Z*
126685 AK 2	Countrywide Home Equity 0.470% 12/15/35		03/15/2010	Paydown.....		49,012	49,012	17,401	19,567		31,610	2,165	29,445		49,012			0	39	12/15/2035	1Z*
126685 CS 3	Countrywide Home Equity 0.400% 05/15/36		03/15/2010	Paydown.....		182,001	182,001	55,043	70,780		126,958	15,737	111,221		182,001			0	136	05/15/2036	6FE
126685 CZ 7	Countrywide Asset-Backe 5.549% 08/25/21		03/01/2010	Paydown.....		1,928,598	1,928,598	1,483,443	1,602,885		444,977	119,263	325,714		1,928,598			0	17,941	08/25/2021	1Z*
126685 DA 1	Countrywide Asset-Backe 5.597% 08/25/21		03/01/2010	Paydown.....		42,671	42,671	11,166	16,943		31,504	5,777	25,727		42,671			0	539	08/25/2021	5FE
126685 DC 7	Countrywide Asset-Backe 5.597% 08/25/21		03/01/2010	Paydown.....		356,803	356,803	164,828	210,039		191,971	45,208	146,763		356,803			0	4,109	08/25/2021	1Z*
126685 DJ 2	Countrywide Home Equity 0.410% 05/15/36		03/15/2010	Paydown.....		1,586,640	1,586,640	699,383	811,413		887,854	112,627	775,227		1,586,640			0	1,092	05/15/2036	1Z*
12668A SY 2	Countrywide Alternative 0.516% 08/25/35		03/25/2010	Paydown.....		734,622	734,622	343,550	346,406		388,216		388,216		734,622			0	507	08/25/2035	1Z*
12668B RC 9	Countrywide Alternative 0.446% 02/25/36		02/25/2010	Paydown.....		568,789	568,789	192,484	187,778		381,011		381,011		568,789			0	316	02/25/2036	1Z*
12668R AC 2	Countrywide Alternative 0.430% 02/20/47		03/22/2010	Paydown.....		68,120	68,120	14,402	36,613		53,718	22,210	31,508		68,120			0	51	02/20/2047	1Z*
14170T AA 9	Carefusion Corp Medical 6.375% 08/01/19		02/08/2010	Tax Free Exchange.....		3,040,062	3,000,000	3,041,603	3,040,214		(151)		(151)		3,040,062			0	104,656	08/01/2019	2FE
14170T AE 1	Carefusion Corp Medical 5.125% 08/01/14		02/08/2010	Tax Free Exchange.....		2,538,625	2,500,000	2,542,500	2,539,330		(705)		(705)		2,538,625			0	70,113	08/01/2014	2FE
161571 BU 7	Chase Issuance Trust Se 0.232% 04/16/12		02/16/2010	Paydown.....		31,968,000	31,968,000	31,926,791	31,927,657		40,343		40,343		31,968,000			0	13,042	04/16/2012	1FE
16165Y AA 0	Chaseflex Trust Series 0.396% 08/25/37		03/25/2010	Paydown.....		2,129,778	2,129,778	1,023,898	1,023,898		1,105,880		1,105,880		2,129,778			0	1,510	08/25/2037	1Z*
17284L AB 0	CIT Educational Loan Tr 0.584% 06/25/42		03/18/2010	Morgan Stanley.....		22,509,375	30,000,000	30,000,000	30,000,000				0		30,000,000		(7,490,625)	(7,490,625)	39,003	06/25/2042	1FE
19458L BD 1	Collegiate Funding Serv 0.588% 12/28/37		03/18/2010	Bank of America.....		13,792,500	18,000,000	18,000,000	18,000,000				0		18,000,000		(4,207,500)	(4,207,500)	23,402	12/28/2037	1FE
19458L BJ 8	Collegiate Funding Serv 0.608% 03/28/35		03/18/2010	Bank of America.....		7,315,000	9,500,000	9,500,000	9,500,000				0		9,500,000		(2,185,000)	(2,185,000)	12,800	03/28/2035	1FE
21075W DR 3	Contimortgage Home Equi 6.880% 01/15/28		03/01/2010	Paydown.....		45,873	45,873	45,873	45,873				0		45,873			0	545	01/15/2028	1Z*
23242Y AH 8	Countrywide Home Equity 0.530% 02/15/34		03/15/2010	Paydown.....		765,105	765,105	350,036	351,911		413,195		413,195		765,105			0	735	02/15/2034	3FE
23243N AD 0	Countrywide Asset-Backe 0.356% 07/25/34		03/25/2010	Paydown.....		1,618,475	1,618,475	1,391,888	1,447,145		171,329		171,329		1,618,475			0	776	07/25/2034	1Z*
23243N AF 5	Countrywide Asset-Backe 5.804% 07/25/34		03/01/2010	Paydown.....		356,154	356,154	97,863	93,290		258,291	42,483	215,808		356,154			0	3,707	07/25/2034	1Z*
23243N AG 3	Countrywide Asset-Backe 5.932% 07/25/34		03/01/2010	Paydown.....		2,977,934	2,977,934	561,628	1,034,439		2,417,788	474,293	1,943,495		2,977,934			0	36,466	07/25/2034	1Z*
23243N AH 1	Countrywide Asset-Backe 6.236% 08/25/38		03/01/2010	Paydown.....		2,178,829	2,178,829	491,995	888,386		1,686,834	396,391	1,290,443		2,178,829			0	28,048	08/25/2038	1Z*
25150R AE 5	Deutsche Alt-A Securiti 0.496% 02/25/37		03/10/2010	Morgan Stanley.....		18,925,020	105,139,000	8,353,073	8,759,570		220,525		220,525		8,980,095		9,944,925	9,944,925	108,036	02/25/2037	1Z*
25466K EQ 8	Discover Card Master Tr 0.430% 09/15/12		03/15/2010	Paydown.....		20,000,000	20,000,000	19,974,219	19,975,901		24,099		24,099		20,000,000			0	21,619	09/15/2012	1FE
32029H AB 8	First Franklin Mtg Loan 0.396% 06/25/27		03/25/2010	Paydown.....		711,362	711,362	134,264	308,907		577,098	174,643	402,455		711,362			0	332	06/25/2027	1Z*
35242M AA 3	Franklin Av-Redm Privat 2.750% 01/01/23		01/14/2010	Call 100.0000.....		17,730,000	17,730,000	17,730,000	17,730,000				0		17,730,000			0	59,593	01/01/2023	2
35242M AA 3	Franklin Av-RedmPrivat 2.750%01/01/23		01/04/2010	Redemption 100.0000		780,000	780,000	780,000	780,000				0		780,000			0	2,026	01/01/2023	2
36185E EH 6	GMAC Mortgage Corp 0.486% 02/25/36		03/25/2010	Paydown.....		1,738,336	1,738,336	770,502	672,499		1,065,837		1,065,837		1,738,336			0	1,364	02/25/2036	1Z*
36185E EK 9	GMAC Mortgage Corp 0.506% 02/25/36		03/25/2010	Paydown.....		3,316,154	3,316,154	1,195,420	1,533,645		2,120,734	338,224	1,782,510		3,316,154			0	2,713	02/25/2036	1Z*

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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	F o r e i g n	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 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	Maturity Date	NAIC Designation or Market Indicator (a)
36185T AA 5	Fort Lewis Comm 04/37@7.120% 04/10/37		03/10/2010	Paydown		203,689	203,689	201,960	202,016		1,673		1,673		203,689			0	2,422	04/10/2037	1FE
362256 AC 3	GSAA Home Equity Trust 0.486% 10/25/36		03/19/2010	Cantor Fitzgerald		22,200,000	48,000,000	16,037,650	17,775,794		909,248		909,248		18,685,042		3,514,958	3,514,958	53,921	10/25/2036	1Z*
3622EA AE 0	GSAA Home Equity Trust 0.466% 03/25/37		03/10/2010	Morgan Stanley		79,180,000	158,360,000	15,994,978	26,948,837		4,049,239		4,049,239		30,998,075		48,181,925	48,181,925	152,562	03/25/2037	1Z*
3622EC AC 0	GSAA Home Equity Trust 0.476% 04/25/47		03/10/2010	Morgan Stanley		17,150,000	35,000,000	6,900,611	8,740,439		415,651		415,651		9,156,090		7,993,910	7,993,910	34,467	04/25/2047	1Z*
3622EQ AE 5	GSAA Home Equity Trust 0.476% 02/25/37		03/10/2010	Morgan Stanley		34,340,715	73,851,000	23,683,809	26,415,224		1,174,824		1,174,824		27,590,048		6,750,667	6,750,667	72,727	02/25/2037	1Z*
362351 AE 8	GSAA Home Equity Trust 0.476% 12/25/46		03/26/2010	Various		74,125,000	150,000,000	50,978,940	56,766,229		2,427,246		2,427,246		59,193,474		14,931,526	14,931,526	172,121	12/25/2046	1Z*
36249B AD 2	GSAA Home Equity Trust 0.516% 07/25/37		03/10/2010	Morgan Stanley		10,000,000	20,000,000	6,683,150	7,205,466		312,368		312,368		7,517,835		2,482,165	2,482,165	21,407	07/25/2037	1Z*
38011N AA 4	GMAC Commercial Mtg 7.152% 08/10/36		03/10/2010	Paydown		181,943	181,943	180,159	180,219		1,724		1,724		181,943			0	2,173	08/10/2036	1FE
38011W AA 4	Fort Meade -GMAC 2002- 6.845% 05/10/37		03/10/2010	Paydown		282,075	282,075	264,206	264,541		17,534		17,534		282,075			0	3,224	05/10/2037	1
38021A AE 2	Goal Capital Funding Tr 0.782% 11/25/44		03/18/2010	Bank of America		18,843,750	25,000,000	25,000,000	25,000,000				0		25,000,000		(6,156,250)	(6,156,250)	64,711	11/25/2044	1FE
39538W CZ 9	Greenpoint Mortgage Fun 0.410% 09/15/30		03/15/2010	Paydown		327,263	327,263	94,186	134,969		233,077	40,783	192,294		327,263			0	286	09/15/2030	1Z*
39538W EF 1	Greenpoint Mortgage Fun 0.516% 11/25/46		03/25/2010	Paydown		66,802	66,802	17,148	35,074		49,654	17,927	31,727		66,802			0	56	11/25/2046	1Z*
422777 AJ 1	Hedged Mutual Fund Fee 0.497% 07/02/12		03/30/2010	Paydown		723,869	723,869	723,869	723,869				0		723,869			0	585	07/02/2012	1FE
422777 AL 6	Hedged Mutual Fund Fee 0.468% 01/04/13		03/04/2010	Paydown		823,082	823,082	823,082	823,082				0		823,082			0	642	01/04/2013	1FE
422777 AP 7	Hedged Mutual Fund Fee 0.468% 08/05/13		03/04/2010	Paydown		1,213,313	1,213,313	1,213,313	824,810	388,503		388,503		1,213,313			0	1,028	08/05/2013	3FE	
422777 AQ 5	Hedged Mutual Fund Fee 0.428% 12/04/13		03/04/2010	Paydown		674,391	674,391	674,391	455,551	218,840		218,840		674,391			0	492	12/04/2013	3FE	
43709R AA 2	Indymac Seconds Asset 0.406% 02/25/37		03/25/2010	Paydown		221,635	221,635	56,287	150,720		165,349	94,433	70,916		221,635			0	106	02/25/2037	1Z*
45254N MA 2	Impac CMB Trust Series 0.766% 03/25/35		03/25/2010	Paydown		194,883	194,883	77,513	74,399		120,484		120,484		194,883			0	227	03/25/2035	1Z*
45254N PU 5	Impac CMB Trust Series 0.566% 08/25/35		03/25/2010	Paydown		867,993	867,993	415,474	416,674		451,319		451,319		867,993			0	746	08/25/2035	1Z*
45254N QG 5	Impac CMB Trust Series 0.496% 10/25/35		03/25/2010	Paydown		720,459	720,459	332,762	328,816		391,644		391,644		720,459			0	490	10/25/2035	1Z*
45254T TF 1	Impac Secured Assets Co 0.496% 03/25/36		03/25/2010	Paydown		554,719	554,719	238,532	234,502		320,217		320,217		554,719			0	428	03/25/2036	1Z*
45257E AC 8	Impac Secured Assets Co 0.516% 10/25/36		03/25/2010	Paydown		2,919,445	2,919,445	1,035,971	1,035,971		1,883,474		1,883,474		2,919,445			0	2,268	10/25/2036	1Z*
45661A AC 6	Indymac Home Equity Loa 0.447% 09/28/36		03/29/2010	Paydown		289,443	289,443	201,163	142,114	59,858	87,471		147,329		289,443			0	125	09/28/2036	5FE
45667H AB 7	Indymac Loan Trust Sr 0.416% 04/25/12		03/25/2010	Paydown		5,120,064	5,120,064	2,686,728			2,433,335		2,433,335		5,120,064			0	2,588	04/25/2012	2FE
45670E AA 1	Indymac IMSC Mtg L 0.396% 03/25/47		03/25/2010	Paydown		6,061,776	6,061,776	2,286,669	2,286,669		3,775,107		3,775,107		6,061,776			0	3,307	03/25/2047	1Z*
458049 AA 1	Insurance Note Capital 0.547% 02/28/36		03/11/2010	Guggenheim Capital Markets		7,800,000	15,000,000	15,000,000	15,000,000				0		15,000,000		(7,200,000)	(7,200,000)	10,380	02/28/2036	1FE
462592 AD 8	Iowa Student Loan Liqui 0.634% 09/25/37		03/29/2010	Greenwich Capital Markets		18,750,000	25,000,000	25,000,000	25,000,000				0		25,000,000		(6,250,000)	(6,250,000)	39,368	09/25/2037	1FE
464126 CG 4	Irwin Home Equity Serie 0.566% 05/25/33		03/25/2010	Paydown		105,039	105,039	38,150	50,350		66,889	12,200	54,689		105,039			0	97	05/25/2033	1Z*
46412A AE 2	Irwin Home Equity Serie 5.800% 06/25/37		03/01/2010	Paydown		210,791	210,791	101,267	114,152		96,640		96,640		210,791			0	1,908	06/25/2037	1Z*
46412R AB 1	Irwin Home Equity Serie 0.396% 08/25/37		03/25/2010	Paydown		1,217,959	1,217,959	779,026	778,160		439,799		439,799		1,217,959			0	730	08/25/2037	1Z*
466247 QH 9	JP Morgan Series 2005-A 4.265% 06/25/35		03/01/2010	Paydown		1,168,478	1,168,478	1,102,751	1,102,973		65,505		65,505		1,168,478			0	6,642	06/25/2035	1Z*
466275 AA 2	JP Morgan Alternative L 0.526% 04/25/47		03/25/2010	Paydown		2,275,119	2,275,119	1,220,685	1,227,798		1,047,322		1,047,322		2,275,119			0	2,122	04/25/2047	1Z*
493268 BJ 4	Keycorp Student Loan T 0.661% 08/27/31		03/01/2010	Paydown		1,266,491	1,266,491	1,266,491	1,266,491				0		1,266,491			0	2,185	08/27/2031	1FE
493268 BW 5	Keycorp Student Loan T 0.679% 01/27/43		01/27/2010	Paydown		109,729	109,729	109,729	109,729				0		109,729			0	200	01/27/2043	1FE
501044 CM 1	Kroger Co/The Food-Reta 3.900% 10/01/15		02/04/2010	Credit Suisse International		3,034,770	3,000,000	2,996,670	2,996,652		78		78		2,996,730		38,040	38,040	41,600	10/01/2015	2FE
52524P AG 7	Lehman XS Trust Series 0.406% 05/25/37		03/25/2010	Paydown		236,339	236,339	153,620	156,004		80,335		80,335		236,339			0	137	05/25/2037	1Z*

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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	Forfeiture	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	Maturity Date	NAIC Designation or Market Indicator (a)
52525L AS 9	Lehman XS Trust Series 0.646% 07/25/47..		03/25/2010	Paydown.....		6,219,875	6,219,875	1,218,418	2,658,746		5,001,456	1,440,328	3,561,128		6,219,875			0	6,449	07/25/2047	1Z*
61915R AK 2	Mortgageit Trust Series 0.546% 08/25/35...		03/25/2010	Paydown.....		736,286	736,286	736,286	736,286				0		736,286			0	623	08/25/2035	1Z*
628862 J# 2	NCR Corp Med Term No9.400% 03/30/10...		03/30/2010	Maturity.....		11,000,000	11,000,000	11,014,446	11,006,860		(6,860)		(6,860)		11,000,000			0	387,750	03/30/2010	1FE.....
63543P AX 4	National Collegiate Stu 0.556% 11/25/28....		03/18/2010	Morgan Stanley.....		24,082,500	38,000,000	38,004,078	38,003,811		(55)		(55)		38,003,756		(13,921,256)	(13,921,256)	48,473	11/25/2028	1FE.....
63543P BG 0	National Collegiate Stu 0.486% 11/27/28....		03/18/2010	Morgan Stanley.....		31,549,200	51,720,000	51,687,121	51,688,845		349		349		51,689,194		(20,139,994)	(20,139,994)	57,426	11/27/2028	1FE.....
65535V MJ 4	Nomura Asset Acceptance 0.506% 07/25/35		03/25/2010	Paydown.....		1,211,616	1,211,616	1,212,135	1,212,115		(499)		(499)		1,211,616			0	1,145	07/25/2035	1Z*
65535V NL 8	Nomura Asset Acceptance 0.536% 08/25/35		03/25/2010	Paydown.....		783,339	783,339	375,058	385,119		398,220		398,220		783,339			0	637	08/25/2035	1Z*
65535V PV 4	Nomura Asset Acceptance 0.516% 10/25/35		03/25/2010	Paydown.....		1,112,049	1,112,049	677,806	677,805		434,243		434,243		1,112,049			0	907	10/25/2035	1Z*
65535V RK 6	Nomura Asset Acceptance 0.506% 12/25/35		03/25/2010	Paydown.....		458,120	458,120	157,380	157,380		300,740		300,740		458,120			0	396	12/25/2035	1Z*
65538N AA 1	Nomura Asset Acceptance 0.376% 04/25/37		03/25/2010	Paydown.....		403,621	403,621	154,422	154,422		249,199		249,199		403,621			0	231	04/25/2037	1Z*
65538N AB 9	Nomura Asset Acceptance 0.496% 04/25/37		03/25/2010	Paydown.....		343,643	343,643	132,936	132,936		210,707		210,707		343,643			0	262	04/25/2037	1Z*
65538N AC 7	Nomura Asset Acceptance 0.596% 04/25/37		03/25/2010	Paydown.....		310,117	310,117	121,066	121,066		189,051		189,051		310,117			0	286	04/25/2037	1Z*
71531P AA 1	Pershing Road 0.652% 09/01/26.....		03/01/2010	Redemption 100.0000.....		793,492	793,492	793,492	793,492				0		793,492			0	1,301	09/01/2026	2FE.....
76110W XW 1	Residential Asset Serie 1.006% 05/25/34....		03/25/2010	Paydown.....		83,222	83,222	39,114	39,183		44,039		44,039		83,222			0	175	05/25/2034	1Z*
785778 PF 2	Saco I Trust Series 200 0.646% 03/25/37...		03/25/2010	Paydown.....		89,139	89,139	21,078	43,129		68,086	22,075	46,011		89,139			0	107	03/25/2037	1Z*
785778 PG 0	Saco I Trust Series 200 0.646% 07/25/36...		03/25/2010	Paydown.....		249,815	249,815	62,201	126,485		187,665	64,334	123,331		249,815			0	295	07/25/2036	1Z*
785813 AA 4	Saco I Trust Series 200 0.386% 06/25/36...		03/25/2010	Paydown.....		181,791	181,791	50,838	94,081		130,953	43,243	87,710		181,791			0	104	06/25/2036	1Z*
86679E AA 6	Sun Life Financial GLB 0.509% 10/06/13....		03/26/2010	Dain Rauscher Pierce.....		24,201,900	25,000,000	25,000,000	25,000,000				0		25,000,000		(798,100)	(798,100)	31,289	10/06/2013	1FE.....
881561 W9 1	Terwin Mortgage Trust 4.500% 10/25/40....		03/01/2010	Paydown.....		28,016	28,016	5,799	6,220		22,456	660	21,796		28,016			0	204	10/25/2040	1Z*
92344S AL 4	Cellco Part/Veri Wirele 5.550% 02/01/14....		11/12/2009	Tax Free Exchange.....		4,341,542	4,000,000	4,344,680	4,331,350		10,192		10,192		4,341,542			0	62,283	02/01/2014	1FE.....
92976Y AA 0	Wachovia Asset 0.386% 07/25/37.....		03/25/2010	Paydown.....		117,698	117,698	53,442	57,131		64,255	3,689	60,566		117,698			0	73	07/25/2037	1Z*
92978L AA 6	Wachovia Asset 0.376% 07/25/37.....		03/25/2010	Paydown.....		246,358	246,358	107,413	117,473		138,945	10,061	128,884		246,358			0	166	07/25/2037	1Z*
93935Y AD 2	Wmalt Mortgage Pass-Thr 0.476% 12/25/36		03/10/2010	Morgan Stanley.....		21,000,000	42,000,000	14,481,340	15,810,068		563,067		563,067		16,373,125		4,626,873	4,626,873	42,975	12/25/2036	1Z*
051156 AA 5	Augusta Fndg VII Other 0.600% 08/15/13....	F..	02/16/2010	Paydown.....		550,441	550,441	550,441	550,441				0		550,441			0	876	08/15/2013	2FE.....
19035R AL 3	Coast Investment Grade 0.881% 07/30/17....	F..	01/29/2010	Paydown.....		1,319,112	1,319,112	1,322,106	1,321,235		(2,114)		(2,114)		1,319,117			0	9,296	07/30/2017	1FE.....
497089 AC 6	Kinney Hill Credit 1.001% 07/15/15.....	F..	03/17/2010	Cantor Fitzgerald.....		7,470,000	9,000,000	9,000,000	6,750,000	2,250,000			2,250,000		9,000,000		(1,530,000)	(1,530,000)	40,311	07/15/2015	3FE.....
65535H AA 7	Nomura Holdings Inc. Pr 5.000% 03/04/15...	F..	03/04/2010	Merrill Lynch,Pierce,Fenn&Smth.....		796,382	775,000	772,567			(1)		(1)		772,566		23,816	23,816	538	03/04/2015	2.....
3899999.	Total - Bonds - Industrial & Miscellaneous.....					664,822,045	1,094,711,449	567,080,313	581,492,444	12,479,127	49,147,499	5,764,298	55,862,328	0	641,299,356	0	23,522,692	23,522,692	2,190,425	XXX...	XXX...
8399997.	Total - Bonds - Part 4.....					1,312,340,246	1,714,153,902	1,184,722,549	1,199,952,349	12,479,127	48,788,462	5,764,298	55,503,291	(3,034,144)	1,257,930,339	1,564,245	54,409,907	55,974,152	15,239,752	XXX...	XXX...
8399999.	Total - Bonds.....					1,312,340,246	1,714,153,902	1,184,722,549	1,199,952,349	12,479,127	48,788,462	5,764,298	55,503,291	(3,034,144)	1,257,930,339	1,564,245	54,409,907	55,974,152	15,239,752	XXX...	XXX...
9999999.	Total - Bonds, Preferred and Common Stocks.....					1,312,340,246	XXX.....	1,184,722,549	1,199,952,349	12,479,127	48,788,462	5,764,298	55,503,291	(3,034,144)	1,257,930,339	1,564,245	54,409,907	55,974,152	15,239,752	XXX...	XXX...

QE056

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

**Sch. DB-Pt A-Sn 1
NONE**

**Sch. DB-Pt A-Sn 1
NONE**

**Sch. DB-Pt B-Sn 1
NONE**

**Sch. DB-Pt B-Sn 1
NONE**

**Sch. DB-Pt B-Sn 1B
NONE**

**Sch. DB-Pt D
NONE**

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
Open Depositories								
Citibank, N.A..... London, England.....			.....472		.....1,083,941	.....1,194,436	.....1,172,670	XXX..
Citibank, N.A..... New York, New York.....			.....57		.....345,376	.....565,861	.....315,163	XXX..
Bank of New York..... New York, New York.....			.....339		.....523,301	.....1,513,592	.....3,845,343	XXX..
0199999. Total Open Depositories.....	...XXX.....	...XXX.....	.....868	.....0	.....1,952,618	.....3,273,889	.....5,333,176	XXX..
0399999. Total Cash on Deposit.....	...XXX.....	...XXX.....	.....868	.....0	.....1,952,618	.....3,273,889	.....5,333,176	XXX..
0599999. Total Cash.....	...XXX.....	...XXX.....	.....868	.....0	.....1,952,618	.....3,273,889	.....5,333,176	XXX..

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
U.S. Government Issuer Obligations							
US Treasury Bill.....		03/09/2010		04/08/2010	199,996,000		12,833
US Treasury Bill.....		03/16/2010		04/15/2010	199,988,000		9,333
US Treasury Bill.....		03/23/2010		04/22/2010	399,964,000		7,291
US Treasury Bill.....		03/30/2010		04/29/2010	399,952,000		
0199999. U.S. Government Issuer Obligations.....					1,199,900,000	0	29,457
0399999. Total - U.S. Government Bonds.....					1,199,900,000	0	29,457
Total							
7799999. Subtotals - Issuer Obligations.....					1,199,900,000	0	29,457
8399999. Subtotals - Bonds.....					1,199,900,000	0	29,457
8699999. Total - Cash Equivalents.....					1,199,900,000	0	29,457

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