

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Liquidation of
The Home Insurance Company**

Docket No. 03-E-0112

**In the Matter of the Liquidation of
US International Reinsurance Company**

Change of Address:

**The Home Insurance Company in Liquidation's New York office has relocated to:
61 Broadway, 6th Floor
New York, New York 10006-2504
All phone and fax numbers as well as e-mail addresses remain unchanged.**

LIQUIDATOR'S FORTIETH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Fortieth Report on the liquidations of the Companies, as of March 4, 2011, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second of USI Re.

A. The Home Insurance Company

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator has received 14 new proofs of claim for Home between the last Liquidator's report and March 1, 2011. The proofs of claim submitted now total 20,427 for Home, with stated amounts totaling \$19.6 billion. Approximately 15% of the proofs of claim

contained a stated amount, with the balance indicating an unstated or unknown amount. These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that quantify the claim may be overstated or understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants.

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 324 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of March 1, 2011, the Liquidator has issued 14,217 determinations for Home totaling approximately \$1.1 billion. The determinations are comprised of 12,187 final and 2,030 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations have passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted one report of claims and recommendations to the Court reflecting a total of \$22,986,817 dollars in determinations. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 13,588 claims involving a total allowed amount of approximately \$1.1 billion.

3. Requests for review and objections. A notice of determination is sent to a claimant when the Liquidator determines a claim. Each notice of determination includes instructions on how to dispute the determination under New Hampshire statutes and the Claim Procedures Order. Since inception, 425 claimants have filed requests for review and 241 of these have been sent notices of redetermination or the claimant withdrew their request for review. Included among the requests for review are 143 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. Claimants have filed 47 objections with the Court to commence disputed claim proceedings. As of March 1, 2011, there are four disputed claim proceedings pending before the Referee, plus one (2005-HICIL-4) that has been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There are six such motions pending, plus one recently filed second motion to recommit.

4. Financial reports. The unaudited December 31, 2010 financial statements for Home are attached as Exhibit A to this report. The December 31, 2010 Home statements reflect \$1,071,328,574 in assets under the Liquidator's direct control at December 31, 2010, and \$145,145,439 in reinsurance collections, net investment income, and other receipts and \$23,303,670 in operating disbursements from January 1 through December 31, 2010.

5. 2010 Budget. A comparison of the actual and budgeted general and administrative expenses of the liquidations (both Home and USI Re), on an incurred basis, through December 31, 2010 is attached as Exhibit C. As of December 31, 2010, actual expenses were above budget by approximately \$358,000 or 1.8%, although there were favorable variances in most categories. Actual expenses include approximately \$458,000 of expenses related to the NY office relocation which were not included in the initial 2010 budget; expenses before office

relocation costs were under budget by approximately \$100,000. The relocation expenses for 2010 will be more than offset by cost savings from the new lease. The new lease will reduce the 2010 annual rent expense of about \$1.5 million in New York to a nominal annual rent expense of around \$700,000 for 2011, before adjustments which will further reduce the 2011 rent expense to \$350,000. Information technology related expenses associated with upgrade of equipment purchased at the beginning of the liquidation have been included in the actual and budgeted expenses for 2010. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

Year	Budget	Actual
2004	\$33.8	\$26.9
2005	\$26.8	\$26.2
2006	\$25.6	\$23.5
2007	\$22.8	\$21.5
2008	\$21.4	\$20.6
2009	\$20.6	\$20.0
2010	\$19.9	\$20.3
2011	\$18.9	

The Liquidator filed a copy of the 2011 Expense Budget on October 29, 2010 as page 13 of the Exhibit to the Liquidator’s Filing Regarding Status Report.

6. Investment update. A summary of Home’s holdings of bonds and short- term investments as of December 31, 2010 is attached as Exhibit D, and a report listing the individual holdings of Home as of that date is attached as Exhibit E (the groupings on Exhibit D differ from those on Exhibit E). The book value of Home’s bonds and short-term investments managed by Conning Asset Management (“Conning”) at December 31, 2010, was approximately \$1,025,795 million compared to their market value on that date of \$1,062,645 million. This represented an unrealized gain of \$36.9 Million. Short-term holdings in the Conning-managed portfolio at December 31, 2010 were \$20.8 million at market value. The portfolio is expected to

generate approximately \$38 million of cash from net investment income in 2011, as continuing reductions in yields on reinvested assets are having an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings continues to be AA by Moody's and S&P. The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of December 31, 2010, such investments had a market value of approximately \$9.6 million for Home. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of February 28, 2011, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$34.7 million as an increase in interest rates caused a decrease from the gain as of December 31, 2010. As of February 28, 2011, the Liquidator and Conning believe that all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$20-27 million downwards or upwards if interest rates increased or decreased 100 basis points, respectively. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (1) preservation of capital on investments, (2) maintaining a high quality portfolio, and (3) consistent with objectives (1) and (2), maximizing current income.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty funds in all years from 2005 through 2010 after obtaining approval from the Court and the required "claw back"

agreements with the guaranty funds requiring the return of any amounts advanced that are necessary to pay creditors whose claims fall in the same or a higher priority class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these six early access distributions total \$203.8 million. The Liquidator plans on filing a seventh early access motion with the Court. The seventh early access will be subject to a “claw back” agreement with the guaranty funds.

8. Significant litigation.

Massachusetts Second Injury and COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the “DIA”) seeking second-injury reimbursement from the Workers’ Compensation Trust Fund, an entity controlled by the DIA, as well as cost of living adjustment reimbursement for payments to Massachusetts workers’ compensation claimants. The parties completed testimony in these related matters on August 13, 2010, have submitted their post-hearing briefs and are now awaiting rulings from the administrative court.

Minnesota Special Funds Reimbursement. The Liquidator commenced an action in the Ramsey County District Court, Minnesota, seeking second-injury reimbursement from the Minnesota Department of Labor and Industry with respect to payments Home made to various Minnesota workers’ compensation claimants under policies Home issued prior to June 1995. The court issued an order granting summary judgment in favor of Home on certain issues on July 20, 2010. The Liquidator and the Department of Labor and Industry have been attempting to negotiate a settlement, absent which the litigation will move forward.

9. California Subpoenas. For over four years, the Liquidator has been addressing discovery issues arising from actions in California, including requests for documents from the

Department of Insurance, from Home and from REM, which acted for Home from 1995 to 2003. The parties to those actions, the “California Plaintiffs” and defendants Zurich Insurance Company and its affiliates (“Zurich”), and the Liquidator entered a stipulation approved by this Court governing the Liquidator’s production in response to subpoenas issued in 2006. In 2009, the California Plaintiffs and Zurich separately sought to obtain additional documents, and the Liquidator produced additional documents in late 2009 and early 2010. In total, 95,614 pages of documents have been produced in connection with the California consolidated actions. A similar action is pending in Minnesota pursuant to which Home has produced to date a total of 18,047 pages of documents. In light of certain requests, the Commissioner/Liquidator also filed a motion for order governing confidentiality of regulatory documents with the Court on October 30, 2009. The California Plaintiffs filed their opposition on November 9, 2009 and Zurich filed a limited objection on November 16, 2009. On February 19, 2010 the Court issued its Order regarding the confidentiality of regulatory documents. Zurich filed a motion for reconsideration on March 1, 2010, and the Liquidator filed his objection on March 10, 2010.

10. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court’s March 23, 2004 order, that since the last report, he has completed commutations with Nisshin Fire & Marine Insurance Company Ltd.- Japan, Scottish Lion Insurance Company Ltd. – UK, Suecia Re & Marine Insurance Company Ltd.- UK and Swiss Re Europe S.A.– UK. The details of each of the four commutations are described in the confidential appendix submitted with this report.

11. Asset dispositions (including compromises) and assumptions of obligations. In accordance with paragraph 5 of the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, and paragraph 5

of the Liquidator's Eleventh Report, the Liquidator submits a confidential schedule of asset dispositions (including compromises) and obligation assumptions since the last report which is filed under seal as an appendix to this report.

12. Ancillary proceedings in the United States. Ancillary receiverships for Home remain pending in Oregon, New York, and Massachusetts.

B. US International Reinsurance Company

1. Proofs of claim. The claim filing deadline in the USI Re liquidation was June 13, 2004. On August 19, 2008, the Court entered an Order Approving Claim Amendment Deadline that established December 31, 2008 as the Claim Amendment Deadline for the final submission or amendment of proofs of claim in the USI Re liquidation. The Order provided that proofs of claim and amendments received by the Liquidator after the Claim Amendment Deadline will be deemed to prejudice the orderly administration of the liquidation and shall not be considered. As of March 4, 2011, one amendment to a proof of claim was received since the Claim Amendment Deadline. A total of 292 proofs of claim have been submitted in the liquidation, with a total amount claimed of approximately \$82.3 million. (One proof of claim was withdrawn since the last Liquidator's report.

2. Claim determinations and reports. The process of determining proofs of claim has concluded. As of March 4, 2011, notices of determination issued from the beginning of the process have addressed all 292 proofs of claim. Two claimants filed requests for review, and the Liquidator issued notices of re-determination to which the claimants did not object. Since the last Liquidator's Report, the Liquidator has submitted one report of claims and recommendations to the Court reflecting a total of approximately \$5.6 million dollars in determinations. That report was approved on February 9, 2011. As of March 1, 2011, the Liquidator has presented and the Court has approved claims recommendations, including settlements, for all 292 claims

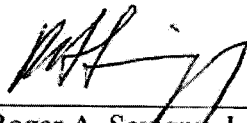
involving a total allowed amount of approximately \$52.8 million. As all proofs of claim have been determined, USI Re's liabilities have been finalized.

3. Financial reports and investments. The unaudited December 31, 2010 financial statements for USI Re are attached as Exhibit B to this report. The December 31, 2010 USI Re statements reflect \$5,626,405 in assets under the Liquidator's direct control at December 31, 2010, and \$313,664 in reinsurance collections, net investment income and miscellaneous receipts and \$143,334 in operating disbursements from January 1 through December 31, 2010. As shown on Exhibit D, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills.

4. Reinsurance Commutations and Settlements: The Liquidator reports, in accordance with the Court's March 23, 2004 order, that since the last report, he has completed one commutation with Nipponkoa Insurance Company Ltd. The details of the commutation are included in the confidential appendix submitted with this report.

5. Next steps. The Liquidator is now considering the remaining steps for distributing assets and closing the liquidation, and he will be preparing a motion regarding the closure process.

Respectfully submitted,



Roger A. Sevigny, Liquidator

March 12, 2011

CERTIFICATE OF SERVICE

I hereby certify that on March 22, 2011, a copy of the Liquidator's Fortieth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 22, 2011



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

In the Matter of the Liquidation of
US International Reinsurance Company
Docket No. 03-E-0112

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Exhibits:

A – 12/31/10 Financial Statement – Home

B – 12/31/10 Financial Statement – USI Re

C – Comparison of actual and budgeted general and administrative expenses through 12/31/10

D – Companies' holdings of bonds and short- term investments as of 12/31/10

E—Home individual holdings report as of 12/31/10

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

December 31, 2010 and December 31, 2009
(Unaudited)

The Home Insurance Company In Liquidation

Statement of Net Assets (Modified Cash Basis) (Unaudited)

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,009,905,128	\$917,276,479
Short-term investments	15,063,281	9,509,750
Cash and cash equivalents	39,807,980	50,365,241
Total unrestricted bonds, short-term investments and cash at cost	1,064,776,389	977,151,470
Common stocks, marketable, at market value (Note 2)	217,668	229,120
Interest income due and accrued	8,486,876	8,572,125
Receivable from US International Reinsurance Company (Note 4)	3,110	32,417
Total unrestricted liquid assets	1,073,484,043	985,985,132
Unrestricted illiquid assets: (Note 1)		
Common stocks	-	87,065
Limited partnership interests	1,388,452	1,688,725
Total unrestricted illiquid assets	1,388,452	1,775,790
Restricted liquid assets - cash (Note 5)	404,373	429,225
Total assets, excluding certain amounts	1,075,276,868	988,190,147
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	3,895,868	4,863,942
Claims checks payable (Note 1)	52,426	19,148
Total liabilities	3,948,294	4,883,090
Net assets, excluding certain amounts	<u>\$1,071,328,574</u>	<u>\$983,307,057</u>

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Receipts and Disbursements, and Changes in Cash, Bonds, Short-Term Investments and Cash Equivalents (Modified Cash Basis) (Unaudited)

	January 1, 2010 To December 31, 2010	January 1, 2009 To December 31, 2009
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 97,393,384	\$ 53,578,957
Net investment income	40,932,127	38,584,120
Salvage, subrogation and other claim recoveries	3,250,211	3,047,638
Agents' balances	1,997,708	1,733,335
Return of special deposits	714,019	-
Miscellaneous income	198,810	103,914
Realized capital gains on sale of bonds (Note 1)	148,910	1,233,527
Receivable collected from USI Re	87,069	124,690
Proceeds from distribution by subsidiary (Note 1)	86,984	-
All other	336,217	136,739
Total cash receipts	145,145,439	98,542,920
Cash operating disbursements:		
Human resources costs (Note 3)	12,813,892	13,294,606
Consultant and outside service fees	3,852,348	2,890,835
General office and rent expense	2,769,346	2,484,211
Legal and audit fees	929,042	848,739
Investment expenses	818,305	755,962
Computers and equipment cost	726,977	468,542
Losses and loss expenses paid (Note 1)	597,861	1,702,299
Realized capital losses on sale of bonds (Note 1)	268,065	2,713,430
Administration costs	263,819	222,637
Capital contribution	56,000	10,000
All other	208,015	30,948
Total cash operating disbursements	23,303,670	25,422,209
Excess of receipts over operating disbursements	121,841,769	73,120,711
Distributions to state guaranty associations (Note 8)	16,210,499	21,930,072
Class I Distributions	18,031,203	2,932,508
Excess of receipts over disbursements and distributions	87,600,067	48,258,131
Beginning cash and marketable securities, at cost	977,580,695	929,322,564
Ending cash and marketable securities, at cost	\$ 1,065,180,762	\$ 977,580,695

See accompanying notes.

The Home Insurance Company in Liquidation

Statement of Changes in Net Assets (Modified Cash Basis) (Unaudited)

	January 1, 2010 To <u>December 31, 2010</u>	January 1, 2009 To <u>December 31, 2009</u>
Net Assets, beginning of period	\$983,307,057	\$930,693,586
Excess of unrestricted and restricted receipts over disbursements and distributions	87,600,067	48,258,131
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(11,452)	(48,817)
Surplus notes, illiquid (Note 1)	-	(146,800)
Common stock, illiquid (Note 1)	(87,065)	(14,930)
Limited partnership interests, illiquid	(300,273)	(326,006)
Interest income due and accrued	(85,249)	1,511,245
Due from USI Reinsurance	(29,307)	9,329
Incurred but unpaid administrative and investment expenses (Note 3)	968,074	216,062
Notices of Determination approved for Class I creditors (Note 8)	-	2,932,508
Claims checks payable	(33,278)	222,749
Net Assets, end of period	<u>\$1,071,328,574</u>	<u>\$983,307,057</u>

See accompanying notes.

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements

December 31, 2010

1) Basis of Accounting

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire Statute establishing creditor classes in insurer insolvencies, RSA 402-C:44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, early access distributions, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

The amount shown for losses and loss expenses paid primarily represents (1) loss expenses accorded administrative expense priority by the rehabilitation order and liquidation order, and (2) expenses relating to obtaining claim recoveries. Checks issued for such losses and loss expenses that are not cashed are reflected as liabilities.

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. In February 2010, Home received approximately \$87,000 as the final distribution in the voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock. In September 2009, Home received approximately \$215,000 as full payment for a surplus note with a carrying value of approximately \$147,000.

Realized capital gains and losses on sale of bonds are calculated based on original cost of the bonds. Proceeds received above or below cost on maturity of bonds are included as part of net investment income.

This statement does not include any assets of Home’s branches outside of the United States.

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

2) Marketable Securities

The carrying values and estimated fair values of marketable bonds and common stock by major category are summarized as follows:

	December 31, 2010			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 101,671,883	\$ 3,856,689	\$ (223,178)	\$ 105,305,394
Government agencies	175,426,810	2,546,500	(791,810)	177,181,500
Corporate	537,654,379	19,001,192	(3,786,471)	552,869,100
Mortgage Backed	164,142,768	6,102,092	(1,022,629)	169,222,231
Asset Backed	<u>31,009,288</u>	<u>825,482</u>	<u>(4,025)</u>	<u>31,830,745</u>
Total Marketable Bonds	<u>\$1,009,905,128</u>	<u>\$ 32,331,955</u>	<u>\$ (5,828,113)</u>	<u>\$1,036,408,970</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,689,580)	\$ 217,668

The amortized cost of unrestricted marketable bonds is \$999,534,819. Based on such amortized cost, gross unrealized gains are \$38,819,906 and gross unrealized losses are \$1,945,755.

	December 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 91,451,099	\$ 3,185,069	\$ (8,594)	\$ 94,627,574
Government agencies	127,608,960	1,911,690	-	129,520,650
Corporate	492,442,784	15,213,334	(3,483,193)	504,172,925
Mortgage Backed	147,241,676	5,207,287	(519,159)	151,929,804
Asset Backed	<u>58,531,960</u>	<u>2,627,139</u>	<u>(224,414)</u>	<u>60,934,685</u>
Total Marketable Bonds	<u>\$ 917,276,479</u>	<u>\$ 28,144,519</u>	<u>\$ (4,235,360)</u>	<u>\$ 941,185,638</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,678,128)	\$ 229,120

The amortized cost of unrestricted marketable bonds is \$910,193,779. Based on such amortized cost, gross unrealized gains are \$32,586,300 and gross unrealized losses are \$1,594,441.

The Home Insurance Company in Liquidation (“Home”)
 (Modified Cash Basis)
 (Unaudited)

Notes to Financial Statements (continued)

2) Marketable Securities (continued)

The carrying value and fair values of marketable bonds by contractual maturity are as follows:

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2010		
One year or less	\$ 111,652,160	\$ 110,019,990
Over one year through five years	694,891,232	716,712,897
Over five years through twenty years	8,209,680	8,623,107
Mortgage Backed	164,142,768	169,222,231
Asset Backed	<u>31,009,288</u>	<u>31,830,745</u>
Total	<u>\$1,009,905,128</u>	<u>\$1,036,408,970</u>

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2009		
One year or less	\$ 74,679,591	\$ 74,187,819
Over one year through five years	590,833,276	605,437,074
Over five years through twenty years	45,989,976	48,696,256
Mortgage Backed	147,241,676	151,929,804
Asset Backed	<u>58,531,960</u>	<u>60,934,685</u>
Total	<u>\$ 917,276,479</u>	<u>\$ 941,185,638</u>

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

3) Incurred But Unpaid Administrative Expenses and Investment Expenses

Accrued administrative expenses incurred in the normal course of Home’s liquidation, but unpaid as of December 31, 2010, are as follows:

Human resources costs	\$2,866,186
Consultant and outside service fees	632,988
Legal and auditing fees	70,238
General office and rent expense	58,143
Computer and equipment costs	13,839
Other administration costs	<u>41,499</u>
Total accrued administrative expenses	<u>\$3,682,893</u>
Accrued investment expenses	<u>212,975</u>
Total accrued expenses	<u>\$3,895,868</u>

The amount of accrued expenses at December 31, 2009 was \$4,863,942 and net assets for 2010 increased by \$968,074 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on December 28, 2009. The costs of these plans are primarily payable in 2011, but are based on 2010 service and were being accrued over the service period in 2010. Accrued administrative expense includes \$2,866,186 of incentive plan costs.

4) Receivable from US International Reinsurance Company (USI Re)

At December 31, 2010 and December 31, 2009, Home had amounts receivable of \$ 3,110 and \$32,417, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$87,069 and \$124,690 for such expenses in 2010 and 2009, respectively.

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

5) Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$404,373 at the end of December 31, 2010.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,099,074, \$1,838,354, and \$73,947,287 at December 31, 2010, December 31, 2009 and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits at par value of \$48,102,110, and market value as of December 31, 2010 of \$49,516,486, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On March 17, 2010, the Court approved a sixth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2009. The Liquidator paid \$16,540,874 in June 2010 relating to this early access distribution. The Liquidator also received \$330,376 from Alaska Guaranty Association in 2010 as a refund of previous early access distributions. Early access payments through December 31, 2010 were \$203.8 million. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

7) Early Access Distribution (continued)

Early access distributions and related advances are not recorded as assets in the accompanying Statement of Net Assets although they represent payments in advance of distributions to other claimants. Early access distributions and related advances will ultimately be credited against amounts payable to Guaranty Associations to ensure pro rata distributions amongst members of the same class of creditor of Home. The following summary represents early access distributions and related advances that are not reflected in the Statement of Net Assets.

Early Access Distributions paid in cash	\$ 203,769,505
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	49,516,486
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$ 256,438,295</u>

8) Allowed Claims

As of December 31, 2010, the Liquidator has allowed, and the Court has approved, \$35,884,016 of Class I claims, \$884,220,883 of Class II claims, \$101,683,336 of Class V claims and \$5,315 of Class VIII claims. Class I claims for Guaranty Association administrative costs of \$2,932,508 were paid on March 18, 2009. It is management’s judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

December 31, 2010 and December 31, 2009
(Unaudited)

US International Reinsurance Company In Liquidation

Statement of Net Assets (Modified Cash Basis) (Unaudited)

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ 427,462	\$ 1,540,653
Short-term investments	3,616,677	2,509,290
Cash	<u>1,250,618</u>	<u>1,075,019</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	5,294,757	5,124,962
Interest income due and accrued	<u>3,736</u>	<u>6,801</u>
Total unrestricted liquid assets	5,298,493	5,131,763
Restricted liquid assets at cost:		
Short-term investments	<u>338,153</u>	<u>337,618</u>
Total restricted liquid assets at cost	338,153	337,618
Total assets, excluding certain amounts	<u>5,636,646</u>	<u>5,469,381</u>
Liabilities		
Incurring but unpaid administrative expenses (Note 6)	7,131	12,306
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	3,110	32,417
Net assets, excluding certain amounts	<u>\$ 5,626,405</u>	<u>\$ 5,424,658</u>

See accompanying notes.

US International Reinsurance Company In Liquidation

**Statements of Receipts and Disbursements, and
Changes in Cash, Bonds, Short-Term Investments and Cash Equivalents
(Modified Cash Basis)
(Unaudited)**

	<u>January 1, 2010 To December 31, 2010</u>	<u>January 1, 2009 To December 31, 2009</u>
Cash and marketable securities received:		
Reinsurance collections	\$ 234,614	\$ 109,098
Net investment income	16,573	34,854
Miscellaneous income	62,477	-
All other	-	912
Total cash and marketable securities received	<u>313,664</u>	<u>144,864</u>
Cash operating disbursements:		
Consultant and outside service fees	49,499	59,621
Net payments to Home Insurance Company (Note 2)	87,069	124,690
All other	6,766	19,766
Total cash operating disbursements	<u>143,334</u>	<u>204,077</u>
Excess (deficiency) of receipts over operating disbursements	170,330	(59,213)
Beginning cash and marketable securities, at cost	<u>5,462,580</u>	<u>5,521,793</u>
Ending cash and marketable securities, at cost	<u>\$ 5,632,910</u>	<u>\$ 5,462,580</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

Statement of Changes in Net Assets (Modified Cash Basis) (Unaudited)

	January 1, 2010 To <u>December 31, 2010</u>	January 1, 2009 To <u>December 31, 2009</u>
Net Assets, beginning of period	\$5,424,658	\$5,512,878
Excess (deficiency) of receipts over operating disbursements	170,330	(59,213)
Other changes in net assets:		
Interest income due and accrued	(3,065)	(16,562)
Incurred but unpaid administrative expenses	5,175	(3,116)
Payable to The Home Insurance Company in Liquidation	<u>29,307</u>	<u>(9,329)</u>
Net Assets, end of period	<u>\$5,626,405</u>	<u>\$5,424,658</u>

US International Reinsurance Company in Liquidation (“USI Re”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements

December 31, 2010

1) Basis of Accounting

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire Statute establishing creditor classes in insurer insolvencies, RSA 402-C:44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

2) Net Liabilities to Home Insurance Company

At December 31, 2010 and December 31, 2009, the Liquidator accrued liabilities of \$3,110 and \$32,417, respectively, to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$87,069 and \$124,690 for such expenses in 2010 and 2009, respectively.

US International Reinsurance Company in Liquidation (“USI Re”)
 (Modified Cash Basis)
 (Unaudited)

Notes to Financial Statements (continued)

3) Marketable Securities

The carrying values and estimated fair values of marketable securities by major category are summarized as follows:

	December 31, 2010			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Unrestricted Marketable Bonds				
U.S. Treasury notes	\$ 427,462	\$ -	\$ (1,251)	\$ 426,211

	December 31, 2009			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Unrestricted Marketable Bonds				
U.S. Treasury notes	\$ 1,540,653	\$ -	\$ (13,767)	\$ 1,526,886

US International Reinsurance Company in Liquidation (“USI Re”)
 (Modified Cash Basis)
 (Unaudited)

Notes to Financial Statements (continued)

The carrying value and fair values of marketable bonds by contractual maturity are as follows:

Marketable Bonds	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
December 31, 2010				
One year or less	\$ 427,462	\$ 426,211	\$ -	\$ -

Marketable Bonds	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
December 31, 2009				
One year or less	\$ 1,540,653	\$ 1,526,886	\$ -	\$ -

4) Securities on Deposit

Investments on deposit with various states were \$502,663, \$502,451, and \$4,964,360 at December 31, 2010, December 31, 2009 and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets as such amounts have not been settled and agreed to with the states.

At December 31, 2010 and December 31, 2009, the Statement of Restricted and Unrestricted Net Assets reflect, for New Mexico, restricted short term investments of \$338,153 and \$337,618, respectively. These funds are held for the policyholders and creditors as such amounts have not been settled and agreed to with New Mexico.

US International Reinsurance Company in Liquidation (“USI Re”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$7,131 in the normal course of liquidation that were unpaid as of December 31, 2010.

6) Allowed Claims

As of December 31, 2010, the Liquidator has allowed, and the Court has approved, \$47,093,309 of Class V claims and \$48,572 of Class VIII claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

The Home Insurance Company in Liquidation
G&A Expenses (Actual vs Budget)
December 31, 2010

General & Administrative Expense	YTD		
	Actual 2010	Full Year Budget	Variance 2010
Salary and Benefits	12,183,151	12,370,257	(187,106)
Travel	89,680	143,794	(54,114)
Rent	1,959,645	2,208,853	(249,208)
Equipment *	586,453	552,900	33,553
Printing and Stationery	77,143	81,840	(4,697)
Postage	35,076	46,644	(11,568)
Telephone	269,335	301,200	(31,865)
Outside Services, including Special Deputy	3,764,656	3,216,024	548,632
Licensing Fees	553	1,000	(448)
Legal and Auditing	709,347	913,000	(203,653)
Bank Fees	158,704	162,000	(3,296)
Corporate Insurance	100,149	127,000	(26,851)
Miscellaneous Expenses	(31,387)	4,000	(35,387)
Total US Expenses Incurred	19,902,504	20,128,512	(226,007)
Reimbursement for allocated expenses	(24,386)	(150,000)	125,614
Total US Expenses Incurred before Office Move	19,878,118	19,978,512	(100,394)
Office Move	458,499		458,499
Total US Expenses Incurred after Office Move	20,336,617	19,978,512	358,105

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of December 31, 2010
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/10
% of Av								
Fixed Income								
2%	Short Term	20,799	20,799	-	0.04	0.15	Aaa	64
10%	Government	106,249	110,742	4,493	1.82	2.81	Aaa	2,981
21%	Agency	213,407	217,994	4,588	1.65	2.30	Aaa	4,669
48%	Corporate	490,330	512,056	21,726	2.86	3.81	A2	19,452
16%	Mortgage Backed	164,088	169,222	5,135	3.87	4.38	Aaa	6,490
3%	Asset Backed	30,922	31,831	909	0.91	4.81	Aaa	2,417
100%	Total	1,025,795	1,062,645	36,850	2.55	3.44	Aa2	36,071
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,551	9,579	28	0.45	0.33	Aaa	39
Total Home Insurance		1,035,346	1,072,224	36,878	2.53	3.41	Aa1	36,110
Other investments- USI Re								
100%	US Treasury Bills and Notes	4,376	4,377	1	0.17	0.10	Aaa	9
Grand total (1)		1,039,722	1,076,601	36,879	2.52	3.40	Aa1	36,119 (2)

(1) Investment balances do not include cash amounts invested in sweep accounts of Citizens Bank and investments in common stocks and limited partnerships.

(2) On an annualized basis, the total estimated income generated by the portfolio, calculated based on holdings as of December 31, 2010, would be \$36.1 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2010**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
0027A1N70	ABBEY NATL N AMERICA LLC	0.000 01/07/2011	3,000,000.00	2,999,880.00	2,999,880.00
02665KNL7	AMERICAN HONDA FINANCE	0.000 01/20/2011	6,400,000.00	6,399,290.69	6,399,290.69
4662J1NJ5	JP MORGAN CHASE & CO	0.000 01/18/2011	2,000,000.00	1,999,830.00	1,999,830.00
89233HNB6	TOYOTA MOTOR CREDIT CORP	0.000 01/11/2011	2,000,000.00	1,999,911.12	1,999,911.12
177366101	CITIZENSSELECT PRIME MMF	0.060 01/15/2011	7,400,424.69	7,400,424.69	7,400,424.69
TOTAL CASH EQUIVALENTS			20,800,424.69	20,799,336.50	20,799,336.50
SHORT TERM (OVER 90 DAYS)					
912828KE9	US TREASURY N/B	0.875 02/28/2011	15,000,000.00	15,011,082.75	15,015,750.00
TOTAL SHORT TERM			15,000,000.00	15,011,082.75	15,015,750.00
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	77,621.63	100,194.52
9128277B2	US TREASURY N/B	5.000 08/15/2011	5,000,000.00	5,038,077.05	5,146,900.00
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,051,054.90	5,316,400.00
912828FH8	US TREASURY N/B	4.875 05/31/2011	5,000,000.00	4,996,982.45	5,095,500.00
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,147,810.30	31,619,400.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,105,100.50	26,619,250.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,028,704.15	5,304,300.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,158,651.25	15,912,900.00
912828KL3	US TREASURY N/B	0.875 04/30/2011	710,000.00	711,269.26	711,611.70
912828KU3	US TREASURY N/B	0.875 05/31/2011	9,452,000.00	9,473,041.80	9,478,938.20
TOTAL U S TREASURY			100,236,000.00	100,788,313.28	105,305,394.42
GOVERNMENT AGENCIES					
3133XHPH9	FEDERAL HOME LOAN BANK	4.875 11/18/2011	10,000,000.00	10,104,683.80	10,388,700.00
3133XRCW6	FEDERAL HOME LOAN BANK	3.375 06/24/2011	10,000,000.00	9,994,630.60	10,140,100.00
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,240,095.60	10,678,100.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,334,860.20	11,084,500.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	21,556,546.80	22,404,400.00
3134G1KL7	FREDDIE MAC	1.500 07/12/2013	20,000,000.00	20,000,000.00	20,072,200.00
31359MHK2	FANNIE MAE	5.500 03/15/2011	10,000,000.00	10,044,416.20	10,105,000.00
31359MM26	FANNIE MAE	5.125 04/15/2011	10,000,000.00	10,053,957.40	10,141,200.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,117,791.40	10,658,600.00
3137EABY4	FREDDIE MAC	2.125 03/23/2012	50,000,000.00	50,636,346.50	50,996,500.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,047,898.70	10,512,200.00
TOTAL GOVERNMENT AGENCIES			170,000,000.00	173,131,227.20	177,181,500.00
TOTAL GOVERNMENT & AGENCIES			270,236,000.00	273,919,540.48	282,486,894.42
CORPORATE					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,999,345.84	2,143,740.00
002819AA8	ABBOTT LABORATORIES	5.150 11/30/2012	3,850,000.00	4,069,252.76	4,162,620.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,155,499.84	3,360,330.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,005,672.61	3,207,000.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,400,557.18	3,342,240.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,570,211.99	2,638,937.25
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,817,325.27	7,692,370.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2010**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
035229CH4	ANHEUSER-BUSCH COS INC	6.000	04/15/2011	5,000,000.00	5,023,408.16	5,070,450.00
037411AQ8	APACHE CORP	6.250	04/15/2012	3,000,000.00	3,058,714.92	3,193,590.00
046353AC2	ASTRAZENECA PLC	5.400	09/15/2012	6,000,000.00	6,304,889.82	6,470,100.00
055451AD0	BHP BILLITON FIN USA LTD	5.125	03/29/2012	2,000,000.00	2,054,756.38	2,103,600.00
055451AG3	BHP BILLITON FIN USA LTD	5.500	04/01/2014	2,500,000.00	2,494,355.95	2,766,575.00
055451AH1	BHP BILLITON FIN USA LTD	6.500	04/01/2019	2,500,000.00	2,493,081.50	2,972,850.00
057224AX5	BAKER HUGHES INC	6.500	11/15/2013	3,000,000.00	3,200,278.83	3,414,240.00
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,987,292.40	4,291,760.00
06765XAA7	BARCLAYS BANK PLC	2.700	03/05/2012	5,000,000.00	5,038,127.80	5,095,800.00
071813AZ2	BAXTER INTERNATIONAL INC	4.000	03/01/2014	7,000,000.00	7,235,382.28	7,450,800.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,142,860.50	5,493,750.00
097014AG9	BOEING CAPITAL CORP	6.500	02/19/2012	4,000,000.00	4,120,238.04	4,245,400.00
097023AY1	BOEING CO	3.500	02/15/2015	3,000,000.00	3,057,386.73	3,146,310.00
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,013,811.34	3,257,520.00
134429AM1	CAMPBELL SOUP COMPANY	6.750	02/15/2011	3,000,000.00	3,007,640.73	3,022,020.00
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,499,062.33	2,628,150.00
136375BH4	CANADIAN NATL RAILWAYS	4.400	03/15/2013	5,150,000.00	5,229,351.56	5,489,024.50
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,887,276.92	4,367,480.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,998,371.28	2,070,800.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600	10/15/2014	1,000,000.00	1,052,440.52	1,079,840.00
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,015,956.64	1,942,660.00
166751AH0	CHEVRON CORP	3.950	03/03/2014	7,000,000.00	7,245,746.34	7,472,920.00
17275RAB8	CISCO SYSTEMS INC	5.250	02/22/2011	4,000,000.00	3,999,662.88	4,025,080.00
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,038,304.39	3,111,840.00
17313YAG6	CITIGROUP FUNDING INC	2.125	07/12/2012	5,000,000.00	5,006,297.80	5,113,450.00
191216AL4	COCA-COLA CO/THE	3.625	03/15/2014	3,000,000.00	3,105,949.08	3,175,170.00
191219BV5	COCA-COLA ENTERPRISES	4.250	03/01/2015	3,570,000.00	3,712,984.53	3,847,067.70
20029PAL3	COMCAST CABLE COMMUNICAT	6.750	01/30/2011	3,000,000.00	2,998,881.03	3,012,330.00
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,982,142.70	5,137,600.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,105,064.74	2,179,880.00
22160KAB1	COSTCO WHOLESALE CORP	5.300	03/15/2012	5,000,000.00	5,036,711.10	5,260,200.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,080,978.07	5,282,500.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,497,231.98	7,011,030.00
24702RAD3	DELL INC	4.700	04/15/2013	3,500,000.00	3,540,375.69	3,757,110.00
24702RAH4	DELL INC	3.375	06/15/2012	2,040,000.00	2,068,400.39	2,110,890.00
24702RAL5	DELL INC	2.300	09/10/2015	2,425,000.00	2,424,474.89	2,363,817.25
25243YAL3	DIAGEO CAPITAL PLC	5.200	01/30/2013	5,000,000.00	5,089,419.15	5,392,050.00
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,044,835.19	7,644,910.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,169,476.96	4,480,840.00
26875PAB7	EOG RESOURCES INC	6.125	10/01/2013	6,065,000.00	6,415,449.00	6,772,239.65
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,003,562.16	7,550,760.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,596,994.93	8,839,360.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,015,584.34	2,140,640.00
341099BZ1	FLORIDA POWER CORP	6.650	07/15/2011	2,000,000.00	2,026,882.38	2,062,720.00
35177PAS6	FRANCE TELECOM	4.375	07/08/2014	3,675,000.00	3,847,171.25	3,926,627.25
36186CBF9	ALLY FINANCIAL INC	2.200	12/19/2012	5,000,000.00	5,001,771.10	5,142,650.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,924,073.57	3,303,270.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,003,147.93	3,380,100.00
369550AN8	GENERAL DYNAMICS CORP	5.250	02/01/2014	4,000,000.00	4,296,824.38	4,404,440.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,906,720.80	5,335,450.00
36962GYY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,060,039.35	5,345,050.00
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,037,891.84	4,298,200.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,967,837.95	5,391,050.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850	05/15/2013	2,169,000.00	2,280,493.41	2,355,100.20
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,996,659.32	7,330,610.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,055,872.58	2,196,160.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,001,868.62	5,351,800.00
428236AY9	HEWLETT-PACKARD CO	2.950	08/15/2012	2,000,000.00	2,023,095.52	2,062,080.00
438516AY2	HONEYWELL INTERNATIONAL	3.875	02/15/2014	4,000,000.00	4,164,550.16	4,247,800.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,053,281.16	2,168,340.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,003,744.51	3,220,740.00

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459200GR6	IBM CORP	2.100	05/06/2013	4,895,000.00	5,026,034.84	5,013,850.60
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,998,812.48	4,288,200.00
539473AA6	LLOYDS TSB BANK PLC	2.300	04/01/2011	5,000,000.00	5,010,566.80	5,023,050.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,027,770.66	4,438,920.00
55607EAD2	MACQUARIE BANK LTD	2.600	01/20/2012	5,000,000.00	5,031,415.60	5,095,600.00
585055AP1	MEDTRONIC INC	4.500	03/15/2014	7,000,000.00	7,218,827.70	7,598,220.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,038,374.68	3,242,880.00
61747YCK9	MORGAN STANLEY	4.200	11/20/2014	5,000,000.00	5,038,142.55	5,108,150.00
61747YCL7	MORGAN STANLEY	4.100	01/26/2015	3,000,000.00	3,078,000.72	3,043,560.00
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,991,405.26	7,513,380.00
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,905,156.65	7,567,560.00
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	998,158.39	983,420.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,077,381.16	2,134,380.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,968,432.57	5,136,400.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,029,811.05	5,334,250.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,519,239.37	5,836,131.00
674599BV6	OCCIDENTAL PETROLEUM	6.750	01/15/2012	7,000,000.00	7,279,038.97	7,414,190.00
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,190,829.95	7,422,091.04
69373UAB3	PACCAR INC	6.375	02/15/2012	4,300,000.00	4,298,173.79	4,557,140.00
695114BU1	PACIFICORP	6.900	11/15/2011	3,000,000.00	3,060,504.39	3,162,390.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,999,300.14	7,537,670.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,305,063.51	2,391,576.00
717081CZ4	PFIZER INC	4.450	03/15/2012	4,800,000.00	4,797,209.57	5,008,608.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,961,888.36	2,101,580.00
72447WAU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,992,428.30	3,159,600.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,053,073.82	2,133,380.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,941,577.16	3,345,570.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,087,942.04	4,154,480.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,105,271.64	2,228,340.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,073,771.92	2,216,360.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,221,257.66	2,207,823.00
771196AQ5	ROCHE HLDGS INC	5.000	03/01/2014	4,000,000.00	4,274,107.80	4,380,280.00
78010JCT7	ROYAL BK OF SCOTLAND PLC	3.000	12/09/2011	5,000,000.00	5,052,822.65	5,104,100.00
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,998,547.04	8,512,800.00
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,931,686.47	7,760,610.00
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,014,756.31	7,152,110.00
86801BAB1	SUNTRUST BANK	3.000	11/16/2011	5,000,000.00	5,065,451.00	5,113,800.00
871829AK3	SYSCO CORPORATION	4.200	02/12/2013	2,920,000.00	3,055,696.96	3,106,880.00
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,672,072.73	7,502,600.00
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,094,052.64	8,139,840.00
88319QJ20	TEXTRON FINANCIAL CORP	5.125	02/03/2011	3,000,000.00	2,999,140.74	3,008,130.00
89233P4H6	TOYOTA MOTOR CREDIT CORP	1.375	08/12/2013	7,000,000.00	6,994,802.43	7,028,700.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,102,281.94	2,201,040.00
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,071.43	909,090.00
89352HAA7	TRANS-CANADA PIPELINES	4.000	08/15/2013	3,750,000.00	3,647,518.84	3,974,625.00
902118BM9	TYCO INTERNATIONAL FINAN	4.125	10/15/2014	2,076,000.00	2,256,370.64	2,201,369.64
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,062,108.64	4,206,600.00
907818CY2	UNION PACIFIC CORP	5.450	01/31/2013	2,000,000.00	2,174,745.02	2,160,320.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,075,645.43	7,488,040.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,800,000.00	4,599,427.16	4,913,812.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100	05/15/2012	3,000,000.00	3,099,846.30	3,220,170.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,389,285.49	3,321,030.00
92343VAN4	VERIZON COMMUNICATIONS	5.250	04/15/2013	2,000,000.00	2,097,071.88	2,174,580.00
92344SAP5	CELLCO PART/VERI WIRELSS	5.550	02/01/2014	2,000,000.00	2,230,196.88	2,205,420.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,988,773.76	3,265,740.00
931142BV4	WAL-MART STORES	4.125	02/15/2011	3,000,000.00	3,000,549.78	3,012,720.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	4,010,398.69	4,087,125.00
931422AD1	WALGREEN CO	4.875	08/01/2013	7,000,000.00	7,569,700.95	7,645,680.00
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,998,899.48	2,112,440.00
9612EMAA7	WESTPAC BANKING CORP	3.250	12/16/2011	5,000,000.00	5,069,110.60	5,124,450.00
984121BS1	XEROX CORPORATION	5.500	05/15/2012	2,000,000.00	2,118,508.82	2,112,420.00

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TOTAL CORPORATE				520,018,000.00	530,605,511.49	552,869,100.08
MORTGAGE BACKED						
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	1,397,086.72	1,423,394.21	1,526,219.45
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	3,965,974.80	3,993,503.42	4,329,059.79
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	2,367,178.10	2,425,074.33	2,590,402.99
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	11,425,470.90	11,561,148.37	11,990,117.67
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	2,874,752.08	2,973,851.65	3,161,019.89
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	9,986,927.30	10,131,168.19	9,924,708.74
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	2,201,919.20	2,265,977.15	2,409,560.18
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	1,737,352.00	1,738,030.66	1,830,804.16
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	3,004,497.20	3,079,754.06	3,239,869.51
31371PC57	FNMA POOL 257592	5.000	03/01/2039	7,962,186.05	8,053,004.73	8,377,254.81
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	2,939,182.10	2,937,137.87	3,163,559.26
31395RAR9	FHRR R001 AE	4.375	04/15/2015	2,159,825.23	2,151,202.43	2,201,737.50
31396LYT1	FNBR 2006-B2 AB	5.500	05/25/2014	1,227,546.00	1,227,546.00	1,250,418.74
31396NPF7	FHRR R007 AC	5.875	05/15/2016	878,312.63	878,312.63	886,435.70
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	3,844,366.20	3,844,366.20	4,079,234.29
31397G7M6	FHRR R011 AB	5.500	12/15/2020	3,527,972.70	3,547,975.53	3,732,331.58
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	1,801,970.00	1,837,652.39	1,966,471.84
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	19,917,698.80	20,325,389.20	20,101,339.98
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	5,948,556.25	5,913,129.56	6,545,493.87
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	9,659,385.50	9,754,470.08	10,162,929.27
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	9,951,152.50	10,184,382.64	10,042,902.13
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	19,973,503.60	20,775,502.69	20,558,327.79
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	3,441,128.70	3,436,651.89	3,678,325.70
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	2,943,461.30	3,002,959.63	3,183,412.27
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	8,193,845.55	8,209,842.89	8,826,082.67
36202EUV1	GNMA 2M POOL 4195	6.000	07/20/2038	6,226,680.75	6,349,268.53	6,831,042.38
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	5,410,591.90	5,369,053.00	5,828,073.17
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	4,041,948.50	4,091,209.75	4,434,260.02
466247TW3	JPMMT 2005-A6 3A2	3.143	09/25/2035	2,612,951.80	2,606,589.18	2,370,835.69
TOTAL MORTGAGE BACKED				161,623,424.36	164,087,548.86	169,222,231.04
ASSET BACKED						
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	2,635,897.99	2,590,216.74	2,804,128.64
14041NCU3	COMET 2006-A6 A6	5.300	02/18/2014	5,000,000.00	4,999,066.75	5,068,706.50
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,995,132.35	3,083,919.30
161571AQ7	CHAIT 2005-A7 A7	4.550	03/15/2013	5,000,000.00	4,999,178.30	5,007,928.00
17305EDF9	CCCIT 2006-A4 A4	5.450	05/10/2013	5,000,000.00	5,000,000.00	5,087,500.00
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	3,000,000.00	2,999,598.48	2,995,550.70
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,443,963.58
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	4,000,000.00	4,089,025.92	4,339,048.00
TOTAL ASSET BACKED				30,885,897.99	30,922,218.54	31,830,744.72
TOTAL MARKETABLE SECURITIES				997,763,322.35	1,014,545,902.12	1,051,424,720.26
TOTAL MARKETABLE AND C/E				1,018,563,747.04	1,035,345,238.62	1,072,224,056.76
COMMON						
22282E102	COVANTA HOLDING CORPORATION			12,639.00	279,195.51	217,264.41
34958N100	FORTICELL BIOSCIENCE, INC			1,926.00	1,627,706.00	56.82
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	346.30

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TOTAL COMMON			<u>360,867.00</u>	<u>1,907,247.81</u>	<u>217,867.53</u>
TOTAL MARKETABLE, C/E AND COMMON			<u>1,018,924,614.04</u>	<u>1,037,252,486.43</u>	<u>1,072,441,724.29</u>
<u>EQUITY SECURITIES</u>					
910585408	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	424,865.00	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			<u>281,708.00</u>	<u>35,450,665.00</u>	<u>0.00</u>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	1,388,452.00
LIMITED PARTNERS			<u>346,302.00</u>	<u>3,199,497.00</u>	<u>1,388,452.00</u>
TOTAL EQUITY SECURITIES			<u>628,010.00</u>	<u>38,650,162.00</u>	<u>1,388,452.00</u>
TOTAL			<u>1,019,552,624.04</u>	<u>1,075,902,648.43</u>	<u>1,073,830,176.29</u>