

Property and Casualty Companies

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2012
OF THE CONDITION AND AFFAIRS OF THE

MINNESOTA SURETY AND TRUST COMPANY

NAIC Group Code NAIC Co. Code 30996 Employer's ID Number 41-0665921

Organized under the Laws of Minnesota State of Domicile Minnesota

Country of domicile United States

Incorporated/Organized: August 28, 1945 Commenced Business: August 28, 1945

Statutory Home Office 85 7th Place East, Suite 500, St. Paul, MN 55101-2198

Main Administrative Office 85 7th Place East, Suite 500, St. Paul, MN 55101-2198

Mail Address P.O. Box 133, Farmington, CT 06034

Primary Location of Books and Records 85 7th Place East, Suite 500, St. Paul, MN 55101-2198

Internet Web Site Address <http://mn.gov/commerce/topics/enforcement/liquidations.jsp>

Statutory Statement Contact Rick Theisen (651) 297-4297

OFFICERS
(None-Company in Liquidation)

OTHER OFFICERS
None - Company in Liquidation)

DIRECTORS OR TRUSTEES
None - Company in Liquidation)

State of Minnesota }
County of Ramsey } SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officer of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the 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 there from for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

November 30, 2012

Rick Theisen
Rick Theisen
Chief Examiner, Special Deputy Liquidator

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY & TRUST COMPANY

ASSETS

	Current Year			December 31 Prior Year Net Admitted Assets
	Assets	Nonadmitted Assets	Net Admitted Assets (Column 1 minus Column 2)	
1 Bonds	1,108,724		1,108,724	1,600,717
2 Stocks:				
2.1 Preferred stocks				
2.2 Common Stocks				
3 Mortgage loans on real estate:				
3.1 First Liens				
3.2 Other than first liens				
4 Real estate				
4.1 Properties occupied by the company				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5 Cash (\$302,314, Schedule E -Part 1), cash equivalents (\$, Schedule E- Part 2)	302,314		302,314	343,118
6 Contract loans				
7 Derivatives				
8 Other invested assets				
9 Receivable for securities				
10 Securities lending reinvested collateral assets (Schedule DL)				
11 Aggregate write-ins for invested assets				
12 Subtotals, cash and invested assets (Line 1 through Line 11)	1,409,038	0	1,409,038	1,943,835
13 Title plants less \$ charged off (for Title Insurers only)				
14 Investment income due and accrued	4,403		4,403	14,854
15 Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	26,950	26,950	0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
16 Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Accrued retrospective premiums				
17 Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	76,000	76,000	0	0
19 Guaranty funds receivable or on deposit				
20 Electronic data processing equipment and software				
21 Furniture and equipment, including health care delivery assets (\$)				
22 Net adjustment in assets and liabilities due to foreign exchange rates				
23 Receivables from parent, subsidiaries and affiliates				
24 Health care (\$) and other amounts receivable				
25 Aggregate write-ins for other than invested assets	2,593		2,593	7,162
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell				
26 Accounts (Line 12 to Line 25)	1,518,984	102,950	1,416,034	1,865,851
27 From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28 Total (Line 26 and Line 27)	1,518,984	102,950	1,416,034	1,865,851
DETAILS OF WRITE-INS				
1101				
1102				
1103				
1198 Summary of remaining write-ins for Line 11 from overflow page				
1199 Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)				
2501 Cash Surrender Value Life Insurance	2493		2,493	7,162
2502 Assets Reserved for the Account of Others	100		100	0
2503				
2598 Summary of remaining write-ins for Line 25 from over flow page				
2599 Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	2,593		2,593	7,162

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1 Losses	90,537	90,537
2 Reinsurance payable on paid losses and loss adjustment expenses		
3 Loss adjustment expenses	15,843	15,843
4 Commissions payable, contingent commissions and other similar charges	1,630	1,630
5 Other expenses (excluding taxes, licenses and fees)	169,309	200,851
6 Taxes, licenses and fees (excluding federal and foreign income taxes)	25,050	26,050
7 .1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		
7 .2 Not deferred tax liability		
8 Borrowed money		195,091
9 Unearned premiums	30,875	30,875
10 Advanced premium		
11 Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12 Ceded reinsurance premiums payable (net of ceding commissions)		
13 Funds held by company under reinsurance treaties		
14 Amounts withheld or retained by company for account of others	179,101	329,038
15 Remittances and items not allocated		
16 Provision for reinsurance		
17 Net adjustments in assets and liabilities due to foreign exchange rates		
18 Drafts outstanding		
19 Payable to parent, subsidiaries and affiliates	303,784	112,151
20 Derivatives		
21 Payable for securities		
22 Payable for securities lending		
23 Liability for amounts held under uninsured plans		
24 Capital notes \$ and interest thereon \$		
25 Aggregate write-ins for liabilities		
26 Total liabilities excluding protected cell liabilities (Line 1 through Line 25)	816,129	1,001,066
27 Protected cell liabilities		
28 Total liabilities (Line 26 and Line 27)	816,129	1,001,066
29 Aggregate write-ins for special surplus funds		
30 Common capital stock	500,000	500,000
31 Preferred capital stock		
32 Aggregate write-ins for other than special surplus funds		
33 Surplus notes	1,212,000	1,212,000
34 Gross paid in and contributed surplus	100,000	100,000
35 Unassigned funds (surplus)	(1,212,066)	(847,215)
36 Less treasury stock, at cost:		
36.1 Shares common (value included in Line 30 \$)		
36.2 Shares preferred (value included in Line 31 \$)		
37 Surplus as regards policyholders (Line 29 to Line 35, less Line 36) Page 4, Line 39	599,934	964,785
38 Totals (Page 2, Line 28, Column 3)	1,418,083	1,965,851
DETAILS OF WRITE-INS		
2601		
2602		
2603		
2698 Summary of remaining write-ins for Line 25 from overflow page		
2699 Totals (Lines 2601 through 2603 plus 2698) (Line 25 above)		
2901		
2902		
2903		
2998 Summary of remaining write-ins for Line 29 from overflow page		
2999 Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201		
3202		
3203		
3298 Summary of remaining write-ins for Line 32 from overflow page		
3299 Totals (Line 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY & TRUST COMPANY

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	Prior Year Ended December 31
UNDERWRITING INCOME			
1 Premiums earned:			
1.1 Direct (Written \$)		492,370	464,671
1.2 Assumed (Written \$)			
1.3 Ceded (Written \$)		8,922	
1.4 Net (Written \$)		483,448	464,671
DEDUCTIONS:			
2 Losses incurred (Current accident year \$):			
2.1 Direct	(961)	(20,913)	110,320
2.2 Assumed			
2.3 Ceded			
2.4 Net	(961)	(20,913)	
3 Loss adjustment expenses incurred	300	45,353	(16,680)
4 Other underwriting expenses incurred	408,678	451,705	995,887
5 Aggregate write-ins for underwriting deductions			
6 Total underwriting deductions (Lines 2 through 5)	408,017	478,115	1,089,627
7 Net income of protected cells			
8 Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(408,017)	7,303	(625,056)
INVESTMENT INCOME			
9 Net investment income earned	23,740	(4,650)	65,282
10 Net realized capital gains (losses) less capital gains tax of \$	4,008	24,096	20,377
11 Net investment gain (loss) (Lines 9 + 10)	27,748	19,446	85,659
OTHER INCOME:			
12 Net gain or (loss) from annuity or premium balances charged off (amount received \$, amount charged off \$)			
13 Finance and service charges not included in premiums			
14 Aggregate write-ins for miscellaneous income	11,410	(24,600)	5,710
15 Total other income (Lines 12 through 14)	11,410	(24,600)	5,710
16 Net income before dividends to policyholders, other capital gains tax and before all other federal and foreign income taxes (Lines 8 plus Line 11 + 15)	(368,659)	1,949	(532,687)
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)	(368,659)	1,949	(532,687)
19 Federal and foreign income taxes incurred			
20 Net income (Line 18 minus Line 19) (to Line 22)	(368,659)	1,949	(532,687)
CAPITAL AND SURPLUS ACCOUNT			
21 Surplus as regards policyholders, December 31 prior year	964,785	1,621,327	1,399,078
22 Net income (from Line 20)	(368,659)	1,949	(532,687)
23 Net transfers (to) from Protected Cell accounts			
24 Change in net unrealized capital gains or (losses) less capital gains tax of \$		679	
25 Change in net unrealized foreign exchange capital gain (loss)			
26 Change in net deferred income tax			(1,000)
27 Change in nonadmitted assets	3,980	(5,007)	86,679
28 Change in provision for reinsurance			
29 Change in surplus notes			
30 Surplus (contributed to) withdrawn from protected cells			
31 Cumulative effect of changes in accounting principles			
32 Capital Changes			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33 Surplus adjustments			
33.1 Paid in			
33.2 Transferred to capital (Stock dividend)			
33.3 Transferred from capital			
34 Net remittances from or (to) Home Office			
35 Dividends to stockholders			
36 Change in treasury stock (Page 3, Line 26.1 and Line 36.2, Column 2 minus Column 1)			
37 Aggregate write-ins for gains and losses in surplus		24,906	2,817
38 Change in surplus as regards policyholders for the year (Line 22 through Line 37)	(384,678)	27,467	(434,291)
39 Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	599,996	1,643,804	964,785
DETAILS OF WRITE-INS			
501			
502			
503			
598 Summary of remaining write-ins for Line 5 from overflow page			
599 Totals (Line 501 through Line 503 plus Line 598) (Line 5 above)			96,478
1401 Fiduciary Fees	1,468	21,045	
1402 Auction Proceeds	9,855	(46,314)	
1402a Fiduciary Expenses		369	
1403 Other Miscellaneous Income	67		
1498 Summary of remaining write-ins for Line 14 from overflow page			
1499 Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	11,410	(24,600)	
3701 Prior Year Adjustments			2,817
3702 Nonadmitted Fiduciary Assets		(111,600)	
3703 Miscellaneous		136,866	
3798 Summary of remaining write-ins for Line 37 from overflow page			
3799 Totals (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)		24,906	2,817

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY			
CASH FLOW			
	1	2	3
	Current Year	Prior Year to	Prior Year
	to Date	Date	Ended
			December 31
1 Premiums collected net of reinsurance	0	340,791	402,930
2 Net investment income	27,748	(3,731)	62,255
3 Miscellaneous income	11,410	(24,900)	5,710
4 Total (Lines 1 to 3)	39,158	312,160	460,895
5 Benefit and loss related payments	(961)	103,087	4,744
6 Net transfers to Separate Account, Segregated Accounts and Protected Cell Accounts			
7 Commissions, expenses paid and aggregate write-ins for deductions	580,932	497,058	470,541
8 Dividends paid to policyholders			
9 Federal and foreign income taxes paid (recovered net of \$..... tax on capital gains (losses))			
10 Total (Lines 5 through 9)	579,971	600,145	484,285
11 Net cash from operations (Line 4 minus Line 10)	(540,813)	(287,985)	(23,390)
12 Proceeds from investments sold, matured or repaid:			
12.1 Bonds	498,000	364,217	204,495
12.2 Stocks		9,287	27,144
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds		135,000	
12.8 Total investment proceeds (Lines 12 to 12.7)	498,000	508,604	231,639
13 Cost of investment acquired (long-term only):			
13.1 Bonds		349,142	245,892
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous application			
13.7 Total investment acquired (Lines 13.1 to 13.6)	0	349,142	245,892
14 Net increase (or decrease) in contract loans and premium notes			
15 Net cash from investments (Line 12, 8 minus Line 13.7 and Line 14)	498,000	169,362	(14,253)
Cash from Financing and Miscellaneous Sources			
16 Cash provide (applied)			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds		(1,867)	
16.4 Net deposits on deposit-type contracts and other insurance liabilities			329,038
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	3,990	89,927	
17 Net cash from financing and miscellaneous sources (Lines 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	3,990	88,070	329,038
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18 Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(10,833)	(40,553)	291,395
19 Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	343,118	67,240	51,723
19.2 End of period (Line 18 plus Line 19.1)	302,285	26,693	343,118

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

Organization

Minnesota Surety and Trust Company (the Company) was incorporated and commenced operations on August 28, 1945, under the Statutes of the State of Minnesota. The Company was a licensed property and casualty insurer under Minnesota Statutes Section 60A.06. Effective November 17, 2011, the Company's Minnesota Certificate of Authority to operate as an insurer was revoked. Effective November 22, 2011, the Company was ordered into liquidation.

The Company is a majority owned subsidiary of First Heartland Surety and Casualty Services Company (First Heartland). The Company was engaged in underwriting surety and bail bonds in the states of Minnesota, North Dakota, Montana, Utah, South Dakota and Colorado. The coverage on the surety and bail bonds was marketed to customers through a network of independent insurance agents and brokers. The Company also provided trust services primarily to individuals in Minnesota.

The financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the Minnesota Department of Commerce.

B. Use of estimates in the Preparation of the Financial statements & Accounting Policy

The Company records bail bond premiums on the net remittances method. As such, the difference between the fee, generally 10% of the bond, and the premium has not been recorded in these financial statements.

Premiums written are recorded on an annual basis to match the billing to the policyholder. Premiums on other than bail bonds are earned on a pro rata basis over the life of the insurance policy. Audit adjustments to premiums are recognized in the period that the adjustment becomes known. Unearned premium reserves are established for the portion of premiums billed applicable to the unexpired term of the premium.

Certain costs of acquiring new business, principally commissions, premium taxes and other variable policy issuance and underwriting expenses, are expensed when due.

Unpaid claim and settlement expenses are based on estimates of reported and unreported claims and related settlement expenses. The Company does not discount the reserve liability for future policy claims settlement expenses.

Investments in fixed maturity bonds are recorded at amortized cost under the valuation standards of the National Association of Insurance Commissioners. No provision is made for temporary declines in market values below amortized cost as the Company generally intends to hold these investments until maturity and does not expect to realize a significant loss. If, however, a permanent impairment occurs in a security, the Company writes the security down to the new value. Short-term investments are recorded at cost, which approximates market. Investments in common and preferred stocks are carried at estimated market values based on published market quotations.

Realized gains and losses are computed based on specific identification of the cost of the securities sold. Unrealized gains and losses of common and preferred stock are included in surplus.

Cash and short-term investments include demand and savings deposits at several financial institutions. At times cash on deposit may exceed federally insured limits. For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of one year or less, when purchased, to be cash equivalents.

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS
No change.

3. BUSINESS COMBINATIONS AND GOODWILL
No change.

4. DISCONTINUED OPERATIONS
The Company was ordered into liquidation by the State of Minnesota on November 22, 2011.

5. INVESTMENTS
During the period covered by these financial statements, the Company had no mortgage loans, real estate loans, debt restructuring, reverse mortgages, loan backed securities or repurchase agreements.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES
No change.

7. INVESTMENT INCOME
No change.

8. DERIVATIVE INSTRUMENTS
No change.

9. INCOME TAXES
No change.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES
First Heartland owns 380,099 of the 500,000 issued and outstanding shares of Company capital common stock. First Heartland also holds surplus notes in the Company in the amount of \$215,000. The Company paid First Heartland \$4,550 in 2012 for rents and services provided. The Company had no management or service contract to cover these payments.

The Company made payments of \$690 to Plunkett & Associates, an affiliated law firm, for services rendered to the Company during the first quarter of 2012.

11. DEBT
As of June 30, 2012, the Company had the following secured and unsecured notes payable:
1) Promissory note payable to First Heartland in the amount of \$191,633.
2) Demand note payable to a principal of the Company in the amount of \$112,151.

12. RETIREMENT, DEFERRED COMPENSATION AND POST RETIREMENT BENEFIT PLANS
No change.

13. CAPITAL AND URPLU, DIVIDEND RESTRICTION AND QUAL-REORGANIZATION
No change.

14. CONTINGENCIES
No change.

15. LEASES
The Company is not a party to any leases.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK
No change.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES
The Company repaid a secured loan to a local financial institution in the amount of \$3,191 during the first quarter.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS
No change.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/ADMINISTRATORS
No change.

20. FAIR VALUE MEASUREMENTS
Bonds: Fair values for bonds are determined using quoted market prices from an orderly market at the reporting date for those or similar investments.

	2012 Statement Value	2012 Fair Value
Bonds:	\$1,108,724	\$1,248,207

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY
NOTES TO FINANCIAL STATEMENTS

21. OTHER ITEMS

No Change

22. EVENTS SUBSEQUENT

No change.

23. REINSURANCE

No change.

24. RETROSPECTIVELY RATED CONTRACTS

No change.

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

No change.

26. INTERCOMPANY POOLING ARRANGEMENTS

No change.

27. STRUCTURED SETTLEMENTS

No change.

28. HEALTH CARE RECEIVABLES

No change.

29. PARTICIPATING POLICIES

No change.

30. PREMIUM DEFICIENCY RESERVES

No change.

31. HIGH DEDUCTIBLES

No change.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES

No change.

33., ASBESTOS/ENVIRONMENTAL RESERVE

No change.

34. SUBSCRIBER SAVINGS ACCOUNTS

No change.

35. MULTIPLE PERIL CROP INSURANCE

No change.

36. FINANCIAL GUARANTEE INSURANCE

No change.

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY

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 Minnesota, as required by the Model Act?	Yes ()	No (X)
1.2 If yes, has the report been filed with the domiciliary state?	Yes ()	No ()
2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?	Yes ()	No (X)
2.2 If yes, date of change:		
3 Have there been any substantial changes in the organizational chart also the prior quarter end? If yes, complete the Schedule Y- Part 1- organization at chart.	Yes ()	No (X)
4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?	Yes ()	No (X)
4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.		
6 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 of principals involved?	Yes ()	No () NA (X)
6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.		12/31/2009
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.		12/31/2009
6.3 State as of what 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).		07/16/2010
6.4 By what department or departments? Minnesota Department of Commerce		
6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?	Yes ()	No () NA (X)
6.6 Have all of the recommendations within the latest financial examination report been completed?	Yes ()	No () NA (X)
7.1 Has the reporting entity had any Certificate of Authority, license or registration (including corporate registration, if applicable) suspended?	Yes (X)	No ()
7.2 If yes, give full information: The Company is in liquidation and no longer willing business in any state.		
8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?	Yes ()	No (X)
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.		
8.3 Is the Company affiliated with one or more banks, trusts or securities firms?	Yes ()	No (X)
8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.		
9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing: (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 law, rules and regulations; (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and (e) Accountability for adherence to the code.	Yes (X)	No ()
9.11 If the response to 9.1 is No, please explain:		
9.2 Has the code of ethics for senior management been amended?	Yes ()	No (X)
9.21 If the response to 9.2 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 (X)
10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount.		

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY
GENERAL INTERROGATORIES

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:
- 12 Amount of real estate and mortgages held in other invested assets in Schedule BA: \$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:
- 14.21 Bonds
 - 14.22 Preferred Stock
 - 14.23 Common Stock
 - 14.24 Short-Term Investments
 - 14.25 Mortgage Loans on Real Estate
 - 14.26 All Other
 - 14.27 Total Investment in Parent, Subsidiaries and Affiliates
 - 14.28 Total Investment in Parent Included in Lines 14.21 to 14.26 above
- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No
- 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 1.III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Exam Yes No
- 16.1 For all agreement that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- | Name of Custodian(s) | Custodian Address |
|----------------------|-------------------|
| Wells Fargo Bank NA | |
| US Bank NA | |
- 16.2 For all agreement that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- | Name of Custodian(s) | Custodian Address |
|----------------------|-------------------|
|----------------------|-------------------|
- 16.3 Has there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current Yes No
- 16.4 If yes, give full and complete information relating thereto:
- 16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment account handle securities and have authority to make investments on behalf of the reporting entity:
- 17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office Yes No
- 17.2 If no, list exceptions:

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY
GENERAL INTERROGATORIES

(Responses to these Interrogatories should be based on changes that have occurred since prior year end unless otherwise note.)

Part 2

PROPERTY & CASUALTY INTERROGATORIES

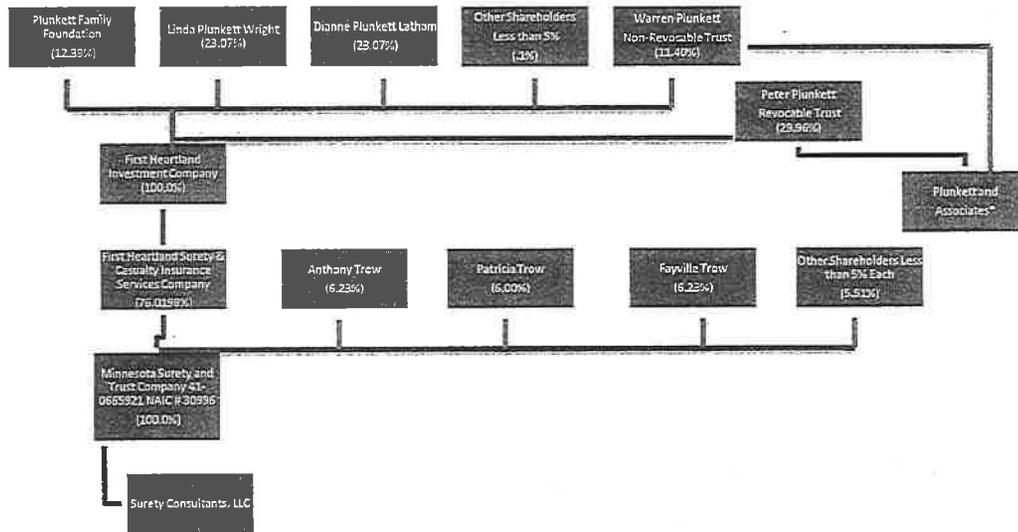
1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change Yes () No () NA (X)
 If yes, attach an explanation.
2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part from any loss that may occur on the risk, or portion thereof, reinsured? Yes () No (X)
 If yes, attach an explanation.
- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes () No (X)
- 3.2 If yes, give full and complete information thereto
- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves.") discounted at a rate of interest greater than zero? Yes () No (X)

4.2 If yes complete the following schedule:

			Total Discount				Discount taken During Period			
1	2	3	4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Discount Rate	Unpaid Losses	Unpaid LAE	IBNR	TOTAL	Unpaid Losses	Unpaid LAE	IBNR	TOTAL

5. Operating Percentages
- 5.1 A&H loss percent %
 - 5.2 A&H cost containment percent %
 - 5.3 A&H expense percent excluding cost containment expense %
- 6.1 Do you act as a custodian for health savings accounts? Yes () No (X)
- 6.2 If yes, please provide the amount of custodial funds held as of the reporting date \$
- 6.3 Do you act as an administrator for health savings accounts? Yes () No (X)
- 6.4 If yes, please provide the balance of the funds administered as of the reporting date \$

Schedule Y



* Plunkett and Associates is owned by Peter Plunkett (75%) and Warren Plunkett (25%)

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY

SCHEDULE F-CEDED REINSURANCE
NONE
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
NONE
PART 1 - LOSS EXPERIENCE
NONE
PART - 2 DIRECT PREMIUMS WRITTEN
NONE
PART - 3 LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE
NONE
SCHEDULE A - VERIFICATION
NONE
SCHEDULE B - VERIFICATION
NONE
SCHEDULE BA- VERIFICATION
NONE

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY

SCHEDULE D - VERIFICATION

	1	2	Prior
	Year to Date	Year Ended	December 31
Bonds and Stocks			
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	1,600,717	1,788,425	
2. Cost of bonds and stocks acquired		148,423	
3. Accrual of discount	1,491	3,130	
4. Unrealized valuation increase (decrease)			
5. Total gain (loss) on disposals	4,008		
6. Deduct consideration for bonds and stocks disposed of	499,422	338,724	
7. Deduct amortization of premium	70	537	
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)	1,106,724	1,600,717	
11. Deduct total nonadmitted amounts			
12. Statement value at end of current period (Line 10 minus Line 11)	1,106,724	1,600,717	

+

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY
SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	1,350,728		245,425	1,421	1,106,724			
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	1,350,728	0	245,425	1,421	1,106,724	0	0	0
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock								

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY

Schedule DA - Part 1
NONE
Schedule DA - Verification
NONE
Schedule DB - Part A Verification
NONE
Schedule DB - Part B Verification
NONE
Schedule DB - Part C - Section 1
NONE
Schedule DB - Part C - Section 2
NONE
Schedule DB - Verification
NONE
Schedule E - Verification
NONE
Schedule A - Part 2
NONE
Schedule A - Part 3
NONE
Schedule B - Part 2
NONE
Schedule BA - Part 2
NONE

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY

SCHEDULE E - PART 1- CASH

1	2	3	4	5	Book Balance at End of Each Month During Current Qu			9
					6	7	8	
Depository	Location	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Thirld Month	
Sterling State Bank	Austin, Minnesota				164,469	44,654	118,400	xxx
Wells Fargo	Minneapolis, Minnesota				132,782	4,455	4,713	xxx
U.S. Bank	Austin, Minnesota				252,484	252,484	179,001	xxx
Home Federal Saving Bank	Austin, Minnesota				76,554	76,554	0	xxx
0199999 Totals - Open Depositories					626,289	378,147	302,114	xxx
0499999 Cash In Company's Office					200	200	200	xxx
0599999 Total					626,489	378,347	302,314	xxx

STATEMENT AS OF SEPTEMBER 30, 2012 OF THE MINNESOTA SURETY AND TRUST COMPANY

Schedule BA - Part 3
NONE
Schedule D - Part 3
NONE
Schedule D - Part 4
NONE
Schedule DB - Part A - Section 1
NONE
Schedule DB - Pt. A - Sn. 1 - Footnote (a)
NONE
Schedule DB - Pt. B - Section 1
NONE
Schedule DB - Pt. B - Sn. 1 - Footnotes
NONE
Schedule DB - Part D
NONE
Schedule DL - Part 1
NONE
Schedule DL - Part 2
NONE
Schedule E - Part 2
NONE