**State of Minnesota** | **District Court**

**County of Ramsey** | **Second Judicial District**

**62-CV-11-9400**

**In Re: The Matter of the Liquidation of Minnesota Surety and Trust Company**

**QUARTERLY REPORT**
**MINN. STAT. § 60B.25**

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## REPORT ON PROGRESS OF LIQUIDATION PROCEEDINGS

**January 1, 2016**

NOW COMES Mike Rothman, Commissioner of Commerce of the State of Minnesota, in his capacity as the statutory and court-appointed liquidator of Minnesota Surety and Trust Company, ("MSTC") and for his summary of progress and current status of the MSTC liquidation proceedings, states as follows:

1. The court placed MSTC in liquidation on November 22, 2011.
2. The court appointed the Commissioner of the Minnesota Department of Commerce (hereinafter "Commerce") as liquidator of MSTC.
3. MSTC, a Minnesota insurance company, was also licensed as a trust company and actively administered a number of trusts.

## REPORT

### I. Financial Statements

4. The Liquidator attaches hereto as Exhibit A the financial statement for MTSC as of September 30, 2015.

### II. Notice and Claims

5. The Liquidator is reviewing information submitted by some of the former agents of MSTC for the release of the agent's build-up-fund accounts.

## III. Operations

6. On August 14, 2015 the Liquidator filed an application with the U.S. Department of Justice for a limited release of federal claims in the liquidation of Minnesota Surety and Trust Company. As of the date of this report the application was still pending.

Respectfully submitted,

MIKE ROTHMAN
Commissioner
Minnesota Department of Commerce

By his Special Deputy Liquidator

Kathleen Orth

12/21/2015

Date

Property and Casualty Companies

# QUARTERLY STATEMENT

**AS OF SEPTEMBER 30, 2015**

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 | Kathleen Orth (651) 539-1763 |

**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.

11/15/2015

Kathleen J. Orth
Kathleen Orth
Chief Examiner

# ASSETS

| | Current Year | | | |
|---|---|---|---|---|
| | Assets | Nonadmitted Assets | Net Admitted Assets (Column 1 minus Column 2) | December 31 Prior Year Net Admitted Assets |
| 1 Bonds | 704,278 | | 704,278 | 705,745 |
| 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 ($360,882, Schedule E -Part 1), cash equivalents ($0, Schedule E- Part 2) | 360,150 | | 360,150 | 449,438 |
| 6 Contract loans | | | | |
| 7 Derivatives | | | | |
| 8 Other invested assets | | | | |
| 9 Receivable for securities | | | | |
| 10 Securities lending reinvested collateral assets (Schedule DL) | | | | |
| 11 Aggregate write-ins for invested assets | | | | |
| 12 Subtotals, cash and invested assets (Line 1 through Line11) | 1,064,428 | - | 1,064,428 | 1,155,183 |
| 13 Title plants less$ charged off (for Title insurers only) | | | | |
| 14 Investment income due and accrued | 3,501 | | 3,501 | 7,630 |
| 15 Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 88,133 | 88,133 | - | |
| 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 | | | | |
| 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 | 100 | | 100 | 100 |
| 26 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25) | 1,156,162 | 88,133 | 1,068,029 | 1,162,913 |
| 27 From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28 Total (Line 26 and Line 27) | 1,156,162 | 88,133 | 1,068,029 | 1,162,913 |
| 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 Assets reserved for the account of others | 100 | | 100 | 100 |
| 2502 | | | | |
| 2503 | | | | |
| 2598 Summary of remaining write-ins for Line 25 from overflow page | | | | |
| 2599 Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) | 100 | | 100 | 100 |

STATEMENT AS OF SEPTEMBER 30, 2015 OF THE MINNESOTA SURETY & TRUST COMPANY

## LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1<br>Current<br>Statement Date | 2<br>December 31,<br>Prior Year |
|---|---|---|
| 1 Losses | 5,000 | 5,000 |
| 2 Reinsurance payable on paid losses and loss adjustment expenses | | |
| 3 Loss adjustment expenses | - | |
| 4 Commissions payable, contingent commissions and other similar charges | 1,630 | 1,630 |
| 5 Other expenses (excluding taxes, licenses and fees) | 126,533 | 130,139 |
| 6 Taxes, licenses and fees (excluding federal and foreign income taxes) | 27,635 | 27,635 |
| 7 .1 Current federal and foreign income taxes (including $ on realized capital gains (losses) | | |
| 7 .2 Net deferred tax liability | | |
| 8 Borrowed money | 310,660 | 310,660 |
| 9 Unearned premiums | 4,295 | 4,295 |
| 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 | 95,034 | 145,034 |
| 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 | | |
| 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) | 570,786 | 624,393 |
| 27 Protected cell liabilities | | |
| 28 Total liabilities (Line 26 and Line 27) | 570,786 | 624,393 |
| 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) | (1,314,757) | (1,273,480) |
| 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 | 497,243 | 538,520 |
| 38 Totals (Page 2, Line 28, Column 3) | 1,068,029 | 1,162,913 |
| DETAILS OF WRITE-INS | | |
| 2501 | | |
| 2502 | | |
| 2503 | | |
| 2598 Summary of remaining write-ins for Line 25 from overflow page | | |
| 2599 Totals (Lines 2501 through 2503 plus 2598) (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 OF INCOME

| | 1<br>Current Year<br>to Date | 2<br>Prior Year<br>to Date | Prior Year<br>Ended<br>December 31 |
|---|---|---|---|
| UNDERWRITING INCOME | | | |
| 1 Premiums earned: | | | |
| 1.1 Direct (Written $ ) | - | | 19 |
| 1.2 Assumed (Written $ ) | | | |
| 1.3 Ceded (Written $ ) | | | |
| 1.4 Net (Written $ ) | | | |
| | - | - | 19 |
| DEDUCTIONS: | | | |
| 2 Losses incurred (Current accident year $ ): | | | |
| 2.1 Direct | (700) | - | (81,150) |
| 2.2 Assumed | | | |
| 2.3 Ceded | | | |
| 2.4 Net | (700) | - | (81,150) |
| 3 Loss adjustment expenses incurred | - | - | (15,843) |
| 4 Other underwriting expenses incurred | 60,696 | 42,296 | (9,658) |
| 5 Aggregate write-ins for underwriting deductions | | | |
| 6 Total underwriting deductions (Lines 2 through 5) | 59,996 | 42,296 | (106,651) |
| 7 Net income of protected cells | | | |
| 8 Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7) | (59,996) | (42,296) | 106,670 |
| INVESTMENT INCOME | | | |
| 9 Net investment income earned | 18,654 | 19,547 | 27,796 |
| 10 Net realized capital gains (losses) less capital gains tax of $ | | | - |
| 11 Net investment gain (loss) (Lines 9 + 10) | 18,654 | 19,547 | 27,796 |
| OTHER INCOME | | | |
| 12 Net gain or (loss) from agents' 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 | 65 | 1,000 | 1,000 |
| 15 Total other income (Lines 12 through 14) | 65 | - | 1,000 |
| 16 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 plus Line 11+ 15) | (41,277) | (21,749) | 135,466 |
| 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) | (41,277) | (21,749) | 135,466 |
| 19 Federal and foreign income taxes incurred | | | |
| 20 Net income (Line 18 minus Line 19) (to Line 22) | (41,277) | (21,749) | 135,466 |
| CAPITAL AND SURPLUS ACCOUNT | | | |
| 21 Surplus as regards policyholders, December 31 prior year | 538,520 | 369,199 | 369,199 |
| 22 Net income (from Line 20) | (41,277) | (21,749) | 135,466 |
| 23 Net transfers (to) from Protected Cell accounts | | | |
| 24 Change in net unrealized capital gains or (losses) less capital gains tax of $ | | | |
| 25 Change in net unrealized foreign exchange capital gain (loss) | | | |
| 26 Change in net deferred income tax | | | |
| 27 Change in nonadmitted assets | | | |
| 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 36.1 and Line 36.2, Column 2 minus Column1) | | | |
| 37 Aggregate write-ins for gains and losses in surplus | - | | 33,855 |
| 38 Change in surplus as regards policyholders for the year (Line 22 through Line 37) | (41,277) | (21,749) | 169,321 |
| 39 Surplus as regards policyholders, as of statement date (Lines 21 plus 38) | 497,243 | 347,450 | 538,520 |
| DETAILS OF WRITE-INS | | | |
| 501 | | | |
| 502 | | | |
| 503 | | | |
| 598 Summary of remaining write-ins for Line 5 from overflow page | | | |
| 599 Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above) | - | - | - |
| 1401 Other miscellaneous income - Wells Fargo | - | 1,000 | 1,000 |
| 1402 Adjustment to beginning cash balance | 65 | | - |
| 1402a | | | |
| 1403 | | | |
| 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) | 65 | 1,000 | 1,000 |
| 3701 Adjustment to Company's Build Up Fund account established prior to liquidation | - | | 33,855 |
| 3702 | | | |
| 3703 | | | |
| 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) | - | - | 33,855 |

# CASH FLOW

| | | 1<br>Current Year<br>to Date | 2<br>Prior Year to<br>Date | 3<br>Prior Year<br>Ended<br>December 31 |
|---|---|---|---|---|
| | **Cash from Operations** | | | |
| 1 | Premiums collected net of reinsurance | - | - | - |
| 2 | Net investment income | 18,654 | 19,547 | 27,210 |
| 3 | Miscellaneous income | 65 | 1,000 | 1,000 |
| 4 | Total (Lines 1 to 3) | 18,719 | 20,547 | 28,210 |
| 5 | Benefit and loss related payments | | | - |
| 6 | Net transfers to Separate Account, Segregated Accounts and Protected Cell Accounts | | | |
| 7 | Commissions, expenses paid and aggregate write-ins for deductions | 61,007 | 38,291 | 145,277 |
| 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) | 61,007 | 38,291 | 145,277 |
| 11 | Net cash from operations (Line 4 minus Line 10) | (42,288) | (17,744) | (117,067) |
| | **Cash from Investments** | | | |
| 12 | Proceeds from investments sold, matured or repaid: | | | |
| | 12.1 Bonds | 3,000 | 141,000 | 141,000 |
| | 12.2 Stocks | | | |
| | 12.3 Mortgage loans | | | |
| | 12.4 Real estate | | | |
| | 12.5 Other invested assets | | | |
| | 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | | | |
| | 12.7 Miscellaneous proceeds | | | |
| | 12.8 Total investment proceeds (Lines 12 to 12.7) | 3,000 | 141,000 | 141,000 |
| 13 | Cost of investment acquired (long-term only): | | | |
| | 13.1 Bonds | | | |
| | 13.2 Stocks | | | |
| | 13.3 Mortgage loans | | | |
| | 13.4 Real estate | | | |
| | 13.5 Other invested assets | | | |
| | 13.6 Miscellaneous application | | | |
| | 13.7 Total investments acquired (Lines 13.1 to 13.6) | - | - | - |
| 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) | 3,000 | 141,000 | 141,000 |
| | **Cash from Financing and Miscellaneous Sources** | | | |
| 16 | Cash provided (applied) | | | |
| | 16.1 Surplus notes, capital notes | | | |
| | 16.2 Capital and paid in surplus, less treasury stock | | | |
| | 16.3 Borrowed funds | | | |
| | 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | | |
| | 16.5 Dividends to stockholders | | | |
| | 16.6 Other cash provided (applied) | (50,000) | - | 33,855 |
| 17 | Net cash from financing and miscellaneous sources (Lines 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | (50,000) | - | 33,855 |
| | **RECONCILIATION OF CASH, CASH EQUILVALENTS AND SHORT-TERM INVESTMENTS** | | | |
| 18 | Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (89,288) | 123,256 | 57,788 |
| 19 | Cash, cash equivalents and short-term investments: | | | |
| | 19.1 Beginning of year | 449,438 | 391,650 | 391,650 |
| | 19.2 End of period (Line 18 plus Line 19.1) | 360,150 | 514,906 | 449,438 |

# 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.

The financial statements are prepared by the Receiver from information available to, known or estimated by the Receiver as of the date of the Quarterly Statement. The Receiver makes no warranty as to the accuracy of the information or of the opinions or evaluations contained in the Quarterly Statement and expressly disclaims any liability arising from the statements of fact, evaluation or opinion contained in the Quarterly Statement. Assets reported in the Quarterly Statement do not include all possible recoveries that may result from various legal and/or collection efforts. Fidelity/surety loss reserves are the Receivers best estimates of outstanding losses and loss adjustment expenses as of September 30, 2015. These estimates will continue to be updated from time to time.

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 fair values below amortized cost, as the Company generally intends to hold these investments until maturity and does not expect to realize any significant losses. 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 fair value. Investments in common and preferred stocks are carried at estimated fair 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.

# NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS
None.

3. BUSINESS COMBINATIONS AND GOODWILL
The Company was not involved in any business combinations during the period covered by these financial statements.

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
The Company had no investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its admitted assets, during the period covered by these financial statements.

7. INVESTMENT INCOME
The Company did not exclude any investment income due and accrued as of September 30, 2015.

8. DERIVATIVE INSTRUMENTS
The Company had no derivative financial instruments during the period covered by these financial statements.

9. INCOME TAXES
There were no income taxes incurred and all deferred tax assets were non-admitted as of September 30, 2015.

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 had no written agreements for rental of office space or services provided. There were no intercompany transactions in the third quarter of 2015.

11.DEBT
As of September 30,2015, the Company had the following secured and unsecured notes payable:
1) Promissory notes payable to First Heartland Surety & Casualty Insurance Service Company in the amount of $193,516.
2) Demand note payable to Warren Plunkett in the amount of $117,144.

12. RETIREMENT, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS
The Company was not a party to any retirement, deferred compensation, postemployment benefits or other postretirement plans at September 30, 2015.

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUAI-REORGANIZATION
The Company had 500,000 issued and outstanding shares of $1 par value capital common stock. The Company has no authorized capital preffered stock.

The Company has $1,212,000 of outstanding surplus notes payable only with the written approval of the Minnesota Commissioner of Commerce.

14. CONTINGENCIES
The Company had no known contingent commitments, outside the normal course of business, as of September 30, 2015 except potential contingencies arising from the liquidation proceeding of the Company.

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

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK
The Company had no financial instruments with off-balance sheet risk as of September 30, 2015.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES
None.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS
The Company has no interests in uninsured plans.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/ADMINISTRATORS
No premiums were written in the third quarter of 2015.

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.

| | 2015 Statement Value | 2015 Fair Value |
|---|---|---|
| Bonds: | $704,278 | $807,211 |

# NOTES TO FINANCIAL STATEMENTS

21. OTHER ITEMS
C. Other Disclosures

Atached at the end of the September 30, 2015 Statement is an exhibit titled "Restatement of Liabilities by Priority". This exhibit is for information purposes only and has been prepared by the Liquidator and has not been approved by the Court.

22. EVENTS SUBSEQUENT
None.

23. REINSURANCE
None.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION
Not applicable.

25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES
Reported Loss Reserves as of December 31, 2014, were $5,000. As of September 30, 2015, reported Loss Reserves remained at $5,000, reflecting the estimated value based on the proof-of-claim forms filed in the liquidation. Additional adjustme to Loss Reserves are possible prior to the closure of the liquidation.

Reported Loss Adjustment Expense (LAE) reserves as of September 30, 2015, were $0.
Additional adjustments to LAE Reserves are possible prior to the closure of the liquidation.

26. INTERCOMPANY POOLING ARRANGEMENTS
Not applicable.

27. STRUCTURED SETTLEMENTS
Not applicable.

28. HEALTH CARE RECEIVABLES
Not applicable.

29. PARTICIPATING POLICIES
Not applicable.

30. PREMIUM DEFICIENCY RESERVES
Not applicable.

31. HIGH DEDUCTIBLES
Not applicable.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES
Not applicable.

33. ASBESTOS/ENVIRONMENTAL RESERVE
Not applicable.

34. SUBSCRIBER SAVINGS ACCOUNTS
Not applicable.

35. MULTIPLE PERIL CROP INSURANCE
Not applicable.

36. FINANCIAL GUARANTY INSURANCE
Not applicable.

# GENERAL INTERROGATORIES

## Part 1 - COMMON INTERROGATORIES

### GENERAL

| | | | |
|---|---|---|---|
| 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? | | Yes ( ) | No (X ) |
| 1.2 If yes, has the report been filed with the domiciliary state? | | Yes ( ) | No ( ) |
| 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? | | Yes () | No (X) |
| 2.2 If yes, date of change: | | | |
| 3 Have there been any substantial changes in the organizational chart since the prior quarter end? If yes, complete the Schedule Y- Part 1- organizational 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 result of the merger or consolidation. | | | |
| 5 If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in fact, or similar agreement, have there been any significant changes regarding the terms of the agreement 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 become 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 date the latest financial examination report become 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). | | 7/15/2010 | |
| 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 complied with? | Yes () | No () | NA (X) |
| 7.1 Has the reporting entity had any Certificate of Authority, licenses or registration (including corporate registration, if applicable) suspended? | | Yes (X) | No () |
| 7.2 If yes, give full information: The Company ceased writing all business in 2011. See Note 1A. | | | |
| 8.1 Is the Company a subsidiary of a bank holding company regulated by the Federal Reserve Board? | | Yes () | No (X) |
| 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. | | | |
| 8.3 Is the Company affiliated with one or more banks, thrifts or securities firms? | | Yes () | No (X) |
| 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.] | | | |
| 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: | | | |

# 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 (X)

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

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

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

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 (X)

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 Examiners Handbook? Yes (X) No ()

16.1 For all agreements 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 | Minneapolis, MN |

16.2 For all agreements 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 quarter? Yes () No (X)

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 accounts, 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 been followed? Yes (X) No ()

17.2 If no, list exceptions:

STATEMENT AS OF SEPTEMBER 30, 2015 OF THE MINNESOTA SURETY & 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 cancelled? 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 )

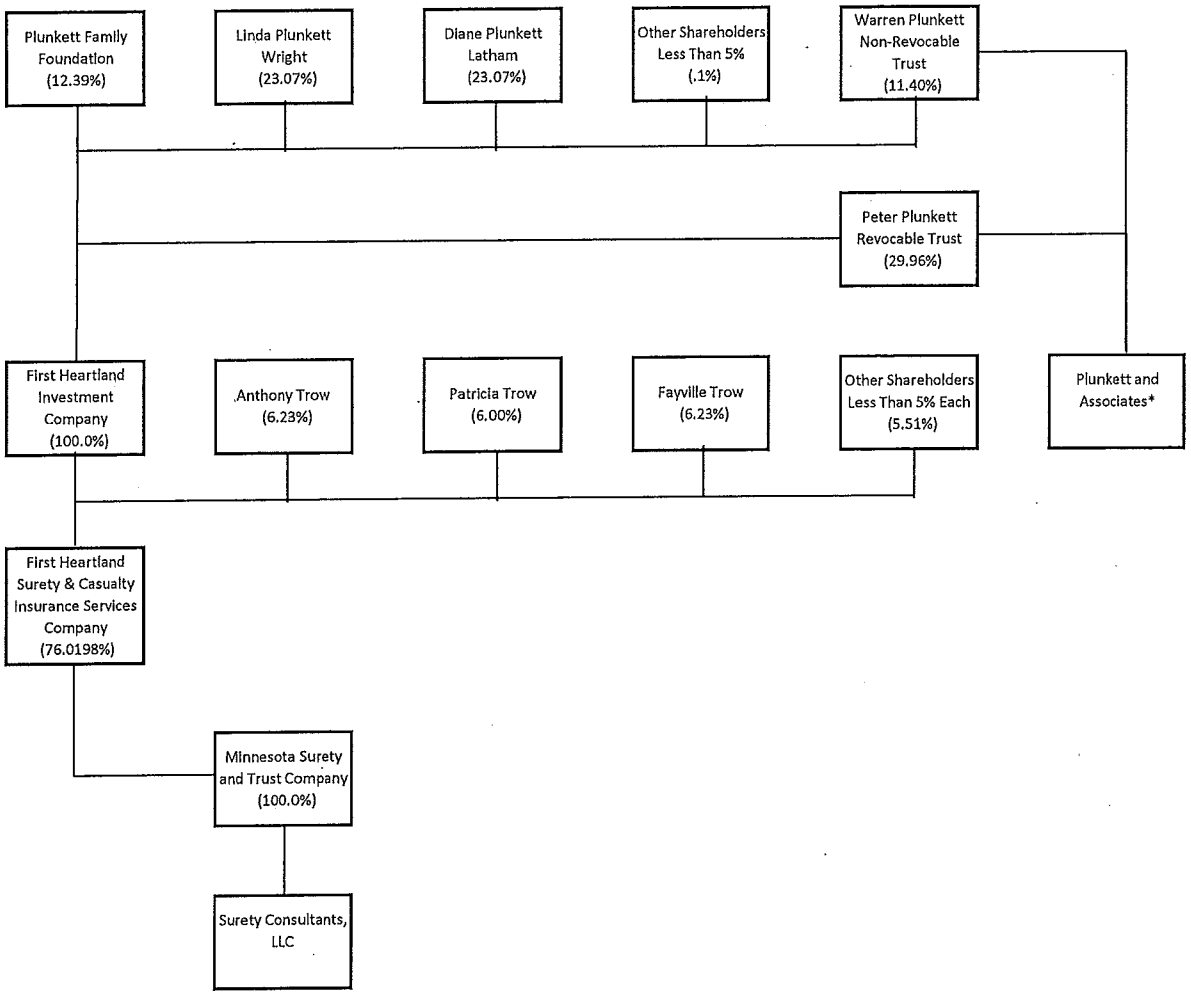
4.2 If yes complete the following schedule:

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

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 Family Foundation (12.39%)
Linda Plunkett Wright (23.07%)
Diane Plunkett Latham (23.07%)
Other Shareholders Less Than 5% (.1%)
Warren Plunkett Non-Revocable Trust (11.40%)
Peter Plunkett Revocable Trust (29.96%)
First Heartland Investment Company (100.0%)
Anthony Trow (6.23%)
Patricia Trow (6.00%)
Fayville Trow (6.23%)
Other Shareholders Less Than 5% Each (5.51%)
Plunkett and Associates*
First Heartland Surety & Casualty Insurance Services Company (76.0198%)
Minnesota Surety and Trust Company (100.0%)
Surety Consultants, LLC

## PART 1 - LOSS EXPERIENCE

| | Lines of Business | 1<br>Current Year to Date<br>Direct Premiums Earned | 2<br>Direct Losses Incurred | 3<br>Direct Loss Percentage | 4<br>Prior Year to Date Direct Loss Percentage |
|---|---|---|---|---|---|
| 1 | Fire | 0 | 0 | 0.0 | 0.0 |
| 2 | Allied lines | 0 | 0 | 0.0 | 0.0 |
| 3 | Farmowners multiple peril | 0 | 0 | 0.0 | 0.0 |
| 4 | Homeowners multiple peril | 0 | 0 | 0.0 | 0.0 |
| 5 | Commercial multiple peril | 0 | 0 | 0.0 | 0.0 |
| 6 | Mortgage guaranty | 0 | 0 | 0.0 | 0.0 |
| 8 | Ocean marine | 0 | 0 | 0.0 | 0.0 |
| 9 | Inland marine | 0 | 0 | 0.0 | 0.0 |
| 10 | Financial guaranty | 0 | 0 | 0.0 | 0.0 |
| 11.1 | Medical professional liability -occurrence | 0 | 0 | 0.0 | 0.0 |
| 11.2 | Medical professional liability -claims made | 0 | 0 | 0.0 | 0.0 |
| 12 | Earthquake | 0 | 0 | 0.0 | 0.0 |
| 13 | Group accident and health | 0 | 0 | 0.0 | 0.0 |
| 14 | Credit accident and health | 0 | 0 | 0.0 | 0.0 |
| 15 | Other accident and health | 0 | 0 | 0.0 | 0.0 |
| 16 | Workers' compensation | 0 | 0 | 0.0 | 0.0 |
| 17.1 | Other liability occurrence | 0 | 0 | 0.0 | 0.0 |
| 17.2 | Other liability-claims made | 0 | 0 | 0.0 | 0.0 |
| 17.3 | Excess Workers' Compensation | 0 | 0 | 0.0 | 0.0 |
| 18.1 | Products liability-occurrence | 0 | 0 | 0.0 | 0.0 |
| 18.2 | Products liability-claims made | 0 | 0 | 0.0 | 0.0 |
| 19.1,19.2 | Private passenger auto liability | 0 | 0 | 0.0 | 0.0 |
| 19.3,19.4 | Commercial auto liability | 0 | 0 | 0.0 | 0.0 |
| 21 | Auto physical damage | 0 | 0 | 0.0 | 0.0 |
| 22 | Aircraft (all perils) | 0 | 0 | 0.0 | 0.0 |
| 23 | Fidelity | 0 | 0 | 0.0 | 0.0 |
| 24 | Surety | 0 | (700) | 0.0 | 0.0 |
| 26 | Burglary and theft | 0 | 0 | 0.0 | 0.0 |
| 27 | Boiler and machinery | 0 | 0 | 0.0 | 0.0 |
| 28 | Credit | 0 | 0 | 0.0 | 0.0 |
| 29 | International | 0 | 0 | 0.0 | 0.0 |
| 30 | Warranty | 0 | 0 | 0.0 | 0.0 |
| 31 | Reinsurance - Nonproportional Assumed Property | XXX | XXX | XXX | XXX |
| 32 | Reinsurance - Nonproportional Assumed Liability | XXX | XXX | XXX | XXX |
| 33 | Reinsurance - Nonproportional Assumed Financial Lines | XXX | XXX | XXX | XXX |
| 34 | Aggregate write-ins for other lines of business | 0 | 0 | 0.0 | 0.0 |
| 35 | TOTALS | 0 | (700) | 0.0 | 0.0 |

## PART 2 - DIRECT PREMIUMS WRITTEN

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

## PART 3 (000 omitted)

## LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

| | Years in Which Losses Occurred | 1<br>Prior Year-End Known Case Loss and LAE Reserves | 2<br>Prior Year-End IBNR Loss and LAE Reserves | 3<br>Total Prior Year-End Loss and LAE Reserves (Cols. 1+2) | 4<br>Current Year Loss and LAE Payments on Claims Reported as of Prior Year-End | 5<br>Current Year Loss and LAE Payments on Claims Unreported as of Prior Year-End | 6<br>Total Current Year Loss and LAE Payments (Cols. 4+5) | 7<br>QS Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End | 8<br>QS Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End | 9<br>QS Date IBNR Loss and LAE Reserves | 10<br>Total QS Loss and LAE Reserves (Cols.7+8+9) | 11<br>Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4+7 minus Col. 1) | 12<br>Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2) | 13<br>Prior Year-End Total Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 11+12) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2012 + Prior | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | 2013 | 124 | 0 | 124 | 0 | 0 | 0 | 27 | 0 | 0 | 27 | (97) | 0 | (97) |
| 3 | Subtotals 2013 + Prior | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | 2014 | 5 | 0 | 5 | 0 | 0 | 0 | 27 | 0 | 0 | 27 | 22 | 0 | 22 |
| 5 | Subtotals 2014 + Prior | 5 | 0 | 5 | 0 | 0 | 0 | 27 | 0 | 0 | 27 | 22 | 0 | 22 |
| 6 | 2015 | XXX | XXX | XXX | XXX | 0 | 0 | XXX | 0 | 0 | 0 | XXX | XXX | XXX |
| 7 | Totals | 5 | 0 | 5 | 0 | 0 | 0 | 27 | 0 | 0 | 27 | 22 | 0 | 22 |
| 8 | Prior Year-End Surplus As Regards Policy-holders | 538,520 | | | | | | | | | | Col.11, Line 7 As % of Col. 1, Line 7<br>440.0% | Col. 12, Line 7 As % of Col. 2, Line 7<br>0% | Col. 13, Line 7 As % of Col. 3, Line 7<br>440.0% |
| | | | | | | | | | | | | | | Col.13, Line 7 As a % of Col. 1 Line 8<br>0.0% |

SCHEDULE F-CEDED REINSURANCE

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

NONE

SCHEULE A - VERIFICATION

NONE

SCHEDULE B - VERIFICATION

NONE

SCHEDULE BA - VERIFICATION

NONE

## SCHEDULE D - VERIFICATION

| Bonds and Stocks | 1<br>Year to Date | 2 Prior Year<br>Ended December 31 |
|---|---|---|
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year | 705,745 | 844,686 |
| 2. Cost of bonds and stocks acquired | | |
| 3. Accrual of discount | 1,549 | 2,080 |
| 4. Unrealized valuation increase (decrease) | | |
| 5. Total gain (loss) on disposals | 0 | 0 |
| 6. Deduct consideration for bonds and stocks disposed of | 3,000 | 141,000 |
| 7. Deduct amortization of premium | 16 | 21 |
| 8. Total foreign exchange change in book/adjusted carrying vallue | | |
| 9, Deduct current year's other than temporary impairment recognizaed | | |
| 10. Book/adjusted carrying value at eand of current period (Lines 1+2+3+4+5-6-7+8-9) | 704,278 | 705,745 |
| 11. Deduct total nonadmitted amounts | | |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 704,278 | 705,745 |

# SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by Rating Class

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| | Book/Adjusted Carrying Value Beginning of Current Quarter | Acquisitions During Current Quarter | Dispositions During Current Quarter | Non-Trading Activity During Current Quarter | Book/Adjusted Carrying Value End of First Quarter | Book/Adjusted Carrying Value End of Second Quarter | Book/Adjusted Carrying Value End of Third Quarter | Book/Adjusted Carrying Value December 31 Prior Year |
| BONDS | | | | | | | | |
| 1. Class 1 (a) | 703,767 | | | 511 | 703,256 | 703,767 | 704,278 | 705,745 |
| 2. Class 2 (a) | | | | | | | | |
| 3. Class 3 (a) | | | | | | | | |
| 4. Class 4 (a) | | | | | | | | |
| 5. Class 5 (a) | | | | | | | | |
| 6. Class 6 (a) | | | | | | | | |
| 7. Total Bonds | 703,767 | 0 | 0 | 511 | 703,256 | 703,767 | 704,278 | 705,745 |
| 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 | 703,767 | 0 | 0 | 511 | 703,256 | 703,767 | 704,278 | 705,745 |

| 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 & Part 3 |
| --- |
| NONE |

| Schedule BA - Part 2 |
| --- |
| NONE |

| 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, Section 1 & Section 2 |
| --- |
| NONE |

| Schedule DL - Part 1 |
| --- |
| NONE |

| Schedule DL - Part 2 |
| --- |
| NONE |

| Schedule E - Part 2 - CASH EQUIVALENTS |
| --- |
| NONE |

# SCHEDULE E - PART 1- CASH

| 1 | 2 | 3 | 4 | 5 | Book Balance at End of Each Month During Current Quarte | | | 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 | Third Month | |
| Sterling State Bank | Austin, Minnesota | | | | 118,606 | 98,865 | 98,094 | xxx |
| Wells Fargo Bank NA | Minneapolis, Minnesota | | | | 125,223 | 133,370 | 134,866 | xxx |
| Sterling State Bank | Austin, Minnesota | | | | 127,037 | 127,037 | 127,037 | xxx |
| 0199999 Totals - Open Depositories | | | | | 370,866 | 359,272 | 359,997 | xxx |
| 0499999 Cash in Company's Office | | | | | 153 | 153 | 153 | xxx |
| 0599999 Total | | | | | 371,019 | 359,425 | 360,150 | xxx |

**NOTE 21C Exhibit:**

## Restatement of Liabilities by Priority

| | September 30, 2015 Page 3 | Build-Up Fund Accounts | Priority 2 Admin. Costs | Priority 4 Loss Claims | Priority 4a Unearned Premiums | Priority 4b Federal Gov't. | Priority 4c Wages | Priority 6 Residual Classif. | Priority 7 Judgements | Priority 8 Interest on Claims Paid | Priority 9 Misc. Subordinated Claims | Priority 10 Preferred Ownership Claims |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Losses | 5,000 | | | 5,000 | | | | | | | | |
| Loss adjustment expenses | - | | | - | | | | | | | | |
| Commissions payable, contingent commissions and other similar charges | 1,630 | | | | | | | 1,630 | | | | |
| Other expenses (excluding taxes, licenses and fees) | 126,533 | | 26,445 | | | | 3,176 | 96,912 | | | | |
| Taxes, licenses and fees (excluding federal and foreign income taxes) | 27,635 | | | | | | | 27,187 | | | 448 | |
| Borrowed money | 310,660 | | | | | | | 310,660 | | | | |
| Unearned premiums | 4,295 | | | | 4,295 | | | | | | | |
| Amounts withheld or retained by company for account of others | 95,034 | 95,034 | | | | | | | | | | |
| Total Liabilities | 570,786 | 95,034 | 26,445 | 5,000 | 4,295 | - | 3,176 | 436,388 | - | - | 448 | - |
| Surplus Notes | 1,212,000 | - | - | - | - | - | - | - | - | - | - | 1,212,000 |