

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

LIQUIDATOR'S FIFTY-FIFTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), hereby submit this Fifty-Fifth Report on the liquidation of Home, as of December 15, 2014, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator received seven new proofs of claim for Home between the last Liquidator's report and December 1, 2014. The proofs of claim submitted now total 20,672. The proof of claim count includes 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 201 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005 ("Claims Procedures

Order”). As of December 1, 2014, the Liquidator has issued 20,156 determinations for Home totaling approximately \$2.26 billion. As of December 1, 2014, 19,429 determinations (including settlements) involving a total amount of approximately \$2.18 billion have been approved by the Court. The 19,429 determinations are comprised of 16,671 final and 2,758 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining potential or claimed 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 two reports of claims and recommendations to the Court reflecting a total of approximately \$20.7 million in determinations. In addition, the Liquidator has moved for approval of three settlement agreements since the last report reflecting a total of approximately \$84 million in determinations.

3. Late-filed claims. The Order of Liquidation established June 13, 2004 as the deadline for filing claims in Home’s liquidation proceeding. Pursuant to the New Hampshire Insurers Rehabilitation and Liquidation Act (“Act”), claims filed after the claim filing deadline are allowed to participate in distributions of the estate provided the late filing of the claim is “excused” for good cause shown. See RSA 402-C:37, II. The Act provides a non-exclusive list of five examples of “good cause” for a late filing to be excused, including that the “existence of a claim was not known to the claimant and that he filed within 30 days after he learned of it.” Id. “Unexcused” late filed claims are not permitted to receive the first distribution from the estate, but may receive subsequent distributions. RSA 402-C:37, III. (In both cases, payment is permitted only if it will not “prejudice the orderly administration of the liquidation.” RSA 402-C:37, II, III.)

All proofs of claim received by the Liquidator are reviewed to determine whether the claim is timely filed or, if late, whether the late filing of the claim is to be “excused.” Claimants with late filed claims which are found to be “unexcused” are informed of that determination and that they will not receive the first distribution in the Liquidator’s notice of claim determination.

4. 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 821 claimants have filed requests for review; 568 of these have been sent notices of redetermination or have withdrawn the request for review. Claimants have filed 56 objections with the Court to commence disputed claim proceedings. As of December 1, 2014, there are four disputed claim proceedings pending before the Referee or Court, including one (2005-HICIL-4) that has been stayed. The Claims Procedures Order provides for review of the Referee’s reports by motion to recommit. One such motion is presently pending.

5. Financial reports. The unaudited September 30, 2014 financial statements for Home are attached as Exhibit A to this report. The September 30, 2014 Home statements reflect \$1,249,718,286 in assets under the Liquidator’s direct control, and \$77,465,560 in reinsurance collections, net investment income, and other receipts and \$14,608,197 in operating disbursements from January 1 through September 30, 2014.

6. 2014 Budget. A comparison of the actual and budgeted general and administrative expenses of the Home liquidation, on an incurred basis, through September, 2014 is attached as Exhibit B. As of September 30, 2014, actual expenses were below budget by approximately \$496,000 or 3.8 %, with favorable variances in most categories. 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	\$18.2
2012	\$18.6	\$18.2
2013	\$18.4	\$17.7
2014	\$17.6	

The Liquidator filed a copy of the 2015 Budget on November 7, 2014 as Exhibit 8 to the Liquidator's Filing Regarding Status Report. As of December 1, 2014, the liquidation has 53 employees and 6 consultants.

7. Investment update. A summary of Home's holdings of bonds and short-term investments as of September 30, 2014 is attached as Exhibit C, and a report listing the individual holdings of Home as of that date is attached as Exhibit D (the groupings on Exhibit C differ from those on Exhibit D). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at September 30, 2014, was approximately \$1.2046 billion compared to their market value of \$1.2134 billion. This represented an unrealized gain (market value above book value) of approximately \$8.8 million. Short-term holdings in the Conning-managed portfolio at September 30, 2014 were \$26.9 million at market value. The portfolio is expected to generate approximately \$32 million of cash from net investment income in 2014, as continuing reductions in yields on reinvested assets are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody's and AA- by S&P. The Liquidator continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of September 30, 2014, such investments for Home had a market value of approximately \$9.6 million. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of December 3, 2014, the Conning-managed portfolio had an unrealized gain of \$12.2 million as a decrease in interest rates caused an increase in the gain from September 30, 2014. As of December 10, 2014, 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 continuing sluggish economic growth coincides with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from uncertainties about the continuation and magnitude of low interest rate policies by the U.S. Federal Reserve as well as the other central banks around the world. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$37 million downwards and \$32 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of September 30, 2014. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (a) preservation of capital on investments, (b) maintaining a high quality portfolio, and (c) consistent with objectives (a) and (b), maximizing current income.

8. 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 almost all years from 2005 through 2013. The Liquidator makes a distribution only 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 the nine early access distributions totaled \$232 million. Early access distributions are generally subject to deductions for deposits, deductible reimbursements, recoveries from guaranty fund statutory net worth insureds, Second Injury Fund reimbursements, Class I and Class V claim expenses, questioned claim items and an early access distribution cap. They are also subject to the “claw back” agreements with the guaranty funds.

The Liquidator has made early access distributions to a total of 54 guaranty funds from 2005 through 2013. However, in connection with the analysis performed in anticipation of a potential tenth early access distribution, 48 guaranty funds were found to have exceeded the established distribution cap of 40% of the guaranty fund’s paid loss and expense and case reserves. Of these guaranty funds, 26 are being reviewed for possible claw back requests. Given the large number of guaranty funds affected by the cap and the decreasing guaranty funds claim volume over the last few years, the Liquidator intends to apply an additional cap on early access as a percentage of the guaranty fund’s cumulative paid claims. An analysis is being performed to assess the next early access distribution and whether requests for claw backs should be issued. The Liquidator anticipates seeking to make a tenth early access distribution in 2015.

9. Interim distribution and resolution of litigation with the United States. The Liquidator’s principal goals in this liquidation have been to determine claims and collect assets for the ultimate purpose of distributing assets to the creditors of Home. While there are substantially more claims to determine and assets to collect, the Liquidator believes that it is reasonable to make an interim distribution of fifteen (15) percent on Class II claims that have

been allowed by the Court. Accordingly, on February 13, 2012, the Liquidator filed a Motion for Approval of Interim Distribution to Claimants With Allowed Class II Claims (the “Interim Distribution Motion”). The Court granted the Interim Distribution Motion in an Order dated March 13, 2012. One paragraph of the Order regarding the timing of interim distributions to claimants with subsequently allowed Class II claims was amended by Order dated July 2, 2012.

Among other things, the interim distribution is subject to receipt of a waiver of federal priority claims from the United States in a form acceptable to the Liquidator. Under the Federal Priority Statute, 31 U.S.C. § 3713, claims of the United States are to be paid first in insolvency proceedings on pain of personal liability of the person responsible – in insurer liquidations, the liquidator. In light of the McCarran-Ferguson Act, policy-level claims afforded priority under state insurer liquidation statutes have priority over non-policy federal claims notwithstanding the Priority Statute. United States Dep’t. of the Treasury v. Fabe, 508 U.S. 491, 493, 508-09 (1993); Ruthardt v. United States, 303 F.3d 375, 381-84 (1st Cir. 2002), cert. denied, 538 U.S. 1031 (2003). However, claims of the United States are not subject to state court ordered time limits. Ruthardt, 303 F.3d at 384-86; Garcia v. Island Program Designer, Inc., 4 F.3d 57, 62 (1st Cir. 1993). The Liquidator thus may face potential personal liability in the event “late-filed” federal policy-level claims cannot be paid because assets were previously distributed to other creditors.

The Liquidator accordingly requested a waiver from the United States Department of Justice (“DOJ”) on April 12, 2012. The Liquidator followed up on this request on numerous occasions and promptly responded to DOJ requests for information over the next year and several months as summarized in prior Liquidator’s reports. In December 2013, the Liquidator’s request had been pending with DOJ for sixteen months, DOJ’s review process was unclear, and the Liquidator could not predict when, if ever, DOJ would act on the request. Without resolution

of the issues presented by the position of the United States with respect to the Federal Priority Statute, the Liquidator was unable to distribute assets to policyholders and others holding policy-level claims even though all known federal claims had been provided for and a conservative reserve for unknown claims including federal claims established.

In the circumstances, on September 9, 2013, the Liquidator filed a lawsuit in the United States District Court in New Hampshire against the United States and its Attorney General seeking (1) a declaration that making the court-approved interim distribution does not violate federal law and expose the Liquidator to potential personal liability under the Federal Priority Statute, and (2) an order directing the United States to act on the Liquidator's request for waiver. Roger A. Seigny, in his official capacity as Insurance Commissioner of the State of New Hampshire, as Liquidator of The Home Insurance Company v. United States of America and Eric H. Holder, Jr., in his official capacity as Attorney General of the United States, No. 1:13-cv-401 (D.N.H. ). The United States responded by filing a motion to dismiss the complaint, which the Liquidator opposed. On July 21, 2014, the Court issued a Memorandum and Order on the United States' motion to dismiss (1) denying the motion as to Court I, the declaratory judgment count, and (2) granting the motion as to Count II, the request for an order to compel a decision on the request for a waiver. The United States filed its answer to the declaratory judgment parts of the complaint on September 4, 2014. On September 9, 2014, the Liquidator filed a motion for summary judgment with a supporting memorandum of law and affidavit.<sup>1</sup>

As reported in the Liquidator's Status report filed July 31, 2014 and in paragraph 9 of the Liquidator's Fifty-Fourth Report, the Liquidator and the United States engaged in settlement

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<sup>1</sup> Copies of the Liquidator's complaint, the United States' motion to dismiss including its supporting memorandum, the Liquidator's opposition to the motion to dismiss, the United States' reply, the Memorandum and Order, the United States' answer, and the Liquidator's summary judgment papers have been posted in the "Related Cases" section of the Home liquidation website, [www.hicilclerk.org](http://www.hicilclerk.org).



discussions. As set forth in the Liquidator's Report Regarding Release Agreement with the United States filed November 7, 2014, the United States and the Liquidator agreed upon a waiver of federal priority claims in a form acceptable to the Liquidator in the Release Agreement dated November 5, 2014. A copy of the Release Agreement was attached as Exhibit 1 to the November 7, 2014 Report. The Release Agreement satisfies the condition in paragraph 8 of the Court's March 13, 2012 Order approving the interim distribution. The Release Agreement also addresses the process for future waiver requests. As provided in the Release Agreement, the Liquidator dismissed the lawsuit against the United States without prejudice by filing a joint stipulation of dismissal in the litigation on November 6, 2014.

10. The interim distribution. The Liquidator filed his Report Regarding Process for Interim Distribution on November 12, 2014. That report set forth the process by which the Liquidator would make the 15% interim distribution to claimants, or their assignees, with Class II priority claims allowed by the Court over the course of the liquidation, from June 2003 through November 30, 2014. The Liquidator has followed that process.

In order to avoid sending distribution checks to addresses that are out-of-date, the Liquidator has sent emails or letters to all claimants or, where applicable, their assignees, to advise of the distribution and to request that they confirm in writing their address and other pertinent information relating to the distribution. As of December 15, 2014, the Liquidator has received written confirmations relating to all but seven of the distribution checks (which seven await resolution of various legal issues or receipt of the required written confirmation).<sup>2</sup> The Liquidator has mailed all other checks to the claimant or assignee at the confirmed address.

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<sup>2</sup> A number of claimants or assignees did not respond to the initial requests. The Liquidator sent a subsequent request to the address of record and attempted telephone contact in an effort to reach the distribution recipients. The Liquidator also conducted internet searches. In those cases where the Liquidator has not received a response confirming the correct recipient and a current address, the distribution check will not for the present time be issued.

11. Milliman reserve study. The Liquidator has previously engaged the actuarial firm Milliman, Inc. to estimate Home's unpaid direct liabilities. A copy of the Executive Summary of the Milliman report concerning unpaid loss and ALAE as of December 31, 2012, was attached as an exhibit to the Liquidator's Fifty-First Report, and Milliman's prior analysis of unpaid loss and ALAE as of December 31, 2010, was used in the Liquidator's Interim Distribution Motion.

The Liquidator has now engaged Milliman to estimate Home's unpaid direct liabilities as of December 31, 2014. The Liquidator expects that Milliman will complete its work and provide its report in mid-2015. The Liquidator will consider the potential for a second interim distribution when that Milliman report is in hand, and he presently anticipates making a recommendation to the Court concerning such a distribution later in 2015.

12. Reinsurance. The collection of reinsurance is the principal remaining asset-marshaling task of the Liquidator. The Liquidator has billed and collected reinsurance throughout the liquidation, and he has entered into commutations with certain reinsurers of Home to resolve relationships with those reinsurers for agreed payments. The amounts the Liquidator has received through reinsurance collections, including commutations, as well as estimates of future collections are included in the "Estimated Ultimate Asset Collection" number provided in the Liquidator's Filing Regarding Status Report filed annually in November.

The Liquidator reports, in accordance with the Court's December 23, 2004 order, that since the last report he has completed one ceded commutation which is described in the confidential appendix submitted with this report.

13. Distributions to Class I Creditors. The Liquidator has recommended in various of his reports of claims and recommendations that the Court approve certain claims by guaranty associations for administrative expenses from inception to September 30, 2013, which are Class I


claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, as well as a few other Class I claims and the 10% part allowed guaranty fund defense expense payments assigned to Class I under the Settlement Agreement with 56 guaranty funds approved by Order dated July 15, 2013. The Court has approved the claim reports, and the Liquidator accordingly has at various times made distributions to the Class I creditors. To date, the Class I distributions to guaranty funds total \$51.8 million (after deduction of setoffs). A report of claims and recommendation was submitted by the Liquidator to the Court for approval since the last Liquidator's report reflecting a total of approximately \$15.9 million in additional Class I determinations.

14. 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, as well as cost of living adjustment reimbursement for payments to Massachusetts workers' compensation claimants. In a decision filed on February 6, 2012, Judge Taub, ruling on the COLA reimbursement claim, found in favor of the Trust Fund holding that Home lacked standing to bring the claim and that even if Home had standing it had not, after it went into liquidation, actually paid benefits to the workers' compensation claimants and thus was not entitled to recovery as to post-liquidation amounts. Home appealed to the DIA Reviewing Board on February 15, 2012. In June 2014, the Reviewing Board issued its decision affirming Judge Taub's decision on different reasoning. Home has appealed to the Massachusetts Appeals Court. Home submitted its brief on to that court on November 26, 2014. Amicus briefs supporting Home were filed by the Massachusetts Insurance Insolvency Fund and Lumbermens Mutual Insurance Company, an insolvent insurer that is also seeking recovery of second injury and COLA claims from the DIA.

15. 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.

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

Respectfully submitted,

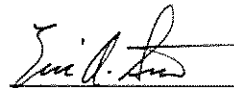
  
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Roger A. Sevigny, Insurance Commissioner  
for the State of New Hampshire, as Liquidator  
of The Home Insurance Company

December 16, 2014

**CERTIFICATE OF SERVICE**

I hereby certify that on December 23, 2014, a copy of the Liquidator's Fifty-Fifth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: December 23, 2014



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Eric A. Smith  
NH Bar ID No. 16952

Exhibits:

A - 9/30/14 Unaudited Financial Statement - Home

B – Comparison of actual and budgeted general and administrative expenses through  
9/30/14

C – Holdings of bonds and short-term investments as of 9/30/14 - Home

D – Individual holdings report as of 9/30/14 – Home

Confidential Appendix

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

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**THE HOME INSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

September 30, 2014 and December 31, 2013  
(Unaudited)

## The Home Insurance Company In Liquidation

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
<b>Assets</b>		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,187,387,349	\$1,131,742,151
Short-term investments	9,502,371	9,496,599
Cash and cash equivalents	47,202,762	44,953,662
<b>Total unrestricted bonds, short-term investments and cash at cost</b>	<u>1,244,092,482</u>	<u>1,186,192,412</u>
Common stocks, marketable, at market value (Note 2)	2	224,628
Interest income due and accrued	6,892,304	6,744,455
<b>Total unrestricted liquid assets</b>	<u>1,250,984,788</u>	<u>1,193,161,495</u>
Unrestricted illiquid assets: ( Note 1)		
Limited partnership interests	869,083	925,034
<b>Total unrestricted illiquid assets</b>	<u>869,083</u>	<u>925,034</u>
Restricted liquid assets - cash (Note 4)	321,891	321,891
<b>Total assets, excluding certain amounts</b>	<u>1,252,175,762</u>	<u>1,194,408,420</u>
<b>Liabilities</b>		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	2,455,023	3,156,096
Checks payable (Note 1)	2,453	9,250
<b>Total liabilities</b>	<u>2,457,476</u>	<u>3,165,346</u>
<b>Net assets, excluding certain amounts</b>	<u><u>\$1,249,718,286</u></u>	<u><u>\$1,191,243,074</u></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)

	<u>January 1, 2014 To September 30, 2014</u>	<u>January 1, 2013 To December 31, 2013</u>
<b>Cash and marketable securities received:</b>		
Reinsurance collections - unrestricted	\$ 52,624,891	\$ 43,419,111
Net investment income	20,965,573	27,499,552
Salvage, subrogation and other claim recoveries	2,591,952	7,738,078
Agents' balances	633,085	2,306,712
Realized capital gains on sale of common stock (Note 1)	256,938	-
Realized capital gains on sale of fixed-income securities (Note 1)	175,520	12,219
Proceeds from sale of certificates of deposit	104,000	-
Miscellaneous income	62,286	17,998
All other	51,317	28,672
<b>Total cash receipts</b>	<b>77,465,560</b>	<b>81,022,342</b>
<b>Cash operating disbursements:</b>		
Human resources costs (Note 3)	9,094,488	10,456,513
Consultant and outside service fees	1,800,247	3,009,409
General office and rent expense	1,111,130	1,448,222
Investment expenses	687,055	899,386
Legal and audit fees	679,994	1,025,418
Realized capital losses on sale of fixed-income securities (Note 1)	495,418	1,034,061
Computers and equipment cost	222,151	227,407
Administration costs	205,625	268,096
Losses and loss expenses paid (Note 1)	199,286	831,810
Capital contribution	8,250	33,005
All other	4,551	820,049
<b>Total cash operating disbursements</b>	<b>14,608,197</b>	<b>20,053,376</b>
Excess of receipts over operating disbursements	<b>62,857,363</b>	<b>60,968,966</b>
Distributions to state guaranty associations (Note 6)	-	9,554,234
Deductible reimbursements (Note 7)	330,329	402,449
Class I Distributions (Note 8)	4,626,964	-
Excess of receipts over operating disbursements, distributions and deductible reimbursements	<b>57,900,070</b>	<b>51,012,283</b>
Beginning cash and fixed-income securities, at cost	1,186,514,303	1,135,502,020
<b>Ending cash and fixed-income securities, at cost</b>	<b>\$ 1,244,414,373</b>	<b>\$ 1,186,514,303</b>

See accompanying notes.

# The Home Insurance Company in Liquidation

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

	January 1, 2014 To September 30, 2014	January 1, 2013 To December 31, 2013
Net Assets, beginning of period	\$1,191,243,074	\$1,141,331,823
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	57,900,070	51,012,283
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(224,626)	(8,832)
Limited partnership interests, illiquid	(55,951)	(36,051)
Interest income due and accrued	147,849	(44,660)
Incurred but unpaid administrative and investment expenses (Note 3)	701,073	(1,006,038)
Checks payable	6,797	(5,451)
Net Assets, end of period	<u>\$1,249,718,286</u>	<u>\$1,191,243,074</u>

See accompanying notes.

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

Notes to Financial Statements

September 30, 2014

**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 which also are entitled to administrative expense priority. 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.

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.

Proceeds received above or below original cost are treated as a gain or loss upon disposition of common stock.

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) Investments

The cost and estimated fair values of unrestricted fixed-income securities and common stock by major category are summarized as follows:

	September 30, 2014			
	Cost	Gross		Fair Value
		Unrealized Gains	Unrealized Losses	
Fixed-income securities:				
U.S. Treasury notes	\$ 59,770,770	\$ -	\$ (303,388)	\$ 59,467,382
Government agencies	52,138,740	1,919	(904,052)	51,236,607
Corporate	783,403,875	6,869,778	(8,889,160)	781,384,493
Mortgage-backed	221,641,703	4,648,591	(1,660,510)	224,629,784
Asset-backed	<u>70,432,261</u>	<u>209,139</u>	<u>(781,466)</u>	<u>69,859,934</u>
Total	<u>\$1,187,387,349</u>	<u>\$ 11,729,427</u>	<u>\$ (12,538,576)</u>	<u>\$1,186,578,200</u>
Total Common Stock	\$ 1,628,052	\$ -	\$ (1,628,050)	2

The amortized cost of unrestricted fixed-income securities is \$1,177,809,895 at September 30, 2014. Based on such amortized cost, gross unrealized gains are \$13,451,482 and gross unrealized losses are \$4,683,177.

	December 31, 2013			
	Cost	Gross		Fair Value
		Unrealized Gains	Unrealized Losses	
Fixed-income securities:				
U.S. Treasury notes	\$ 86,395	\$ 1,342	\$ -	\$ 87,737
Government agencies	111,978,880	27,584	(239,465)	111,766,999
Corporate	722,082,869	9,394,086	(9,755,943)	721,721,012
Mortgage-backed	198,718,095	3,401,826	(2,826,878)	199,293,043
Asset-backed	<u>98,875,912</u>	<u>248,389</u>	<u>(1,274,320)</u>	<u>97,849,981</u>
Total	<u>\$1,131,742,151</u>	<u>\$ 13,073,227</u>	<u>\$ (14,096,606)</u>	<u>\$1,130,718,772</u>
Total Common Stock	\$ 1,907,545	\$ -	\$ (1,682,917)	224,628

The amortized cost of unrestricted fixed-income securities is \$1,122,668,929 at December 31, 2013. Based on such amortized cost, gross unrealized gains were \$15,804,797 and gross unrealized losses were \$7,754,954.

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

Notes to Financial Statements (continued)

2) Investments (continued)

The cost and fair values of unrestricted fixed-income securities by contractual maturity are as follows:

	<u>Unrestricted fixed-income securities</u>	
	<u>Cost</u>	<u>Fair Value</u>
September 30, 2014		
One year or less	\$ 107,052,735	\$ 106,967,915
Over one year through five years	641,354,408	640,270,493
Over five years through twenty years	146,906,242	144,850,074
Mortgage-backed	221,641,703	224,629,784
Asset-backed	<u>70,432,261</u>	<u>69,859,934</u>
Total	<u>\$1,187,387,349</u>	<u>\$1,186,578,200</u>

	<u>Unrestricted fixed-income securities</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2013		
One year or less	\$ 83,012,219	\$ 83,071,865
Over one year through five years	682,168,467	683,891,165
Over five years through twenty years	68,967,458	66,612,718
Mortgage-backed	198,718,095	199,293,043
Asset-backed	<u>98,875,912</u>	<u>97,849,981</u>
Total	<u>\$1,131,742,151</u>	<u>\$1,130,718,772</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 September 30, 2014, are as follows:

Human resources costs	\$ 1,419,955
Consultant and outside service fees	686,124
Legal and auditing fees	72,708
General office and rent expense	21,418
Computer and equipment costs	2,554
Other administration costs	<u>16,394</u>
Total accrued expenses	<u>\$2,219,153</u>
Accrued investment expenses	<u>235,870</u>
Total accrued expenses	<u>\$2,455,023</u>

The amount of accrued expenses at December 31, 2013 was \$3,156,096 and net assets for 2014 increased by \$ 701,073 due to the decrease in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 7, 2014. The costs of these plans are primarily payable in 2014, but are based on 2013 service and are being accrued over the service period in 2013. Accrued administrative expense includes \$1,419,265 of incentive plan costs.

**4) 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 drawdowns 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 \$321,891 at the end of September 30, 2014.

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

Notes to Financial Statements (continued)

**5) Securities on Deposit**

Investments on deposit at the original cost with various states were \$995,432, \$1,099,521, and \$73,947,287 at September 30, 2014, December 31, 2013 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 and related interest for use by the related state guaranty associations. The market value of these withdrawals in the amount of \$56,443,936 may be offset against future distributions to such guaranty associations.

**6) Early Access Distribution**

On February 26, 2013 the Court approved the ninth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2012. The Liquidator paid \$9,554,234 through December 31, 2013. The total of all early access payments through September 30, 2014 was \$232 million.

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	\$ 232,018,572
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	56,443,936
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 291,610,720</u>

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

Notes to Financial Statements (continued)

**7) Home Deductible Policies - Reimbursement**

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home's expenses incurred in the collection process. Forty five Guaranty Associations have signed the Deductible Agreement to date. On February 11, 2014, the Liquidator paid \$ 330,329 after netting of the fee. On May 7, 2013, the Liquidator paid \$402,449 after netting of the fee.

**8) Allowed Claims**

As of September 30, 2014, the Liquidator has allowed, and the Court has approved, \$52,420,507 of Class I claims, \$1,939,474,143 of Class II claims, \$2,672,527 of Class III claims, \$189,269,690 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid for the year included \$ 4,626,964 for the fourth distribution of Guaranty Associations' administrative costs. 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.

**9) Motion for Interim Distribution**

On February 10, 2012, the Liquidator submitted a motion to the Court seeking approval for a 15% interim distribution on allowed Class II claims. The interim distribution was approved by the Court on March 13, 2012 and is subject to a waiver of federal priority claims from the United States Department of Justice. The waiver was received on November 5, 2014. The cash distribution is anticipated to be paid in December 2014 and will total approximately \$228 million.

The Home Insurance Company in Liquidation  
 G&A Expenses (Actual vs Budget)  
 September 30, 2014

	Actual 2014	YTD		Variance 2014	Full Year Budget	Full Year Budget
		Full Year Budget	Variance 2014			
<b>General &amp; Administrative Expense</b>						
Salary and Benefits	8,107,792	8,079,823	27,969	(49,712)	10,917,372	134,498
Travel	50,263	99,975	99,975	(141,109)	1,332,278	293,748
Rent	854,977	996,086	996,086	(8,783)	51,565	24,420
Equipment	223,280	232,063	232,063	(10,624)	204,644	3,133,000
Printing and Stationery	28,980	39,604	39,604	(5,716)	-	-
Postage	12,599	18,315	18,315	(25,254)	349	349
Telephone	135,834	161,088	161,088	3,940	1,060,500	202,505
Outside Services, including Special Deputy	2,357,541	2,353,601	2,353,601	(26,328)	101,413	107,200
Licensing Fees	349	-	-	(2,060)	17,563,144	-
Legal and Auditing	573,245	804,500	804,500	(231,255)	-	-
Bank Fees	145,016	152,278	152,278	(7,262)	13,003,398	17,563,144
Corporate Insurance	35,086	61,413	61,413	(26,328)	-	-
Miscellaneous Income/Expenses	2,592	4,662	4,662	(2,060)	-	-
<b>Total Expenses Incurred before expense recoveries</b>	<b>12,527,554</b>	<b>13,003,398</b>	<b>13,003,398</b>	<b>(475,844)</b>	<b>17,563,144</b>	<b>17,563,144</b>
<b>Expense Recoveries</b>	<b>(20,600)</b>	<b>-</b>	<b>-</b>	<b>(20,600)</b>	<b>-</b>	<b>-</b>
<b>Total Expenses Incurred after expense recoveries</b>	<b>12,506,954</b>	<b>13,003,398</b>	<b>13,003,398</b>	<b>(496,445)</b>	<b>17,563,144</b>	<b>17,563,144</b>

The Home Insurance Company in Liquidation  
 Portfolio Summary Report- Bonds and Short Term Investments  
 Securities Held as of September 30, 2014  
 (000's)

Conning Managed:

% of BV Fixed Income	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 9/30/14
2.2%	25,911	25,911	-	0.04	0.01	Aaa	9
5.0%	59,694	59,384	(309)	6.00	1.95	Aaa	174
4.2%	50,648	51,237	589	1.90	1.71	Aaa	840
61.8%	746,262	750,433	4,172	3.12	2.28	A1	12,527
2.5%	30,516	30,851	435	2.50	4.59	Baa2	1,061
16.7%	201,280	205,295	4,015	5.60	2.91	Aaa	4,239
5.8%	69,725	69,860	134	2.00	1.21	Aaa	733
1.6%	19,610	19,334	(275)	2.90	1.23	Aaa	182
100.0%	1,204,646	1,213,405	8,760	3.50	2.27	Aa3	19,764

Other Investments- Home Insurance

100%	US Treasury Bills and Notes	9,577	9,565	0	0.38	Aaa	8
Total Home Insurance (1)		1,214,223	1,222,991	8,768	3.48	Aa3	19,772

(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 September 30, 2014, would be \$26.2 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF SEPTEMBER 30, 2014**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMK-A	0.010 10/15/2014	26,910,600.12	26,910,600.12	26,910,600.12
<b>TOTAL CASH EQUIVALENTS</b>			<b>26,910,600.12</b>	<b>26,910,600.12</b>	<b>26,910,600.12</b>
<b>SHORT TERM (OVER 90 DAYS)</b>					
912796EU9	US TREASURY BILL	02/12/2015	9,503,000.00	9,502,534.15	9,502,334.79
<b>TOTAL SHORT TERM</b>			<b>9,503,000.00</b>	<b>9,502,534.15</b>	<b>9,502,334.79</b>
<b>U S TREASURY</b>					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	74,973.64	83,010.24
912828AB3	US TREASURY N/B	2.375 12/31/2020	20,000,000.00	20,424,129.00	20,315,624.00
912828VA5	US TREASURY N/B	1.125 04/30/2020	20,000,000.00	19,225,994.80	19,128,124.00
912828VZ0	US TREASURY N/B	2.000 09/30/2020	20,000,000.00	20,043,703.40	19,940,624.00
<b>TOTAL U S TREASURY</b>			<b>60,074,000.00</b>	<b>59,768,800.84</b>	<b>59,467,382.24</b>
<b>GOVERNMENT AGENCIES</b>					
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	20,380,195.80	21,004,316.00
3135G0ES8	FANNIE MAE	1.375 11/15/2018	20,000,000.00	20,281,471.00	20,255,572.00
3137EADJ5	FREDDIE MAC	1.000 07/28/2017	10,000,000.00	9,985,869.80	9,976,719.00
<b>TOTAL GOVERNMENT AGENCIES</b>			<b>50,000,000.00</b>	<b>50,647,536.60</b>	<b>51,236,607.00</b>
<b>TOTAL GOVERNMENT &amp; AGENCIES</b>			<b>110,074,000.00</b>	<b>110,416,337.44</b>	<b>110,703,989.24</b>
<b>CORPORATE</b>					
00208RAY8	AT&T INC	2.400 08/15/2016	8,000,000.00	8,074,088.96	8,187,587.20
00915BAS5	AIR PRODUCTS & CHEMICALS	1.200 10/15/2017	10,000,000.00	9,993,735.40	9,930,832.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,178,817.79	3,358,101.90
0258M0DK2	AMERICAN EXPRESS CREDIT	2.125 03/18/2019	4,330,000.00	4,322,652.47	4,308,675.62
02868QF40	AMERICAN HONDA FINANCE	3.500 03/18/2015	2,575,000.00	2,574,443.77	2,612,755.88
02868QM26	AMERICAN HONDA FINANCE	1.800 02/18/2018	6,725,000.00	6,722,372.61	6,700,488.05
031162AJ9	AMGCN INC	4.850 11/10/2014	7,000,000.00	6,993,262.71	7,039,503.10
03523TBE7	ANHEUSER-BUSCH INBEV WOR	7.750 01/15/2019	3,000,000.00	3,668,289.63	3,625,027.50
03523TBN7	ANHEUSER-BUSCH INBEV WOR	1.375 07/15/2017	5,000,000.00	5,031,604.40	4,994,695.00
037833AR1	APPLE INC	2.850 05/08/2021	10,000,000.00	10,091,182.70	10,001,172.00
038222AE5	APPLIED MATERIALS INC	2.650 06/15/2016	3,000,000.00	3,039,849.09	3,083,379.00
03938LAW4	ARCELORMITTAL	5.000 02/25/2017	2,500,000.00	2,481,987.25	2,575,000.00
048353AB4	ASTRAZENECA PLC	5.900 09/15/2017	4,500,000.00	5,013,988.79	5,085,927.20
048353AF5	ASTRAZENECA PLC	1.950 09/18/2019	4,500,000.00	4,587,973.27	4,444,408.35
05367AAE3	AVIATION CAPITAL GROUP	4.825 01/31/2018	2,000,000.00	2,000,000.00	2,093,359.20
05531FAG8	BB&T CORPORATION	3.200 03/15/2018	8,000,000.00	7,997,170.32	8,264,744.80
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,495,776.15	2,954,169.75
055451AT5	BHP BILLITON FIN USA LTD	2.050 09/30/2018	1,400,000.00	1,398,349.16	1,405,911.78
05565QBY3	BP CAPITAL MARKETS PLC	1.848 05/05/2017	10,000,000.00	10,000,000.00	10,114,546.00
06051GET2	BANK OF AMERICA CORP	2.000 01/11/2018	5,500,000.00	5,500,892.78	5,477,170.05
06366RMS1	BANK OF MONTREAL	1.450 04/09/2018	7,355,000.00	7,344,210.29	7,277,887.92
06408HCL1	BANK OF NEW YORK MELLON	2.100 08/01/2018	7,000,000.00	7,038,791.02	7,058,719.50
064159BE5	BANK OF NOVA SCOTIA	1.375 12/18/2017	9,845,000.00	9,838,034.00	9,578,196.43
071813AY5	BAXTER INTERNATIONAL INC	5.375 08/01/2018	6,800,000.00	7,341,322.82	7,419,832.20
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,004,885.55	5,031,047.50
084664BX8	BERKSHIRE HATHAWAY FIN	0.950 08/15/2018	7,000,000.00	7,029,218.00	7,023,620.10
097014AL8	BOEING CAPITAL CORP	4.700 10/27/2019	4,000,000.00	4,428,388.88	4,460,329.20
097023AY1	BOEING CO	3.500 02/15/2015	3,000,000.00	3,005,466.72	3,035,909.40
097751BB6	BOMBARDIER INC	4.250 01/15/2016	2,400,000.00	2,442,256.54	2,439,000.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF SEPTEMBER 30, 2014**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
112585AB0	BROOKFIELD ASSET MAN INC	5.800	04/25/2017	2,000,000.00	2,161,833.50	2,193,856.60
12572XAA8	CME GROUP INDEX SERVICES	4.400	03/15/2018	5,100,000.00	5,484,747.42	5,514,614.70
136069FA4	CANADIAN IMPERIAL BANK	1.550	01/23/2018	10,000,000.00	9,774,466.40	9,990,453.00
138375BU5	CANADIAN NATL RAILWAY	1.450	12/15/2016	4,800,000.00	4,783,737.17	4,859,813.78
140420NH9	CAPITAL ONE BANK USA NA	2.250	02/13/2019	5,800,000.00	5,789,540.99	5,747,094.72
141781BA1	CARGILL INC	1.900	03/01/2017	5,000,000.00	4,994,011.75	5,089,647.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,988,632.32	4,065,585.60
14912L5C1	CATERPILLAR FINANCIAL SE	1.750	03/24/2017	3,500,000.00	3,486,782.59	3,542,189.35
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,003,612.20	2,035,415.00
156700AQ9	CENTURYLINK INC	5.150	08/15/2017	2,500,000.00	2,544,577.73	2,651,395.50
168784AB8	CHEVRON CORP	2.355	12/05/2022	3,500,000.00	3,500,000.00	3,337,934.80
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,001,317.09	3,010,163.70
17275RAR3	CISCO SYSTEMS INC	2.125	03/01/2019	8,000,000.00	8,029,238.00	8,005,121.60
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,997,889.95	5,070,030.50
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,007,944.74	2,023,077.40
20826FAB2	CONOCOPHILLIPS COMPANY	1.050	12/15/2017	5,775,000.00	5,766,478.64	5,696,963.58
22180KAF2	COSTCO WHOLESALE CORP	1.700	12/15/2019	8,040,000.00	8,026,453.81	7,862,992.16
233851AK0	DAIMLER FINANCE NA LLC	2.950	01/11/2017	7,500,000.00	7,646,068.13	7,778,878.50
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800	09/18/2017	1,000,000.00	1,030,462.26	1,041,958.10
24422ESB6	JOHN DEERE CAPITAL CORP	1.300	03/12/2018	8,200,000.00	8,186,813.25	8,093,058.88
25243YAM1	DIAGEO CAPITAL PLC	5.750	10/23/2017	2,200,000.00	2,450,839.75	2,475,125.62
25243YAR0	DIAGEO CAPITAL PLC	1.500	05/11/2017	5,000,000.00	5,043,066.05	5,030,158.00
25271CAK8	DIAMOND OFFSHORE DRILL	5.875	05/01/2019	5,787,000.00	6,645,345.03	6,591,928.88
25470XAH8	DISH DBS CORP	4.625	07/15/2017	2,500,000.00	2,498,542.88	2,550,000.00
258882AB7	DPL INC	6.500	10/15/2016	2,000,000.00	2,078,557.22	2,135,000.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750	04/01/2016	7,050,000.00	7,046,092.75	7,277,664.95
26875PAL5	EOG RESOURCES INC	2.450	04/01/2020	5,025,000.00	5,017,822.04	4,991,950.08
278642AE3	EBAY INC	2.600	07/15/2022	8,000,000.00	7,714,849.82	7,545,480.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,133,005.77	8,344,307.20
30231GAD4	EXXON MOBIL CORPORATION	1.819	03/15/2019	10,000,000.00	10,000,000.00	9,999,737.00
318773CK4	FIFTH THIRD BANCORP	3.825	01/25/2018	3,816,000.00	3,948,568.48	3,949,799.50
31877QAY5	FIFTH THIRD BANK	1.150	11/18/2016	8,600,000.00	8,598,400.23	8,607,630.78
34540UAA7	FORD MOTOR CREDIT CO LLC	2.375	01/18/2018	1,925,000.00	1,919,920.35	1,943,433.61
35671DAV7	FREEMOT-MCMORAN C & G	1.400	02/13/2015	1,000,000.00	999,822.05	1,002,457.40
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,985,482.85	3,101,543.10
368950AV0	GENERAL DYNAMICS CORP	1.000	11/15/2017	5,000,000.00	4,980,870.40	4,946,177.50
36892G6P4	GENERAL ELEC CAP CORP	2.100	12/11/2019	2,725,000.00	2,723,392.17	2,714,112.54
36892G7G3	GENERAL ELEC CAP CORP	2.300	01/14/2019	3,500,000.00	3,540,330.12	3,533,885.25
36892GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,889,549.25	5,096,714.50
37045XAE6	GENERAL MOTORS FINL CO	4.750	08/15/2017	2,500,000.00	2,500,000.00	2,825,000.00
38141GRC0	GOLDMAN SACHS GROUP INC	2.375	01/22/2018	5,000,000.00	5,054,741.75	5,048,116.50
38144LAB8	GOLDMAN SACHS GROUP INC	6.250	09/01/2017	3,400,000.00	3,800,095.48	3,817,504.70
431282AK8	HIGHWOODS REALTY LIMITED	5.850	03/15/2017	2,500,000.00	2,692,298.83	2,741,341.25
437076BB7	HOME DEPOT INC	2.250	09/10/2018	2,825,000.00	2,821,822.64	2,866,664.51
438516AS5	HONEYWELL INTERNATIONAL	5.300	03/15/2017	2,205,000.00	2,401,566.84	2,422,396.24
44328MAB0	HSBC BANK PLC	3.500	06/28/2015	5,000,000.00	5,017,159.00	5,108,590.50
44328MAC8	HSBC BANK PLC	4.125	08/12/2020	5,000,000.00	5,400,606.45	5,355,654.00
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500	01/13/2017	5,000,000.00	5,047,039.80	5,227,182.50
452308AU3	ILLINOIS TOOL WORKS INC	1.950	03/01/2019	7,000,000.00	6,877,840.32	6,964,848.10
459200HE4	IBM CORP	1.875	05/15/2019	4,000,000.00	3,972,243.40	3,957,162.40
459200HM6	IBM CORP	1.625	05/15/2020	5,455,000.00	5,421,817.18	5,220,270.26
459745GJ8	INTL LEASE FINANCE CORP	5.750	05/15/2016	2,500,000.00	2,551,554.75	2,600,000.00
46625HGY0	JPMORGAN CHASE & CO	6.000	01/15/2018	2,500,000.00	2,768,641.90	2,814,332.75
46625HHU7	JPMORGAN CHASE & CO	4.250	10/15/2020	5,000,000.00	5,393,592.05	5,336,395.50
46825HHX1	JPMORGAN CHASE & CO	3.450	03/01/2018	2,500,000.00	2,495,175.83	2,588,907.50
49455WAD8	KINDER MORGAN FINANCE	5.700	01/05/2016	1,500,000.00	1,534,794.45	1,561,875.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,005,784.09	4,180,739.80
55608PAH7	MACQUARIE BANK LTD	2.600	08/24/2019	10,000,000.00	10,068,414.94	10,035,433.00
57629WBS8	MASSMUTUAL GLOBAL FUNDIN	2.100	08/02/2018	8,000,000.00	7,888,569.68	8,040,579.20
58013MEE0	MCDONALDS CORP	5.350	03/01/2018	8,000,000.00	6,680,115.90	6,712,217.40
585055AU0	MEDTRONIC INC	2.825	03/15/2016	2,500,000.00	2,498,559.65	2,571,626.50

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585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,001,764.03	3,022,397.70
589331AN7	MERCK SHARP & DOHME CORP	5.000	08/30/2019	5,000,000.00	5,639,051.90	5,834,264.50
59156RBE7	METLIFE INC	1.584	12/15/2017	3,945,000.00	3,955,818.69	3,969,849.95
59217GAY5	MET LIFE GLOB FUNDING I	1.500	01/10/2018	2,500,000.00	2,499,203.98	2,480,866.00
594918AV6	MICROSOFT CORP	1.825	12/08/2018	7,000,000.00	6,965,995.19	6,951,016.10
6325COBE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,016,742.45	5,089,237.50
637071AJ0	NATIONAL OILWELL VARCO I	2.800	12/01/2022	5,925,000.00	5,807,249.41	5,851,638.28
637432MX0	NATIONAL RURAL UTIL COOP	2.150	02/01/2019	2,530,000.00	2,544,352.82	2,533,987.55
63946CAD0	NBCUNIVERSAL ENTERPRISE	1.974	04/15/2019	7,590,000.00	7,503,289.71	7,493,860.51
64110DAC8	NETAPP INC	2.000	12/15/2017	825,000.00	822,278.91	828,721.74
64952WBO6	NEW YORK LIFE GLOBAL FDG	2.100	01/02/2019	5,945,000.00	5,943,707.30	5,944,537.48
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	999,839.66	1,009,687.60
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,995,834.72	5,072,251.01
674599CB9	OCCIDENTAL PETROLEUM COR	1.750	02/15/2017	8,000,000.00	8,034,155.36	8,097,863.20
68389XBA2	ORACLE CORP	2.800	07/08/2021	10,000,000.00	10,008,814.80	9,933,997.00
683476BG7	PNC FUNDING CORP	4.250	09/21/2015	4,337,000.00	4,387,901.75	4,460,309.48
68352JAN7	PPL ENERGY SUPPLY LLC	4.600	12/15/2021	2,500,000.00	2,668,953.83	2,366,411.00
704549AE4	PEABODY ENERGY CORP	7.375	11/01/2016	2,250,000.00	2,363,873.40	2,379,375.00
713448CB2	PEPSICO INC	1.250	08/13/2017	5,000,000.00	5,014,070.95	4,984,066.50
718172AN9	PHILIP MORRIS INTL INC	1.825	03/20/2017	8,000,000.00	7,871,343.88	8,071,815.21
718172AS8	PHILIP MORRIS INTL INC	1.125	08/21/2017	8,800,000.00	8,757,170.81	8,756,127.76
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,995,442.14	2,036,619.40
74005PBH6	PRAXAIR INC	1.250	11/07/2018	10,000,000.00	9,719,660.00	9,760,720.00
740189AK1	PRECISION CASTPARTS CORP	1.250	01/15/2018	6,775,000.00	6,768,257.99	6,890,933.77
74153WCD9	PRICOA GLOBAL FUNDING 1	2.200	05/18/2019	10,000,000.00	10,000,000.00	9,925,225.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,984,381.67	3,157,899.90
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,018,129.84	4,103,783.20
748358AAD	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,223,990.27	2,274,825.54
767201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,961,890.00	10,134,202.00
771198AS1	ROCHE HLDGS INC	8.000	03/01/2019	2,318,000.00	2,658,799.05	2,684,040.89
77340RAH0	ROCKIES EXPRESS PIPELINE	3.900	04/15/2015	2,500,000.00	2,482,002.25	2,500,000.00
776696AD8	ROPER INDUSTRIES INC	1.850	11/15/2017	2,225,000.00	2,223,721.96	2,238,868.87
78442FEM8	SLM CORP	6.000	01/25/2017	2,500,000.00	2,480,119.28	2,615,138.00
801060AB0	SANOFI	1.250	04/10/2018	2,865,000.00	2,858,046.16	2,820,213.46
808513AH8	CHARLES SCHWAB CORP	0.850	12/04/2015	1,410,000.00	1,410,000.00	1,414,634.39
808513AJ4	CHARLES SCHWAB CORP	2.200	07/25/2018	4,450,000.00	4,449,036.80	4,487,085.86
824348AP1	SHERWIN-WILLIAMS CO	1.350	12/15/2017	6,250,000.00	6,244,714.19	6,223,923.75
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,279,473.62	7,382,741.08
842808AF4	SOUTHERN ELECTRIC GEN CO	2.200	12/01/2018	5,555,000.00	5,553,480.65	5,498,226.23
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,077,629.07	7,319,217.75
863687AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,001,109.52	7,053,512.21
881609AY7	TESORO CORP	4.250	10/01/2017	900,000.00	900,000.00	918,000.00
88165FAC6	TEVA PHARMACEUT FIN BV	2.400	11/10/2016	3,300,000.00	3,357,887.31	3,388,307.21
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,015,840.72	8,140,822.40
883556BA9	THERMO FISHER SCIENTIFIC	2.250	08/15/2016	4,332,000.00	4,379,005.19	4,415,147.11
88579YAD3	3M COMPANY	1.375	09/29/2016	10,000,000.00	9,973,870.35	10,135,734.00
89114QAM0	TORONTO-DOMINION BANK	2.825	09/10/2018	5,000,000.00	5,128,209.95	5,119,884.50
89114QAS7	TORONTO-DOMINION BANK	2.125	07/02/2019	5,000,000.00	4,994,139.85	4,972,039.00
89153VAD1	TOTAL CAPITAL INTL SA	0.750	01/25/2016	8,975,000.00	8,989,075.22	8,992,932.05
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050	01/12/2017	7,000,000.00	7,060,048.10	7,158,306.50
89233P7E0	TOYOTA MOTOR CREDIT CORP	1.375	01/10/2018	2,000,000.00	1,997,892.26	1,993,061.40
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,850.94	892,212.65
893526DK6	TRANS-CANADA PIPELINES	3.800	10/01/2020	5,000,000.00	5,363,288.75	5,265,812.00
90261XFAS	UBS AG STAMFORD CT	5.750	04/25/2018	8,350,000.00	9,488,751.12	9,418,077.73
91159HGX2	US BANCORP	2.450	07/27/2015	3,000,000.00	2,994,578.58	3,049,650.90
91159HHH6	US BANCORP	2.200	04/25/2019	7,000,000.00	6,994,224.16	6,990,416.30
9130179H1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,054,111.38	3,079,934.10
92276MAWE	VENTAS REALTY LP/CAP CRP	4.750	08/01/2021	5,003,000.00	5,292,597.75	5,421,654.04
92343VBD5	VERIZON COMMUNICATIONS	2.000	11/01/2016	6,000,000.00	5,983,822.92	6,093,637.80
92857WAX8	VODAFONE GROUP PLC	1.625	03/20/2017	4,500,000.00	4,470,247.56	4,508,792.10
928870AK4	VOLKSWAGEN INTL FIN NV	2.375	03/22/2017	6,000,000.00	5,983,716.16	6,155,677.20



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931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	3,795,877.40	3,867,397.13
931142CJ0	WAL-MART STORES INC	5.800	02/15/2018	3,000,000.00	3,376,926.45	3,408,188.90
931142DF7	WAL-MART STORES INC	1.125	04/11/2018	3,000,000.00	2,998,036.41	2,961,588.90
949746QU8	WELLS FARGO & COMPANY	3.878	08/15/2018	5,500,000.00	5,525,588.37	5,753,469.15
949746FG0	WELLS FARGO & COMPANY	1.500	01/16/2018	5,880,000.00	5,873,030.67	5,829,192.10
959802AT6	WESTERN UNION CO/THE	3.350	05/22/2019	2,500,000.00	2,499,144.40	2,565,986.50
98212BAC7	WPX ENERGY INC	5.250	01/15/2017	1,000,000.00	1,010,707.38	1,035,000.00
<b>TOTAL CORPORATE</b>				<b>766,083,000.00</b>	<b>776,777,438.35</b>	<b>781,384,493.04</b>

**MORTGAGE BACKED**

12624PAC9	COMM 2012-CR3 A2	1.785	11/15/2045	5,400,000.00	5,480,802.02	5,394,304.62
17318UAB0	CGCMT 2012-GC8 A2	1.813	09/10/2045	5,400,000.00	5,477,208.17	5,421,726.36
3128L0DF8	FHLMC POOL A68202	6.000	11/01/2037	432,430.91	441,815.88	491,718.31
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	804,029.80	810,858.77	914,264.38
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	683,064.90	700,141.52	776,074.50
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	3,880,833.90	3,926,419.49	4,285,360.38
3128PYU36	FHLMC POOL J18702	3.000	03/01/2027	12,195,898.60	12,841,912.37	12,812,173.89
31292JBF0	FHLMC POOL C01848	6.000	08/01/2034	910,901.07	943,067.26	1,034,934.01
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	5,052,835.00	5,117,420.03	5,341,712.15
31297PCP9	FHLMC POOL A2-8378	6.000	09/01/2034	688,740.20	710,354.84	778,217.95
31297HX48	FHLMC POOL A2-9899	5.000	01/01/2035	423,572.20	423,737.66	467,988.83
31307AEK4	FHLMC POOL J21938	2.500	01/01/2028	16,593,022.00	17,200,175.81	16,743,693.28
31307FJM4	FHLMC POOL J26568	3.500	12/01/2028	9,180,294.45	9,656,473.02	9,868,283.10
31307GTQ2	FHLMC POOL J27759	3.000	03/01/2029	18,275,890.89	18,651,938.71	18,850,718.80
3132GDMF6	FHLMC POOL Q00358	4.500	04/01/2041	8,580,610.75	8,981,072.94	9,300,159.34
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	5,921,344.20	6,209,618.98	6,432,887.35
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	913,202.70	937,319.83	1,021,675.29
31371PC57	FNMA POOL 257592	5.000	03/01/2039	1,503,559.46	1,520,709.44	1,664,927.93
31378KEL6	FNMA POOL 357539	5.500	04/01/2034	874,173.80	874,173.80	978,597.62
3138A8KG0	FNMA POOL AH8594	3.500	03/01/2028	9,079,586.91	9,501,552.45	9,584,566.30
3138AWN13	FNMA POOL AJ4894	4.000	02/01/2042	12,795,100.99	13,441,920.34	13,510,439.26
3138NXE37	FNMA POOL AR1053	2.500	01/01/2028	12,039,508.46	12,489,456.80	12,152,589.54
3138WCPT4	FNMA POOL AS3133	3.500	08/01/2044	7,948,538.96	8,178,020.12	8,151,984.20
3138X0ZQ4	FNMA POOL AU1650	3.500	07/01/2043	4,941,553.00	5,076,856.08	5,063,094.94
3138X4G79	FNMA POOL AU4721	3.500	09/01/2043	1,989,577.76	2,048,722.30	2,042,243.67
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	7,490,072.20	7,640,948.22	7,906,647.55
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	1,746,084.82	1,735,006.97	1,991,988.91
31415Q4B9	FNMA POOL 988518	5.000	06/01/2038	509,381.73	514,395.96	564,050.77
31416XEL0	FNMA POOL AB1938	3.500	12/01/2025	12,586,456.94	13,080,111.25	13,274,678.11
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	6,196,452.00	6,337,953.31	6,554,174.41
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	5,964,633.00	6,114,217.53	6,297,788.77
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	3,838,825.80	3,924,283.44	4,050,218.54
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	12,894,659.00	13,136,580.90	13,785,264.77
38202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	1,266,987.30	1,265,486.88	1,402,401.38
38202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	1,067,397.70	1,091,163.98	1,191,901.53
38202EJT4	GNMA 2M POOL 4194	5.500	07/20/2038	1,905,746.10	1,909,914.92	2,118,508.17
38202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	1,800,739.55	1,632,254.11	1,811,080.40
38202EVN8	GNMA 2M POOL 4221	5.500	08/20/2038	1,250,536.60	1,240,766.78	1,390,149.51
38202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	961,963.20	973,667.13	1,088,355.35
61761DAB8	MSBAM 2012-C6 A2	1.868	11/15/2045	8,500,000.00	8,651,894.41	8,518,261.40
<b>TOTAL MORTGAGE BACKED</b>				<b>214,066,206.65</b>	<b>220,890,010.22</b>	<b>224,629,783.57</b>

**ASSET BACKED**

048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	14,818.44	14,725.76	14,902.91
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	5,600,000.00	6,098,063.89	6,163,875.28
05578XAC2	BMWOT 2013-A A3	0.670	11/27/2017	3,375,000.00	3,374,958.93	3,376,895.40
06742LAE3	DROCK 2014-3 A	2.410	07/15/2022	7,235,000.00	7,233,013.99	7,251,733.11

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12616VAC6	CNH 2011-C A3	1.190	12/15/2016	1,865,827.20	1,969,067.34	1,969,350.16
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,598,895.23	6,662,816.82
14313PAC1	CARMX 2013-4 A3	0.800	07/18/2018	3,165,000.00	3,164,823.58	3,149,488.81
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	2,977,066.86	2,993,386.43	2,971,768.79
181571FK5	CHAIT 2012-A4 A4	1.580	08/16/2021	5,056,000.00	4,893,784.26	4,922,790.58
17305EBUB	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,071,253.78	3,078,866.40
28388AAA2	ELL 2011-A A1	2.040	09/01/2023	4,478,160.80	4,580,744.28	4,508,552.54
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	1,716,979.50	1,720,063.09	1,720,734.88
34529WAD2	FORDO 2012-B A4	1.000	09/15/2017	6,500,000.00	6,513,578.57	6,521,039.85
36159JCS8	GEMNT 2012-1 A	1.030	01/15/2018	13,000,000.00	12,999,805.10	13,009,887.60
43811AAC0	HAROT 2011-3 A3	0.860	09/21/2015	439,546.53	441,781.76	439,781.03
78446WAB3	SLMA 2012-1 A2	0.805	11/25/2020	4,058,064.50	4,058,064.50	4,097,874.11
<b>TOTAL ASSET BACKED</b>				<b>69,179,463.83</b>	<b>69,726,110.49</b>	<b>69,859,934.27</b>
<b>TOTAL MARKETABLE SECURITIES</b>				<b>1,168,905,670.48</b>	<b>1,187,312,428.64</b>	<b>1,196,080,534.91</b>
<b>TOTAL MARKETABLE AND C/E</b>				<b>1,195,816,270.60</b>	<b>1,214,223,028.76</b>	<b>1,222,991,135.03</b>
<b>COMMON</b>						
34958N100	FORTICELL BIOSCIENCE, INC			1,928.00	1,627,708.00	1.93
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	0.00
<b>TOTAL COMMON</b>				<b>348,228.00</b>	<b>1,628,052.30</b>	<b>1.93</b>
<b>TOTAL MARKETABLE , C/E AND COMMON</b>				<b>1,196,164,498.60</b>	<b>1,215,851,081.06</b>	<b>1,222,991,136.96</b>
<b>EQUITY SECURITIES</b>						
910585408	UNITED MERCHANTS & MFR			214,168.00	25,800.00	0.00
910658414	UNITED MERCHANTS & MFR - WTS			53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD			12,000.00	504,921.25	0.00
<b>COMMON STOCKS</b>				<b>279,708.00</b>	<b>530,721.25</b>	<b>0.00</b>
	RIMCO ROYALTY PARTNERS, L.P.			346,302.00	3,199,497.00	869,083.00
<b>LIMITED PARTNERS</b>				<b>346,302.00</b>	<b>3,199,497.00</b>	<b>869,083.00</b>
<b>TOTAL EQUITY SECURITIES</b>				<b>626,010.00</b>	<b>3,730,218.25</b>	<b>869,083.00</b>
<b>TOTAL</b>				<b>1,196,790,508.60</b>	<b>1,219,581,299.31</b>	<b>1,223,860,219.96</b>