

Anchor Bay Insurance Managers, Inc.

Surplus Lines Brokers / Underwriters

In the Matter of)	
)	No. 10-0204
WILLIAM H. TANNER and ANCHOR)	
BAY INSURANCE MANAGERS, INC.)	TESTIMONY OF WILLIAM H. TANNER
)	PRESENTED 01/20/11
Licensees.)	
)	

INTRODUCTION

My name is William H. Tanner. I am the President and, with my wife, the owner of Anchor Bay Insurance Managers, Inc. My business address is 10049 Kitsap Mall Blvd, Suite # 303 in Silverdale, Washington.

We began operations in August of 2000 with only one product – a Restaurant, Bar & Tavern Program. In Washington, we wrote this program with Interstate Fire & Casualty – a non-admitted carrier. In Oregon and Alaska, we used a sister company that was admitted: Interstate Indemnity Company. We had underwriting authority for this program. The carrier trusted us to underwrite and price risks on their behalf and to issue and service those policies. We designed the underwriting and pricing criteria and essentially, they trusted that we could write that class of business for them more profitably than they could write it for themselves. This was an exclusive program; nobody else had access to it.

Believing that we would likely not survive long-term with only one product, we expanded into other product lines as quickly as we could. First, we added binding authority markets – these are markets that also give us underwriting and pricing authority but in this case, the carrier develops the underwriting and pricing criteria. Having done so, they then hand out shared territorial appointments to General Agents around the country, based upon their reputation for integrity and trustworthiness and upon their potential to write a significant volume of profitable business. The trust that was shown in Anchor Bay was always well placed; we have made an underwriting profit for every single one of our carriers and have received roughly \$1.8 million in profit sharing checks over the years as a reward for having done our job well.

We also brokered business. This was business for which we had no binding or pricing authority. We submit the business to markets that retail producers can generally not get to themselves. The carrier then underwrites and quotes the account to us. We in turn quote the account to the retail producer, splitting the commission and adding a broker fee.

These are the three principal legs upon which we built our business – program, binding authority and brokerage. In the first six years, we grew very quickly – from a start up with no production at all to almost \$21 million in annualized premium production. This growth was a result of three principal factors. First we had good markets; good products to sell. Second, the market had hardened – which is an advantageous part of the business cycle for non-admitted carriers and surplus line brokers to be in. And third, we were very good at what we did. People trusted us – as well they should. We've earned it.

That's a point that I'd like to emphasize. Your Honor, Mr. Brown has seemed to delight in calling me a thief – indeed in his Supplemental Memorandum, he alleges that I am guilty of a Class B felony. That's showmanship, of course, meaningless hyperbole. Apparently he thinks there's a jury in the room. Still, it demands a response.

I have made my living printing insurance policies. I have printed thousands of them. If I were a thief, I could have stolen my insurance companies blind. Short of a formal investigation, they have no way of checking if, for example, I issue policies at a higher premium level than that shown on their copy of the policy – and pocketed the difference. What's more, they know that I can steal from them and they are unconcerned because I have demonstrated that I am beyond trustworthy. Without meaning any disrespect toward Mr. Brown whatsoever, I will match my ethics and my integrity with his any day of the week. I will match the level of trust that people are willing to place in me as well. And I will not come up wanting.

Over time our business mix has changed. We lost our program market in 2004. Interstate is owned by Fireman's Fund and both carriers have program departments. They decided to reorganize. Interstate, as a surplus line market, got all the really "tough" classes of business. Fireman's Fund, which wrote more "main street business" got the lighter hazard business – and that included our program. As Fireman's Fund already wrote restaurants, and didn't much care for bars and taverns, we lost our contract within days of the reorganization.

We replaced Interstate with another program market that was not nearly as good – at least not initially. We didn't have a track record with their program department and they didn't really know us so our underwriting and pricing authority was severely limited and not very competitive. As they have grown more comfortable with us, and with our very profitable projected ultimate loss ratio, they have made more and more concessions to the program and it is now every bit as strong a program as the Interstate program was.

At the same time that we lost the Interstate program, we began to write an increasingly heavy percentage of residential contractors – principally with one carrier that was far more liberal than their competitors as respects their underwriting appetite and pricing.

In 2004, perhaps 70% of our total book consisted of program business and 30% was binding and brokerage business. By the end of 2006, our program book had fallen to approximately 10% of our writings and binding and brokerage had risen to perhaps 90%. Of that 90%, approximately 90% was contractors, mostly residential contractors.

Unfortunately, however, our top contractors market decided to pull out of the binding authority segment of the business nationally at the end of 2006. At the time that they made that decision, we were their largest General Agent and had more than \$9 million in premiums with them.

Regrettably, while we could move a small amount of their business to other binding authority carriers, we had nobody to replace them with for well over half of their book. On top of that, new competitive admitted markets were entering the marketplace and were feeding on the lighter hazard business, the housing bubble was about to burst and contractors were shutting down in droves. We began to lose this business at an alarming rate.

I made a decision in early-to-mid 2009 to sell off the contractor-driven portion of the business. I was faced with a choice of taking heavy layoffs but continuing to operate all product lines or reducing our product offerings by selling off the contractor-driven book and returning to our core product. I opted for the latter. I felt that residential contractors would be under continued pressure for quite some time and, rather than watch this segment of our business continue to erode, and get nothing for it, I chose to sell it to someone with more competitive markets.

Restaurants, bars and taverns on the other hand offered us a more stable marketplace – one in which we were among the top players, instead of an also ran. In my view, concentrating there offered us the best opportunity to retrench and to grow our business profitably.

With the sale of most of our book, we reduced staff accordingly and, by March of 2010, when I took over as the sole underwriter/broker, our book of business was very small. In the last 10 months, we've almost doubled it in size.

I believe that we are positioned well for the future. Assuming that this Order is set aside, I believe that we will triple our production in 2011 and will generate an operating profit.

MISTAKES IN TRUST ACCOUNT CALCULATION

In my opening statement on December 16th, 2010, I listed the things that I hoped to demonstrate in this hearing. The first of those items was that the OIC examiners so botched up the trust calculation that that it failed to provide a sufficient evidentiary base to support the Order.

On page four of his Supplemental Memorandum, Mr. Brown, in paraphrasing Ms. Tunis, writes that "...determining whether a premium trust account is in balance is straight forward. The account must have sufficient assets to pay the trust obligations. If it does, the account is 'in trust'. If it does not, the account is 'out of trust'." In a very general sense, that's entirely true. But like all generalizations, the devil is in the details – specifically in this case, the details as to what constitutes trust assets and what constitutes trust obligations.

I would remind Your Honor of Sally Cabbell's testimony that Hull & Company, when doing their due diligence for the purchase of much of our book of business, calculated our trust

adequacy and they determined that we were in trust. The formula that they used also did not include premium taxes as a trust obligation.

This was a critical issue at the time of purchase for, if we had not been in trust, the purchase wouldn't have gone through or the net proceeds would have been adjusted downward by the amount needed to bring us into trust.

Hull & Company is not some slouch organization that plays fast and loose with the rules as the OIC has implied we are. They have thirty locations in 18 states and are a division of Brown & Brown – the seventh largest insurance intermediary in the world.

With apologies to the OIC's Mr. Brown, the real world calculation of trust adequacy is not nearly so clear cut as he would like us to believe. If it were, we wouldn't be here. If it were, the OIC would be using one formula – not at least five different ones.

Regardless of who is correct as to the law, there are real issues here and they cannot be sidestepped with attempts to oversimplify the matter or dismiss our arguments as "red herrings" that are "...designed to obfuscate and create confusion out of clarity".

Your Honor, I draw your attention to Exhibit 22. This is Ms. Cabbell's calculation of trust adequacy going back to when we opened our doors, in 2000. It is based upon the formula given to us by the OIC and shows us to have been substantially in trust virtually since we opened our doors.

I also draw your attention to Exhibit 17, which is the spreadsheet prepared by OIC examiner Marianne Azevedo. This spreadsheet shows us to have been as much as \$1 million out of trust since January of 2007. This spreadsheet is the sole support for the OIC's allegation that we were out of trust.

There is quite a difference, in both dollars and conclusions, between the two spreadsheets and it tends to underscore the importance of the formula that is used in the calculation of trust adequacy. Despite the wildly divergent calculations and conclusions, however, there are really only three material differences between the Azevedo and Cabbell spreadsheets. All three are differences over "...what constitutes trust assets and what constitutes trust obligations".

- The first is that the OIC failed to include monies that were in our investment account as a trust asset. You will note from Exhibit 22 that, beginning in January of 2004, we began showing monies in the McDonald's Investment account. These monies reached a peak of \$2.4 million in May of 2004 and gradually decreased until reaching zero in August of 2008. All told, the examiners omitted \$10,589,152 in assets from the trust calculations.
- The second difference in the spreadsheets is that OIC insists that premium taxes are trust obligations while we are equally insistent that they are not. This resulted in a difference in the two calculations, over the 45 month audit period, of \$7,833,588.

- The third and final material difference in our spreadsheets is that the OIC has removed commission on accounts receivable as a trust asset, unjustifiably, in our opinion. This resulted in a difference in the two calculations, over 45 months, of \$4,499,962.

I would like to address each of these differences individually.

The first is that the OIC failed to include monies that were in our investment account.

Before I address that question, however, I must address the term of the audit. The OIC performed an audit covering a period of 45 months – from January, 2007 through September, 2010. However, at the first hearing – and for the first time – we were told that the audit actually only covered a 21 month period, from January 2009 through October, 2010. The two years prior were, supposedly, for “illustration purposes only”. No rationale was given for cutting the audit period in less than half and no explanation was given for the need for, or purpose of, an “illustration” period.

The OIC argues that the audit period only covered 2009 and part of 2010 and, since the investment account was closed prior to the commencement of that period, their handling of the investment account is not at issue. We contend that the audit period covers the full 45 months that was audited. however. for the following reasons:

First, the Order itself clearly reflects that it is based upon an audit period that began in January 2007 – not January 2009 as OIC is claiming. At the top of page 2, the Order begins, “The OIC’s audit reflects that between January 2007 and...” And later in the same paragraph, “According to Anchor Bay’s financial officer, since January 2007, the Company had borrowed premium tax money...” Further, the auditor’s preliminary report to decision makers specifically refers to the years 2007 and 2008, fourteen different times.

Second, the letter that we received in October advising us of the impending audit stated that the period audited would be 2009 and 2010 but also stated that the audit could be expanded further back if necessary. Once on site, the auditor’s first request for information was indeed limited to 2009 and 2010. However, the audit was clearly extended as examiners made subsequent requests for data from 2008 and 2007. Indeed, the very fact that Ms. Azevedo was able to complete the trust spreadsheet from January 2007 forward indicates that the audit period had been extended.

Third, at no time were the 2007-2008 figures discussed with us in a manner which indicated that OIC was treating them any differently than the numbers generated for 2009 to 2010. Indeed, the first we knew that the OIC was trying to shorten the audit period was when they made the claim in the first hearing, on December 16th, 2010.

Fourth, if you will examine Exhibit 17, you will see that the trust calculations for all 45 months were shown together, on a single spreadsheet, not separated in any way, and not labeled as “real” vs. “illustrative” (or whatever).

Fifth, Ms. Tunis testified under cross examination that she included the entire 45 month spreadsheet as an Exhibit in her preliminary report to decision makers. Further, she admitted that decision makers may have relied upon that flawed 45 month spreadsheet, at least in part, in deciding to issue the Order and/or in deciding what penalty to impose. And even if they didn't, they certainly relied upon her report, and her report was clearly based upon that flawed spreadsheet.

Sixth, the "illustration period" and shortened audit term that OIC is claiming serves absolutely no purpose other than to allow Ms. Tunis to escape responsibility for her botched audit. The entire spreadsheet, if calculated correctly, would have provided the most accurate "illustration". Indeed, the creation of a separate "illustration" period, in fact, obfuscates more than it illustrates – in our view, as it was designed to do.

Seventh, Ms. Tunis stated in her testimony that she purposefully did not include our investment account as a trust asset because it was not properly labeled as a trust account in our automation system. She went so far as to find legislative code that she claimed supported her decision. Needless to say, however, she had no reason to make that determination if the audit period was limited to 2009 and 2010.

Eighth, the OIC is not in the business of ignoring two-year out-of-trust positions averaging \$550,000 a month. Indeed, as calculated by Ms. Azevedo, our trust position was much worse in 2007 and 2008 than it was in 2009 and 2010 and, if Ms. Azevedo's calculations were correct, we had not only removed premium taxes from the tax account in 2007 and 2008 but had raided those accounts of more than \$600,000 in premiums and return premiums as well. This was a far more serious charge than "borrowing" premium taxes and it would never have been overlooked by OIC.

Clearly what happened here is that, while Ms. Tunis initially intended to perform a 21 month audit, she expanded the audit term on site and conducted a full 45 month audit. Her report and the Order were both clearly based upon the 45 month audit term. And now, in an attempt to deflect criticism of that 45 month audit, she has chosen to mislabel the first two years of that audit as "illustrative" and the OIC is attempting to limit usable testimony to matters related to the 21 month term.

Your Honor, we argue that the audit covered a full 45 month term and we further argue that, even if you rule that the audit only consisted of the years 2009 and 2010, it doesn't really matter. The OIC can't un-ring the bell here. When Ms. Tunis gave decision makers the 45 month spreadsheet, and a report that was based upon it, she put the accuracy of that entire spreadsheet and report in play. To allow her to provide grossly inaccurate information to decision makers, and to then allow her to mislabel the 2007 and 2008 years as "illustrative" and, by so doing, to escape responsibility for her botched audit, would clearly be wrong headed.

Ms. Tunis claimed at one point to have excluded the investment account assets from the trust calculations because they were "improperly labeled" in our agency automation system.

Specifically, she stated that the automation system did not identify the investment account as being a trust account – as if we raided the trust account of over \$600,000 in premiums and then hid those funds in plain sight, in a non-trust account, that we told her about.

We missed the code citation that she testified she used as justification for that decision but, when we made three subsequent inquiries as to that citation, all we received was Mr. Brown's speculation that she may have relied upon WAC 284-12-080 (2) (a). That code section reads, in pertinent part:

“(2) All funds representing premiums and return premiums received on Washington business by a producer in his or her fiduciary capacity on or after January 1, 1987, shall be deposited in one or more ***identifiable*** separate accounts which may be interest bearing.” (Emphasis added)

Assuming that Mr. Brown's speculation is correct, the interpretation of the code that Ms. Tunis has applied is laughable. The word “identifiable” does not mean “labeled in the automation system”. It means “capable of being identified” and implies that if there is a lack of clarity, some level of effort (beyond looking at a label in an automation system) may have to be extended in order to make that identification. If our word alone was not sufficient, then she might have asked for some proof, for example, which could easily have been provided.

But she didn't – she just manipulated the audit term in an effort to make her little problem go away. Indeed, the very fact that she sought to qualify or disqualify the investment account, combined with her efforts to manipulate the audit term, is evidence of her knowledge that investment account should have been included as a trust item. Further, it is also evidence of her knowledge that the spreadsheet, and the report that was based upon it, were massively flawed.

For clarity, Ms. Cabbell has testified that she told Ms. Tunis about the investment account, including that it was a trust asset, during the audit – while the examiners were still in our offices. Further, Ms. Cabbell has testified that the day the audit ended, October 22nd, 2010, after the examiners had left our offices, she sent an email to Ms. Tunis advising her that she had omitted the investment account from the trust calculations and reminding her as well that she, Ms. Cabbell, had told Ms. Tunis while in our office that it was a trust asset. See Exhibit 27.

Ms. Tunis responded to Ms. Cabbell's email on the next business day, October 25th, 2010, and she did not dispute that the conversation had taken place. So Ms. Tunis clearly had an opportunity to correct her trust worksheet prior to drafting the report to decision makers upon which the Order was based.

We argue then that Ms. Tunis' had a responsibility to include all trust assets in her trust calculations, failed to meet that responsibility and, instead of admitting her error and fixing it, knowingly delivered a grossly inaccurate report and spreadsheet to decision makers. As

such, we consider her omission of the investment account to be an error, albeit an intentional error, that contributes to our assertion that the audit was botched and fails to provide support for the Order.

The second difference in the spreadsheets is that OIC insists that premium taxes are trust obligations while we are equally insistent that they are not.

In our first Preliminary Hearing, I asked Mr. Brown what legal source OIC was relying on to support the claim that premium taxes must be retained in the trust account. His response was to state that the OIC was relying on the parenthetical language in WAC 284-12-080 (5) (a). As that language only speaks to depositing of the premium taxes, and not to the retention of them, I asked if there was other language that referred to the retention of such taxes. His response was that there was not.

On December 10th, however, Mr. Brown submitted a legal brief in which he introduced an entirely new theory that he considers to be supportive of the OIC position. In it, he introduced the claim that RCW 48.18.170 defined the word "Premium" to include premium taxes under the theory that premium taxes are part of the "consideration". As a result of including premium taxes in the definition of "Premium", he argues that premium taxes are due the same protections due premiums – specifically designation and treatment as a fiduciary item and trust obligation.

This is a very important theory for Mr. Brown. While he hasn't abandoned a reliance upon WAC 284-12-080 (5) (a) altogether, he has clearly switched workhorses. Mr. Brown can find language-making premiums and return premiums fiduciary items and trust obligations. But he can find no legislative or court citations affording the same protection to premium taxes, so he is attempting to bootstrap premium taxes onto the definition of "Premium". If he is successful, then unlike a reliance on upon WAC 284-12-080 (5) (a), those taxes would necessarily be afforded all the special protections that the RCW has reserved for premiums.

I will begin with a response to the theory that WAC 284-12-080 (5) (a) requires that premium taxes be afforded fiduciary and trust account status...

First, WAC 284-12-080 is clearly grounded in RCW 48.17.600. Unless you rule in support of Mr. Brown's assertion that premium taxes are included in the definition of "Premium", there is nothing in RCW 48.17.600, or in any other code section that we have been able to find, that allows for the insertion of the parenthetical language in WAC 284-12-080 (5) (a). As such, to allow the OIC to rely on the parenthetical language in that provision as support for their contention that premium taxes are a fiduciary item and trust obligation would be to ignore the lack of legislative grounding for that language in the first place.

Second, if I am wrong about that, and if Mr. Brown is able to identify ***specific*** legislative grounding for the parenthetical language in WAC 284-12-080 (5) (a), then I would argue that such language applies locally only – not globally, as OIC is claiming.

The second sentence of WAC 284-12-080 (5) (a) reads as follows: “**Such funds** shall be paid promptly to the insurer or to another producer entitled thereto, in accordance with the terms of any applicable agreement between the parties.” (Emphasis added) Clearly then, to the extent that WAC 284-12-080 (5) (a) is legally grounded, it only applies to those premiums and premium taxes that are paid to the parties identified in the second sentence of that paragraph – insurers and other insurance producers.

As the OIC is neither an “insurer” nor “another producer entitled thereto”, WAC 284-12-080 (5) (a) would still not provide the support that OIC claims it does for their contention that premium taxes are a fiduciary item and trust obligation.

Additionally, if the parenthetical language in WAC 284-12-080 (5) (a) was meant to be applied globally, then why wasn't it included in WAC 284-12-080 (2) (a)? This section would appear to have been intended to apply globally. Not putting the parenthetical language in WAC 284-12-080 (2) (a), but putting it in WAC 284-12-080 (5) (a) instead, further strengthens the argument that this language in was intended to apply locally, not globally.

Third, I would point out that the parenthetical language in WAC 284-12-080 (5) (a) would apply only to premiums – not to return premiums. The corollary to WAC 284-12-080 (5) (a) as respects return premiums is WAC 284-12-080 (5) (b) and that paragraph does not apply the same premium tax requirement to return premiums that are applied in the prior paragraph to premiums. Not only is that illogical, if the language was intended to be applied globally, but neither our audit, nor any of the other 20 audits that we were provided with, drew any distinctions at all in the treatment of premium taxes on premiums and return premiums. Premium taxes on both premiums and return premiums were treated as trust obligations.

Fourth, even if you conclude that the parenthetical language in WAC 284-12-080 (5) (a) applies to premium taxes, that language does not modify the language in WAC 284-12-080 (2) (a). It conflicts with it. I am not a lawyer but I cannot imagine that when laws conflict with each other, the public is necessarily held to the tighter standard.

Fifth, even if all other arguments above are without merit, the parenthetical language in WAC 284-12-080 (5) (a) requires that premium taxes be deposited to the trust account. It does not, however, require that they be maintained there.

As such, even if the parenthetical language in WAC 284-12-080 (5) (a) applies as the OIC contends, we have met the requirements of that provision. All premium taxes were in fact deposited to the trust account. They just weren't maintained there as WAC 284-12-080 (5) (a) imposes no such requirement. Given the lack of such a requirement, there is no implied fiduciary and trust obligation and it was improper for OIC examiners to require that premium taxes be maintained in trust for purposes of calculating our trust adequacy.

Mr. Brown, in his brief of December 10th, and again in his Supplemental Memorandum of December 28th, notes that RCW 48.17.600 (1) requires that “all funds representing premiums or return premiums...shall be accounted for and maintained in a separate account...” – with “maintained” being his salient point. I would agree with his interpretation of that code section.

However, I would point out that the section applies to premiums and return premiums only – not to premium taxes. So unless you rule that the term “Premium” includes premium taxes, his argument is off point.

As respects Mr. Brown’s theory that the definition of “Premium” contained in RCW 48.18.170 includes premium taxes, and therefore affords them the protections that are reserved for premiums, I also raise five points.

First, Mr. Brown is applying a contract law definition to legislative intent and the legislature is not bound by contract law definitions when setting out its intent. That intent stands on its own.

Second, I draw your attention to the third and last sentence in RCW 48.18.170:

“Any assessment, or any “membership,” “policy,” “survey,” “inspection,” “service” or similar fee or charge made by the insurer in consideration for an insurance contract is deemed part of the premium.”

If RCW 48.18.170 really means what Mr. Brown says it means, then assessments, “membership”, “policy”, “survey”, “inspection”, “service” or similar fees or charges would be treated the same way that he claims that premium taxes are to be treated – meaning, they too must necessarily be fiduciary items and trust obligations, as they too are consideration. However, the OIC does not consider even one of these items to be a fiduciary item or trust obligation. They are not evaluated in **any** of the five known formulae that OIC has used to calculate trust adequacy.

Make no mistake, these are not incidental amounts. In our best year, we probably collected more than \$2 million in broker and inspection fees and in any given year, they are generally at least five times the premium taxes. Further, I asked Ms. Azevedo during the audit if OIC considered inspection fees to be a trust obligation and she said that they did not.

This is a serious blow to Mr. Brown’s theory. If premium taxes are a trust obligation, then broker fees, inspection fees and all the other fees identified in the third sentence of RCW 48.18.170 must be trust obligations as well and the OIC formula for testing trust adequacy must recognize them as such. Since none of the OIC’s five known audit formulae do so, the OIC itself contradicts Mr. Brown’s new workhorse theory.

Third, referring again to the third and last sentence in RCW 48.18.170 (above):

This sentence gives specific examples of consideration that are included in the definition of “Premium” and, oddly, premium taxes are not among those examples. You would think that, if premium taxes were intended to be part of “consideration”, then our legislators would have included them among the examples of “consideration” in the code itself, if only to avoid possible confusion on the topic.

I mean, according to Mr. Brown, RCW 48.18.170, by including premium taxes in the definition of "Premium", intended to provide enhanced protections for premium taxes. Surely, with something as important as that, the legislature would make their intent very clear. Including premium taxes in the examples of "consideration" given in that third sentence would seem to be the bare minimum needed to protect what Mr. Brown says was legislative intent.

But the legislature didn't include premium taxes in the examples of consideration – and there is a very good reason that it didn't.

RCW 48.18.170 – the Definition of Premium – was not written because the legislature thought that the best way to afford fiduciary and trust obligation status to premium taxes was to bury their intent in the definition of "Premium" – as Mr. Brown's theory seems to suggest. It wasn't written to identify fiduciary and trust obligations at all.

RCW 48.18.170 was written to identify items that are subject to premium tax. You can't have a tax on premium without first defining "Premium". It is because of RCW 48.18.170 that I, and every other surplus line broker in this state, know to add the premium, together with two "third sentence" items – the broker fee and the inspection fee – before applying the tax rate and arriving at the correct premium tax on an account.

As such, the clear legislative intent of RCW 48.18.170 was to include in the definition of "Premium" only those non-premium items that are subject to premium tax. That's why every single item that is listed in the third sentence is a taxable item. And that's why not a single one of those items enjoy fiduciary and trust obligation status – while every one of them would have to enjoy that status if Mr. Brown's theory were correct. And finally, that's also why premium taxes are specifically not included as a third sentence example of consideration – the State of Washington does not charge a premium tax on premium taxes.

The legislature didn't carelessly omit premium taxes from the list of examples in the third sentence – they purposefully didn't include them as they are not a taxable item and only taxable items are included in their definition of "Premium". Therefore, premium taxes cannot possibly be included in the definition of "Premium" within the meaning of RCW 48.18.170 and Mr. Brown's theory is flat out wrong.

Fourth, authorized or admitted insurers pay premium taxes on admitted business just as surplus line brokers do on non-admitted business. The taxes are similar – indeed the surplus line premium tax rate is not set in the code but is tied to the codified rate for authorized carriers.

Authorized carriers are required to pre-pay their estimated premium taxes quarterly, based upon the premium written in the same quarter, the prior year. However, if their production has increased, then there will be an additional premium tax obligation.

While the taxes have different legislative groundings, the relationships are identical. In both cases, the tax is a premium tax, is collected from the insured, is held by an intermediary and

is ultimately paid to the state. Yet OIC does not consider such additional premium tax obligations due from admitted carriers to be fiduciary items or trust obligations. Instead, they treat those premium taxes the same way that they treat any other tax for which there is no specifically stated fiduciary or trust obligation. Logically, premium taxes are either fiduciary items and trust obligations or they are not – at least in the absence of a clear legislative distinction as to their treatment by carriers and surplus line brokers. Clearly, the OIC is trying to have it both ways.

Beyond that however, the definition of "Premium" is the same for both admitted and non-admitted carriers; RCW 48.18.170 is a global definition that applies to all premiums, not just surplus line premiums. So if Mr. Brown's theory is correct, and if surplus line premium taxes are included in the definition of "Premium" and are therefore fiduciary items and trust obligations, then the same treatment would apply to those additional admitted market premium taxes that were not pre-paid. Yet, according to the OIC, they are not.

By failing to treat those additional admitted market premium taxes that were not pre-paid as fiduciary items and trust obligations, the OIC is itself, again, contradicting Mr. Brown's theory.

In Pers. Restraint of Quinn, 154 Wn. App. 816, 226 P.3d 208 (2010) the court held, "A basic principle of statutory construction is that the legislature does not intend to create inconsistencies in statutory language." Clearly, as the last several points have shown, in order for Mr. Brown's theory to be correct, the legislature would have had to set out to create a boatload of inconsistencies.

Fifth, even if you rule that Mr. Brown is correct and that the definition of "Premium" contained in RCW 48.18.170 includes premium taxes, then we point out that the Order was not based upon that theory. There is not a single reference to RCW 48.18.170 in Ms. Tunis' notes, in the preliminary report that she gave to decision makers or in the Order itself; only WAC 284-12-080 is cited as creating a trust obligation. Clearly Mr. Brown, recognizing that WAC 284-12-080 (5) (a) provided insufficient support for the OIC's position that premium taxes were a trust obligation, went fishing for something else after our first telephonic hearing and is now relying principally on his "out of season" catch.

However, if and only if, you rule that the definition of "Premium" contained in RCW 48.18.170 includes premium taxes, we argue that, since the Order was not based upon RCW 48.18.170 in any way, shape or form, then Mr. Brown should not be allowed to rely upon RCW 48.18.170 in this hearing and the argument, as well as all the arguments that spring from it, must be ruled inadmissible.

Your Honor, I draw your attention to RCW 34.05.452 (1) which reads:

(1) Evidence, including hearsay evidence, is admissible if in the judgment of the presiding officer it is the kind of evidence on which reasonably prudent persons are accustomed to rely in the conduct of their affairs. The presiding officer shall exclude evidence that is excludable on constitutional or statutory

grounds or on the basis of evidentiary privilege recognized in the courts of this state. The presiding officer may exclude evidence that is irrelevant, immaterial, or unduly repetitious.

If and only if all of our above arguments on RCW 48.18.170 are without merit, then we argue that all evidence related to that code section must be excluded from evidence as RCW 48.18.170 was "irrelevant" and "immaterial" in all respects as to the issuance of the Order.

In addition, Your Honor, I draw your attention to 34.05.434. Notice of hearing, which reads in pertinent part:

(1) The agency or the office of administrative hearings shall set the time and place of the hearing and give not less than seven days advance written notice to all parties and to all persons who have filed written petitions to intervene in the matter.

(2) The notice shall include:

... (g) A reference to the particular sections of the statutes and rules involved;

The Notice of Hearing which we received does not refer to RCW 48.18.170. While the notice does refer to the underlying Order, that Order also does not contain any reference to RCW 48.18.170. As such, if and only if all of our above arguments on RCW 48.18.170 are without merit, then we argue that due to the failure to reference RCW 48.18.170 as required by RCW 34.05.434(2)(g) in either the notice or the underlying Order, the OIC may not rely on this statute in attempting to defend our suspension and revocation.

Regardless of how you rule on that argument, however, upholding the order on the basis of RCW 48.18.170 alone would create a truly strange result.

The OIC didn't deem me "untrustworthy and a source of injury and loss to the public" because of RCW 48.18.170; they did so because of the parenthetical language in WAC 284-12-080 (5) (a). Mr. Brown is now trying to "re-deem" me, so to speak, in this hearing on the basis of a theory that the examiners were unaware of at the time of audit, that OIC was not aware of at the time the Order was issued and that Mr. Brown was apparently not aware of at our first telephonic hearing.

Your Honor, I have one other argument that I wanted to make on this issue that is not directly related to either of Mr. Brown's claims of support.

If our Legislators had intended for premium taxes to be treated as a trust obligation, then they would have said so, clearly and succinctly. The legislature is clearly capable of crafting such language. In RCW 19.142.060, for example, the Legislature said this:

(1) All moneys paid to a health studio prior to the opening of the facility shall immediately be deposited in a trust account of a federally insured financial institution located in this state. The trust account shall be designated and maintained for the benefit of health studio members. Moneys maintained in the trust account shall be exempt from execution, attachment, or garnishment. A health studio shall not in any way encumber the corpus of the trust account or commingle any other operating funds with trust account funds. Withdrawals from the trust account shall be made no sooner than thirty days after the opening of the entire facility.

The legislature was equally clear as respects sales taxes in RCW 82.08.050:

(2) The tax required by this chapter, to be collected by the seller, is deemed to be held in trust by the seller until paid to the department. Any seller who appropriates or converts the tax collected to the seller's own use or to any use other than the payment of the tax to the extent that the money required to be collected is not available for payment on the due date as prescribed in this chapter is guilty of a gross misdemeanor.

If the Legislature had meant for premium taxes to be a fiduciary item and to require that they be treated as trust obligations, then they would have said so, clearly and succinctly, as they did in the two examples that I just cited. At the risk of pointing out the obvious, does it really make sense that, rather than lay their intent out clearly and succinctly, the legislature would instead bury its intent to protect state tax revenues in a definition? The argument is absurd on its face.

The very fact that the Legislature provided no such clear and succinct language makes legislative intent perfectly clear. And the very fact that Mr. Brown has had to rely on legal gymnastics, attempting to bootstrap premium taxes onto premium for example, instead of pointing to such clear and succinct language is clear and compelling evidence of the paucity of the OIC's claim.

A significant minority, if not a majority, of Mr. Brown's legal arguments are based upon his false premise that the definition of "Premium" includes premium taxes and so those arguments too must be rejected. For example, in his Supplemental Memorandum of December 28th, bottom of page 2, Mr. Brown states: "Once all of the consideration the customer gives for the insurance is correctly recognized as premium, the licensees' legal obfuscations and rationalizations evaporate". He then goes on to quote RCW 48.17.600.

Repeating that citation, in pertinent part:

(1) All funds representing premiums or return premiums received by an insurance producer or title insurance agent in the insurance producer's or title insurance agent's fiduciary capacity shall be accounted for and maintained in a separate account from all other business and personal funds.

(2) An insurance producer or title insurance agent shall not commingle or otherwise combine premiums with any other moneys, except as provided in subsection (3) of this section.

Mr. Brown's assertion that the definition of "Premium" includes premium taxes has been shown to be incorrect. And as a result, the citation that he uses against us in his Supplemental Memorandum, rather than supporting his charges, actually exonerates us.

For clearly, the first paragraph of RCW 48.17.600 specifically requires that premiums be maintained in a separate account while the second paragraph specifically prohibits comingling those funds with any other monies – and since the definition of "Premium" does not include premium taxes, those other monies must necessarily include the premium taxes. Taken together then, RCW 48.17.600 (1) & (2) specifically prohibit comingling premium taxes in the premium trust account.

In my opinion, this argument is an absolute death blow to Mr. Brown's new workhorse theory and WAC 284-12-080 (5) (a), which he all but abandoned for its insufficiency, is once again all he has. And actually, he doesn't have that either.

Earlier, I made the point that WAC 284-12-080 is clearly grounded in RCW 48.17.600 and that there was nothing in RCW 48.17.600 that allowed for the insertion of the parenthetical language in WAC 284-12-080 (5) (a). Now we see that, not only does RCW 48.17.600 not provide legislative grounding for that parenthetical language, it actually prohibits it. RCW 48.17.600 (1) & (2), acting together, specifically prohibit comingling premium taxes in the premium trust account and yet the parenthetical language in WAC 284-12-080 (5) (a) purports to allow for limited comingling of premium and premium taxes.

So correcting Mr. Brown's erroneous understanding of the definition of "Premium" actually defeats both of the only two arguments that he has made in support of the OIC's position that premium taxes are a fiduciary item and trust obligation.

Therefore, we contend that, when calculating our trust adequacy, the OIC inappropriately, arbitrarily and without any legal basis whatsoever, increased our trust obligation by \$7,833,588. We consider that to be an error in their calculations.

For the reasons detailed above, and because surplus line licensees statewide deserve a definitive ruling on the topic, we ask you to specifically rule that the OIC's contention that premium taxes are a fiduciary item and trust obligation is devoid of legal merit and must be

abandoned until such time as the legislature adopts such a requirement and /or the OIC formally adopts and publishes a properly grounded administrative rule and formula.

~~Lastly, even if your ruling is entirely in the OIC's favor on all the above issues, then our final fallback position is this: How on earth are the surplus line licensees in this state supposed to sort through all this and arrive at the correct legal position without any guidance from the OIC? Indeed, Mr. Brown has introduced an entirely new (and entirely flawed) legal theory in this hearing – one not even contemplated in the Order or the documents that it was based upon. No surplus line broker and no attorney for a surplus line broker could have possibly anticipated that move when reading the law in an attempt to determine their responsibilities. If OIC didn't understand the law when they issued the Order, then how are we supposed to understand it before they do?~~

We believe that the RCW clearly supports our position that premium taxes are not a fiduciary and trust account item. If we are wrong about that, then the logic necessary to arrive at the correct contrary decision is too complicated for licensees, and even for their attorneys, to figure out with certainty on their own. The need for OIC to provide guidance on this issue is obvious and their failure to do so should not be grounds for issuing Orders against those who have failed to properly interpret the law.

~~As such, even if your ruling is entirely in the OIC's favor on all the above issues, the Order must be set aside: Regulation includes not just disciplining licensees but also educating them as to the OIC's own interpretations of the law.~~

Specifically, I draw your attention to RCW 48.02.160. Special duties, which reads in pertinent part: "The commissioner shall: (2) Disseminate information concerning the insurance laws of this state." We argue that, in the face of an obvious need to do so, the OIC has utterly failed to properly disseminate their interpretation of the law – at least according to Anchor Bay and the world's seventh largest insurance intermediary. As such, the Order must be set aside.

The third and final material difference in our spreadsheets is that Ms. Azevedo has removed commission on accounts receivable as a trust asset when they did our audit whereas the formula that Ms. Cabbell used made no such adjustment.

This is part of a broader issue as to what formula that OIC uses, or should use, to calculate trust adequacy. I will take that broader topic up in a moment. At this juncture, however, I just want to touch on this issue as respects the differences in the two trust account calculations.

~~Counting Anchor Bay's audit, there were 21 audit formulae that we reviewed and, of those, there were 5 unique formulae that were used to calculate trust adequacy. Four were shown in Exhibit 20 and the fifth was the formula used to calculate Anchor Bay's trust position. There was no precedent in the prior 20 for the formula that was used with our calculation.~~

As respects the 20 prior audits, in some instances the removal of commission on accounts receivable was a component of the formula. In other instances, it was not. We contend that the use of this component on our audit as an error because:

- it was not a component on the audit for the only other surplus line wholesaler that was audited in the 20 prior audits
- it conflicts with the formula that we were given by OIC
- there is nothing in either RCW or the WAC that supports it, and
- the OIC has never formally adopted, published or consistently applied the calculation in prior audits.

Summarizing these errors, then...

I stated in my opening statement that I expected to demonstrate at least \$15 million in errors in the trust calculations. In total, the three errors above amount to almost \$23 million, spread over the 45 months in the audit period, split as follows:

Omission of Investment Account	\$10,589,152
Unsupported requirement to include premium taxes in the premium trust account	\$ 7,833,588
Unsupported elimination of commissions on accounts receivable	\$ 4,499,962

It is our position that any one of these errors, of and by itself, is sufficiently material to require that the entire calculation be thrown out and the Order that resulted from it be set aside. Taken together, however, the evidence overwhelmingly supports our contention that the audit fails to provide sufficient evidentiary support to sustain the Order.

PREJUDICIAL INFORMATION

Your Honor, I made no reference to this in my Opening Statement as the issue did not come up until the first hearing.

Ms. Tunis and Mr. Brown now claim that the audit covered only 2009 and 2010 – and that the prior two years were “illustrative” only. If you agree with their contention, then we argue that in providing the full, botched 45 month audit spreadsheet to decision makers, as well as the report that was based upon it, Ms. Tunis effectively tainted the decision making process, by providing to decision makers information that was extremely damaging, factually incorrect, and entirely extraneous to the examination.

As such, the “illustrative” 2 year portion of the 45 month spreadsheet is so prejudicial that it and the examiner’s report that was based upon it, should be thrown out and the Order that was also based upon it set aside, as well.

UNEQUAL ENFORCEMENT OF THE LAW

Your Honor, I made no reference to this in my Opening Statement. Not exactly being a legal scholar, my legal knowledge base – while tiny still – is improving as we go.

I would argue that, even if every argument that I have made thus far in my testimony is found to be inaccurate, the OIC is still required to enforce the law evenly and they have failed to do so.

In brief, Mr. Brown has argued that, under either of two theories, premium taxes are a fiduciary item and trust obligation in the State of Washington and as such, the OIC has a responsibility, when testing trust adequacy, to include premium taxes in their calculations as a trust obligation. While we disagree with his underlying premise, we would argue that if Mr. Brown is correct, then the laws that OIC is applying to surplus line brokers apply equally to non-surplus line brokers – and would point out that they are not enforcing the law equally.

Surplus line brokers and non-surplus line brokers both collect, retain and eventually forward the exact same premium tax amounts, on the exact same accounts, on the exact same policies. With the exception of our own E&O policy, not a dime in premium taxes passes through our hands that doesn't first pass through the hands of a retail producer. It's the same money.

If the definition of "Premium" includes premium taxes and imposes trust obligations on surplus line brokers, then it includes premium taxes and applies to non-surplus line brokers as well. If WAC 284-12-080 (5) (a) applies to surplus line brokers then it also applies to non-surplus line brokers. A review of the 21 OIC trust calculations that we have seen shows that OIC is attempting to enforce a fiduciary and trust account obligation on 2 surplus line brokers – while ignoring the same laws that they rely upon to do so, when they audit 19 non-surplus line brokers.

Your Honor, I refer you to *Oyler v. Boles*, 368 U.S. 448, 7 L. Ed. 2d 446, 82 S. Ct. 501. In this case, the court held that "Mere selectivity in prosecution creates no constitutional problems; defendant must show deliberate or purposeful discrimination based on an unjustifiable standard such as race, religion, or other arbitrary classification." (Emphasis added) We argue that not only is the OIC applying differing standards based upon an arbitrary classification, surplus line brokers vs. non-surplus line brokers, they have admitted to doing so when attempting to justify their purposeful discrimination.

To be sure, no court has yet find that surplus line brokers vs. non-surplus line brokers are an arbitrary classification. However, it is clear that the term "arbitrary classification" applies to more than just discrimination against "protected classes" as courts have applied that term to race, national origin, gender, political activity or membership in a political party, union activity or membership in a labor union, or more generally the exercise of first amendment rights. And clearly, the OIC has drawn an arbitrary distinction between the two classes of licensees that is not justified by the law that they rely upon.

As such, the Order must be set aside.

PROBLEMS WITH THE ACTUAL FORMULAE USED BY THE OIC

In my opening statement, I stated that I also hoped to demonstrate two things:

First, absent the existence of a legally grounded, formally adopted, published and consistently applied basis for measurement of trust adequacy, the conclusion that we are out of trust cannot be supported, and.

Second, even if the OIC has no responsibility to adopt, publish and consistently apply a single formula, they do have a responsibility to calculate trust adequacy accurately and, even if premium taxes are a trust obligation, they have failed to do so and cannot possibly do so until they have addressed the issues below.

As respects the first point, we contend that OIC cannot legally enforce a formula that quite simply doesn't exist – meaning a formula that has not been formally adopted.

Our theory is that either the formula is a rule (within the meaning of RCW 34.05.010) that was not subjected to required rulemaking or it is a mere "internal policy" that does not have the force of law and thus should not have been invoked/applied against us in determining whether or not we were compliant with the law.

Either way, until a formula has been formally adopted and published as a rule, neither examiners nor licensees know what formula to apply. We end up with what we have now – in effect, a hodge podge of essentially secret formulae that appear to vary based upon the unguided judgment of the examiner.

Further, even if you rule that the OIC is not required to adopt and publish a formula, and to apply it uniformly to all licensees, and even if you rule that premium taxes are a trust obligation, all five of the known formulae that OIC uses are flawed and give a faulty result. And more specifically, the formula used to test our trust adequacy gave a false result.

The following are examples of errors that all five known formulae share – those applicable to our audit are noted.

First, WAC 284-12-080 (2) (a) requires that premiums and return premiums on Washington business be retained in a separate account. However, Ms. Azevedo stated in testimony that, when putting together her spreadsheet, she lumped all state's taxes together and required that they all be in trust. It was easier, working with an all states report in our automation system than it would have been to break down the premiums and return premiums for each state – even though individual state information was available.

Some states require that premium taxes be retained in the trust account, other states allow them to be so retained, some states prohibit their retention in trust and, as for non-residents,

some states defer to the practices of the licensee's home state. OIC examiners had no clue what states do what.

In our case, according to Ms. Tunis' notes, roughly 45% of our current premium is written on out of state business. If that is so, then perhaps 50% of the premium taxes that we collect are non-Washington taxes, as Alaska has a higher tax rate. For most of the audit period, we were licensed in 13 states. So even if the OIC's position that we are required to have Washington premium taxes in trust is upheld, they have overstated the amount of premium taxes that they require that we have in trust, potentially by as much as 50%.

As a result, even if you rule against us on every issue that I've discussed so far, the OIC's calculation of our trust adequacy is still inaccurate.

Second, as noted above, there is no basis in law or logic for applying separate formulae to surplus line brokers and non-surplus line brokers. So in addition to the question of which premium taxes must be in trust is the related question of for whom do premium taxes have to be in trust? In our view, either the OIC examiners were incorrect in their calculations in 2 of 21 total audits – including ours – or they were incorrect in their calculations in 19 of 21 total audits. Either way, until they figure out which, they cannot say with certainty that they are accurate in their calculations on any audit.

Third, as noted earlier, in calculating our trust adequacy, OIC applied the requirement that premium taxes be retained in the trust account to both premiums and return premiums. However, WAC 284-12-080 (5) (a), to the extent that it supports the OIC at all, speaks only to premiums. Return premiums are addressed in WAC 284-12-080 (5) (b) and that provision does not make premium taxes on return premiums a trust account obligation.

So even if you rule against us on the applicability of WAC 284-12-080 (5) (a), the OIC's calculation of our trust adequacy is still inaccurate as premium taxes on both premiums and return premiums were treated as trust obligations. (This argument would not apply if you rule that RCW 48.18.170 includes premium taxes in the definition of "Premium".)

Fourth, are Washington Surplus Line Stamping Fees required to be in trust? And what about the comparable fees from out of state? Certainly WAC 284-12-080 (5) (a) makes no mention of them and they are not included as an example of "consideration" in RCW 48.17.600. Ms. Azevedo testified that she didn't know whether they were to be included or not but chose to include all of them as trust obligations – regardless of the state that the account was located in – because it was apparently easier than separating them out. So even if you rule against us on every issue that I've discussed so far, the OIC's calculation of our trust adequacy is still inaccurate.

Fifth, does the OIC require that Claims Payment Monies and Claims Expense Monies be retained in trust? These are monies advanced by insurance companies so that a producer with limited claim payment authority may make timely claim payments. This is not the producer's money but the carrier's money – much like premium belongs to the carrier. Ms.

Azevedo testified that she had no idea what these funds were much less any idea of whether or not the OIC requires that they be retained in trust.

On the one hand, neither WAC 284-12-080 (5) (a) nor Mr. Brown's efforts to bootstrap premium taxes onto the definition of "Premium" would make these funds trust obligations in Washington State. So they are apparently not trust obligations in this state – and none of the five known formulae used by OIC considered them to be so. And, as such, they may not be comingled with premiums.

The problem is, when many states publish their trust adequacy formulae, they include these funds as trust obligations – creating a conflict of laws that I won't even begin to consider. But regardless of how that conflict is resolved, none of the OIC's five known trust formulae consider the extent to which other states require those funds to be in trust.

Understand, Your Honor, that if these funds are not considered trust obligations in Washington, then their existence in trust (as required by some states and apparently prohibited by Washington), would overstate trust assets and potentially could result in an OIC determination that a licensee was "in trust" when they were, in fact, "out of trust".

Fortunately, Anchor Bay neither has nor has had any such funds. My point here is limited to the lack of adequacy of the OIC's five known trust account formulae. Until they resolve this issue, they cannot claim with certainty that their trust account calculations for licensees with claims payment monies in trust are accurate.

Sixth, Mr. Brown, in his hearing brief of December 10th, states that producers may add premiums from non-premium sources to his fiduciary account. First, I would point out that WAC 284-12-080 (2) (a) specifically prohibits doing exactly that. I presume that the reason for that prohibition is that, if it were legal, then encumbered money might be added to the account in order to trick the examiners into thinking that an account was "in trust" when, in fact, it was not.

For example, I could keep my broker fee and inspection money in trust until the first day of each month, inflating my month-end trust balance by perhaps \$100,000 or more. The OIC examiners make no effort whatsoever to determine if the funds in the trust account are funds that are permissible under WAC 284-12-080 (2) (a). Lacking a control process to prevent illegally stashing operating money in the trust account, the entire audit process becomes a bit of a farce.

If they do not know what money is in trust, then they have no way of knowing whether any audit that they have ever done was accurate or not.

Seventh, are accounts receivable to be capped at 90 days? 120 days? 180 days? In some cases, OIC has capped them at 90 days and in other cases, they haven't capped them at all. To the extent that the formulae differ among themselves, some of those calculations must be incorrect and the OIC cannot say that they know how to accurately calculate trust adequacy.

Eight, are commissions to be deducted from accounts receivable? Sometimes OIC deducts them and sometimes they don't. Again, to the extent that the formulae differ among themselves, at least some of those calculations are incorrect and the OIC cannot say that they know how to accurately calculate trust adequacy.

I've included these under the heading "PROBLEMS WITH THE ACTUAL FORMULAE USED BY THE OIC" but some are also additional "MISTAKES IN TRUST ACCOUNT CALCULATION", discussed earlier.

In his Supplemental Memorandum, Mr. Brown seeks to defeat an argument that we had no intention of making – that being that we should not be able to use an estoppel defense because we never knew about or relied upon the various other audits that we were provided with in discovery.

Our point was an entirely different one. Those 21 total audits conclusively demonstrate that the OIC cannot sustain a claim that we were out of trust because, outside of premiums and return premiums, the OIC clearly doesn't have a clue what belongs in a trust account and what doesn't. They don't know how to accurately calculate trust adequacy and they should be prohibited from doing any audits at all until such time as they figure out how to do them accurately. Since they cannot plausibly claim that our audit is accurate, the audit and the Order that resulted from it must be set aside.

OIC SUPPLIED A FORMULA TO ANCHOR BAY

In my opening statement, I stated that I also hoped to demonstrate we were given an audit formula by the OIC in 2004 – a formula that does not include premium taxes in the trust calculation – and that we relied upon that formula.

To be sure, we did not get a copy of that formula in writing from the OIC but neither the examiners nor the OIC have seriously challenged the existence of that formula. Ms. Tunis has testified that she told us that the formula that we were given was the non-surplus line broker formula. So we know the formula exists and OIC has provided no viable argument that it was not provided to us.

Mr. Brown's question last month about whether or not Ms. Cabbell got the formula from an OIC janitor is absurd on its face. As respects the critical issue of including premium taxes in the trust account, even if it was a janitor, it was a well informed janitor as the OIC used exactly that formula component in 19 of the 20 audit spreadsheets provided to us.

Mr. Brown's further suggestion that we may have been given the wrong formula because we failed to identify ourselves as surplus line brokers is equally absurd. We didn't know that, in defiance of logic and law, there were different formulae for different classes of producers and so had no reason to identify which class we were in. The OIC, however, did know that they had multiple formulae and it was their responsibility to clarify who they were speaking with before providing an answer – even if they let the janitor answer telephone inquiries.

Your Honor, we believe that the elements of estoppel set out in *Ruland v. Dept of Soc. & Health Servs.*, 144 Wn. App. 263, 182 P.3d 470 (2008) are met. Specifically, per that ruling, a party asserting equitable estoppel against a state agency must show evidence of:

1. an admission, statement, or act inconsistent with its earlier claim;
2. reliance on the statement;
3. injury to the relying party if the agency were allowed to contradict or repudiate its earlier admission;
4. the necessity of estoppel to prevent a manifest injustice; and
5. no impairment of government functions if estoppel is applied.

Given that:

- we were provided a formula by OIC and that we had no reason to suspect that it was an incorrect formula, and
- we relied upon that formula, that we used it approximately twice a month to test for trust adequacy and that we were substantially in trust using it,
- we would clearly suffer an injury if the OIC is allowed to substitute a formula other than the one that they gave to us,
- estoppel is necessary to prevent this manifest injustice, and
- there would be no impairment of government functions if estoppel is applied,

...we believe that the OIC should be estopped from applying any formula other than the one that they provided to us and, as such, the OIC's trust accounting worksheet and the report that was based upon it must be excluded from evidence and the Order must be set aside.

CLEAR & UNSETTLING BIAS

In my opening statement, I stated that I also hoped to demonstrate that Ms. Tunis exhibited a strong bias against us, that the Order is grounded on that bias and that it is not a fair and objective statement of the facts.

The examples of Ms. Tunis' bias are numerous. For example:

- Everything is characterized in the most negative possible way. The sale of our contractor book is called a "liquidation". There was no reason to characterize it as anything other than what it was – a partial sale of our book of business.

Likewise, she has repeatedly quoted us as having said that we “borrowed” funds from the trust account, suggesting that we knew that we were taking that money illegally from that account. We told her what we meant by the term but she withheld our explanation while repeatedly and intentionally using the term in a misleading context.

- I’m described as being “concerned” about the possibility of incarceration – implying that I recognized my own guilt. Ms. Tunis fails to report that this “concern” was conditioned on our actually being \$1 million out of trust and that the statement was made while noting that such a condition was patently absurd and obviously wrong.
- Ms. Tunis read from emails between me and OIC in which I inquired about making payments of the delinquent premium taxes and suggests that a failure to make promised payments played a role in the decision to proceed against us.

What Ms. Tunis failed to include in her testimony was that my only promise was to make full payment by the fourth quarter of 2010 – when we received the second and final payment of the Hull purchase monies. All possibilities of earlier payments were conditioned upon the receipt of profit sharing checks that we hoped to receive but which were certainly not guaranteed. And even if we did receive them, the size of those checks, by their very nature, would be impossible to predict. In support of this claim, I offer as Exhibit 30 copies of two email strings that discuss our efforts to set up a payment plan and, in the alternative, that advise that we will not be able to make payment until the last quarter of 2009.

- A single judgment that OIC believes was incorrect as to the requirement to keep premium taxes in the trust account may result in several inappropriate transfers between accounts. But to call those transfers a “pattern”, when they all resulted from a single mistake in interpretation of the law, creates the appearance of multiple decisions to violate trust. A single error may be called a mistake. But a “pattern” sounds like an intentional series of abuses.

It’s as if we characterized Ms. Azevedo’s single omission of the investment account from Exhibit 17 as a “pattern” of 19 separate abuses – one for each month during the audit period that money was in that account but that it was not shown in the monthly calculation on the spreadsheet. That would not have been a fair characterization of Ms. Azevedo’s work product and Ms. Tunis’ report is not a fair characterization of our operations.

- There are close to a dozen statements in the preliminary report that was provided to decision makers that speak to our “pattern” of “transferring” or “using” or “moving” funds between accounts.

⇒ But not once in the report is there a single mention that OIC had given us a formula for determining trust adequacy.

- ⇒ Not once in that report does it mention that we had relied upon that formula.
- ⇒ Not once in the report does it speak to our assertion that, using that formula, we were never materially out of trust.
- ⇒ Not once in the report does it mention that the investment account was left out of the OIC's calculations of trust adequacy – or that it was intentionally not included because it was not labeled properly.
- ⇒ Not once in the report does it admit that there may be problems with the trust account calculations as a result of obvious red flags that were not investigated. Some of those red flags were addressed in Ms. Azevedo's testimony and are itemized again in Exhibit 29, which I would now like to introduce.
- ⇒ Not once in the report does it state that we were challenging the accuracy of the trust account calculations and of the audit itself.
- ⇒ Not once does it mention that Hull & Company had recently conducted a trust audit of our books as a condition of sale, that the formula that they used did not include premium taxes as a trust obligation and that they found us to be in trust.

Ms. Tunis could not possibly have believed that this information would not be of interest to anyone objectively deciding whether or not to issue an Order and deciding what penalty to impose – but she left every single one of them out anyway.

- Numerous times, Ms. Cabbell or I are characterized as having “admitted” to some offense – and Ms. Tunis often added to the gravity of the admission by pointing out that it was made in a sworn statement. These “admissions” are presented as if her keen interrogation skills got us to admit wrongdoing when, in fact, we volunteered factual information fully understanding that the information was not an admission of wrongdoing and sometimes in the belief that it was exculpatory.
- Several references have been made to Exhibit 10. What Ms. Tunis has failed to mention is that after Ms. Cabbell signed that Exhibit, at the instruction of Ms. Tunis she reviewed the document and found an error that Ms. Tunis had made. She attempted to deliver a copy of the document with her notation of the error and Ms. Tunis refused to accept it, stating, “It wouldn't matter anyway”. A copy of Exhibit 10 with Ms. Cabbell's correction, is included as Exhibit 25.
- Worst of all, Ms. Tunis turned in a report that can only be described as intentionally misleading and deceptive. She knew that her report was based upon a spreadsheet that was error-filled. She knew that an Order and disciplinary action would very likely be issued, and would be based upon that report. She had an opportunity to fix the spreadsheet and the report but chose not to do so – choosing instead to submit a report, including a spreadsheet, to decision makers that she knew to be massively flawed.

Her deceit continued during her testimony in this hearing. She's been evasive. She's pled ignorance when ignorance was highly doubtful. And she's made several statements, under oath, that have turned out not to be true.

- She dodged under oath, twice as I recall, a question about her training as respects the auditing of surplus line brokers in particular, trying on such responses as what she majored in at college and noting that she had taken the surplus line broker class. She just forgot to tell Your Honor that that class wasn't about auditing surplus line brokers and, even if it had been, she attended the class after she had completed her preliminary report.
- As stated earlier, the Order is clearly based upon an audit period that began in January of 2007. There are specific references to that date in the Order itself and there are fourteen such references to 2007 and 2008 in Ms. Tunis' report – the report upon which the Order was based. As such, it is clear that the attempt to manipulate the audit period, in order to defeat our argument that the OIC failed to include the investment account in the trust calculations, was a fiction that can only have been invented after the issuance of the Order. As such, Ms. Tunis' attempts to assert that fiction under oath are, at best, another material misstatement and another example of her dishonesty.
- Ms. Tunis claimed at one point in her testimony to have excluded the investment account assets from the trust calculations as being "improperly labeled" – requiring an interpretation of the term "identifiable" in the code that she relied upon that is so obviously self-serving and flawed that it is not even plausible.

Ms. Tunis failed to include any mention of the investment account in her report to decision makers and so she also failed to mention her decision to exclude the assets in that account. It would seem obvious that decision makers should be told that there was another account that had as much as \$1.1 million in it during the audit (or "illustrative") period but that hadn't been counted due to a "labeling error". If nothing else, decision makers might have taken that information into consideration before issuing the Order or deciding on what penalty to impose.

Beyond that are the obvious questions of when and why Ms. Tunis was looking up legislative code in the first place. We believe that it was one of two strategies that she pursued, after the Order had been issued and in preparation for this hearing, in an effort to avoid responsibility for having botched the audit – the other being the shortening of the audit period.

In my opinion, her testimony that she did this search before preparing her report is simply not believable and is another example of her dishonesty under oath.

- Ms. Tunis repeatedly and emphatically testified under oath that even if the investment account should have been counted, the omission had no bearing on the decision to

issue the Order because she did not provide the calculation spreadsheet to decision makers and so they were unaware of the mistakes made in the trust account calculations.

However, later in the day, Ms. Tunis was forced to admit under cross examination that the spreadsheet – the entire spreadsheet dating back to 2007 – was included as an attachment to her preliminary report, that it was provided to decision makers, and that it may have played a role in their decision to issue the Order or, perhaps, to impose the severe penalty that was imposed. Ms. Tunis' sworn testimony was once again shown not to be truthful.

- Ms. Tunis stated under oath, twice as I recall, that she had personally checked the licensing status of the 20 licensees that had been previously audited and that only one of those was a surplus line broker. She said much the same thing in an email to Mr. Brown that he forwarded to us and which I would now like to introduce as Exhibit 31. Quoting from her email, she said, "I have gone back over 10 years searching for the calculations requested. We do not have 12 surplus line producer calculations." That knowledge presupposes that she checked the licensing status of all the audited licensees and is consistent with her testimony...

But in cross examination, when faced with the possibility that I might have figured out who a large retail broker was, and might know their licensing status, she suddenly backed down and said that she had not personally checked the licensing status of any of the licensees as she had not been tasked with securing that information. Yet her email makes clear that she clearly understood that she was tasked with securing exactly that information.

I would add that twice, since the first hearing, I have requested the licensing status of the licensees that were audited as I strongly suspect that one of the so-called retailers has a surplus line license. If I am correct as to that suspicion, then it would demonstrate that OIC did not consistently required that surplus line brokers treat premium taxes as a fiduciary item and trust obligation. However, neither request has secured the desired information.

- I was attempting to make the point that there was no reason for the formulae to be different for surplus line brokers than for non-surplus line brokers. Ms. Tunis defeated that argument by stating under oath that retail producers do not split the premium taxes out from the premium – that all get lumped together in their accounting system as premium owed to Anchor Bay, for example. The implication was that, due to this handling, the OIC, by requiring premium to be in the trust account was effectively making the same requirement of premium taxes.

This was a complete surprise to me but I had no way of disputing her point and so I let the matter drop. Subsequent to her testimony, however, we queried what we believe to be the two largest suppliers of retail agency automation systems in the nation. As Sally testified earlier today, both AMS and Applied Systems (with one minor exception)

have advised that their systems do not even allow for lumping the premiums together with the taxes and fees.

And if I'd understood accounting systems better, I would have known to point out to Ms. Tunis that if the premium, taxes and fees were all lumped together, then the automation system would not be able to calculate retail producer's commissions as those are calculated on premium alone.

As such, virtually every independent agent in the state splits premiums out from taxes and fees because the alternative – calculating their commission, their income, manually – would be a huge undertaking, and doing it accurately would not be a certainty. So again, her sworn testimony notwithstanding, Ms. Tunis "misspoke" on the stand.

Your Honor, I don't know the point at which a pattern of mistakes made under oath becomes grounds for perjury but I find it very difficult to believe that this example could have been anything other than an intentional attempt to defeat an important argument by misstating the truth. Whether or not non-surplus line producers pool their premium, taxes and fees when doing their bookkeeping is something that financial auditors know from personal observation. It is not something that they accidentally misstate or misinterpret.

Ms. Tunis admitted that she had no training in how to perform a financial audit on a surplus line broker. We believe that that lack of training showed and she clearly should be subjected to far greater supervision than she apparently is.

We argue that Ms. Tunis' behavior goes well beyond a lack of proper training and supervision, however. Indeed, Ms. Tunis' actions in producing a report that can only be described as intentionally misleading and deceptive, as well as her evasive and false and/or intentionally misleading testimony under oath, have been so egregious that the OIC's entire case should be thrown out and the Order set aside.

Your Honor, I draw your attention again to RCW 34.05.452 which reads in pertinent part:

(1) Evidence, including hearsay evidence, is admissible if in the judgment of the presiding officer **it is the kind of evidence on which reasonably prudent persons are accustomed to rely in the conduct of their affairs.** The presiding officer shall exclude evidence that is excludable on constitutional or statutory grounds or on the basis of evidentiary privilege recognized in the courts of this state. The presiding officer may exclude evidence that is irrelevant, immaterial, or unduly repetitious. (Emphasis added)

(2) If not inconsistent with subsection (1) of this section, the presiding officer **shall** refer to the Washington Rules of Evidence as guidelines for evidentiary rulings. (Emphasis added)

Your Honor, we argue that Ms. Tunis' report to decision makers, and all attachments, as well as her testimony should be ruled inadmissible as it is not "the kind of evidence on which reasonably prudent persons are accustomed to rely in the conduct of their affairs", as required by paragraph (1), above. Further, her work product and her testimony are so flawed as to be "irrelevant" and "immaterial" to this Order. If you so rule, then we also argue that the Order that is based upon her work product should also be set aside.

If you do not so rule, then I draw your attention to RCW 34.05.452 (2) and to Washington Rule of Evidence Rule 403, which provides that "evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence."

In accordance with Rule 403, we argue that Ms. Tunis' report to decision makers, and all attachments, as well as her testimony should be stricken because its probative value is substantially outweighed by the danger of unfair prejudice. Again, if you so rule, then we also argue that the Order should be set aside as well.

ANCHOR BAY'S ACTUAL TRUST POSITION

All of this begs the question: Were we or were we not out of trust? And the answer is this: We're not sure.

1. ~~We may have been out of trust for a short time in the spring of 2009. We tried to prevent that shortage by selling our profit sharing back to First Specialty at a discount and we did so as soon as we were able to negotiate and finalize a deal. It did, however, take us a little longer than we had hoped.~~
2. ~~We may have been out of trust in late 2009 and early 2010 – but we are not certain of that and, unfortunately, I don't believe that we will ever be certain.~~

I would remind Your Honor that Ms. Tunis testified that it is not unusual for producers to experience periods where they were temporarily out of trust. The issue here isn't minor deviances from trust but how a producer responds to such deviances when they are discovered and we responded appropriately in each and every case.

In the ten years since we began operations, we've written almost \$120 million in net premium – and gross might be as high as \$150 million. We've most likely processed 100,000 or so transactions and for each transaction that we have processed, there has been an insurance company and/or a producer on the other side of the transaction that processed a transaction of their own. And mistakes happen.

When you are writing a high volume of business, sometimes those mistakes are not apparent. The "float" may disguise discrepancies and your test formula will not usually be sufficient to catch float errors. But when you sell off a book of business, or in our case, much of a book of business, the mistakes come to light – in the aggregate, if not individually.

After the sale of much of our book of business to Hull & Company, it became apparent that there was a discrepancy between our figures and the figures that the insurance companies had on their books. As a result, we took \$123,000 out of our operating account and put it into the trust account. This money was an estimate of the shortage. It was money that had been held aside to pay our 2009 premium taxes but we put it into trust instead. Since the day we opened our doors, staying in trust has always been sacrosanct.

We understood that moving this money to trust would mean that we would be late paying our taxes, but staying in trust was more important. We could be late paying our taxes and pay a penalty and interest. But we could not, and would not, knowingly be out of trust, ever.

At first, we believed that an error made in 2004, when we were changing banks, may have been the cause of the discrepancy. We advanced that explanation when responding to the audit. But after further examination, we don't think that was it – although it could have been a factor. We believe that most of the shortage was caused by a series of small accounting errors, both the carrier's and our own, spread over a 10 year period.

A shortage of \$123,000 sounds like a severe shortage and, of course, it is. But it is also a small number – approximately 8/100th of 1 percent of the money that passed through our hands over a ten year period. Some of these errors were probably made by our staff. We think that most of them were made by the carriers.

In many cases, we sent multiple copies of endorsements to the carrier's Accounting Department, for example, for which return premium was due and still it was never credited to our account – as the carrier was never able to locate their copy of the endorsement (or whatever). But regardless of who made the errors, employees on both sides of the transaction eventually gave up, closed out their suspense "ticklers", and discrepancies did not get reconciled.

So the answer to the question of whether or not we were ever out of trust depends upon who was responsible for the accounting discrepancies between ourselves and our carriers. If we were entirely responsible, then we probably experienced short periods of time where we were out of trust. If the carriers were entirely responsible, then we almost certainly weren't out of trust – although our inability to correct the carrier's accounting errors functionally rendered us so. Where in the middle the fault lay, we have no way of knowing.

I will tell you this. We have never knowingly been out of trust by a single penny. In those brief periods of time in which we may have been out of trust, we fixed every shortage as soon as we became aware of it.

There is no question that we were late paying our taxes. We admitted that up front and, after failing to negotiate a payment schedule, assured the OIC that we would pay in full by the middle of December and we did so – exactly as promised in early March. We have already paid close to \$20,000 in late payments and interest for that tardiness. Any further penalty is unwarranted.

Forfeiture of licensing for not paying the taxes, while a penalty that is available to the Commissioner, is inappropriate and should be reserved for those instances where the failure to pay results from deliberate misuse of funds. Use of funds to cover an unforeseen and inadvertent shortage in trust deserves no penalty at all beyond the penalties and interest that we have already paid. Indeed, it was the proper thing to do to protect the public.

CONCLUSION

Your Honor, that concludes my testimony.

Print

LICENSEE PROFILE

Individual Information

Last Name First Name Middle Name
 SSN DOB

Licensee Information

CIC/PIC # WAOIC # Formed Date
 NPN Resident Yes No Discp.Block
 CRD# Online Registered? Yes Documents Online Documents
 Are you a citizen of the United States? Yes No
 Home State License within last 90 days (If yes please specify most current home state) Yes No

Disciplinary Block

DON # Action Date Block
 Comments
 Action By

Doing Business As

Residence Address

Contact Name
 Street 1
 Street 2
 City Country
 State / Province Zip
 Phone # Extension Fax
 E-mail

Mailing Address

Contact Name
 Street 1

Street 2

City Country

State / Province Zip

Phone # Extension Fax

E-mail

Business Address

Contact Name

Street 1

Street 2

City Country

State / Province Zip

Phone # Extension Fax

E-mail

Licenses

License Type	Lines	Effective Date	Expiry Date	Cancel Date	Status
Insurance Producer	D, P, C	07/01/2009	10/04/2011		Active
Surplus Line Broker		07/13/1990	10/04/2011		Active
General Agent		07/14/1997	10/04/2009	07/01/2009	Moved to Producer
Broker		03/23/1989	10/04/2009	07/01/2009	Moved to Producer
Agent		07/01/1988	10/04/2009	07/01/2009	Moved to Producer

CE Details

Course #	Provider #	Course Title	Taught	Credit Hours	Ethic Hours	Compl. Date	Year
336017	29777	IRMI ETHICS CONSIDERATIONS FOR P AND C INS PROFESSIONALS	No	3	3	09/29/2009	2009
600947	30272	CERTIFIED INS SPECIALIST IN CONSTRUCTION PART 2	No	15	0	05/19/2009	2009
600946	30272	CERTIFIED INS SPECIALIST IN CONSTRUCTION PART 1	No	15	0	04/21/2009	2009
600948	30272	CERTIFIED INS SPECIALIST IN CONSTRUCTION PART 3	No	15	0	04/06/2009	2009
227911	25773	COMMERCIAL CASUALTY INSTITUTE REVISED	No	24	3	08/17/2007	2007
308397	29777	ESSENTIALS OF INSURANCE LAW	No	3	0	10/31/2005	2005
203803	22099	GENERAL AND EXCESS LIABILITY INSURANCE RPLU PART 1	No	30	0	09/30/2005	2005
247380	29777	IRMI ON EMPLOYMENT PRACTICES LIABILITY	No	6	0	09/30/2003	2003
167684	8569	SURPLUS LINES INSURANCE PRINCIPLES AND ISSUES ASLI 161	No	20	0	08/31/2003	2003

Action Log

Show All

Created On	Action	Comments	Created By

03/30/2010	BA - Business Address Change	Business Address changed to: ANCHOR BAY INSURAN...	Charlotte Borgert
03/30/2010	MA - Mailing Address Change	Mailing Address changed to: 15646 COX AVE NW,PO...	Charlotte Borgert
03/30/2010	OT - Other	MAILED LTRS OF CERT (2) TO BUSINESS ADDRESS AT...	Charlotte Borgert
09/29/2009	RD - Renewal Processed Date	Surplus Line Broker License renewed on '9/29/20...	WILLIAM TANNER
09/29/2009	RD - Renewal Processed Date	Insurance Producer License renewed on '9/29/200...	WILLIAM TANNER
06/30/2009	OT - Other	License(s) Moved To Producer: AG, BR, GA.	PLMA Migration
01/28/2008	BA - Business Address Change	Business Address changed to: ANCHOR BAY INSURAN...	Charlotte Borgert
09/25/2007	RD - Renewal Processed Date	Agent License renewed on '9/25/2007 9:42:28 AM'.	Gene Smith
09/25/2007	RD - Renewal Processed Date	Broker License renewed on '9/25/2007 9:42:28 AM'.	Gene Smith
09/25/2007	RD - Renewal Processed Date	Surplus Line Broker License renewed on '9/25/20...	Gene Smith
09/25/2007	RD - Renewal Processed Date	General Agent License renewed on '9/25/2007 9:4...	Gene Smith
01/05/2007	ON - Original Name	Original name of the Licensee: TANNER H WILLIAM	Migration Migration

Link Payment

Val. #	Val. Date	Val. Amount	Dist. Amount	Division	Payment Mode
228116	09/29/2009	255.00	255.00	Licensing	Online Credit Card
269045	05/26/2010	10.00	0.00	Licensing	Check

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Print

LICENSEE PROFILE

Business Entity Information

Name

FEIN Org. Structure

Licensee Information

CIC/PIC # WAOIC # Formed Date

NPN Resident Yes No Discp.Block

CRD# Online Registered? Yes Documents Online Documents

Disciplinary Block

DON # Action Date Block

Comments

Action By

Doing Business As

Mailing Address

Contact Name

Street 1

Street 2

City Country

State / Province Zip

Phone # Extension Fax

E-mail

Business Address

Contact Name

Street 1

Street 2

City Country

State / Province Zip

Phone # Extension Fax

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STATE OF WASHINGTON

MIKE KREIDLER
STATE INSURANCE COMMISSIONER



P.O. BOX 40255
OLYMPIA, WA 98504-0255
Phone: (360) 726-7000

OFFICE OF
INSURANCE COMMISSIONER

I do hereby certify that I am one of the people charged with the general control and supervision of all premium tax returns filed with this agency relative to the business of insurance (except State Workers' Compensation) which is transacted in the State of Washington, that I am charged with the administration of these items, and that this office is a department of record, having the custody of original documents.

I FURTHER CERTIFY that this is a full, true, and accurate copy of WAOIC# 168179, Anchor Bay Insurance Managers Inc's 2009 Surplus Line Premium Tax return, dated March 30, 2010, the same as the original on file in the Office of Insurance Commissioner of the State of Washington.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 14th day of December, 2010.

Office of the Insurance Commissioner
Krisinda Hansen



State of Washington E-Tax Form

ANCHOR BAY INSURANCE MANAGERS INC		Surplus Line Broker
WAOIC#: 168179	NPN#:	Year Ending: 12/31/2009

Insurance Company
ANCHOR BAY INSURANCE MANAGERS INC 10049 Kitsap Mall Blvd Suite 303 Silverdale, WA 98383

Attention	
Sally Gabbell	
WAOIC Number	NPN Number
168179	

Direct Business – State of Washington		
Line No.	Line of Business	Totals
1	Aviation	0.00
2	Disability (A & H)	0.00
3	Property	1,103,749.00
4	Inland Marine	23,008.00
5	General Casualty (Excluding Motor Vehicle)	3,299,465.69
6	Motor Vehicle Liability	37,784.00
7	Motor Vehicle Direct Damage	2,225.00
8	Fidelity & Surety	0.00
9	Total Premiums	4,466,231.69
10	Tax Rate (%)	2.0000
11	Total Premium Tax	89,325.00
12	Less Payment(s) Made	0.00
13	Amount/Refund Due	89,325.00

Apply refund to next tax year

Declaration			
<p>By submitting this document electronically to the Office of Insurance Commissioner, the signatories of the submitting entity's annual statement and the submitting entity acknowledge that this report is part of the submitting entity's annual statement and therefore submitted under penalty of perjury. Those signatories and that entity declare under penalty of perjury that this report has been examined by the officer listed below and to the best of this officer's knowledge and belief, the information contained herein regarding premium receipts and deductions is in all respects true, correct and complete.</p>			
Contact Person	Sally Gabbell	Officer Name	Sally Gabbell
Contact E-mail	sgabbell@suncoastins.com	Officer Title	VP CFO
Contact Telephone	360 613 5455	Ext.	242
		Date Submitted	03/30/2010

In re:

WILLIAM H. TANNER, and ANCHOR BAY
INSURANCE MANAGERS, INC.

DECLARATION OF
MARTA DELEON

I, Marta DeLeon, am over the age of 18, competent to testify as to the matters stated herein. Based on my personal knowledge, I make the following declaration:

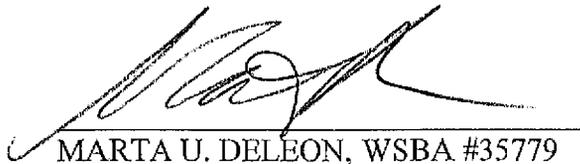
1. I am an Assistant Attorney General for Washington State. Since June 2006, I have been assigned to represent the Washington State Office of the Insurance Commissioner (OIC).

2. On November 4, 2010, I obtained a temporary restraining order and filed a complaint in Kitsap County Superior Court against Mr. Tanner for recovery of premium taxes owed to the OIC. That matter is *Kreidler v. Anchor Bay Insurance Managers, et al.*, Case No.10-2-02547-4.

3. On November 9, William Tanner, Linda Tanner, and Anchor Bay Insurance entered into a settlement agreement with the OIC, and signed a confession of judgment which was entered on November 10, 2010. A true and correct copy of that confession of judgment is attached hereto as Exhibit A.

I declare under penalty of perjury under the laws of the state of Washington that the foregoing is true and correct.

DATED this 15th day of December, 2010, at Olympia, Washington.



MARTA U. DELEON, WSBA #35779
Assistant Attorney General
Washington State Office of the Attorney General

EXHIBIT A

RECEIVED AND FILED
IN OPEN COURT
NOV 10 2003

DAVID W. PETERSON
KITSAP COUNTY CLERK

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STATE OF WASHINGTON
KITSAP COUNTY SUPERIOR COURT

MIKE KREIDLER, INSURANCE
COMMISSIONER,

Plaintiff,

v.

ANCHOR BAY INSURANCE
MANAGERS, INC., WILLIAM H.
TANNER, LINDA TANNER, husband
and wife, and their marital community,
and KEY BANK,

Defendants.

NO. 10-2-02547-4

CONFESSION OF JUDGMENT

Judgment Summary

Judgment Creditors	Washington State Office of the Insurance Commissioner, Mike Kreidler Insurance Commissioner
Attorneys for Judgment Creditor Washington State Office of the Insurance Commissioner	Robert M. McKenna, Washington State Attorney General Marta DeLeon, Assistant Attorney General

CONFESSION OF JUDGMENT

OFFICE OF THE ATTORNEY GENERAL
1125 Washington Street SE
PO Box 40100
Olympia, WA 98504-40100
(360) 664-9006

EX PARTE

1 Judgment Debtors: Anchor Bay Insurance Managers, Inc., and
2 Linda and William H. Tanner, personally, and as
3 owners of Anchor Bay Insurance Managers, Inc.,
4 appearing *pro se*.

4 Principal Judgment Amount for \$107,190.00 owed to the Washington State Office
5 Taxes and Penalties: of the Insurance Commissioner

5 Total Judgment Amount: \$107,190.00

6 Post-Judgment Interest (per annum): 12%

7 Pursuant to Chapter 4.60 of the Revised Code of Washington, Judgment by Confession,
8 defendants Anchor Bay Insurance Managers, Inc., and Linda and William H. Tanner,
9 personally and as owners of Anchor Bay Insurance Managers, Inc., hereby authorize entry of a
10 judgment under the following terms:

11 **Factual Basis for Judgment**

12 The Washington State Office of the Insurance Commissioner, Linda and William H.
13 Tanner, and Anchor Bay Insurance Managers, Inc. admit that Anchor Bay Insurance Managers,
14 Inc. owes \$107,190.00 in premium taxes and penalties to the Washington State office of the
15 Insurance Commissioner. The Parties have agreed upon a basis for resolution of the matters
16 alleged in the Complaint filed in this matter. Linda and William H. Tanner, and Anchor Bay
17 Insurance Managers, Inc. have agreed to enter into a Confession of Judgment, pursuant to
18 chapter 4.60 RCW, in the amount of \$107,190.00.

19 This confession of judgment resolves all substantive matters between the parties, and
20 dismissal of relief defendant Key Bank is appropriate.

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Authorization for Entry of Judgment

I, William H. Tanner, both personally and as Owner and President of Anchor Bay Insurance Managers, Inc., being duly sworn upon oath, acknowledge the debt of \$107,190.00 owed to the Office of the Insurance Commissioner, and I authorize entry of judgment against me and Anchor Bay Insurance Managers, Inc., for the amount set forth in the judgment summary above.

DATED this 9th day of November, 2010.



William H. Tanner
Individually and as Owner, President of Anchor Bay Insurance Managers, Inc.,

9th SUBSCRIBED AND SWORN TO before me in Bellevue, Washington this day of November, 2010.



Notary Public in and for the State of Washington, residing at Bremerton Washington

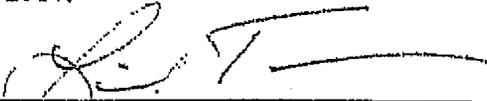
My Commission expires: December 28, 2012

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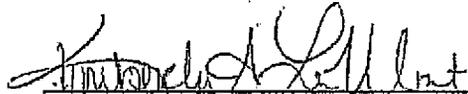
1 I, Linda Tanner, both personally and as Owner of Anchor Bay Insurance Managers,
2 Inc., being duly sworn upon oath, acknowledge the debt of \$107,190.00 owed to the Office of
3 the Insurance Commissioner, and I authorize entry of judgment against me and Anchor Bay
4 Insurance Managers, Inc., for the amount set forth in the judgment summary above.

5 DATED this 9th day of November, 2010.

6 

7
8 Linda Tanner
9 Individually and as Owner of Anchor Bay
Insurance Managers, Inc.,

10 9th SUBSCRIBED AND SWORN TO before me in Silverdale, Washington this
11 day of November, 2010.

12 

13 Notary Public in and for the State of
14 Washington, residing at Bremerton
Washington

15 My Commission expires: December 28, 2012

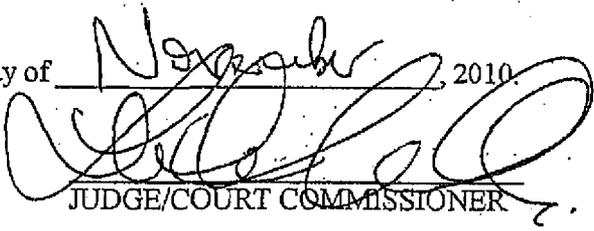
1 Order for Entry

2 The above Confession of Judgment having been presented to this Court for entry in
3 accordance with RCW 4.60.070, the Court having found said Confession of Judgment to be
4 sufficient, now, therefore, it is hereby

5 ORDERED that the Clerk of this Court shall forthwith enter Judgment against Anchor
6 Bay Insurance Managers, Inc., and against Linda and William H. Tanner, personally and as
7 owners and officers of Anchor Bay Insurance Managers, Inc., in accordance with the terms of
8 the Confession of Judgment.

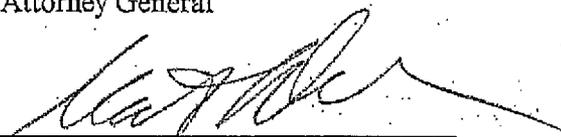
9 Entry of this judgment resolving all matters brought before the court, this matter is
10 dismissed as to relief defendant Key Bank.

11 DONE IN OPEN COURT this 10 day of November, 2010.

12 
13 JUDGE/COURT COMMISSIONER

14 Presented by:

15 ROBERT M. MCKENNA
16 Attorney General

17 
18 MARTA DELEON, WSBA No. 35779
19 Assistant Attorney General

20 Attorneys for the Washington State
21 Office of the Insurance Commissioner
22 Telephone: (360) 664-9006

FINANCIAL STATEMENT - 2005

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
December 31, 2005
Assets

Current Assets		
Cash - Premium Trust 8397	\$73,055.64	
Cash - Operating Key 8389	(\$13,210.23)	
Cash - Overnight Sweep	\$224,016.92	
Cash - Petty Cash	\$100.01	
Cash - McDonald's Investment	\$1,015,281.72	
Accounts Receivable	\$1,047,223.70	
Employee Advances	\$3,965.44	
Allowance for doubtful account	(\$6,200.00)	
Prepaid Insurance	\$17,743.83	
Total Current Assets		\$2,361,977.03
Fixed Assets		
Leasehold Improvements	\$78,098.08	
Furniture & Fixtures	\$115,481.95	
Accumulated Depreciation	(\$389,676.00)	
Office Equipment	\$355,424.79	
Company Vehicles	\$20,838.72	
Computer Software	\$203,956.17	
Total Fixed Assets		\$384,124.71
Other Assets		
Accumulated Amortization	(\$7,949.00)	
Organization Costs	\$902.50	
Book of Business	\$18,933.22	
Total Other Assets		\$11,886.72
Total Assets		\$2,757,988.46

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
December 31, 2005
Liabilities And Equity

Current Liabilities		
Carrier Payables	\$1,804,019.73	
Conversion Adj. Carrier Payabl	\$70.10	
Excise tax (dorm)	\$810.81	
Taxes Payables	\$26,765.19	
FSA Medical EE deductions	\$1,513.20	
401k EE Contributions	\$3,967.43	
Policy Taxes	\$278,423.81	
L & I Taxes payable	\$2,324.45	
Garnishments payable	\$400.54	
Total Current Liabilities		\$2,118,295.26
Long Term Liabilities		
Term Loan #2- Key 10001	\$110,800.00	
Term Loan - Key 00001	\$158,808.27	
Lease AIM - Key	\$123,542.33	
Total Long Term Liabilities		\$393,150.60
Other Liabilities		
Total Other Liabilities		\$0.00
Equity		
Capital Stock	\$75,000.00	
Owner Distributions	(\$259.50)	
Paid In Capital	\$3,567.34	
Retained Earnings	\$304,094.65	
Current Income (loss)	(\$135,859.89)	
Total Equity		\$246,542.60
Total Liabilities And Equity		\$2,757,988.46

Anchor Bay Insurance Managers, Inc - Consolidated

		Income Statement Consolidated Basis					
		December 1, 2005 December 31, 2005	%	January 1, 2005 December 31, 2005	%	December 1, 2004 December 31, 2004	January 1, 2004 December 31, 2004
Income							
40200	Income - Other		0.0	\$25.00	0.0		
45000	Fee Income	\$79,093.59	23.4	\$78,543.59	2.5		
45100	Profit Sharing Income		0.0	\$241,428.41	7.6		
45200	Courtesy Filing Fee Income	(\$450.00)	-0.1	\$500.00	0.0		
45300	Inspection Income	\$1,098.00	0.3	\$19,673.00	0.6		
45400	Broker Fee		0.0	\$1,043,054.99	32.9		
45500	Premium Financing Income		0.0	\$5,548.47	0.2		
46000	Commission Income	\$252,338.61	74.6	\$1,745,895.42	55.0		
	Total Income	\$332,080.20	98.2	\$3,134,668.88	98.7	\$0.00	\$0.00
Other Income							
40100	Interest Income	\$6,132.90	1.8	\$39,997.70	1.3		
	Total Other Income	\$6,132.90	1.8	\$39,997.70	1.3	\$0.00	\$0.00
Expenses							
50000	Professional Services	(\$259.50)	0.0	\$13,865.33	0.4		
50100	Bad Debt Expense	\$6,258.41	1.2	\$13,103.84	0.4		
50130	Bank Service Charges	(\$390.57)	-0.1	\$2,592.00	0.1		
50300	Fee Expense	\$3,891.50	0.7	\$3,891.50	0.1		
50305	B&O Tax - Washington	\$540.77	0.1	\$14,425.18	0.4		
50315	Inspection Fee Expense		0.0	\$127,335.50	3.8		
50325	Company Filing Fee		0.0	\$50.00	0.0		
50355	FSA Expenses	\$105.00	0.0	\$593.71	0.0		
50648	Payroll- Officer	\$80,396.90	15.2	\$80,396.90	2.4		
50650	Payroll- G&A	(\$7,264.98)	-1.4	\$454,512.76	13.7		
50651	Payroll- Seattle	\$47,688.70	9.0	\$308,455.82	9.3		
50652	Payroll-Flash	\$12,481.23	2.4	\$124,619.30	3.8		
50653	Payroll-Contracts	\$67,275.58	12.7	\$554,538.84	16.8		
50654	Payroll-Programs	\$28,925.80	5.5	\$232,776.79	7.0		
50655	Contract Labor	\$1,300.03	0.2	\$31,550.34	1.0		
50750	Payroll Taxes - Corporate	\$21,880.69	4.1	\$180,289.76	4.8		
50850	Property Tax		0.0	\$1,205.26	0.0		
50850	Small Balance Write-Offs	\$146.00	0.0	\$973.53	0.0		
	Total Expenses	\$252,575.56	49.6	\$2,125,006.16	64.2	\$0.00	\$0.00
	Gross Income	\$75,337.54	22.3	\$1,049,660.42	33.1	\$0.00	\$0.00
Operating Expense							
50010	Amortization	\$1,351.00	0.3	\$1,351.00	0.0		
50135	Charitable Contributions	(\$750.00)	-0.1	\$250.00	0.0		
50140	Marketing	\$6,342.92	1.2	\$66,597.85	2.0		
50141	Conventions	\$18.65	0.0	\$18.65	0.0		
50145	Dues & Subscriptions	\$940.00	0.2	\$13,765.89	0.4		
50150	Bldg Maintenance & Repairs	\$215.00	0.0	\$864.64	0.0		
50155	Equipment Maintenance & Repair	\$173.10	0.0	\$9,938.90	0.3		
50200	Commission Expense	\$128,922.72	24.3	\$129,985.45	3.9		
50225	Professional Dev. & Education	(\$691.50)	-0.1	\$4,120.16	0.1		
50230	Technology Supplies & Expense	\$448.68	0.1	\$21,989.32	0.7		
50235	Software Licenses & Fees	\$2,167.39	0.4	\$12,921.08	0.4		
50250	Depreciation Expense	\$93,560.00	17.7	\$93,560.00	2.8		
50330	MVR Reports	\$66.65	0.0	\$438.80	0.0		
50450	Insurance Expense	(\$5,340.15)	-1.0	\$157,884.68	4.8		
50455	Interest Expense	\$1,844.79	0.3	\$14,061.73	0.4		
50500	Legal Expense		0.0	\$10,141.81	0.3		
50505	Employee Benefits - Insured	\$12,688.25	2.4	\$166,057.32	5.0		
50510	Employee Benes-non- Insured-SI	\$2,451.31	0.5	\$6,771.39	0.2		
50520	Licenses & Permits	\$471.75	0.1	\$9,934.91	0.3		
50525	Recruiting	\$24.44	0.0	\$3,046.64	0.1		
50550	Miscellaneous Expense		0.0	\$80.00	0.0		
50600	Office Supplies & Equip-Silver	\$6,946.00	1.3	\$49,316.28	1.5		
50605	Records Management		0.0	\$18,001.26	0.5		
50610	Equipment Rental & Leases - SI	(\$12,761.94)	-2.4	\$7,203.67	0.2		
50615	Printing & Reproduction		0.0	\$6.78	0.0		
50620	401k Plan Expenses		0.0	\$2,130.00	0.1		
50700	Payroll Service	\$511.32	0.1	\$6,353.72	0.2		
50800	Postage & Shipping-Silverdale	\$818.99	0.2	\$28,302.86	0.9		
50900	Rent - Silverdale	\$23,138.21	4.4	\$282,244.66	8.5		
51000	Telephone Expense - Silverdale	\$2,988.97	0.6	\$47,267.65	1.4		
51050	Travel - Transportation	\$384.51	0.1	\$12,333.44	0.4		

	Income Statement Consolidated Basis				December 1, 2004 December 31, 2004	January 1, 2004 December 31, 2004
	December 1, 2005 December 31, 2005	%	January 1, 2005 December 31, 2005	%		
51055 Travel - Lodging		0.0	\$4,112.82	0.1		
51080 Travel - Meals Employee	\$135.26	0.0	\$4,589.77	0.1		
51065 Travel - Entertainment	(\$120.82)	0.0	(\$120.82)	0.0		
Total Operating Expense	\$286,921.50	50.4	\$1,185,520.31	35.8	\$0.00	\$0.00
Other Expenses						
Total Other Expenses	\$0.00	0.0	\$0.00	0.0	\$0.00	\$0.00
Net Income	(\$191,583.98)	-56.6	(\$135,859.89)	-4.3	\$0.00	\$0.00

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EXHIBIT - 6

FINANCIAL STATEMENT - 2006

ANCHOR BAY INSURANCE MANAGERS, INC.

Reviewed Financial Statements

December 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

RYAN JORGENSEN & LIMOLI, P.S.

ROBERT M. RYAN, CPA
MARC A. JORGENSEN, CPA
SCOTT M. LIMOLI, CPA/ABV

M. EILEEN BAKER, CPA, MS(TAX)
JULIE M. CURTIS, CPA
JEAN L. SMITH, CPA
BRITTANYA BRVANT, CPA

May 21, 2007

To the Shareholders
Anchor Bay Insurance Managers, Inc.
Silverdale, WA

We have reviewed the accompanying balance sheet of Anchor Bay Insurance Managers, Inc. (an S corporation) as of December 31, 2006, and the related statements of income and retained earnings and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Anchor Bay Insurance Managers, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Ryan Jorgensen & Limoli, P.S.

Ryan Jorgensen & Limoli, P.S.

ANCHOR BAY INSURANCE MANAGERS, INC.
BALANCE SHEET
DECEMBER 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,372,136
Accounts receivable, less allowance for doubtful accounts	1,653,749
Employee advances	2,220
Prepaid insurance	16,205
	<hr/>
Total Current assets	3,044,310

PLANT AND EQUIPMENT

Furniture and fixtures	116,826
Office equipment	450,783
Transportation equipment	20,839
Leasehold improvements	78,098
Assets under capital lease	136,594
	<hr/>
Total Plant and Equipment	803,140
Less: Accumulated depreciation	(504,273)
	<hr/>
Net Property, Plant and Equipment	298,867

OTHER ASSETS

Intangible assets, net of amortization	18,933
	<hr/>
Total Assets	\$ 3,362,110

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 2,397,353
Business taxes and fees payable	379,383
Payroll taxes payable	1,966
Line of credit	200,000
Payroll withholding	5,195
Current portion long-term debt	50,787
Current portion of capital lease	56,558
	<hr/>
Total Current liabilities	3,091,242

LONG-TERM LIABILITIES

Long-term debt, net of current portion	60,386
Capital lease, net of current portion	19,128
	<hr/>
Total Long-term liabilities	79,514

STOCKHOLDERS' EQUITY

Capital stock, 100,000 shares authorized, 750 shares issued and outstanding, \$100 par value	75,000
Additional paid in capital	3,567
Retained earnings	112,787
	<hr/>
Total Stockholders' equity	191,354

Total Liabilities and Stockholders' Equity	\$ 3,362,110
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See accountants' report and notes to financial statements

ANCHOR BAY INSURANCE MANAGERS, INC.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATING INCOME

Commissions
Fees

\$ 4,465,380
1,394,717

5,860,097

Total Commissions and Fees

OPERATING EXPENSES

Operating expenses - See Schedule I

Loss From Operations

5,919,365

(59,268)

OTHER INCOME (EXPENSE)

Interest income
Interest expense

Total Other Income (Expense)

49,238
(21,988)

27,250

Net Loss

\$ (32,018)

See accountants' report and notes to financial statements

ANCHOR BAY INSURANCE MANAGERS, INC.
STATEMENT OF CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

Retained Earnings, Beginning of Year	\$ 169,922
Net loss	(32,018)
Distributions	(32,164)
Prior period adjustment for amortization	7,047
Retained Earnings, End of Year	<u>\$ 112,787</u>

See accountants' report and notes to financial statements

**ANCHOR BAY INSURANCE MANAGERS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31, 2006**

Cash Flow Provided(Used) by Operating Activities	
Net Loss	\$ (32,018)
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation and amortization	114,598
(Increase) in accounts receivable	(611,652)
Decrease in other assets	3,284
Increase in accounts payable	593,261
Increase in business and payroll taxes payable	72,067
	139,540
Net Cash Flow Provided by Operating Activities	139,540
Cash Flow (Used) by Investing Activities	
Cash paid to acquire new assets	(29,340)
	(29,340)
Cash Flow Provided (Used) by Financing Activities	
Loan Proceeds	89,200
Principal payments on debt	(95,491)
Distributions	(32,164)
	(38,455)
Cash Flow (Used) by Financing Activities	(38,455)
Net Change in Cash	71,745
Cash at Beginning of Period	1,300,391
Cash at End of Period	\$ 1,372,136
Interest expense	\$ 21,988

See accountants' report and notes to financial statements

**ANCHOR BAY INSURANCE MANAGERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company began operations in May of 2000 as an "S" Corporation in Poulsbo, Washington. The Company is a Managing General Agency, Wholesale Broker and Program Manager and currently is licensed in 13 states. The Company has had significant growth since 2000 and is continually looking to expand into new markets and to write a broader range of policies.

Property and Equipment

Major additions to equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, except for those that materially increase the estimated useful life of an asset. Those repairs are capitalized and depreciated over the estimated useful life of the asset. The major classes, estimated useful lives and balances are:

<u>Description</u>	<u>Years</u>	<u>Balance</u>
Leasehold improvements	39	78,098
Furniture and fixtures	7	116,826
Office equipment	5	383,421
Vehicles	5	20,839
Software	3	203,956

Depreciation is accounted for on the straight line and declining balance methods over the estimated useful life of the asset. Depreciation expense for 2006 is \$114,598. Accumulated depreciation as of December 31, 2006 is \$504,273.

Revenue Recognition

The Company records revenue upon the invoicing of policy premiums.

Allowance for Doubtful Accounts

The Company provides an allowance for uncollectible accounts based upon prior experience and management's assessment of the collectibility of existing specific accounts.

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking, trust, money market and on hand. At December 31, 2006, \$1,347,242 was held in trust and restricted for payment of premiums.

Current Vulnerability Due to Certain Concentrations

Financial instruments which potentially subject the Company to credit risk consist primarily of cash and cash equivalents. The Company maintains its cash balances with one major financial institution and one investment firm. The cash balance in checking and trust checking is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The cash held in money market with McDonald Investments is not FDIC insured. The Company's uninsured cash balances totaled \$1,260,181 at December 31, 2006.

Advertising

Advertising costs are expensed as incurred and totaled \$49,606 in 2006. The advertising cost for the Company does not contain any deferred advertising costs and consists primarily of mailers and advertisements in industry publications.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results will vary from these estimates and may vary significantly.

**ANCHOR BAY INSURANCE MANAGERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – CONTINUED

Pension Plan – 401(k)

Anchor Bay Insurance Managers, Inc. began a 401(k) pension plan in 2002. The plan is managed by Compensation Consultants, Inc. The administrator in charge of the plan is Brian Mohoric, APA. The plan is set up for discretionary employer contributions and elective employee deferrals. Employees are eligible to participate in the plan immediately upon being hired. Should the Company make contributions to the plan, enrollees must wait six months to be eligible for Company contributions. Currently, there is a five year vesting schedule. No employer contributions were made in 2006. Administrative costs for 2006 were \$2,910.

Intangible Assets

Intangible assets consist of the purchase of a book of business is recorded at cost. The book of business has an indefinite life and is therefore not amortized.

There is no current year amortization expense.

NOTE 2 – NOTES PAYABLE

Short-term notes payable consist of the following:

Revolving line of credit with Key Bank, payable on demand, interest rate of 8.75%. Maximum amount of line is \$200,000, secured by accounts, equipment and general intangibles and guaranteed by Company shareholders.	<u>\$200,000</u>
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Long-term debt consists of the following:

Key Bank Lease – capital lease, computer software & equipment, terms consist of monthly payments of \$4,351, due April 30, 2008, secured by leased equipment.	75,686
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Key Bank Term Loan – terms consist of monthly payments of \$4,876, interest rate of 8.75%, due December 10, 2008, secured by accounts, equipment and general intangibles and guaranteed by Company shareholders.	<u>111,173</u>
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TOTAL LONG-TERM NOTES PAYABLE	<u>186,859</u>
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TOTAL NOTES PAYABLE	<u>\$386,859</u>
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Maturities of long-term debt:

2007		\$107,344
2008		79,515
There after		<u>-0-</u>
Total		<u>\$186,859</u>

**ANCHOR BAY INSURANCE MANAGERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 3 – INCOME TAXES

Under provisions of the Internal Revenue Code, the Company is taxed as an "S" Corporation. Under such election, the stockholders are taxed individually on their proportionate shares of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been recorded.

The Company depreciates its fixed assets using the Modified Accelerated Cost Recovery System for tax purposes. This creates a timing difference in depreciation expense for book and tax purposes. Tax depreciation is \$85,722 in 2006 and is \$28,876 lower than book depreciation in 2006.

NOTE 4 – LEASE COMMITMENTS

Operating Leases

The Company leases office space at 10049 Kitsap Mall Blvd, Suites 103, 104, 105, 202B, 302, 303 and 304, Silverdale, WA 98383 from Clear Creek Office Plaza. In 2005, the Company signed an operating lease scheduled to expire August 31, 2008. Effective January 1, 2007, the Company signed a new five year operating lease set to expire in 2012. The lease will increase annually according to the "all items" Consumer Price Index. The Company leases a second location at 19929 Ballinger Way NE, Shoreline, WA 98155. Total rent paid was \$254,139 in 2006. Effective 2007, the company has closed its Shoreline office and will sublease the space. The sublessee will make payments directly to the lessor.

The Company leases office equipment under two operating lease agreements expiring in August 2006 and October 2008. The total minimum monthly payments for these leases as of December 31, 2006 was \$770. Total lease expense under these agreements for the year ended December 31, 2006 was \$10,038.

The future minimum operating lease payments as of December 31, 2006 were as follows:

2007	\$195,412
2008	205,694
2009	210,567
2010	223,938
2011	238,158

Capital Lease

As referenced in Note 2 – Notes Payable, the Company has entered into a capital lease with Key Bank. As of December 31, 2006 the Company's software and equipment purchased under the noncancelable capital lease had a net book value of \$77,492. Amortization expense for assets purchased under the capital lease is included in depreciation expense.

The future minimum capital lease payments as of December 31, 2006 were as follows:

2007	\$56,558
2008	19,128
There after	-0-

NOTE 5 – PRIOR PERIOD ADJUSTMENTS

During the period ended December 31, 2006, the Company discovered errors made in prior periods. Amortization was taken on the book of business purchase which is an intangible asset with an indefinite life. Adjustments related to the correction of this error resulted in an increase to Retained Earnings of \$7,046 as of December 31, 2005 and decreases in net income in prior periods of \$7,046.

SUPPLEMENTARY INFORMATION

EXHIBIT - 7

FINANCIAL STATEMENT - 2007/08

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
December 31, 2008
Assets

Current Assets		
Cash - Premium Trust 8397	\$257,649.75	
Cash - Operating Key 8389	\$28,448.57	
Cash - Petty Cash	\$126.28	
Cash - McDonald's Investment	(\$244.51)	
Accounts Receivable	\$707,472.29	
Employee Advances	\$21.73	
Allowance for doubtful account	(\$8,713.00)	
Prepaid Insurance	\$65,742.17	
Total Current Assets		\$1,050,503.28
Fixed Assets		
Leasehold Improvements	\$78,098.08	
Furniture & Fixtures	\$116,826.41	
Accumulated Depreciation	(\$684,972.21)	
Office Equipment	\$120,794.67	
Company Vehicles	\$20,838.72	
Assets Under Capital Lease	\$136,594.00	
Computer Hardware	\$24,698.41	
Computer Software	\$306,185.82	
Total Fixed Assets		\$119,063.90
Other Assets		
Accumulated Amortization	(\$902.50)	
Organization Costs	\$902.50	
Book of Business	\$18,933.22	
Total Other Assets		\$18,933.22
Total Assets		\$1,188,500.40

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
December 31, 2008
Liabilities And Equity

Current Liabilities		
Carrier Payables	\$959,526.35	
Conversion Adj. Carrier Payabl	\$70.10	
Taxes Payables	\$177,160.95	
SLA Tax Adjustments	(\$3,529.22)	
Vendor Payables	\$10,589.72	
Notes Payable PFS - all agreem	\$52,904.20	
401k EE loan repayment	\$2,457.95	
FSA Medical EE deductions	\$1,743.63	
401k EE Contributions	(\$5,542.44)	
Medicare Payroll Taxes	(\$61.74)	
L & I Taxes payable	\$1,381.11	
ADP Payroll Adjustments	\$4,084.48	
AFLAC Payable	\$39.41	
	<hr/>	
Total Current Liabilities		\$1,200,824.50
Long Term Liabilities		
Term Loan #2- Key 10001	\$131,508.05	
Term Loan - Key 00001	\$28,506.59	
Lease AIM - Key	\$4,350.59	
Century Surety Loan	\$80,894.46	
	<hr/>	
Total Long Term Liabilities		\$245,259.69
Other Liabilities		
	<hr/>	
Total Other Liabilities		\$0.00
Equity		
Capital Stock	\$75,000.00	
Paid In Capital	\$55,000.00	
Retained Earnings	(\$179,240.46)	
Current Income (loss)	(\$208,343.33)	
	<hr/>	
Total Equity		(\$257,583.79)
		<hr/>
Total Liabilities And Equity		\$1,188,500.40
		<hr/> <hr/>

Anchor Bay Insurance Managers, In - Consolidated

Income Statement
Consolidated Basis

	January 1, 2008 December 31, 2008	%	January 1, 2008 December 31, 2008	%	January 1, 2007 December 31, 2007	January 1, 2007 December 31, 2007
Income						
40200 Income - Other	\$585.96	0.0	\$585.96	0.0	\$100.00	\$100.00
40600 Bad Debt Recovery	\$202.14	0.0	\$202.14	0.0	\$7,391.59	\$7,391.59
45000 Fee Income	\$791,412.48	24.4	\$791,412.48	24.4	\$1,022,971.01	\$1,022,971.01
45100 Profit Sharing Income	\$427,701.22	13.2	\$427,701.22	13.2	\$319,085.41	\$319,085.41
45300 Inspection Income	\$9,992.00	0.3	\$9,992.00	0.3	\$26,750.00	\$26,750.00
45400 Broker Fee		0.0		0.0	\$51.20	\$51.20
45500 Premium Financing Income	\$5,876.00	0.2	\$5,876.00	0.2	\$6,777.56	\$6,777.56
46000 Commission Income	\$1,997,794.68	61.7	\$1,997,794.68	61.7	\$2,909,688.63	\$2,909,688.63
Total Income	\$3,233,564.48	99.9	\$3,233,564.48	99.9	\$4,292,815.40	\$4,292,815.40
Other Income						
40100 Interest Income	\$3,762.59	0.1	\$3,762.59	0.1	\$27,239.62	\$27,239.62
Total Other Income	\$3,762.59	0.1	\$3,762.59	0.1	\$27,239.62	\$27,239.62
Expenses						
50000 Professional Services	\$5,090.16	0.1	\$5,090.16	0.1	\$14,707.33	\$14,707.33
50005 Owner Distribution Expense	\$2,696.80	0.1	\$2,696.80	0.1		
50100 Bad Debt Expense	\$2,082.84	0.1	\$2,082.84	0.1	\$22,312.40	\$22,312.40
50130 Bank Service Charges	\$6,709.76	0.2	\$6,709.76	0.2	\$2,364.49	\$2,364.49
50300 Late Fees - Finance charges	\$23,343.73	0.7	\$23,343.73	0.7	\$6,367.28	\$6,367.28
50304 Excise Tax - Hawaii	\$3.48	0.0	\$3.48	0.0		
50305 B&O Tax - Washington	\$10,386.89	0.3	\$10,386.89	0.3	\$12,694.29	\$12,694.29
50306 Corporate Income Tax	\$50.00	0.0	\$50.00	0.0		
50315 Inspection Fee Expense	\$98,601.90	2.9	\$98,601.90	2.9	\$168,788.01	\$168,788.01
50350 FICA	\$263.98	0.0	\$263.98	0.0		
50355 FSA Expenses	\$915.00	0.0	\$915.00	0.0	\$2,067.37	\$2,067.37
50521 Affiliation Fees	\$100.00	0.0	\$100.00	0.0		
50649 Payroll- Officer	\$193,035.75	5.6	\$193,035.75	5.6	\$185,986.96	\$185,986.96
50650 Payroll- G&A	\$468,466.15	13.6	\$468,466.15	13.6	\$454,460.03	\$454,460.03
50651 Payroll- Seattle		0.0		0.0	\$17,933.04	\$17,933.04
50652 Payroll-Flash		0.0		0.0	\$20,287.46	\$20,287.46
50653 Payroll-Contracts	\$613,805.94	17.8	\$613,805.94	17.8	\$782,145.50	\$782,145.50
50654 Payroll-Programs	\$97,410.55	2.8	\$97,410.55	2.8	\$177,540.88	\$177,540.88
50655 Contract Labor	\$8,143.39	0.2	\$8,143.39	0.2	\$34,271.39	\$34,271.39
50750 Payroll Taxes - Corporate	\$118,638.62	3.4	\$118,638.62	3.4	\$143,145.39	\$143,145.39
50850 Property Tax	\$546.71	0.0	\$546.71	0.0	\$593.93	\$593.93
50950 Small Balance Write-Offs	\$714.86	0.0	\$714.86	0.0	\$5,202.41	\$5,202.41
Total Expenses	\$1,651,006.51	47.9	\$1,651,006.51	47.9	\$2,050,868.16	\$2,050,868.16
Gross Income	\$1,586,320.56	49.0	\$1,586,320.56	49.0	\$2,269,186.86	\$2,269,186.86
Operating Expense						
50050 Auto Expense	\$689.95	0.0	\$689.95	0.0	\$179.59	\$179.59
50140 Marketing	\$12,527.04	0.4	\$12,527.04	0.4	\$27,112.80	\$27,112.80
50141 Conventions	\$2,735.00	0.1	\$2,735.00	0.1	\$695.00	\$695.00
50145 Dues & Subscriptions	\$3,520.85	0.1	\$3,520.85	0.1	\$5,420.57	\$5,420.57
50150 Bldg Maintenance & Repairs	\$2,222.29	0.1	\$2,222.29	0.1	\$3,917.48	\$3,917.48
50155 Equipment Maintenance & Repair	\$118.86	0.0	\$118.86	0.0		
50200 Commission Expense	\$1,052,175.97	30.5	\$1,052,175.97	30.5	\$1,525,839.70	\$1,525,839.70
50225 Professional Dev. & Education	\$408.16	0.0	\$408.16	0.0	\$496.82	\$496.82
50230 Technology Supplies & Expense	\$26,285.53	0.8	\$26,285.53	0.8	\$42,165.92	\$42,165.92
50235 Software Licenses & Fees	\$42,220.88	1.2	\$42,220.88	1.2	\$57,451.94	\$57,451.94
50240 Conferences & Seminars	\$35.95	0.0	\$35.95	0.0	\$3,930.75	\$3,930.75
50250 Depreciation Expense	\$75,408.71	2.2	\$75,408.71	2.2	\$105,290.00	\$105,290.00
50330 MVR Reports	\$457.30	0.0	\$457.30	0.0	\$719.40	\$719.40
50450 Insurance Expense	\$114,291.89	3.3	\$114,291.89	3.3	\$135,575.01	\$135,575.01
50451 Insurance-Owner Life & Disabil	\$7,250.40	0.2	\$7,250.40	0.2	\$10,875.60	\$10,875.60
50455 Interest Expense	\$21,786.80	0.6	\$21,786.80	0.6	\$25,030.48	\$25,030.48
50500 Legal Expense	\$1,214.56	0.0	\$1,214.56	0.0		
50505 Employee Benefits - Insured	\$130,987.40	3.8	\$130,987.40	3.8	\$159,487.50	\$159,487.50
50510 Employee Benes-non- Insured-Si	\$881.53	0.0	\$881.53	0.0	\$5,072.06	\$5,072.06
50515 Relocation	\$97.50	0.0	\$97.50	0.0	\$9,898.70	\$9,898.70
50520 Licenses & Permits	\$9,388.05	0.3	\$9,388.05	0.3	\$6,165.91	\$6,165.91
50525 Recruiting	\$27.42	0.0	\$27.42	0.0	\$254.88	\$254.88
50550 Miscellaneous Expense	\$400.00	0.0	\$400.00	0.0	(\$1,077.53)	(\$1,077.53)
50600 Office Supplies & Equip-Silver	\$10,173.44	0.3	\$10,173.44	0.3	\$20,436.06	\$20,436.06
50605 Records Management	\$44,795.82	1.3	\$44,795.82	1.3	\$45,555.06	\$45,555.06
					\$9,285.80	\$9,285.80

Income Statement
Consolidated Basis

	January 1, 2008 December 31, 2008	%	January 1, 2008 December 31, 2008	%	January 1, 2007 December 31, 2007	January 1, 2007 December 31, 2007
50620 401k Plan Expenses	\$3,160.00	0.1	\$3,160.00	0.1	\$2,481.00	\$2,481.00
50700 Payroll Service	\$7,231.17	0.2	\$7,231.17	0.2	\$5,316.05	\$5,316.05
50800 Postage & Shipping-Silverdale	\$26,742.13	0.8	\$26,742.13	0.8	\$32,229.07	\$32,229.07
50900 Rent - Silverdale	\$107,432.09	3.1	\$107,432.09	3.1	\$162,900.47	\$162,900.47
50901 Rent - Storage	\$3,405.00	0.1	\$3,405.00	0.1	\$2,125.33	\$2,125.33
50905 Rent - Shoreline	\$30,000.00	0.9	\$30,000.00	0.9	\$81,530.80	\$81,530.80
51000 Telephone Expense - Silverdale	\$21,940.68	0.6	\$21,940.68	0.6	\$29,026.98	\$29,026.98
51050 Travel - Transportation	\$5,079.52	0.1	\$5,079.52	0.1	\$12,062.71	\$12,062.71
51055 Travel - Lodging	\$3,096.73	0.1	\$3,096.73	0.1	\$5,383.50	\$5,383.50
51060 Travel - Meals Employee	\$1,227.07	0.0	\$1,227.07	0.0	\$3,237.61	\$3,237.61
51065 Travel - Entertainment	\$298.32	0.0	\$298.32	0.0	\$232.43	\$232.43
Total Operating Expense	\$1,790,372.19	52.0	\$1,790,372.19	52.0	\$2,536,305.45	\$2,536,305.45
Other Expenses						
50020 Clearing Account	\$3,501.43	0.1	\$3,501.43	0.1	\$6,355.46	\$6,355.46
Total Other Expenses	\$3,501.43	0.1	\$3,501.43	0.1	\$6,355.46	\$6,355.46
Net Income	(\$207,553.06)	-6.4	(\$207,553.06)	-6.4	(\$273,474.05)	(\$273,474.05)

EXHIBIT - 8

FINANCIAL STATEMENT - 2009

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
December 31, 2009
Assets

Current Assets		
Cash - Premium Trust 8397	\$86,607.92	
Cash - Operating Key 8389	\$360,829.94	
Cash - Petty Cash	\$126.28	
Ameritrade Investment Account	\$1,100.00	
Accounts Receivable	\$132,947.63	
Employee Advances	\$1,851.01	
Allowance for doubtful account	(\$4,245.00)	
Prepaid Insurance	\$81,326.11	
	<hr/>	
Total Current Assets		\$660,543.89
Fixed Assets		
Leasehold Improvements	\$78,098.08	
Furniture & Fixtures	\$116,826.41	
Accumulated Depreciation	(\$703,394.50)	
Office Equipment	\$109,449.67	
Company Vehicles	\$20,838.72	
Assets Under Capital Lease	\$136,594.00	
Computer Hardware	\$24,698.41	
Computer Software	\$301,835.23	
	<hr/>	
Total Fixed Assets		\$84,946.02
Other Assets		
Accumulated Amortization	(\$902.50)	
Organization Costs	\$902.50	
Book of Business	\$18,933.22	
	<hr/>	
Total Other Assets		\$18,933.22
		<hr/>
Total Assets		<u>\$764,423.13</u>

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
December 31, 2009
Liabilities And Equity

Current Liabilities		
Carrier Payables	\$254,859.99	
Conversion Adj. Carrier Payabl	\$70.10	
Taxes Payables	\$113,091.09	
SLA Tax Adjustments	(\$3,529.22)	
Vendor Payables	(\$54,603.21)	
Notes Payable PFS - all agreem	(\$33,468.73)	
401k EE loan repayment	\$8,608.30	
FSA Dependent EE deductions	(\$1,755.07)	
FSA Medical EE deductions	\$2,512.68	
401k EE Contributions	(\$15,270.28)	
FIT Payroll Taxes	\$1,022.43	
Medicare Payroll Taxes	(\$361.74)	
Policy Taxes	\$0.25	
L & I Taxes payable	(\$1,135.64)	
Social Security payable	(\$135.91)	
OR WBFT	(\$15.17)	
OR EE Income Tax	(\$421.14)	
OR SUI Payable	(\$354.30)	
ADP Payroll Adjustments	\$5,060.39	
AFLAC Payable	(\$532.49)	
Adjustments	(\$0.02)	
Total Current Liabilities		\$273,642.31
Long Term Liabilities		
Term Loan #2- Key 10001	\$71,493.30	
Term Loan - Key 00001	\$5,016.67	
Century Surety Loan	\$36,852.11	
Total Long Term Liabilities		\$113,362.08
Other Liabilities		
Total Other Liabilities		\$0.00
Equity		
Capital Stock	\$75,000.00	
Owner Distributions	(\$2,696.80)	
Paid In Capital	\$55,000.00	
Retained Earnings	(\$373,930.01)	
Current Income (loss)	\$624,045.55	
Total Equity		\$377,418.74
Total Liabilities And Equity		\$764,423.13
		\$764,423.13

Anchor Bay Insurance Managers, In - Consolidated

		Income Statement Consolidated Basis					
		January 1, 2009 December 31, 2009	%	January 1, 2009 December 31, 2009	%	January 1, 2008 December 31, 2008	January 1, 2008 December 31, 2008
Income							
40200	Income - Other	\$13.73	0.0	\$13.73	0.0	\$585.96	\$585.96
40800	Bad Debt Recovery		0.0		0.0	\$202.14	\$202.14
45000	Fee Income	\$571,259.68	18.0	\$571,259.68	18.0	\$791,412.48	\$791,412.48
45050	Sale of Assets	\$738,287.38	23.3	\$738,287.38	23.3		
45100	Profit Sharing Income	\$632,545.42	19.9	\$632,545.42	19.9	\$427,701.22	\$427,701.22
45300	Inspection Income	\$9,101.00	0.3	\$9,101.00	0.3	\$9,992.00	\$9,992.00
45500	Premium Financing Income	\$4,253.95	0.1	\$4,253.95	0.1	\$5,876.00	\$5,876.00
46000	Commission Income	\$1,219,672.33	38.4	\$1,219,672.33	38.4	\$1,997,794.68	\$1,997,794.68
	Total Income	\$3,175,133.49	100.0	\$3,175,133.49	100.0	\$3,233,564.48	\$3,233,564.48
Other Income							
40100	Interest Income	\$244.51	0.0	\$244.51	0.0	\$3,762.59	\$3,762.59
	Total Other Income	\$244.51	0.0	\$244.51	0.0	\$3,762.59	\$3,762.59
Expenses							
50000	Professional Services	\$5,997.50	0.2	\$5,997.50	0.2	\$5,090.16	\$5,090.16
50005	Owner Distribution Expense		0.0		0.0	\$2,696.80	\$2,696.80
50018	Credit Card Clearing Account	\$29,568.94	1.2	\$29,568.94	1.2		
50100	Bad Debt Expense	\$10,842.51	0.4	\$10,842.51	0.4	\$2,082.84	\$2,082.84
50130	Bank Service Charges	\$1,847.54	0.1	\$1,847.54	0.1	\$6,709.76	\$6,709.76
50300	Late Fees - Finance charges	\$13,672.42	0.5	\$13,672.42	0.5	\$23,343.73	\$23,343.73
50304	Excise Tax - Hawaii	\$12.48	0.0	\$12.48	0.0	\$3.48	\$3.48
50305	B&O Tax - Washington	\$11,598.62	0.5	\$11,598.62	0.5	\$10,386.89	\$10,386.89
50306	Corporate Income Tax	\$50.00	0.0	\$50.00	0.0	\$50.00	\$50.00
50315	Inspection Fee Expense	\$77,499.12	3.0	\$77,499.12	3.0	\$98,601.90	\$98,601.90
50350	FICA		0.0		0.0	\$263.98	\$263.98
50355	FSA Expenses	\$1,278.78	0.1	\$1,278.78	0.1	\$915.00	\$915.00
50521	Affiliation Fees		0.0		0.0	\$100.00	\$100.00
50649	Payroll- Officer	\$169,035.70	6.6	\$169,035.70	6.6	\$193,035.75	\$193,035.75
50650	Payroll- G&A	\$382,739.14	15.0	\$382,739.14	15.0	\$468,466.15	\$468,466.15
50653	Payroll-Contracts	\$418,159.45	16.4	\$418,159.45	16.4	\$613,805.94	\$613,805.94
50654	Payroll-Programs	\$91,674.43	3.6	\$91,674.43	3.6	\$97,410.55	\$97,410.55
50655	Contract Labor		0.0		0.0	\$8,143.39	\$8,143.39
50750	Payroll Taxes - Corporate	\$96,723.97	3.8	\$96,723.97	3.8	\$118,638.62	\$118,638.62
50850	Property Tax	\$1,592.59	0.1	\$1,592.59	0.1	\$546.71	\$546.71
50950	Small Balance Write-Offs	\$11,817.71	0.5	\$11,817.71	0.5	\$714.86	\$714.86
	Total Expenses	\$1,324,110.90	51.9	\$1,324,110.90	51.9	\$1,651,006.51	\$1,651,006.51
	Gross Income	\$1,851,267.10	58.3	\$1,851,267.10	58.3	\$1,586,320.56	\$1,586,320.56
Operating Expense							
50050	Auto Expense	\$1,083.28	0.0	\$1,083.28	0.0	\$689.95	\$689.95
50135	Charitable Contributions	\$60.00	0.0	\$60.00	0.0		
50140	Marketing	\$10,087.51	0.4	\$10,087.51	0.4	\$12,527.04	\$12,527.04
50141	Conventions		0.0		0.0	\$2,735.00	\$2,735.00
50145	Dues & Subscriptions	\$5,385.99	0.2	\$5,385.99	0.2	\$3,520.85	\$3,520.85
50150	Bldg Maintenance & Repairs	\$4,925.98	0.2	\$4,925.98	0.2	\$2,222.29	\$2,222.29
50155	Equipment Maintenance & Repair		0.0		0.0	\$118.86	\$118.86
50200	Commission Expense	\$681,537.14	26.7	\$681,537.14	26.7	\$1,052,175.97	\$1,052,175.97
50225	Professional Dev. & Education	\$1,471.07	0.1	\$1,471.07	0.1	\$408.16	\$408.16
50230	Technology Supplies & Expense	\$16,280.65	0.6	\$16,280.65	0.6	\$26,285.53	\$26,285.53
50235	Software Licenses & Fees	\$43,708.25	1.7	\$43,708.25	1.7	\$42,220.88	\$42,220.88
50240	Conferences & Seminars		0.0		0.0	\$35.95	\$35.95
50250	Depreciation Expense	\$35,466.00	1.4	\$35,466.00	1.4	\$75,408.71	\$75,408.71
50330	MVR Reports	\$685.35	0.0	\$685.35	0.0	\$457.30	\$457.30
50450	Insurance Expense	\$38,911.89	1.5	\$38,911.89	1.5	\$114,291.89	\$114,291.89
50451	Insurance-Owner Life & Disabil	\$7,250.40	0.3	\$7,250.40	0.3	\$7,250.40	\$7,250.40
50455	Interest Expense	\$31,766.45	1.2	\$31,766.45	1.2	\$21,786.80	\$21,786.80
50500	Legal Expense	\$7,715.88	0.3	\$7,715.88	0.3	\$1,214.56	\$1,214.56
50505	Employee Benefits - Insured	\$134,021.69	5.3	\$134,021.69	5.3	\$130,987.40	\$130,987.40
50510	Employee Benes-non- Insured-SI	\$870.30	0.0	\$870.30	0.0	\$881.53	\$881.53
50515	Relocation		0.0		0.0	\$97.50	\$97.50
50520	Licenses & Permits	\$5,577.40	0.2	\$5,577.40	0.2	\$9,388.05	\$9,388.05
50525	Recruiting	\$200.00	0.0	\$200.00	0.0	\$27.42	\$27.42
50550	Miscellaneous Expense	\$392.07	0.0	\$392.07	0.0	\$400.00	\$400.00
50600	Office Supplies & Equip-Silver	\$9,570.25	0.4	\$9,570.25	0.4	\$10,173.44	\$10,173.44
50605	Records Management		0.0		0.0	\$44,795.82	\$44,795.82
			0.4		0.4	\$12,163.42	\$12,163.42

Anchor Bay Insurance Managers, Inc - Consolidated

Income Statement
Consolidated Basis

	January 1, 2009 December 31, 2009		January 1, 2009 December 31, 2009		January 1, 2008 December 31, 2008		January 1, 2008 December 31, 2008	
		%		%				
50620 401k Plan Expenses	\$3,681.00	0.1	\$3,681.00	0.1	\$3,160.00	\$3,160.00	\$3,160.00	\$3,160.00
50700 Payroll Service	\$6,059.78	0.2	\$6,059.78	0.2	\$7,231.17	\$7,231.17	\$7,231.17	\$7,231.17
50800 Postage & Shipping-Silverdale	\$30,536.81	1.2	\$30,536.81	1.2	\$26,742.13	\$26,742.13	\$26,742.13	\$26,742.13
50900 Rent - Silverdale	\$135,810.24	5.3	\$135,810.24	5.3	\$107,432.09	\$107,432.09	\$107,432.09	\$107,432.09
50901 Rent - Storage	\$3,981.59	0.2	\$3,981.59	0.2	\$3,405.00	\$3,405.00	\$3,405.00	\$3,405.00
50905 Rent - Shoreline		0.0		0.0	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00
51000 Telephone Expense - Silverdale	\$22,996.24	0.9	\$22,996.24	0.9	\$21,940.68	\$21,940.68	\$21,940.68	\$21,940.68
51050 Travel - Transportation	\$3,862.34	0.2	\$3,862.34	0.2	\$5,079.52	\$5,079.52	\$5,079.52	\$5,079.52
51055 Travel - Lodging	\$910.43	0.0	\$910.43	0.0	\$3,096.73	\$3,096.73	\$3,096.73	\$3,096.73
51060 Travel - Meals Employee	\$709.49	0.0	\$709.49	0.0	\$1,227.07	\$1,227.07	\$1,227.07	\$1,227.07
51065 Travel - Entertainment	\$23.89	0.0	\$23.89	0.0	\$298.32	\$298.32	\$298.32	\$298.32
Total Operating Expense	\$1,255,902.80	49.2	\$1,255,902.80	49.2	\$1,790,372.19	\$1,790,372.19	\$1,790,372.19	\$1,790,372.19
Other Expenses								
50020 Clearing Account	(\$29,471.52)	-1.2	(\$29,471.52)	-1.2	\$3,501.43	\$3,501.43	\$3,501.43	\$3,501.43
Total Other Expenses	(\$29,471.52)	-1.2	(\$29,471.52)	-1.2	\$3,501.43	\$3,501.43	\$3,501.43	\$3,501.43
Net Income	\$624,835.82	19.7	\$624,835.82	19.7	(\$207,553.06)	(\$207,553.06)	(\$207,553.06)	(\$207,553.06)

v.9

EXHIBIT - 9

FINANCIAL STATEMENT - 2010

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
September 30, 2010
Assets

Current Assets		
Cash - Premium Trust 8397	\$120,139.86	
Cash - Operating Key 8389	\$103,697.88	
Cash - Petty Cash	\$126.28	
Ameritrade Investment Account	\$1,100.00	
Accounts Receivable	\$96,588.17	
Employee Advances	\$1,851.01	
Allowance for doubtful account	(\$4,245.00)	
Prepaid Insurance	\$81,326.11	
Total Current Assets		\$400,584.31
Fixed Assets		
Leasehold Improvements	\$78,098.08	
Furniture & Fixtures	\$116,826.41	
Accumulated Depreciation	(\$721,127.50)	
Office Equipment	\$109,449.67	
Company Vehicles	\$20,838.72	
Assets Under Capital Lease	\$136,594.00	
Computer Hardware	\$24,698.41	
Computer Software	\$301,835.23	
Total Fixed Assets		\$67,213.02
Other Assets		
Accumulated Amortization	(\$902.50)	
Organization Costs	\$902.50	
Book of Business	\$18,933.22	
Total Other Assets		\$18,933.22
Total Assets		\$486,730.55

Anchor Bay Insurance Managers, In - Consolidated

Anchor Bay Insurance Managers, In
Balance Sheet
September 30, 2010
Liabilities And Equity

Current Liabilities		
Carrier Payables	\$190,869.91	
Conversion Adj. Carrier Payabl	\$70.10	
Producer Payables	\$0.01	
Taxes Payables	\$123,115.00	
SLA Tax Adjustments	(\$3,529.22)	
Vendor Payables	(\$65,815.38)	
Notes Payable PFS - all agreem	(\$40,894.17)	
401k EE loan repayment	\$10,045.36	
FSA Dependent EE deductions	(\$1,755.07)	
FSA Medical EE deductions	\$2,866.52	
401k EE Contributions	(\$17,200.84)	
FIT Payroll Taxes	\$1,022.43	
Medicare Payroll Taxes	(\$361.74)	
Policy Taxes	\$5.09	
L & I Taxes payable	(\$495.54)	
Social Security payable	(\$135.91)	
OR WBFT	(\$15.17)	
OR EE Income Tax	(\$421.14)	
WA SUI payable	\$24,225.42	
OR SUI Payable	(\$354.30)	
ADP Payroll Adjustments	\$11,936.27	
FUTA payable	\$778.52	
AFLAC Payable	(\$532.49)	
Adjustments	\$854.93	
Total Current Liabilities		\$234,278.59
Long Term Liabilities		
Term Loan #2- Key 10001	\$67,552.52	
Term Loan - Key 00001	\$2,904.55	
Century Surety Loan	\$7,626.40	
Total Long Term Liabilities		\$78,083.47
Other Liabilities		
Total Other Liabilities		\$0.00
Equity		
Capital Stock	\$75,000.00	
Owner Distributions	(\$2,854.71)	
Paid In Capital	\$55,000.00	
Retained Earnings	(\$373,930.01)	
Current Income (loss)	\$421,153.21	
Total Equity		\$174,368.49
Total Liabilities And Equity		\$486,730.55

Anchor Bay Insurance Managers, Inc - Consolidated

Income Statement
Consolidated Basis

	January 1, 2010 September 30, 2010	%	January 1, 2010 September 30, 2010	%	January 1, 2009 September 30, 2009	January 1, 2009 September 30, 2009
Income						
40200 Income - Other	\$11,187.93	2.3	\$11,187.93	2.3	\$8.23	\$8.23
40600 Bad Debt Recovery	(\$3,692.17)	-0.8	(\$3,692.17)	-0.8		
45000 Fee Income	\$85,142.29	17.5	\$85,142.29	17.5	\$513,784.68	\$513,784.68
45100 Profit Sharing Income	\$129,452.30	26.7	\$129,452.30	26.7	\$632,545.42	\$632,545.42
45300 Inspection Income	\$250.00	0.1	\$250.00	0.1	\$8,651.00	\$8,651.00
45500 Premium Financing Income		0.0		0.0	\$3,742.94	\$3,742.94
46000 Commission Income	\$263,229.44	54.2	\$263,229.44	54.2	\$1,088,163.20	\$1,088,163.20
Total Income	\$485,569.79	100.0	\$485,569.79	100.0	\$2,246,895.47	\$2,246,895.47
Other Income						
Total Other Income	\$0.00	0.0	\$0.00	0.0	\$0.00	\$0.00
Expenses						
50000 Professional Services		0.0		0.0	\$852.50	\$852.50
50005 Owner Distribution Expense	\$13,991.20	2.2	\$13,991.20	2.2		
50018 Credit Card Clearing Account		0.0		0.0	\$307.63	\$307.63
50100 Bad Debt Expense	\$3,753.52	0.6	\$3,753.52	0.6	\$6,326.64	\$6,326.64
50130 Bank Service Charges	\$2,103.17	0.3	\$2,103.17	0.3	\$1,130.75	\$1,130.75
50231 Advertising	\$338.82	0.1	\$338.82	0.1		
50300 Late Fees - Finance charges	\$2,518.20	0.4	\$2,518.20	0.4	\$7,669.76	\$7,669.76
50304 Excise Tax - Hawaii		0.0		0.0	\$12.48	\$12.48
50305 B&O Tax - Washington	\$876.81	0.1	\$876.81	0.1	\$6,988.82	\$6,988.82
50306 Corporate Income Tax		0.0		0.0	\$50.00	\$50.00
50315 Inspection Fee Expense	\$16,486.76	2.6	\$16,486.76	2.6	\$58,091.41	\$58,091.41
50355 FSA Expenses	\$1,415.36	0.2	\$1,415.36	0.2	\$1,344.68	\$1,344.68
50648 Payroll - Nonofficer	\$146,313.67	23.2	\$146,313.67	23.2		
50649 Payroll- Officer	\$53,678.54	8.5	\$53,678.54	8.5	\$133,895.90	\$133,895.90
50650 Payroll- G&A	\$44,098.93	7.0	\$44,098.93	7.0	\$313,861.49	\$313,861.49
50653 Payroll-Contracts	\$2,696.88	0.4	\$2,696.88	0.4	\$369,166.50	\$369,166.50
50654 Payroll-Programs	\$6,923.07	1.1	\$6,923.07	1.1	\$71,240.21	\$71,240.21
50655 Contract Labor	\$140.00	0.0	\$140.00	0.0		
50750 Payroll Taxes - Corporate	\$45,863.13	7.3	\$45,863.13	7.3	\$83,063.35	\$83,063.35
50850 Property Tax	\$1,297.00	0.2	\$1,297.00	0.2	\$868.04	\$868.04
50950 Small Balance Write-Offs	\$4,305.03	0.7	\$4,305.03	0.7	\$363.65	\$363.65
Total Expenses	\$346,800.09	55.0	\$346,800.09	55.0	\$1,055,233.81	\$1,055,233.81
Gross Income	\$138,769.70	28.6	\$138,769.70	28.6	\$1,191,661.66	\$1,191,661.66
Operating Expense						
50050 Auto Expense	\$344.65	0.1	\$344.65	0.1	\$819.50	\$819.50
50135 Charitable Contributions	\$50.00	0.0	\$50.00	0.0	\$60.00	\$60.00
50140 Marketing	\$5,850.00	0.9	\$5,850.00	0.9	\$5,627.51	\$5,627.51
50145 Dues & Subscriptions	\$419.71	0.1	\$419.71	0.1	\$3,958.51	\$3,958.51
50150 Bldg Maintenance & Repairs	\$978.00	0.2	\$978.00	0.2	\$1,620.16	\$1,620.16
50200 Commission Expense	\$137,164.60	21.8	\$137,164.60	21.8	\$609,399.50	\$609,399.50
50225 Professional Dev. & Education		0.0		0.0	\$1,440.12	\$1,440.12
50230 Technology Supplies & Expense	\$1,620.49	0.3	\$1,620.49	0.3	\$11,819.90	\$11,819.90
50235 Software Licenses & Fees	\$3,384.07	0.5	\$3,384.07	0.5	\$28,877.01	\$28,877.01
50250 Depreciation Expense	\$17,733.00	2.8	\$17,733.00	2.8	\$29,555.00	\$29,555.00
50330 MVR Reports		0.0		0.0	\$395.15	\$395.15
50450 Insurance Expense	\$16,991.50	2.7	\$16,991.50	2.7	\$34,901.10	\$34,901.10
50451 Insurance-Owner Life & Disabil	\$1,812.60	0.3	\$1,812.60	0.3	\$5,437.80	\$5,437.80
50455 Interest Expense	\$4,131.07	0.7	\$4,131.07	0.7	\$28,051.19	\$28,051.19
50500 Legal Expense		0.0		0.0	\$963.01	\$963.01
50505 Employee Benefits - Insured	\$43,334.48	6.9	\$43,334.48	6.9	\$100,680.98	\$100,680.98
50510 Employee Benes-non- Insured-Si	\$412.50	0.1	\$412.50	0.1	\$646.73	\$646.73
50520 Licenses & Permits	\$12,456.35	2.0	\$12,456.35	2.0	\$3,556.50	\$3,556.50
50525 Recruiting	\$100.00	0.0	\$100.00	0.0		
50550 Miscellaneous Expense		0.0		0.0	\$392.07	\$392.07
50600 Office Supplies & Equip-Silver	\$1,168.36	0.2	\$1,168.36	0.2	\$7,406.82	\$7,406.82
50610 Equipment Rental & Leases - Si	\$7,100.86	1.1	\$7,100.86	1.1	\$5,221.16	\$5,221.16
50615 Printing & Reproduction		0.0		0.0	\$1,035.15	\$1,035.15
50620 401k Plan Expenses	\$980.00	0.2	\$980.00	0.2	\$100.00	\$100.00
50700 Payroll Service	\$1,071.64	0.2	\$1,071.64	0.2	\$4,097.12	\$4,097.12
50800 Postage & Shipping-Silverdale	\$138.24	0.0	\$138.24	0.0	\$17,897.07	\$17,897.07
50900 Rent - Silverdale	\$6,347.00	1.0	\$6,347.00	1.0	\$110,813.69	\$110,813.69
50901 Rent - Storage	\$4,185.00	0.7	\$4,185.00	0.7	\$2,580.00	\$2,580.00
	\$10,013.16	1.6	\$10,013.16	1.6	\$14,894.06	\$14,894.06

Income Statement
Consolidated Basis

	January 1, 2010 September 30, 2010		January 1, 2010 September 30, 2010		January 1, 2009 September 30, 2009		January 1, 2009 September 30, 2009	
		%		%				
51055 Travel - Lodging		0.0		0.0	\$910.43		\$910.43	
51060 Travel - Meals Employee	\$74.96	0.0	\$74.96	0.0	\$505.47		\$505.47	
51065 Travel - Entertainment		0.0		0.0	\$23.89		\$23.89	
Total Operating Expense	\$277,862.24	44.1	\$277,862.24	44.1	\$1,037,536.94		\$1,037,536.94	
Other Expenses								
50020 Clearing Account	\$5,582.42	0.9	\$5,582.42	0.9	(\$29,780.14)		(\$29,780.14)	
Total Other Expenses	\$5,582.42	0.9	\$5,582.42	0.9	(\$29,780.14)		(\$29,780.14)	
Net Income	(\$144,674.96)	-29.8	(\$144,674.96)	-29.8	\$183,904.86		\$183,904.86	

EXHIBIT - 10

Cash Transfers Key Bank Accounts (Transfer Out) Transfer In				
Month	Date	Premium Trust Account (Cash Out) or Cash In	Operating Account (Cash Out) or Cash In	Financial Records- Journal Entry Description
2007 Jan		(25,000.00)	25,000.00	Per Sally Cabbell's Worksheet
2007 Aug		(65,000.00)	65,000.00	Per Sally Cabbell's Worksheet
2007 Nov		(40,000.00)	40,000.00	Per Sally Cabbell's Worksheet
2007 Dec		(75,000.00)	75,000.00	Per Sally Cabbell's Worksheet
2008 Jan	1/8/08	(25,000.00)	25,000.00	WA SLA to Operating
2008 Mar	3/5/08	(10,000.00)	10,000.00	WA SLA to Operating
2007 Taxes		251,144.00	(251,144.00)	Note: Paid Washington State Surplus Line Taxes out of the operating account in 2008 offsetting the loans taken from the Premium Trust Account
2008 Sep	9/19/08	(100,000.00)	100,000.00	From tax reserve in trust to operating
2008 Nov	11/12/08	(20,000.00)	20,000.00	From tax fund to be repaid
2008 Nov	11/28/08	(20,000.00)	20,000.00	SLA taxes transfer
2009 Jan	1/6/09	(10,000.00)	10,000.00	From WA SLA tax reserve
2009 Apr	4/1/09	(25,000.00)	25,000.00	Taxes to be returned to Trust
2009 Jun	6/9/09	(10,000.00)	10,000.00	WA SLA tax funds on loan to operating
2009 Aug	8/3/09	(25,000.00)	25,000.00	Cash - Premium Trust 8397
2009 Oct	10/28/09	(2,000.00)	2,000.00	Borrow from Taxes
		(452,000.00)	452,000.00	Total 2007 through September 30, 2010 Premium Trust funds borrowed for Operating Expenses
2009 Dec	12/10/09	22,000.00	(22,000.00)	Transfer partial tax funds back to Trust
2009 Dec	12/14/09	50,000.00	(50,000.00)	Transfer tax reserve to Trust
2010 Jan	1/14/10	51,000.00	(51,000.00)	Transfer to Trust Operating capital
		123,000.00	(123,000.00)	Total 2007 through September 30, 2010 return of funds to Premium Trust account from the Operating Account

I, Sally Cabbell, CFO of Anchor Bay Insurance Managers Inc., have reviewed this schedule and it appears to accurately reflect the cash transfers from the Premium Trust Bank Account to the Operating Bank Account to fund operating expenses of Anchor Bay. The Washington State Surplus Line taxes for 2007 were paid out of the operating account in March 2008.

Sally Cabbell

Print Name

Sally Cabbell 10/21/10

Sign Name & Date

EXHIBIT - 11

In Re the Matter of:

ANCHOR BAY INSURANCE
MANAGERS INC.

OIC Case #:

DECLARATION OF SALLY
CABBELL

I, Sally Cabbell, under penalty of perjury under the laws of the State of Washington, declare that the following facts are personally known to me, and, if called upon to do so, I could and would testify competently to them:

1. I was in Human Resource/Compensation consulting with PricewaterhouseCoopers accounting firm and have an accounting background. I originally came to work for Anchor Bay on a consulting basis. In 2003 I became an employee and in 2005 took over supervision of the accounting department with 3 accounting specialists.
2. My responsibilities include all traditional accounting transaction, including reconciling all commission statements, reconciling the bank accounts, maintaining the financial records, and preparing the check payments. I currently work about 2 days per week; 1 in the office and 1 from home.
3. Anchor Bay maintains two bank accounts; a premium trust account and an operating account. In 2008, we began using some of the premium trust account tax monies to fund the operating account. Anchor Bay was experiencing a severe cash flow problem. We were depositing the premiums collected, including inspection fees, sales tax and stamping fees, into the premium trust account and moving some of the tax reserve funds to the operating account to cover payroll and other operating expenses. We were unaware that premium tax monies had to be maintained in a trust account.
4. Bank Loans. Anchor Bay has 2 loans outstanding with Key Bank. William Tanner borrowed \$100,000 and \$250,000 and now owes about \$72,000 in total; \$3,178.39 and \$68,794.07. We had to submit financials to the bank every quarter the first year, then once a year after that.
5. For 2 years, I recommended to Bill Tanner that he close the Seattle office but he firmly believed that we could make a go of it. We closed the office at the end of 2006, when we lost First Specialty -- which that office had used almost exclusively -- and the two producers and a staff member, seeing the writing on the wall, took other jobs.
6. Anchor Bay's Income Statements have reported a net operating loss for at least the last 5 from at least 2005 through 2009, as well as 2010 year-to-date through September 30th.

7. The books of account are not yet closed for 2009. ¹ We are still waiting for adjusting entries from the external accountant. We have not had an audit performed in several years and this accountant is the tax preparer.

8. Rent on the Silverdale Office was 8 months in arrears at September 30, 2010. The Income Statement for the nine month period ending September 30, 2010 only shows 1 monthly payment of \$6,347.00. The situation is okay with the landlord as the building is in need of repair and not at full occupancy. Anchor Bay paid another 3 months this month (October), leaving us 6 months in arrears at October 18, 2010. We have paid 4 months rent and should have paid 10 months. *we paid Jan 2011 rent in December 2009. 10-20-10*

9. The Operating Accounts are maintained on a cash basis. The Trust transactions are maintained on an accrual basis. Therefore, there are unpaid operating expenses we have not recorded in the financial books of account and I am tracking them on a spreadsheet. I estimate that we owe about \$271,000 to entities other than insurance carriers, of which only payroll taxes, employee deductions and long term liabilities are recorded. This would leave approximately \$170,000 in expenses being tracked off the books.

(a) The unpaid rent is part of the unrecorded expenses.

(b) Overland Solutions is owed over \$30,000 in unrecorded expenses.

We intend to pay all overdue accounts in full midDecember when we receive the earn out portion of the November 2009 sale of the book of business to Hull.

10. The Balance Sheet and Income Statements were generated (printed) directly from the Agency Information Manager System. Anchor Bay has paid the required fees to be on maintenance. The Balance Sheet Current Liabilities accounts may not be correct as it does not reflect the abovementioned operating accounts payable.

(a) Some of the debit balances relate back to problems with the 2005 accounting system conversion from QuickBooks to Agency Information Manager. Other debit balances are correct such as payroll taxes withheld, not yet due, etc.

(b) Other debit balances may relate to having to make adjustments/corrections to invoices that are already entered into the system. Invoices once posted, cannot be easily changed if an error occurs or the amount to be paid changes, therefore, adjusting entries will have to be made. Some debit balances are a result of posting to the wrong account numbers which will be corrected with the adjusting entries.

(c) The 401K Employee Contribution debit balance of \$17,200.84 goes back to 2008 and relates to payments to American Funds. A portion of this is a result of posting to the wrong account. A self-audit is underway to determine where the erroneous entries

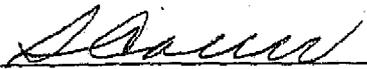
¹ The books for 2009 have now been closed. In a conversation with the accounting firm, I was told that they had not prepared any adjusting entries as yet but I can continue to make adjusting entries as I find them in the 13th month of 2009 and if they find more at this year end, they could be made with the end of year 2010 review and closing.

occured. All monies deducted have been submitted to American Funds which has made its final distributions to the participants upon closure of the plan.

- (d) In answer to your question about distributions, I stated that Bill Tanner has periodically not taken payroll checks, but will take a distribution when he needs to, also if the corporation paid American Funds for the 401k, Bill's 401k loan payment would be included and is offset as a distribution. There is nothing in the general ledger account to record deferred compensation but that is correct accounting in a sub-S Corporation.

I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF WASHINGTON STATE THAT THE FOREGOING IS TRUE AND CORRECT.

Dated this 20th day of October, 2010.


Signature of Declarant

Cell phone # 360.301.4404

Work phone# 360.613.5455 X 242

Sally R Cabbell
Printed Name of Declarant

Home phone # 360.437.8813

Email address: scabbell@surpluslines.com

EXHIBIT - 12

In Re the Matter of:

ANCHOR BAY INSURANCE
MANAGERS INC.

OIC Case #:

DECLARATION OF WILLIAM H.
TANNER

I, William H. Tanner under penalty of perjury under the laws of the State of Washington, declare that the following facts are personally known to me, and, if called upon to do so, I could and would testify competently to them.

1. 2000 Anchor Bay was established after my wife and I left employment with M J Kelly Northwest, Inc., which was owned by Jim Adams of Springfield, Missouri. Anchor Bay was incorporated in May 2000 and began operations in September of that same year.
2. Anchor Bay generated approximately \$1.2 million in premium volume in 2000. Most of this business was placed in an exclusive Restaurant, Bar & Tavern Program written with Interstate Fire & Casualty (WA – non-admitted) and Interstate Indemnity Company (AK & OR – admitted). Additional general lines binding contracts were held with Century Surety Group and Atlantic Casualty, both non-admitted.
3. The Restaurant, Bar & Tavern Program grew exponentially and, initially, we were extremely profitable. Believing that we could not build a long-term business on a single program, we reinvested the vast majority of our profits back into the business, in an attempt to grow our binding authority and brokerage books of business.
4. We lost the Restaurant, Bar & Tavern Program carrier in early 2004 but, by that time, the market was hard, especially for homebuilders. We had strong binding authority and brokerage markets and our contractor book grew rapidly. Indeed, our writings grew so quickly that our total production grew, despite running off most of a \$9 mil restaurant program.
5. I provided my Producer Profile marketing package relating the sales volume as:

Year	Premium Volume
2000	\$1,241,626
2001	\$4,356,480
2002	\$9,688,692
2003	\$15,774,193

2004	\$16,338,486
2005	\$17,271,305
2006	\$20,803,874
2007	\$15,199,288
2008	\$10,394,745

This marketing package was last updated in 2008. Projecting forward, we had or anticipate premium production as follows:

2009	\$7,000,000 (See #7 below)
2010	\$1,800,000 to 2,000,000
2011	\$4,000,000 to \$6,000,000

We currently have a little over \$1.5 mil in in-force business. I hope to close the year at about \$2,000,000, but \$1.8 mil might be a little more realistic.

6. In 2007 the firm began to experience financial difficulty due to several factors:
 - (a) We opened a Seattle brokerage Office in approximately 2003 and by 2006 had grown (both offices combined) to almost 50 full-time staff. The Seattle Office never generated the premium volume anticipated and overhead expenses were high. We lost something in the range of \$20,000 to \$30,000 a month for roughly three years. Despite recommendations to shut it down, I kept the operation going far longer than I should have.
 - (b) The economy softened resulting in a loss of the building contractor segment of the business. The homebuilding economy, our principal business segment, skipped the recession and went straight into a depression.
 - (c) Additionally, of course, the hard market ended and the soft market began. We experienced greater competition at lower rates and with stronger forms than we had in the past, further cutting into our production. In many cases, admitted carriers reclaimed business that they had sloughed off in the hard market.
 - (d) First Specialty terminated their binding authorities nationwide at the end of 2006, which was a devastating blow to us. We were their largest General Agent, nationwide, with production that exceeded \$9 mil. With them, we alone had binding authority on contractor classes that were generally only written in brokerage markets – at much higher minimum premiums. When we lost them, we had no competitive replacement markets available to us. We might have written an account for \$5,000 in 2006, for example, and have been forced to offer a \$15,000 minimum premium renewal. As a result, our production plummeted.

- (e) I invested heavily in technological innovations that were designed to gain a considerable competitive advantage. We designed and copyrighted our Multi-Carrier Quoting System – which allowed us to quote most of our binding authority carriers simultaneously. No longer would an agent have to fill out multiple applications and go to multiple General Agents in order to demonstrate to their client that they had “shopped the account”. This system was exceedingly popular.

We also designed and copyrighted our “Certs on Line” system – that allowed agents to generate their own certificates of insurance, including additional insured endorsements, on line, in real time. This was a big advantage with contractors, who were often thrown off a job site because the General Agent didn’t get a Certificate of Insurance out quickly enough. And it greatly reduced agent E&O exposures as well.

The development of these technological innovations represented (guessing) at least a \$300,000 investment, spread over roughly 3-4 years. Unfortunately, between the souring economy and the loss of First Specialty, even these innovations were not sufficient to overcome the business that we were losing.

7. We anticipated writing approximately \$7 million in 2009. However, as we were losing money, in November we sold off more than 70% of our remaining business to Hull & Company. We retained a little over \$1 mil in Restaurant, Bar & Tavern Program business and about \$100,000 in Environmental business. We have a 5-year non-compete agreement that applies to business in Alaska, California, Idaho, Oregon and Washington only. In those states, we can only write restaurants, bars, taverns and nightclubs, as well as environmental business. Subject to licensing, of course, we have no restrictions in other states.

Hull paid the majority of the sale price up front and Anchor Bay expects the final earn out is more than enough to allow us to pay the past due taxes out of the proceeds before the end of this year.

8. We use Century Surety Company (non-admitted) for our Restaurant, Bar & Tavern Program. We’ve had this market since the loss of the Interstate program. Initially, it was not a competitive market so we lost most of our Interstate program book. Over the years, however, as they have become more comfortable with our underwriting, the program has become very competitive and we are once again growing the book.

In addition, we have a dozen or so environmental markets and access to several open brokerage facilities. Virtually all business is written on non-admitted paper. However, at the present time, almost all of our new business is Restaurant, Bar & Tavern Program related.

9. Historically, we have financed almost none of our business as retail agents had access to their own financing deals. Recently, we secured a change to our program such that we no longer use a 25% minimum earned premium. As a result, we have introduced a financing plan (using Premium Finance Specialists) that allows an approximately 9% down

payment. Since introducing this plan, we seem to be financing roughly 80% of bound accounts. In my estimation, this is such a huge competitive advantage that it will have a very large positive impact on our cash flow. Not only do we make 1% on the aggregate of the declining balances, but we anticipate the availability of this financing to drive considerable new business our way.

10. Commissions. Anchor Bay receives 21.5% commission on Restaurant, Bar & Tavern Program premiums, and smaller amounts on non-program brokerage business. As a rule, we generally incentivize the retail producer as follows:

- (a) Target accounts/new business, 15% (Anchor Bay retains 6.5%, plus fee)
- (b) Non-target/renewal business, 10% (Anchor Bay retains 11.5%, plus fee)
- (c) Brokerage business, generally 10% (Anchor Bay retains various, plus fee)

Beginning January 1, 2011, we are changing the above commission split arrangement such that we are paying 12.5%, new and renewal, on program business submitted using our new on-line submission system, and 10% on all business submitted any other way. Retail producers with more than \$100,000 in the program will receive an additional 2.5%. (This system is a proprietary system that we recently launched that allows the agent to complete the application on line and also allows us to download the data directly into our rating system instead of having to re-key it.)

Most appointed agents are not required to pay in advance to bind coverage. There may be exceptions, on a judgment call basis, for agents not yet appointed, newer agents – especially newer Farmers agents, agents with whom we've had collection issues in the past, etc. Any non-pays are sent to collections for the earned premium.

11. Historically, we have always taken a very conservative position as respects our trust account. We not only left premiums in the trust account, we also left all taxes and even inspection fees there as well. We didn't want to ever confuse those large sums with our own funds and we believed that you can never have too much in trust.

Initially, we didn't know if it was required that we keep taxes in the trust account; we made the decision to do so on our own, out of a sense of prudence. Likewise, we didn't pay inspection fees out of trust; we just thought it was prudent to keep a safety net in trust, should there be an error made somewhere and we informally designated the inspection fees as our safety net.

As we began to lose money on the Seattle office and invest heavily in technological innovation, cash flow became tighter and we decided to move the inspection fees into the operating account.

As our production continued to shrink, we needed to determine whether or not it was required that we keep premium taxes in the trust account. I specifically recall phoning both the DOI and the SLA and asking the question. I know that I didn't get a "Yes – you must keep the premium taxes in trust" answer – because we would have done so if I had.

Unfortunately, however, I don't recall (and certainly didn't document) what answer I got, if any. But I did make at least some effort to find out.

In addition, I might well have read WAC 284-12-080, but only as far as paragraph 2 – which lists specifically what funds may be deposited to the trust account and doesn't include premium taxes on the list. Or perhaps I read only as far as paragraph 4 – which lists what funds in the trust account may be used to pay for, and again doesn't specifically include premium taxes on the list. Or perhaps we read the entire section and just overlooked the parenthetical afterthought that imposes the requirement in paragraph 5(a) – or perhaps we thought 5(a) applied only to retailers because there was no requirement in it calling for the prompt payment of those funds to anyone other than the insurer or another producer – meaning, presumably, us.

It doesn't really matter – it was our responsibility to know whether or not the taxes must be kept in the trust account and, despite a good faith effort to do so, we apparently reached the wrong conclusion. As a result, in part of 2008 and all or almost all of 2009, we kept the premium taxes in the operating account and used them to fund operations, expecting that we would recoup them, before they were due, upon the sale of our book to Hull. Unfortunately, we over-estimated the net receipts from the sale and, in order to continue operations, were not able to pay our taxes in a timely fashion.

Please note that for most, if not all, of 2010, we have again returned to including all premium taxes in the trust account. We do not wish to ever again get in a position where we cannot pay our premium taxes on time.

12. Staff. Anchor Bay currently has seven (7) employees; four (4) full-time and three (3) part-time. I am the President and the only working producer. I deal directly with the referring agent. I am the only employee who negotiates, quotes, and places insurance with the carrier.
 - (a) Linda Tanner, (my spouse and a co-owner) Vice President & Secretary. Linda has worked principally as an underwriter and senior underwriter for Royal Insurance and Fireman's Fund, as well as on the GA side of the business. She is not currently licensed but has been licensed as an agent and broker in the past (not while at Anchor Bay). Linda maintains an office at the business but generally works out of our personal residence, reviewing inspection reports, pre-qualifying accounts, etc. She may make underwriting and/or pricing recommendations based upon her reviews and experience, but she does not release quotes and I may or may not follow her recommendations.
 - (b) Sally Cabbell, CFO and Corporate Treasurer, performs the bookkeeping/accounting work. Sally had previously worked for Pricewaterhousecoopers as a consultant in the Human Resource Compensation consulting practice. Sally works 2 days/week.
 - (c) Jennifer Denton, my niece is the receptionist and general office clerk. Jennifer also runs Agency Management System reports for both me and the CFO.

- (d) Kim LaMont is my Underwriting Assistant. She is licensed as an agent but has no production responsibilities.
- (e) Dana Gould (my sister-in-law and Jennifer's mother) performs internet searches and researches liquor violations for the restaurant and bar program. She also inputs the data on the application into our Restaurant, Bar & Tavern Program rating system and performs other clerical tasks as needed. Dana works out of her home.
- (f) Max Denton, Jennifer's husband, works 2 days/week as our IT consultant.

13. Until recently, we have charged a broker fee equal to 10% of the premium, subject to a minimum of \$100 and a maximum of \$250. However, we have recently raised those minimums and maximums by \$25 so as to generate funds to offset some expected losses associated with the premium financing plan discussed in paragraph 9 (above).

Note that, in addition to the 10% broker fee, we also generally include inspection expenses in our broker fee, instead of making a separate charge for inspections.

In Washington the physical inspection fee is usually \$150 per location. In addition, we generally order a "liquor inspection" – a clandestine inspection done after 8 PM so as to observe liquor serving practices, etc that are not viewable during the day, when the physical inspection is done – and we charge a small "internet inspection fee". We contract out all Washington physical inspections, and almost all liquor inspections, to Overland Solutions and all are intended to be priced at cost.

14. Marketing. Anchor Bay concentrates on maintaining relationships with our current referring entities and reaching out to retailers who have Restaurant, Bar & Tavern Program eligible business, via email, snail mail and print media. We have, on occasion, advertised by direct mail specifically to restaurant owners but, in such cases, we have referred them to their agents as we do not sell directly with the public.

I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF WASHINGTON STATE THAT THE FOREGOING IS TRUE AND CORRECT.

Dated this 20th day of October, 2010.



Signature of Declarant

Home phone # (360) 779-5220

Cell phone # (360) 649-8969

William H. Tanner

Printed Name of Declarant

Work phone # (360) 613- 5455

Email address: btanner@surpluslines.com

EXHIBIT - 13

Business Banking Statement
January 31, 2008
page 2 of 5

Key Business Checking 479081028397
ANCHOR BAY INSURANCE MANAGERS , INC.
PREMIUM TRUST ACCOUNT

Beginning balance 12-31-07	\$408,158.68
42 Additions	+ 1,030,991.14
134 Subtractions	- 1,256,186.11
Ending balance 1-31-08	\$182,963.71

Additions	<u>Deposits</u>	<u>Date</u>	<u>Serial #</u>	<u>Source</u>	
		1-2	2	Customer Deposit	\$14,483.88
		1-2		Direct Deposit , Pfs 503-223-6450Pfsfundorp	1,229.08
		1-3	2	Customer Deposit	28,184.53
		1-3		Direct Deposit , Pfs 503-223-6450Pfsfundorp	4,738.38
		1-4	2	Customer Deposit	19,197.66
		1-7	2	Customer Deposit	36,865.28
		1-8	2	Customer Deposit	29,236.93
		1-8		Direct Deposit , Pfs 503-223-6450Pfsfundorp	6,302.48
		1-9	2	Customer Deposit	34,823.92
		1-9		Direct Deposit , Pfs 503-223-6450Pfsfundorp	684.80
		1-10	2	Customer Deposit	57,312.42
		1-10		Direct Deposit , Pfs 503-223-6450Pfsfundorp	675.20
		1-11	2	Customer Deposit	1,085.87
		1-14	2	Customer Deposit	186,473.17
		1-14	2	Customer Deposit	59,459.08
		1-14		Direct Deposit , Pfs 503-223-6450Pfsfundorp	3,647.96
		1-14	2	Customer Deposit	540.00
		1-15	2	Customer Deposit	39,731.64
		1-16	2	Customer Deposit	37,504.57
		1-16		Direct Deposit , Pfs 503-223-6450Pfsfundorp	10,112.00
		1-17	2	Customer Deposit	77,212.81
		1-17		Direct Deposit , Pfs 503-223-6450Pfsfundorp	1,480.00
		1-18	2	Customer Deposit	42,046.66
		1-18		Direct Deposit , Pfs 503-223-6450Pfsfundorp	10,193.74
		1-22	2	Customer Deposit	70,491.15
		1-22	2	Customer Deposit	22,806.94
		1-22	2	Customer Deposit	7,791.30
		1-22	2	Customer Deposit	6,275.49
		1-22		Direct Deposit , Pfs 503-223-6450Pfsfundorp	1,680.00
		1-23	2	Customer Deposit	12,416.37
		1-23		Direct Deposit , Pfs 503-223-6450Pfsfundorp	812.00
		1-24	2	Customer Deposit	65,498.64
		1-24		Direct Deposit , Pfs 503-223-6450Pfsfundorp	10,472.89
		1-25	2	Customer Deposit	22,286.71
		1-28	2	Customer Deposit	47,138.43

479081028397 - 04731
77539

2/12/08
SC

Subtractions

(cont)

Paper Checks * check missing from sequence

13247	1-23	5,898.75	13254	1-22	1,074.40	13261	1-28	42,411.24
13248	1-23	18,362.50	13255	1-23	8,727.30	13262	1-30	850.00
13249	1-22	2,907.15	13256	1-23	18,456.80	13263	1-30	120.00
13250	1-24	21,328.15	13257	1-28	2,596.35	13264	1-31	1,545.19
13251	1-24	2,134.80	13258	1-29	5,259.76	Paper checks paid		\$538,836.68
13252	1-24	2,318.40	13259	1-29	212.50			
13253	1-24	2,950.20	13260	1-28	2,925.00			

Withdrawals	Date	Serial #	Location	
	1-2	2	Chargeback, Store # 2	\$1,085.87
	1-15		Direct Withdrawal, Anchor Bay Trustcbord 1/08	109,319.41
	1-15		Direct Withdrawal, Anchor Bay Trustcent 1/08	101,683.25
	1-15		Direct Withdrawal, Anchor Bay Truststkld 1/08	100,577.39
	1-15		Direct Withdrawal, Anchor Bay Trustfsic 1/08	19,850.40
	1-30		Direct Withdrawal, Kbcm Investmentsfund Trans	200,000.00
	1-31		Direct Withdrawal, Anchor Bay Trustca Nov 07	2,160.50

Transfers	Date	Serial #	Destination	
	1-2		Trf To DDA 0000479081028389 4731	\$22,904.92
	1-3		Trf To DDA 0000479081028389 4731	2,909.27
	1-7		Trf To DDA 0000479081028389 4731	15,421.45
	1-8		Trf To DDA 0000479081028389 4731	25,000.00
	1-9		Trf To DDA 0000479081028389 4731	9,702.16
	1-10		Trf To DDA 0000479081028389 4731	4,283.52
	1-15		Trf To DDA 0000479081028389 4731	40,064.14
	1-22		Trf To DDA 0000479081028389 4731	38,818.16
	1-24		Trf To DDA 0000479081028389 4731	12,891.66
	1-30		Trf To DDA 0000479081028389 4731	10,677.33
Total subtractions				\$ 1,256,186.11

Fees and charges

See your Account Analysis statement for details.



Business Banking Statement

March 31, 2008

page 2 of 5

Key Business Checking 479081028397
ANCHOR BAY INSURANCE MANAGERS, INC.
PREMIUM TRUST ACCOUNT

Beginning balance 2-29-08	\$434,805.17
38 Additions	+1,208,274.14
153 Subtractions	-1,227,085.24
Ending balance 3-31-08	\$415,994.07

R/S 4/9/07

Additions	Deposits	Date	Serial #	Source	
		3-3	2	Customer Deposit	\$30,356.73 ✓
		3-3		Direct Deposit, Pfs 503-223-6450Pfsfundorp	6,849.89 ✓
		3-4	2	Customer Deposit	23,309.69 ✓
		3-4	2	Customer Deposit	4,507.55 ✓
		3-4		Direct Deposit, Pfs 503-223-6450Pfsfundorp	4,087.46 ✓
		3-5		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,370.40 ✓
		3-6	2	Customer Deposit	54,378.41 ✓
		3-6	2	Customer Deposit	27,525.11 ✓
		3-6		Direct Deposit, Pfs 503-223-6450Pfsfundorp	3,351.80 ✓
		3-7		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,773.51 ✓
		3-10		Direct Deposit, Pfs 503-223-6450Pfsfundorp	18,946.40 ✓
		3-11	2	Customer Deposit	148,609.33 ✓
		3-12	2	Customer Deposit	81,648.44 ✓
		3-12	2	Customer Deposit	11,833.15 ✓
		3-13	2	Customer Deposit	41,478.67 ✓
		3-13		Direct Deposit, Pfs 503-223-6450Pfsfundorp	6,804.00 ✓
		3-14	2	Customer Deposit	39,726.06 ✓
		3-14		Direct Deposit, Pfs 503-223-6450Pfsfundorp	5,088.00 ✓
		3-17		Direct Deposit, Pfs 503-223-6450Pfsfundorp	5,719.61 ✓
		3-18	2	Customer Deposit	227,317.00 ✓
		3-18		Direct Deposit, Pfs 503-223-6450Pfsfundorp	8,118.53 ✓
		3-19	2	Customer Deposit	53,592.41 ✓
		3-19	2	Customer Deposit	7,761.17 ✓
		3-19		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,776.50 ✓
		3-20	2	Customer Deposit	76,155.40 ✓
		3-20		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,092.60 ✓
		3-21	2	Customer Deposit	28,062.40 ✓
		3-21		Direct Deposit, Pfs 503-223-6450Pfsfundorp	27,244.50 ✓
		3-24		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,266.40 ✓
		3-25	2	Customer Deposit	62,248.04 ✓
		3-25	2	Customer Deposit	41,543.72 ✓
		3-25		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,153.50 ✓
		3-26	2	Customer Deposit	18,670.16 ✓
		3-26		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,372.80 ✓
		3-27	2	Customer Deposit	39,453.13 ✓



Subtractions

(cont)

Paper Checks

* check missing from sequence

13491	3-21	21,250.00	13500	3-20	272.14	13509	3-25	12.71
13492	3-25	1,828.04	13501	3-20	7,796.05	13510	3-26	189.23
13493	3-24	632.84	13502	3-21	7,318.42	13511	3-24	3,403.15
13494	3-24	3,559.93	13503	3-24	1,164.61	13512	3-31	31,735.20
13495	3-24	8,277.61	13504	3-24	12,283.84	13513	3-27	9,742.40
13496	3-24	5,038.70	13505	3-21	945.20	*13515	3-31	80.00
13497	3-25	5,207.55	13506	3-25	1,352.18	*13517	3-31	3,930.99
13498	3-25	1,038.70	13507	3-24	772.14	Paper checks paid		\$633,947.30
13499	3-20	1,877.29	13508	3-27	22.56			

95,477.46 - 214.88 →
 2108 Adjustment

Withdrawals	Date	Serial #	Location	Amount
	3-14		Direct Withdrawal, Anchor Bay Truststrkd 3/08	\$122,555.86 ✓
	3-14		Direct Withdrawal, Anchor Bay Trustcbord 3/08	95,259.78 ✓
	3-14		Direct Withdrawal, Anchor Bay Trustcent 3/08	68,350.08 ✓
	3-14		Direct Withdrawal, Anchor Bay Trustfsic 3/08	13,548.00 ✓
	3-26		Direct Withdrawal, Kbcm Investmentsfund Trans	100,000.00 ✓
	3-28		Direct Withdrawal, Anchor Bay Trustca 1/08	1,984.62 ✓

Transfers	Date	Serial #	Destination	Amount
	3-3		Trf To DDA 0000479081028389 4731	\$24,436.13 ✓
	3-4		Trf To DDA 0000479081028389 4731	14,463.63 ✓
	3-5		Trf To DDA 0000479081028389 4731	10,000.00 ✓
	3-5		Trf To DDA 0000479081028389 4731	2,941.60 ✓
	3-11		Trf To DDA 0000479081028389 4731	9,137.41 ✓
	3-19		Trf To DDA 0000479081028389 4731	80,750.25 ✓
	3-20		Trf To DDA 0000479081028389 4731	6,584.27 ✓
	3-24		Trf To DDA 0000479081028389 4731	12,640.43 ✓
	3-25		Trf To DDA 0000479081028389 4731	8,237.75 ✓
	3-27		Trf To DDA 0000479081028389 4731	5,594.26 ✓
	3-31		Trf To DDA 0000479081028389 4731	16,653.87 ✓
Total subtractions				\$ 1,227,085.24

Stop payments	Number	Check date	Amount	Issued	Expires
	12671	8-31-07	\$59.39	3-24-08	9-24-08 ✓

All stop payments expire on date shown, unless you notify us.

Fees and charges See your Account Analysis statement for details.



479081028397

KeyNotes (con't)

14274

- Get details about your credit history from all three major credit bureaus in one convenient report
- Look for suspicious charges, unfamiliar or delinquent accounts - signs that someone is using your identity
- Requesting your report will not negatively affect your credit rating or score

With your My Privacy Matters membership, you'll also receive ongoing protection through continuous monitoring of your credit profile with weekly "Activity Alerts" notifying you when critical changes occur on your credit record. Visit key.com/idtheftplan to learn more.

*Services provided by TransUnion Interactive, Inc.

Key Business Checking 479081028397
 ANCHOR BAY INSURANCE MANAGERS, INC.
 PREMIUM TRUST ACCOUNT

Beginning balance 8-31-08	\$488,887.89
36 Additions	+1,244,096.72
116 Subtractions	-935,284.05
Ending balance 9-30-08	\$797,700.56

Additions

Deposits	Date	Serial#	Source	
	9-2		Direct Deposit, Pfs 503-223-6450Pfsfundorp	✓ \$1,780.80
	9-3	2	Customer Deposit	✓ 46,281.93
	9-3	2	Customer Deposit	✓ 6,867.64
	9-3	2	Customer Deposit	✓ 1,169.85
	9-3		Direct Deposit, Pfs 503-223-6450Pfsfundorp	✓ 1,167.50
	9-4	2	Customer Deposit	✓ 7,329.28
	9-5		Direct Deposit, Pfs 503-223-6450Pfsfundorp	✓ 8,651.20
	9-8	2	Customer Deposit	✓ 108,871.08
	9-8		Direct Deposit, Pfs 503-223-6450Pfsfundorp	✓ 1,743.20
	9-9	2	Customer Deposit	✓ 34,635.22
	9-9		Direct Deposit, Pfs 503-223-6450Pfsfundorp	6679.87 ✓ 10,966.20
	9-10	2	Customer Deposit	+4286.53 ✓ 62,840.73
	9-12	2	Customer Deposit	✓ 16,347.31
	9-12	2	Customer Deposit	✓ 2,552.29
	9-16	2	Customer Deposit	✓ 123,886.17
	9-16	2	Customer Deposit	✓ 44,724.64
	9-16	2	Customer Deposit	✓ 11,737.50
	9-16		Direct Deposit, Pfs 503-223-6450Pfsfundorp	✓ 7,055.69
	9-17	2	Customer Deposit	✓ 250,961.26
	9-17		Direct Deposit, Pfs 503-223-6450Pfsfundorp	✓ 524.00
	9-18	2	Customer Deposit	✓ 4,025.05
	9-18		Direct Deposit, Premium Finance Ins. Pmnt.	✓ 1,500.00
	9-18	2	Customer Deposit	✓ 834.52
	9-18	2	Customer Deposit	✓ 473.06
	9-19	2	Customer Deposit	✓ 119,425.94
	9-19		Direct Deposit, Pfs 503-223-6450Pfsfundorp	✓ 591.50
	9-19	2	Customer Deposit	✓ 374.39



479081028397

Subtractions

(cont)

1,208.91

Withdrawals	Date	Serial #	Location		
	9-10	2	Chargeback, Store # 2 Nair ch 1073 n 023621	✓	\$834.52
	9-12	2	Chargeback, Store # 2 Charlotte Sanford ch 843-W 021658	✓	374.39
	9-12		Direct Withdrawal, Anchor Bay Trustcent 9/08	✓	80,832.93
	9-12		Direct Withdrawal, Anchor Bay Trustskid 9/08	✓	78,075.70
	9-12		Direct Withdrawal, Anchor Bay Trustcborc 9/08	✓	65,110.93
	9-18		Direct Withdrawal, Anchor Bay Trustmrkl Pymnt	✓	1,371.12
	9-19	2	Chargeback, Store # 2		
	9-19		Internet Trf To DDA 0000479081028389 4731	✓	46,030.05
	9-30		Direct Withdrawal, Anchor Bay Trustsla July08	✓	916.20

VOIDS
CNS

Transfers	Date	Serial #	Destination		
	9-4		Trf To DDA 0000479081028389 4731	✓	\$49,897.37 -
	9-10		Trf To DDA 0000479081028389 4731	✓	20,261.87 -
	9-15		Trf To DDA 0000479081028389 4731	✓	4,286.53 -
	9-16		Trf To DDA 0000479081028389 4731	✓	23,673.23 -
	9-19		Trf To DDA 0000479081028389 4731	✓	100,000.00 -
	9-22		Trf To DDA 0000479081028389 4731	✓	18,602.70 -
	9-26		Trf To DDA 0000479081028389 4731	✓	14,494.43 -
Total subtractions					\$935,284.05

Fees and charges

See your Account Analysis statement for details.

VOIDS

14172

14123

NSF

8755.75

Voucher

Adj

-229.28 - diff in ACH entries

+4286.53 - ACH for ABM

-13723.68 - Mistaken ACH entries

(9666.43)

DR

4286.53
<229.28>

4057.25 ADV. NOV

3640.91

7923.13

1368.26

154904.92

479081028397

KeyNotes (con't)

The holiday season is just around the corner, and the Key Possibilities Mastercard prepaid cards are the perfect gift for everyone. To make your business holiday gift giving easy, you can also purchase cards in bulk.*

The Key Possibilities cards are available in any denomination from \$25 - \$2500 and can be used anywhere Mastercard debit cards are accepted. To purchase Key Possibilities cards, please visit your local Key Center.

**Subject to the terms of the Key Possibilities Cardholder Agreement. Fees may apply. Key Possibilities Card is: NOT FDIC INSURED - MAY LOSE VALUE - NOT A DEPOSIT*

Key's automated telephone banking service, 1-888-KEY4BIZ (1-888-539-4249), offers instant access to account information 24 hours a day. You can transfer funds between accounts, obtain balances and information regarding cleared transactions. It's simple to use and all you need is your account number and your Key Telephone Access code. If at any time you need assistance using Key's automated banking services press zero and a phone representative will be there to assist you.

Key Business Checking 479081028397
 ANCHOR BAY INSURANCE MANAGERS, INC.
 PREMIUM TRUST ACCOUNT

Beginning balance 10-31-08	\$488,416.56
32 Additions	+738,050.72
112 Subtractions	-874,095.95
Ending balance 11-30-08	\$352,371.33

Additions

Deposits	Date	Serial#	Source	
	11-3	2	Customer Deposit	\$60,551.74
	11-3		Direct Deposit, Pfs 503-223-6450Pfsfundorp	554.40
	11-4		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,495.50
	11-5		Direct Deposit, Pfs 503-223-6450Pfsfundorp	944.00
	11-6	2	Customer Deposit	64,276.11
	11-7	2	Customer Deposit	30,634.70
	11-7	2	Customer Deposit	3,105.66
	11-7		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,927.50
	11-7		Direct Deposit, Premium Finance Ins. Pmnt.	1,678.50
	11-10	2	Customer Deposit	67,970.79
	11-10		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,223.10
	11-12	2	Customer Deposit	26,059.85
	11-12		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,460.50
	11-13	2	Customer Deposit	73,304.60
	11-13	2	Customer Deposit	32,143.69
	11-13		Direct Deposit, Pfs 503-223-6450Pfsfundorp	46.33
	11-14		Direct Deposit, Pfs 503-223-6450Pfsfundorp	5,397.60
	11-18	2	Customer Deposit	122,023.70
	11-18	2	Customer Deposit	17,296.80
	11-18	2	Customer Deposit	7,603.35
	11-18		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,490.20



479081028397

Subtractions

(cont)

Paper Checks

* check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
14416	11-25	6,675.05						

Paper Checks Paid \$453,208.80

Withdrawals	Date	Serial#	Location	Amount
	11-13		Direct Withdrawal, Anchor Bay Truststkl 11/08	\$103,684.34 ✓
	11-13		Direct Withdrawal, Anchor Bay Trustcent 11/08	97,450.71 ✓
	11-13		Direct Withdrawal, Anchor Bay Trustcbrd 11/08	43,902.56 ✓
	11-24		Direct Withdrawal, Anchor Bay Trustak 3Rd Qtr	6,400.26 ✓
	11-25		Direct Withdrawal, Anchor Bay Trustca 9/08	531.45 ✓

Transfers	Date	Serial#	Destination	Amount
	11-7		Trf To DDA 0000479081028389 4731	\$39,434.27 ✓
	11-12		Trf To DDA 0000479081028389 4731	20,000.00 ✓
	11-12		Trf To DDA 0000479081028389 4731	10,409.37 ✓
	11-18		Trf To DDA 0000479081028389 4731	22,773.24 ✓
	11-18		Trf To DDA 0000479081028389 4731	22,275.34 ✓
	11-25		Trf To DDA 0000479081028389 4731	34,025.61 ✓
	11-28		Trf To DDA 0000479081028389 4731	20,000.00 ✓
Total subtractions				\$874,095.95

23,773.24

Fees and charges

See your Account Analysis statement for details.

✓ Smiley 11/18 22,773.24 Bank
 23,773.24 AIM
 T-1000
 Key for comment 11-11/18 Smiley 0+1000



479081028397

Key Business Checking 479081028397
ANCHOR BAY INSURANCE MANAGERS, INC.
PREMIUM TRUST ACCOUNT

Beginning balance 12-31-08	\$407,480.14
38 Additions	+579,312.79
111 Subtractions	-721,691.21
Ending balance 1-31-09	\$265,101.72

Additions

Deposits	Date	Serial #	Source	
	1-2		Direct Deposit, Pfs 503-223-6450Pfsfundorp	\$652.80
	1-5	2	Key Capture Deposit	12,498.76
	1-5	2	Key Capture Deposit	7,486.66
	1-5		Direct Deposit, Pfs 503-223-6450Pfsfundorp	4,381.60
	1-6	2	Key Capture Deposit	19,251.49
	1-6	2	Key Capture Deposit	10,807.56
	1-6		Direct Deposit, Pfs 503-223-6450Pfsfundorp	5,772.00
	1-7		Direct Deposit, Allegiance Direcmwfp Fundl	1,150.45
	1-7		Customer Deposit <i>in Dec. 08</i>	92.00
	1-8	2	Key Capture Deposit	18,299.23
	1-8	2	Key Capture Deposit	12,086.73
	1-12	2	Key Capture Deposit	61,077.73
	1-12	2	Key Capture Deposit	29,796.28
	1-12		Direct Deposit, Pfs 503-223-6450Pfsfundorp	978.08
	1-13		Direct Deposit, Pfs 503-223-6450Pfsfundorp	3,226.05
	1-14	2	Key Capture Deposit	39,721.99
	1-14	2	Key Capture Deposit	31,723.15
	1-15	2	Key Capture Deposit	48,346.92
	1-16		Direct Deposit, Pfs 503-223-6450Pfsfundorp	3,429.74
	1-20	2	Key Capture Deposit	44,388.38
	1-20	2	Key Capture Deposit	33,379.11
	1-20		Direct Deposit, Pfs 503-223-6450Pfsfundorp	670.40
	1-21	2	Key Capture Deposit	14,601.19
	1-21	2	Key Capture Deposit	3,234.99
	1-21		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,808.68
	1-21		Direct Deposit, Pfs 503-223-6450Pfsfundorp	880.00
	1-23		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,393.60
	1-26	2	Key Capture Deposit	57,767.71
	1-26	2	Key Capture Deposit	16,701.10
	1-27	2	Key Capture Deposit	14,058.21
	1-27	2	Key Capture Deposit	4,508.40
	1-27		Direct Deposit, Pfs 503-223-6450Pfsfundorp <i>in Feb</i>	1,716.76
	1-27	2	Key Capture Deposit	514.32
	1-28		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,449.00
	1-29	2	Key Capture Deposit	35,277.04
	1-29	2	Key Capture Deposit	32,699.76
	1-29		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,767.92
	1-30		Direct Deposit, Pfs 503-223-6450Pfsfundorp	717.00
			Total additions	\$579,312.79

8610 14578
14505
14474



479081028397

Subtractions

Paper Checks

* check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
14350	1-2	\$1,832.93	14535	1-14	27.60	14576	1-13	65.50
*14458	1-6	8.10	14536	1-13	10.25	*14579	1-12	644.40
*14462	1-2	4,103.65	*14538	1-20	1,358.38	14580	1-12	11,418.40
*14504	1-2	1,455.68	14539	1-20	10.00	14581	1-13	1,700.00
*14506	1-6	7,626.75	*14542	1-13	147.40	14582	1-13	6,738.96
14507	1-2	1,599.80	14543	1-13	79.50	14583	1-13	734.05
*14509	1-21	279.14	14544	1-22	162.00	14584	1-14	6,800.00
14510	1-5	1,825.63	14545	1-13	30.00	14585	1-20	8,939.30
14511	1-5	2,961.84	14546	1-14	196.28	14586	1-16	54,484.45
14512	1-5	17,000.00	*14549	1-14	10.00	14587	1-16	34,263.20
14513	1-5	825.00	*14551	1-20	476.15	14588	1-20	8,265.67
14514	1-6	6,029.10	14552	1-9	317.58	14589	1-27	3,382.25
14515	1-13	2,423.00	14553	1-20	98.71	14590	1-20	2,832.53
14516	1-5	968.00	14554	1-9	110.00	14591	1-22	9,050.00
14517	1-5	3,600.00	14555	1-9	1,116.23	14592	1-22	2,527.20
14518	1-7	6,766.54	14556	1-12	218.52	14593	1-21	3,240.80
14519	1-7	4,782.74	14557	1-13	1,217.14	14594	1-20	14,407.31
14520	1-7	583.89	14558	1-12	859.77	14595	1-21	507.20
14521	1-7	1,668.81	14559	1-16	1,016.90	14596	1-27	882.02
14522	1-6	469.55	14560	1-12	365.43	14597	1-21	69,336.52
14523	1-7	2,224.15	14561	1-14	2,039.65	14598	1-23	675.00
14524	1-6	4,897.44	14562	1-9	314.57	14599	1-23	7,065.30
14525	1-5	1,274.89	14563	1-9	1,003.14	14600	1-26	425.00
14526	1-12	1,413.64	14564	1-20	55.00	14601	1-23	4,599.00
14527	1-5	19,717.03	14565	1-15	41.80	14602	1-29	2,550.00
14528	1-12	464.02	14566	1-8	771.21	14603	1-26	5,092.80
14529	1-6	4,939.35	14567	1-12	307.80	14604	1-27	5,950.00
14530	1-6	570.85	*14569	1-9	137.70	14605	1-29	907.12
14531	1-6	4,762.87	14570	1-9	249.62	14606	1-27	936.00
14532	1-6	1,285.04	14571	1-12	448.34	14607	1-26	1,280.20
14533	1-7	17,818.40	*14573	1-16	541.60	14608	1-26	2,212.50
14534	1-12	839.48	*14575	1-13	296.00	*14617	1-30	1,553.49

Paper Checks Paid \$414,517.75

Withdrawals	Date	Serial #	Location	Amount
	1-14		Direct Withdrawal, Anchor Bay Truststrkd 1/09	\$78,512.57
	1-14		Direct Withdrawal, Anchor Bay Trustcbord 1/09	55,308.34
	1-14		Direct Withdrawal, Anchor Bay Trustcbrok 1/09	37,076.12
	1-14		Direct Withdrawal, Anchor Bay Trustcbind 1/09	11,650.03
	1-14		Direct Withdrawal, Anchor Bay Trustmont 11/08	10,476.00
	1-29		Direct Withdrawal, Anchor Bay Trustca Nov 08	1,890.93

Transfers	Date	Serial #	Destination	Amount
	1-2		Trf To DDA 0000479081028389 4731	\$19,216.31
	1-5		Trf To DDA 0000479081028389 4731	17,070.24
	1-6		Trf To DDA 0000479081028389 4731	10,000.00
	1-6		Trf To DDA 0000479081028389 4731	1,172.31
	1-12		Trf To DDA 0000479081028389 4731	17,223.19
	1-14		Trf To DDA 0000479081028389 4731	16,772.99
	1-20		Trf To DDA 0000479081028389 4731	16,447.83

479081028397

KeyNotes (con't)

that sweep to other KeyBank FDIC insured domestic deposit accounts that are not eligible for the Guarantee Program would be FDIC insured up to the FDIC's standard insurance limit.

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70155
 14898 - 51. -
 14907 - 20. -

Key Business Checking 479081028397
 ANCHOR BAY INSURANCE MANAGERS, INC.
 PREMIUM TRUST ACCOUNT

Beginning balance 3-31-09	\$311,440.43
47 Additions	+927,113.41
132 Subtractions	-798,216.11
Ending balance 4-30-09	\$440,337.73

Additions

Deposits	Date	Serial #	Source	
	4-1		Direct Deposit, Pfs 503-223-6450Pfsfundorp	\$9,601.58

479081028397

Subtractions

(con't)

*Reference
E364542*

Withdrawals	Date	Serial #	Location	
	4-30		Direct Withdrawal, Anchor Bay Trust	overdue?? 16,004.80

15676.00 (over 328.80 Gonzalez)

Transfers	Date	Serial #	Destination	
	4-1		Trf To DDA 0000479081028389 4731	\$25,000.00
	4-1		Trf To DDA 0000479081028389 4731	6,890.54
	4-2		Trf To DDA 0000479081028389 4731	18,640.52
	4-16		Trf To DDA 0000479081028389 4731	54,405.19
	4-24		Trf To DDA 0000479081028389 4731	45,070.18
	4-30		Trf To DDA 0000479081028389 4731	15,858.32
Total subtractions				\$798,216.11

Fees and charges

See your Account Analysis statement for details.

none

16,004.80

479081028397

KeyNotes (con't)

that sweep to other KeyBank FDIC insured domestic deposit accounts that are not eligible for the Guarantee Program would be FDIC insured up to the FDIC's standard insurance limit.

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Key Business Checking 479081028397
ANCHOR BAY INSURANCE MANAGERS, INC.
PREMIUM TRUST ACCOUNT

Beginning balance 5-31-09	\$397,242.06
34 Additions	+858,132.48
94 Subtractions	-790,052.50
Ending balance 6-30-09	\$465,322.04

Additions

Deposits	Date	Serial #	Source	
	6-1		Direct Deposit, Pfs 503-223-6450Pfsfundorp	\$14,204.80
	6-2	2	Key Capture Deposit	33,892.27
	6-2	2	Key Capture Deposit	26,909.01
	6-4	2	Key Capture Deposit	53,547.15
	6-4	2	Key Capture Deposit	25,228.36
	6-4		Direct Deposit, Pfs 503-223-6450Pfsfundorp	774.15
	6-4	2	Key Capture Deposit	212.50
	6-5		Direct Deposit, Pfs 503-223-6450Pfsfundorp	4,467.20
	6-8		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,380.00

479081028397

Subtractions

(con't)

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
15122	6-15	8,715.45	15130	6-24	3,874.40	15140	6-30	619.16
15123	6-15	34,057.68	15131	6-22	4,328.20	15141	6-29	1,299.05
15124	6-26	3.50	15132	6-22	18.73	15142	6-29	3,359.03
15125	6-19	20,104.00	15133	6-22	5,018.85	*15145	6-25	336.71
15126	6-18	5,932.15	*15135	6-26	5,641.45	*15147	6-28	1,629.34
15127	6-19	11,354.60	*15137	6-26	6,065.50	15148	6-30	13,181.58
15128	6-19	371.25	15138	6-29	4,154.70	*15150	6-26	6,760.89
15129	6-24	1,542.40	15139	6-30	2,275.05	*15152	6-26	771.29
							Paper Checks Paid	\$348,028.39

Withdrawals	Date	Serial #	Location	Amount
	6-11		Direct Withdrawal, Anchor Bay Truststrkid6/09	\$121,703.12
	6-11		Direct Withdrawal, Anchor Bay Trustcbord 6/09	81,692.70
	6-11		Direct Withdrawal, Anchor Bay Trustcbrok 6/09	47,273.74
	6-11		Direct Withdrawal, Anchor Bay Trustcbind 6/09	20,819.33
	6-11		Direct Withdrawal, Anchor Bay Trustmontp 6/09	18,693.60
	6-19		Direct Withdrawal, Adb Bank Loan Pmts	1,840.42

Transfers	Date	Serial #	Destination	Amount
	6-4		Trf To DDA 0000479081028389 4731	\$23,458.49
	6-9		Trf To DDA 0000479081028389 4731	12,713.46
	6-9		Trf To DDA 0000479081028389 4731	10,000.00
	6-11		Trf To DDA 0000479081028389 4731	19,539.60
	6-16		Trf To DDA 0000479081028389 4731	42,286.67
	6-23		Trf To DDA 0000479081028389 4731	31,332.16
	6-30		Trf To DDA 0000479081028389 4731	11,170.82
Total subtractions				\$790,052.50

Fees and charges

See your Account Analysis statement for details.



479081028397

KeyNotes (con't)

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Control Access ACH 479081028397
 ANCHOR BAY INSURANCE MANAGERS, INC.
 PREMIUM TRUST ACCOUNT

Beginning balance 7-31-09	\$342,027.39
32 Additions	+747,279.97
116 Subtractions	-763,281.59
Ending balance 8-31-09	\$326,025.77

Additions

Deposits	Date	Serial #	Source	
	8-3	2	Key Capture Deposit	\$44,319.80
	8-3	2	Key Capture Deposit	29,230.35
	8-3	2	Key Capture Deposit	29,188.62
01DS	8-6	2	Key Capture Deposit	24,294.55
15311 - 15678.25	8-6	2	Key Capture Deposit	18,519.13
15314 - 1009.80	8-6	2	Key Capture Deposit	11,892.75
15241 - 465.52	8-6		Direct Deposit, Pfs 503-223-6450Pfsfundorp	5,200.48
	8-10		Direct Deposit, Pfs 503-223-6450Pfsfundorp	700.80
	8-11	2	Key Capture Deposit	45,781.99
	8-11	2	Key Capture Deposit	17,537.07
	8-11		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,872.80
	8-13	2	Key Capture Deposit	53,561.30
	8-13	2	Key Capture Deposit	21,685.70
	8-13		Direct Deposit, Pfs 503-223-6450Pfsfundorp	19,584.00
	8-13	2	Key Capture Deposit	285.00
	8-14		Direct Deposit, Pfs 503-223-6450Pfsfundorp	5,195.30
	8-17	2	Key Capture Deposit	195,771.23
	8-18		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,524.00
	8-19	2	Key Capture Deposit	17,636.58
	8-19	2	Key Capture Deposit	12,070.77
	8-21		Direct Deposit, Pfs 503-223-6450Pfsfundorp	944.80



479081028397.

Subtractions

(con't)

Withdrawals	Date	Serial #	Location	
	8-12		Direct Withdrawal, Anchor Bay Trustca 4/09	\$2,123.04 ✓
	8-12		Direct Withdrawal, Anchor Bay Trustca 3/09	552.78 ✓
	8-13		Direct Withdrawal, Anchor Bay Truststkld 8/09	103,955.31 ✓
	8-13		Direct Withdrawal, Anchor Bay Trustcbord 8/09	51,468.48 ✓
	8-13		Direct Withdrawal, Anchor Bay Trustcbrok 8/09	32,292.20 ✓
	8-13		Direct Withdrawal, Anchor Bay Trustcbind 8/09	25,487.38 ✓
	8-13		Direct Withdrawal, Anchor Bay Trustmontp 8/09	7,693.60 ✓
	8-26		Direct Withdrawal, Anchor Bay Trust2ND Qtr 09	4,173.91 ✓
	8-26		Direct Withdrawal, Anchor Bay Trustjune 09	1,533.75 ✓

Transfers	Date	Serial #	Destination	
	8-3		Trf To DDA 0000479081028389 4731	\$25,000.00 ✓
	8-3		Trf To DDA 0000479081028389 4731	9,359.07 ✓
	8-5		Trf To DDA 0000479081028389 4731	23,638.98 ✓
	8-7		Trf To DDA 0000479081028389 4731	3,846.37 ✓
	8-11		Trf To DDA 0000479081028389 4731	9,150.98 ✓
	8-17		Trf To DDA 0000479081028389 4731	42,235.18 ✓
	8-24		Trf To DDA 0000479081028389 4731	22,726.09 ✓
	8-27		Trf To DDA 0000479081028389 4731	722.35 ✓
Total subtractions				\$763,281.59

Fees and charges

See your Account Analysis statement for details.



479081028397

Key Business Checking 479081028397
ANCHOR BAY INSURANCE MANAGERS, INC.
PREMIUM TRUST ACCOUNT

Beginning balance 9-30-09	\$306,507.83
37 Additions	+541,734.69
102 Subtractions	-623,160.67
Ending balance 10-31-09	\$225,081.85

Additions

IDS

5483 - 735.01

Deposits	Date	Serial #	Source	
	10-1	2	Key Capture Deposit	\$21,641.81
	10-1	2	Key Capture Deposit	8,052.98
	10-1	2	Key Capture Deposit	2,674.78
	10-1		Direct Deposit, Pfs 503-223-6450Pfsfundorp	908.80
	10-1	2	Key Capture Deposit	754.72
	10-2		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,252.00
	10-6		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,878.40
	10-8	2	Key Capture Deposit	43,415.06
	10-8	2	Key Capture Deposit	19,769.41
	10-8	2	Key Capture Deposit	8,098.05
	10-9		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,665.00
	10-13	2	Key Capture Deposit	50,510.94
	10-13	2	Key Capture Deposit	12,295.66
	10-13	2	Key Capture Deposit	7,468.80
	10-14	2	Key Capture Deposit	98,725.51
	10-14	2	Key Capture Deposit	37,826.27
	10-14		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,078.40
	10-19	2	Key Capture Deposit	82,867.65
	10-19	2	Key Capture Deposit	13,388.57
	10-19		Direct Deposit, Premium Finance Ppdins.Pmt	3,116.25
	10-20		Direct Deposit, Pfs 503-223-6450Pfsfundorp	1,095.06
	10-22	2	Key Capture Deposit	16,360.45
	10-22	2	Key Capture Deposit	14,306.41
	10-22	2	Key Capture Deposit	4,620.04
	10-22	2	Key Capture Deposit	652.09
	10-22		Direct Deposit, Pfs 503-223-6450Pfsfundorp	600.00
	10-23		Direct Deposit, Pfs 503-223-6450Pfsfundorp	979.20
	10-26		Direct Deposit, Pfs 503-223-6450Pfsfundorp	3,183.45
	10-27	2	Key Capture Deposit	32,759.75
	10-27	2	Key Capture Deposit	8,972.70
	10-27	2	Key Capture Deposit	434.32
	10-29	2	Key Capture Deposit	22,089.67
	10-29	2	Key Capture Deposit	9,094.66
	10-29	2	Key Capture Deposit	4,838.25
	10-29		Direct Deposit, Pfs 503-223-6450Pfsfundorp	560.00
	10-30		Direct Deposit, Pfs 503-223-6450Pfsfundorp	990.40

Transfers	Date	Serial #	Source	
	10-28		Trf Fr DDA 0000479081028389 4731	\$2,809.18
Total additions				\$541,734.69



479081028397

Subtractions

Paper Checks

* check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
15361	10-6	\$410.00	15451	10-28	53.88	15482	10-19	3,487.97
*15419	10-1	1,190.55	15452	10-19	148.85	*15484	10-19	5,907.82
15420	10-5	1,514.70	*15454	10-14	45.00	15485	10-20	12,675.00
*15422	10-2	127.50	15455	10-7	999.30	15486	10-16	7,048.80
15423	10-2	206.25	15456	10-7	1,500.13	15487	10-19	6,642.90
15424	10-2	3,456.10	15457	10-14	110.81	15488	10-20	1,603.40
*15426	10-5	5,474.40	*15459	10-8	1,542.42	15489	10-20	4,193.05
15427	10-5	1,289.47	15460	10-9	1,135.70	15490	10-19	9.14
*15429	10-8	84.87	15461	10-6	9,333.95	15491	10-21	38.35
15430	10-5	903.00	15462	10-7	4,941.00	15492	10-19	685.02
15431	10-13	8.39	15463	10-14	9,082.16	15493	10-19	17,333.86
15432	10-7	6.87	15464	10-9	15,834.17	15494	10-19	16,174.55
15433	10-14	1,063.10	15465	10-8	3,951.07	15495	10-22	11.17
15434	10-5	241.70	15466	10-6	3,028.57	15496	10-20	1,307.70
15435	10-8	174.20	15467	10-7	350.55	15497	10-29	2,080.90
15436	10-21	24.30	15468	10-9	2,924.33	15498	10-26	14,154.00
15437	10-7	175.00	15469	10-14	862.96	15499	10-27	3,400.00
15438	10-5	900.00	15470	10-9	296.44	15500	10-26	1,285.47
15439	10-6	274.00	15471	10-9	5,632.85	15501	10-28	60.26
15440	10-6	49.00	15472	10-9	1,652.23	15502	10-28	23.74
15441	10-7	108.80	15473	10-14	684.09	*15504	10-28	1,300.00
15442	10-6	1,632.83	15474	10-7	6,342.11	15505	10-29	3,055.00
15443	10-7	702.75	15475	10-13	3,541.50	15506	10-27	1,706.75
15444	10-5	3,924.90	15476	10-8	861.00	15507	10-26	474.37
15445	10-6	1,081.90	15477	10-13	4,800.00	*15509	10-29	182.56
15446	10-8	2,447.10	15478	10-13	3,400.00	15510	10-29	745.60
15447	10-29	8.10	15479	10-16	29,115.20	15511	10-29	1,304.00
15448	10-6	1,746.29	15480	10-19	38,070.40	*15513	10-30	386.75
15449	10-6	286.20	15481	10-19	798.25	15514	10-29	16,500.00
15450	10-16	2,377.28						

Paper Checks Paid

\$306,706.60

Withdrawals	Date	Serial #	Location	Amount
	10-14		Direct Withdrawal, Anchor Bay Truststkld10/09	\$95,416.99
	10-14		Direct Withdrawal, Anchor Bay Trustcbord10/09	90,013.11
	10-14		Direct Withdrawal, Anchor Bay Trustcbrok10/09	29,320.09
	10-14		Direct Withdrawal, Anchor Bay Trustmontp10/09	16,665.54
	10-14		Direct Withdrawal, Anchor Bay Trustcbld10/09	7,026.68
	10-27		Direct Withdrawal, Anchor Bay Trustca Aug 09	314.85

Transfers	Date	Serial #	Destination	Amount
	10-2		Trf To DDA 0000479081028389 4731	\$11,226.42
	10-8		Trf To DDA 0000479081028389 4731	8,117.67
	10-13		Trf To DDA 0000479081028389 4731	24,887.55
	10-22		Trf To DDA 0000479081028389 4731	16,757.34
	10-27		Trf To DDA 0000479081028389 4731	9,089.47
	10-28		Trf To DDA 0000479081028389 4731	2,809.18
	10-28		Trf To DDA 0000479081028389 4731	2,809.18
	10-28		Trf To DDA 0000479081028389 4731	2,000.00

Total subtractions

\$623,160.67



479081028397

KeyNotes (con't)

after the day of your deposit unless the routing number listed above is denoted with an asterisk (*). If the routing number is denoted with an asterisk (*), then the first \$100 of your deposit will be available on the first business day after the day of your deposit, and the remaining funds will be available on the second business day after the day of deposit. The rest of the Funds Availability Policy remains unchanged.

Please retain this important information for your records. A complete copy of the revised Funds Availability Policy is available at any KeyBank branch.

Save time and money in 2010 by outsourcing your business' payroll and tax filing responsibilities. Contact us today at 1-888-KEY4BIZ for a complimentary quote for KeyBank Payroll Services, Powered by CompuPay.

KeyBank is Member FDIC.

Key Business Checking 479081028397
 ANCHOR BAY INSURANCE MANAGERS, INC.
 PREMIUM TRUST ACCOUNT

Beginning balance 11-30-09	\$95,111.15
16 Additions	+323,694.15
56 Subtractions	-283,655.67
Ending balance 12-31-09	\$135,149.63

Additions

Deposits	Date	Serial #	Source	
	12-3	2	Key Capture Deposit	\$34,470.24
	12-3	2	Key Capture Deposit	6,546.49
	12-3	2	Key Capture Deposit	283.06
	12-7	2	Key Capture Deposit	66,763.02
	12-7	2	Key Capture Deposit	4,368.63
	12-14	2	Key Capture Deposit	53,382.03
	12-14	2	Key Capture Deposit	1,254.93
	12-21	2	Key Capture Deposit	72,761.11
	12-21		Direct Deposit, Pfs 503-223-6450Pfsfundorp	946.06
	12-21	2	Key Capture Deposit	46.13
	12-29		Direct Deposit, Pfs 503-223-6450Pfsfundorp	4,273.20
	12-29	2	Key Capture Deposit	3,119.33
	12-29	2	Key Capture Deposit	2,009.45
	12-29	2	Key Capture Deposit	1,470.47

Transfers	Date	Serial #	Source	
	12-10		Trf Fr DDA 0000479081028389 4731	\$22,000.00
	12-14		Trf Fr DDA 0000479081028389 4731	50,000.00
			Total additions	\$323,694.15

VOIDS
 ACH 1/09
 15613
 14
 14

479081028389

KeyNotes (con't)

after the day of your deposit unless the routing number listed above is denoted with an asterisk (*). If the routing number is denoted with an asterisk (*), then the first \$100 of your deposit will be available on the first business day after the day of your deposit, and the remaining funds will be available on the second business day after the day of deposit. The rest of the Funds Availability Policy remains unchanged.

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Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

Beginning balance 11-30-09	\$424,798.29
5 Additions	+55,847.45
60 Subtractions	-176,220.42
Net fees and charges	-166.17
Ending balance 12-31-09	\$304,259.15

Additions

Deposits	Date	Serial #	Source	
	12-3	1	Key Capture Deposit	\$698.63 ✓
	12-14	1	Key Capture Deposit	284.17 ✓
	12-29	1	Key Capture Deposit	485.20 ✓

Transfers	Date	Serial #	Source	
	12-3		Trf Fr DDA 0000479081028397 4731	\$50,106.25 ✓
	12-30		Trf Fr DDA 0000479081028397 4731	4,273.20 ✓
Total additions				\$55,847.45

Subtractions

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13690 ✓	12-2	\$2,000.00	13733 ✓	12-10	182.53	13740 ✓	12-9	440.94
*13720 ✓	12-7	2,453.37	13734 ✓	12-11	220.00	13741 ✓	12-8	2,100.00
13721 ✓	12-7	30.95	13735 ✓	12-9	3,885.00	13742 ✓	12-7	22.25
*13729 ✓	12-24	200.00	13736 ✓	12-9	15,385.17	13743 ✓	12-8	875.62
13730 ✓	12-10	380.00	13737 ✓	12-8	479.25	13744 ✓	12-11	85.50
13731 ✓	12-8	130.90	13738 ✓	12-9	6,346.41	13745 ✓	12-9	280.00
13732 ✓	12-8	959.17	13739 ✓	12-8	1,122.03	13746 ✓	12-7	69.30



479081028389

Subtractions

(cont)

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13747 ✓	12-9	227.73	13755 ✓	12-31	332.24	13766 ✓	12-28	370.00
13748 ✓	12-9	562.00	*13757 ✓	12-30	453.19	13767 ✓	12-28	1,406.59
13749 ✓	12-11	1,013.51	13758 ✓	12-24	163.00	13768 ✓	12-28	863.37
13750 ✓	12-8	201.75	13759 ✓	12-28	458.94	13769 ✓	12-31	4,943.04
13751 ✓	12-7	63.82	13760 ✓	12-29	1,200.00	13770 ✓	12-24	474.80
13752 ✓	12-10	406.30	*13762 ✓	12-30	757.68	*13772 ✓	12-28	507.68
13753 ✓	12-9	65.49	13763 ✓	12-30	703.26	13773 ✓	12-31	163.00
13754 ✓	12-17	388.08	*13765 ✓	12-29	261.52	*13792 ✓	12-2	474.00
Paper Checks Paid								\$54,109.38

Withdrawals	Date	Serial #	Location	Amount
	12-3		Direct Withdrawal, American Funds Investment	\$1,911.24 ✓
	12-4		Direct Withdrawal, Adp Payroll Feesadp - Fees	156.85 ✓
	12-7		Direct Withdrawal, Anchor Bay Inc. Cloan #21	4,000.00 ✓
	12-10		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	15,527.03 ✓
	12-10		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	4,785.73 ✓
	12-14		Direct Withdrawal, American Funds Investment	746.65 ✓
	12-16		Direct Withdrawal, Anchor Bay Inc. 3Qtr Late	416.62 ✓
	12-18		Direct Withdrawal, Adp Payroll Feesadp - Fees	156.85 ✓
	12-23		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	15,233.24 ✓
	12-23		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	3,021.86 ✓
	12-28		Direct Withdrawal, Adp Payroll Feesadp - Fees	127.48 ✓
	12-29		Direct Withdrawal, WA St D.O.R. Ex Dtc	3,375.90 ✓
	12-29		Direct Withdrawal, American Funds Investment	651.59 ✓

Transfers	Date	Serial #	Destination	Amount
	12-10		Trf To DDA 0000479081028397 4731	\$22,000.00 ✓
	12-14		Trf To DDA 0000479081028397 4731	50,000.00 ✓
Total subtractions				\$176,220.42

Fees and charges

Date	Description	Quantity	Unit Charge	Amount
12-9-09	Nov Analysis Service Chg	1	166.17	-\$166.17 ✓
Fees and charges assessed this period				-\$166.17

See your Account Analysis statement for details.



479081028397

KeyNotes (con't)

after the day of your deposit unless the routing number listed above is denoted with an asterisk(*). If the routing number is denoted an asterisk(*), then the first \$100 of your deposit will be available on the first business day after the day of your deposit, and the remaining funds will be available on the second business day after the day of deposit. The rest of the Funds Availability Policy remains unchanged.

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Key Business Checking 479081028397
 ANCHOR BAY INSURANCE MANAGERS, INC.
 PREMIUM TRUST ACCOUNT

Beginning balance 12-31-09	\$135,149.63
16 Additions	+151,236.63
32 Subtractions	-208,479.22
Ending balance 1-31-10	\$77,907.04

Additions

Deposits	Date	Serial #	Source	
	1-4	2	Key Capture Deposit	\$2,943.33
	1-4	2	Key Capture Deposit	1,112.42
	1-5		Direct Deposit, Pfs 503-223-6450Pfsfundorp	2,178.40
	1-11	2	Key Capture Deposit	12,392.04
	1-11	2	Key Capture Deposit	6,900.01
	1-11	2	Key Capture Deposit	4,940.62
	1-11	2	Key Capture Deposit	292.43
	1-14	2	Key Capture Deposit	5,360.76
	1-14	2	Key Capture Deposit	1,068.86
	1-19	2	Key Capture Deposit	21,519.17
	1-19	2	Key Capture Deposit	4,595.62
	1-21	2	Key Capture Deposit	4,937.01
	1-25	2	Key Capture Deposit	30,007.57
	1-27	2	Key Capture Deposit	1,556.77
	1-27	2	Key Capture Deposit	431.62

Transfers	Date	Serial #	Source	
	1-14		Trf Fr DDA 0000479081028389 4731	\$51,000.00
Total additions				\$151,236.63

Subtractions

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
15351	1-13	\$618.99	*15611	1-14	4,253.50	*15662	1-5	1,038.50
*15533	1-4	341.90	*15659	1-4	606.22	15663	1-4	2,027.02

EXHIBIT - 14

Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

Beginning balance 12-31-07	\$.00
56 Additions	+ 1,372,606.32
57 Subtractions	- 1,372,606.32
Ending balance 1-31-08	\$.00

Deposits	Date	Serial #	Source	
	1-2	1	Customer Deposit	\$68.09 ✓
	1-3	1	Customer Deposit	845.79 ✓
	1-8	1	Customer Deposit	363.81 ✓
	1-10	1	Customer Deposit	1,340.72 ✓
	1-22	1	Customer Deposit	43.34 X
	1-24	1	Customer Deposit	202.14 X

Transfers	Date	Serial #	Source	
	1-2		Investment Maturity	\$35,177.74 ✓
	1-2		Trf Fr DDA 0000479081028397 4731	22,904.92 ✓
	1-2		Income Maturity	6.25 X
	1-3		Investment Maturity	57,632.81 ✓
	1-3		Trf Fr DDA 0000479081028397 4731	2,909.27 ✓
	1-3		Income Maturity	5.12 X
	1-4		Investment Maturity	59,113.32 ✓
	1-4		Income Maturity	5.25 X
	1-7		Investment Maturity	56,850.01 ✓
	1-7		Trf Fr DDA 0000479081028397 4731	15,421.45 ✓
	1-7		Income Maturity	15.16 X
	1-8		Investment Maturity	71,915.44 ✓
	1-8		Trf Fr DDA 0000479081028397 4731	25,000.00 ✓
	1-8		Income Maturity	6.39 X
	1-9		Investment Maturity	94,957.32 ✓
	1-9		Trf Fr DDA 0000479081028397 4731	9,702.16 ✓
	1-9		Income Maturity	8.44 X
	1-10		Investment Maturity	97,335.57 ✓
	1-10		Trf Fr DDA 0000479081028397 4731	4,283.52 ✓
	1-10		Income Maturity	8.65 X
	1-11		Investment Maturity	42,874.56 ✓
	1-11		Income Maturity	3.81 X
	1-14		Investment Maturity	42,751.37 ✓
	1-14		Income Maturity	11.40 X
	1-15		Trf Fr DDA 0000479081028397 4731	40,064.14 ✓
	1-16		Investment Maturity	61,558.20 ✓
	1-16		Income Maturity	5.47 X



Business Banking Statement

March 31, 2008

page 2 of 5

Key Business Checking 479081028389

ANCHOR BAY INSURANCE MANAGERS, INC.

OPERATING ACCOUNT

Beginning balance 2-29-08	\$0.00
41 Additions	+ 1,799,547.29
69 Subtractions	-1,799,393.85
Net fees and charges	1,799,461.29 -67.44
Ending balance 3-31-08	\$86.00

Additions	Deposits	Date	Serial #	Source	
		3-6	1	Customer Deposit	\$38.07 ✓
		3-11	1	Customer Deposit	363.81 ✓
		3-12	1	Customer Deposit	50.82 ✓
		3-20	1	Customer Deposit	55,000.00 ✓
		3-27	1	Customer Deposit	135.14 ✓
		3-31	1	Customer Deposit	85.74 ✓

Transfers	Date	Serial #	Source	
	3-3		Investment Maturity	\$267,742.31 ✓
	3-3		Trf Fr DDA 0000479081028397 4731	24,436.13 ✓
	3-3		Income Maturity	43.51 ✓
	3-4		Investment Maturity	286,916.40 ✓
	3-4		Trf Fr DDA 0000479081028397 4731	14,463.63 ✓
	3-4		Income Maturity	15.54 ✓
	3-5		Investment Maturity	297,837.66 ✓
	3-5		Trf Fr DDA 0000479081028397 4731	10,000.00 ✓
	3-5		Trf Fr DDA 0000479081028397 4731	2,941.60 ✓
	3-5		Income Maturity	16.13 ✓
	3-6		Investment Maturity	59,676.40 ✓
	3-6		Income Maturity	3.23 ✓
	3-11		Trf Fr DDA 0000479081028397 4731	9,137.41 ✓
	3-19		Trf Fr DDA 0000479081028397 4731	80,750.25 ✓
	3-20		Investment Maturity	83,314.87 ✓
	3-20		Trf Fr DDA 0000479081028397 4731	6,584.27 ✓
	3-20		Income Maturity	2.78 ✓
	3-21		Investment Maturity	40,194.09 ✓
	3-21		Income Maturity	1.34 ✓
	3-24		Investment Maturity	83,218.29 ✓
	3-24		Trf Fr DDA 0000479081028397 4731	12,640.43 ✓
	3-24		Income Maturity	8.32 ✓
	3-25		Investment Maturity	95,638.79 ✓
	3-25		Trf Fr DDA 0000479081028397 4731	8,237.75 ✓
	3-25		Income Maturity	3.19 ✓
	3-26		Investment Maturity	97,463.80 ✓
	3-26		Income Maturity	3.25 ✓



479081028389

KeyNotes (con't)

Protect Your Identity

Reviewing your credit records from all three U.S. credit bureaus is one of the best ways to see if someone may be using your identity. As a KeyBank customer, unlimited access to your Triple Bureau Credit Report and Score*(a \$29.95 value) is yours for only \$1.00 when you try MY PRIVACYMATTERS for 30 days.

- Get details about your credit history from all three major credit bureaus in one convenient report
- Look for suspicious charges, unfamiliar or delinquent accounts - signs that someone is using your identity
- Requesting your report will not negatively affect your credit rating or score

With your My Privacy Matters membership, you'll also receive ongoing protection through continuous monitoring of your credit profile with weekly "Activity Alerts" notifying you when critical changes occur on your credit record. Visit key.com/idtheftplan to learn more.

*Services provided by TransUnion Interactive, Inc.

Key Business Checking 479081028389
ANCHOR BAY INSURANCE MANAGERS, INC.
OPERATINGACCOUNT

Beginning balance 8-31-08	\$49,535.30
10 Additions	+350,643.14
85 Subtractions	-247,055.03
Net fees and charges	-66.00
Ending balance 9-30-08	\$153,057.41

Additions

Deposits	Date	Serial #	Source	
	9-4	1	Customer Deposit	\$73,135.00 ✓
	9-4	1	Customer Deposit	261.96 ✓
	9-19		Internet Trf Fr DDA 0000479081028397 4731	46,030.05 ✓

Transfers	Date	Serial #	Source	
	9-4		Trf Fr DDA 0000479081028397 4731	\$49,897.37 ✓
	9-10		Trf Fr DDA 0000479081028397 4731	20,261.87 ✓
	9-15		Trf Fr DDA 0000479081028397 4731	4,286.53 ✓
	9-16		Trf Fr DDA 0000479081028397 4731	23,673.23 ✓
	9-19		Trf Fr DDA 0000479081028397 4731	100,000.00 ✓
	9-22		Trf Fr DDA 0000479081028397 4731	18,602.70 ✓
	9-26		Trf Fr DDA 0000479081028397 4731	14,494.43 ✓
Total additions				\$350,643.14

Subtractions

Paper Checks

* check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13059	9-4	✓ \$2,650.00	*13109	9-3	✓ 28.37	*13128	9-8	✓ 3,000.00
*13103	9-4	✓ 28.38	*13126	9-3	✓ 688.51	13129	9-19	✓ 40.52



479081028389

KeyNotes (con't)

The holiday season is just around the corner, and the Key Possibilities Mastercard prepaid cards* are the perfect gift for everyone. To make your business holiday gift giving easy, you can also purchase cards in bulk.

The Key Possibilities cards are available in any denomination from \$25 - \$2500 and can be used anywhere Mastercard debit cards are accepted. To purchase Key Possibilities cards, please visit your local Key Center.

*Subject to the terms of the Key Possibilities Cardholder Agreement. Fees may apply. Key Possibilities Card is: NOT FDIC INSURED - MAY LOSE VALUE - NOT A DEPOSIT

Key's automated telephone banking service, 1-888-KEY4BIZ (1-888-539-4249), offers instant access to account information 24 hours a day. You can transfer funds between accounts, obtain balances and information regarding cleared transactions. It's simple to use and all you need is your account number and your Key Telephone Access code. If at any time you need assistance using Key's automated banking services press zero and a phone representative will be there to assist you.

Key Business Checking 479081028389 ANCHOR BAY INSURANCE MANAGERS, INC. OPERATING ACCOUNT

Beginning balance 10-31-08	\$59,606.08
9 Additions	+169,133.65
54 Subtractions	-194,032.80
Ending balance 11-30-08	\$34,706.93

34706.93

(1000)

Additions

Deposits	Date	Serial#	Source	
	11-7	1	Customer Deposit	\$130.08
	11-21	1	Key Capture Deposit	85.74

Made another transfer

12

Transfers	Date	Serial#	Source	
	11-7		Trf Fr DDA 0000479081028397 4731	\$39,434.27
	11-12		Trf Fr DDA 0000479081028397 4731	20,000.00
	11-12		Trf Fr DDA 0000479081028397 4731	10,409.37
	11-18		Trf Fr DDA 0000479081028397 4731	22,773.24
	11-18		Trf Fr DDA 0000479081028397 4731	22,275.34
	11-25		Trf Fr DDA 0000479081028397 4731	34,025.61
	11-28		Trf Fr DDA 0000479081028397 4731	20,000.00
Total additions				\$169,133.65

23773.24

Subtractions

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13106	11-19	\$28.38	*13271	11-14	2,650.00	13273	11-5	263.79
*13200	11-6	2,650.00	13272	11-4	9,144.00	13274	11-3	1,304.42



479081028389

Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

of by 4732 *13612.77*

Beginning balance 12-31-08	\$13,565.45
13 Additions	+251,020.86
51 Subtractions	-210,683.28
Net fees and charges	-167.82
Ending balance 1-31-09	\$53,735.21

210851

Additions

Deposits	Date	Serial #	Source	Amount
	1-2		Direct Deposit, Anchor Bay Inc Return	\$42,840.68
	1-14	1	Key Capture Deposit	95,741.00
	1-14	1	Key Capture Deposit	85.74
	1-26	1	Key Capture Deposit	93.97

Transfers	Date	Serial #	Source	Amount
	1-2		Trf Fr DDA 0000479081028397 4731	\$19,216.31
	1-5		Trf Fr DDA 0000479081028397 4731	17,070.24
	1-6		Trf Fr DDA 0000479081028397 4731	10,000.00
	1-6		Trf Fr DDA 0000479081028397 4731	1,172.31
	1-12		Trf Fr DDA 0000479081028397 4731	17,223.19
	1-14		Trf Fr DDA 0000479081028397 4731	16,772.99
	1-20		Trf Fr DDA 0000479081028397 4731	16,447.83
	1-26		Trf Fr DDA 0000479081028397 4731	8,999.93
	1-27		Trf Fr DDA 0000479081028397 4731	5,356.67
Total additions				\$251,020.86

Subtractions

Paper Checks *check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13340	1-28	\$1,709.74	13353	1-22	6,807.24	13367	1-26	1,662.24
13341	1-27	351.42	13354	1-22	275.00	13368	1-22	1,246.99
13342	1-21	29.25	13355	1-23	8,771.47	13369	1-22	10,071.90
13343	1-23	886.54	13356	1-29	64.50	13370	1-28	435.00
13344	1-28	392.26	*13358	1-21	100.98	13371	1-26	844.95
13345	1-26	1,029.25	13359	1-23	1,168.56	13372	1-26	310.00
13346	1-29	2,650.00	13360	1-27	1,000.00	13373	1-28	384.84
13347	1-22	110.82	13361	1-26	3,360.00	13374	1-23	1,308.75
13348	1-26	224.05	13362	1-29	70.11	13375	1-26	439.40
13349	1-27	403.50	13363	1-26	4,130.89	13376	1-21	458.96
13350	1-22	1,181.57	13364	1-26	79.65	13377	1-26	1,646.15
13351	1-26	794.72	13365	1-23	7,892.13	13378	1-23	1,203.10
13352	1-22	3,720.79	13366	1-22	144.49			

Paper Checks Paid \$67,361.21

Withdrawals	Date	Serial #	Location	Amount
	1-2	8199	Wire Withdrawal Adp 3170	\$42,840.68
	1-2		Direct Withdrawal, Adp Payroll Feesadp - Fees	178.85
	1-9		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	31,788.77



479081028389

KeyNotes (con't)

that sweep to other KeyBank FDIC insured domestic deposit accounts that are not eligible for the Guarantee Program would be FDIC insured up to the FDIC's standard insurance limit.

Please read and retain this information with all of your Account Agreements and Disclosures.

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 Stop in your branch from May 1 through May 31 to find out about special offers available just for Small Business owners!

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Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

Beginning balance 3-31-09	\$22,415.35
8 Additions	+529,198.20
81 Subtractions	-450,602.71
Net fees and charges	-202.20
Ending balance 4-30-09	\$100,808.64

*posted
4/1/09
LJF*

*off (44876.55)
2 payroll entries made
in ATM in May*

479081028389

Additions

Deposits	Date	Serial #	Source	
	4-8	1	Key Capture Deposit	\$362,196.00 ✓
	4-16	1	Key Capture Deposit	1,137.45 ✓

Transfers	Date	Serial #	Source	
	4-1		Trf Fr DDA 0000479081028397 4731	\$25,000.00 ✓
	4-1		Trf Fr DDA 0000479081028397 4731	6,890.54 ✓
	4-2		Trf Fr DDA 0000479081028397 4731	18,640.52 ✓
	4-16		Trf Fr DDA 0000479081028397 4731	54,405.19 ✓
	4-24		Trf Fr DDA 0000479081028397 4731	45,070.18 ✓
	4-30		Trf Fr DDA 0000479081028397 4731	15,858.32 ✓
Total additions				\$529,198.20

Subtractions

Paper Checks

* check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13384	4-14	✓ \$5.00	13465	4-13	✓ 724.55	13489	4-14	✓ 280.00
*13389	4-29	✓ 25.00	*13467	4-13	✓ 688.01	13490	4-22	✓ 819.68
*13421	4-6	✓ 2,809.00	13468	4-16	✓ 244.50	13491	4-14	✓ 51.69
*13429	4-1	✓ 833.85	13469	4-10	✓ 47.50	13492	4-10	✓ 185.00
*13444	4-2	✓ 100.00	13470	4-14	✓ 1,353.23	13493	4-15	✓ 24.91
13445	4-15	✓ 145,069.00	13471	4-14	✓ 147.97	13494	4-20	✓ 207.90
13446	4-15	✓ 7,253.45	13472	4-14	✓ 23.95	13495	4-13	✓ 1,106.99
13447	4-16	✓ 351.42	13473	4-16	✓ 123.00	13496	4-20	✓ 80.00
13448	4-9	✓ 375.00	13474	4-15	✓ 522.09	13497	4-14	✓ 262.50
13449	4-13	✓ 206.00	13475	4-15	✓ 44,699.32	13498	4-21	✓ 309.00
13450	4-14	✓ 1,203.10	13476	4-15	✓ 234.79	13499	4-20	✓ 2,277.34
13451	4-14	✓ 146.67	13477	4-14	✓ 5,386.85	13500	4-20	✓ 201.75
*13453	4-27	✓ 99.00	13478	4-15	✓ 69.66	13501	4-22	✓ 7,535.00
13454	4-14	✓ 16,928.14	13479	4-14	✓ 949.48	13502	4-21	✓ 50.00
13455	4-16	✓ 3,139.09	13480	4-14	✓ 388.08	13503	4-22	✓ 315.00
13456	4-14	✓ 4,000.00	13481	4-14	✓ 70.64	13504	4-22	✓ 840.00
13457	4-23	✓ 5,618.00	13482	4-14	✓ 6,791.45	13505	4-21	✓ 445.86
13458	4-15	✓ 110.67	13483	4-13	✓ 1,565.04	13506	4-30	✓ 10.00
13459	4-13	✓ 622.12	13484	4-13	✓ 1,259.49	13507	4-20	✓ 895.98
13460	4-15	✓ 37.45	13485	4-13	✓ 12,241.83	13508	4-22	✓ 40.00
13461	4-14	✓ 605.25	13486	4-15	✓ 216.50	13509	4-21	✓ 1,536.38
13462	4-13	✓ 405.40	13487	4-10	✓ 2,987.95	*13515	4-30	✓ 1,039.39
13463	4-13	✓ 3,663.79	13488	4-13	✓ 1,791.96	13516	4-30	✓ 12,241.83
13464	4-13	✓ 6,483.09						

Paper Checks Paid

\$313,373.53

Withdrawals	Date	Serial #	Location	
	4-2		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	\$31,849.83 ✓
	4-2		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	11,943.29 ✓
	4-10		Direct Withdrawal, Adp Payroll Feesadp - Fees	171.75 ✓
	4-13		Direct Withdrawal, American Funds Investment	2,382.66 ✓
	4-16		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	31,489.19 ✓
	4-16		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	11,825.16 ✓
	4-17		Direct Withdrawal, Adp Payroll Feesadp - Fees	136.76 ✓
	4-20		Direct Withdrawal, American Funds Investment	2,382.24 ✓



479081028389

KeyNotes (con't)

that sweep to other KeyBank FDIC insured domestic deposit accounts that are not eligible for the Guarantee Program would be FDIC insured up to the FDIC's standard insurance limit.

Please read and retain this information with all of your Account Agreements and Disclosures.

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Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATINGACCOUNT

Beginning balance 5-31-09	\$85,209.36
9 Additions	+150,501.78
41 Subtractions	-169,734.89
Net fees and charges	-22.67
Ending balance 6-30-09	\$65,953.58

*off 1488.23
 put in in July*

Additions

Deposits	Date	Serial #	Source	
	6-17		Direct Deposit, Td Ameritrade ACH Micro	\$0.30 ✓
	6-17		Direct Deposit, Td Ameritrade ACH Micro	0.28 ✓

Transfers	Date	Serial #	Source	
	6-4		Trf Fr DDA 0000479081028397 4731	\$23,458.49 ✓
	6-9		Trf Fr DDA 0000479081028397 4731	12,713.46 ✓
	6-9		Trf Fr DDA 0000479081028397 4731	10,000.00 ✓
	6-11		Trf Fr DDA 0000479081028397 4731	19,539.60 ✓



479081028389

KeyNotes (cont)

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Funds will be deposited directly into the checking account.

Handwritten notes:
 That
 double entry
 of B&O ACH
 Variance (557.96) by
 bank

Control Access ACH 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

Beginning balance 7-31-09	\$57,893.78
9 Additions	+137,260.13
29 Subtractions	-160,132.06
Net fees and charges	-87.71
Ending balance 8-31-09	\$34,934.14

Additions

Deposits	Date	Serial #	Source	
	8-6	1	Key Capture Deposit	\$781.11 ✓

Transfers	Date	Serial #	Source	
	8-3		Trf Fr DDA 0000479081028397 4731	\$25,000.00 ✓
	8-3		Trf Fr DDA 0000479081028397 4731	9,359.07 ✓
	8-5		Trf Fr DDA 0000479081028397 4731	23,638.98 ✓
	8-7		Trf Fr DDA 0000479081028397 4731	3,646.37 ✓
	8-11		Trf Fr DDA 0000479081028397 4731	9,150.98 ✓
	8-17		Trf Fr DDA 0000479081028397 4731	42,235.18 ✓
	8-24		Trf Fr DDA 0000479081028397 4731	22,726.09 ✓
	8-27		Trf Fr DDA 0000479081028397 4731	722.35 ✓
Total additions				\$137,260.13

Subtractions

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13601	8-10	✓ \$87.97	*13611	8-7	✓ 2,809.00	13612	✓ 8-5	✓ 974.30



479081028389

Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

we have

Beginning balance 9-30-09	70072.36	\$69,139.17
11 Additions	76752.05	+79,561.23
36 Subtractions		-145,422.61
Net fees and charges	143256.77	-197.86
Ending balance 10-31-09		\$3,079.93
	<i>from Sept</i>	316.57 X
		- 316.57
		128.91 X
		- 128.91

Additions

Deposits	Date	Serial #	Source	
	10-8	1	Key Capture Deposit	\$1,432.96 ✓
	10-22	1	Key Capture Deposit	266.35 ✓
	10-29	1	Key Capture Deposit	165.11 ✓

we have 38607.54

Transfers	Date	Serial #	Source	
	10-2		Trf Fr DDA 0000479081028397 4731	\$11,226.42 ✓
	10-8		Trf Fr DDA 0000479081028397 4731	8,117.67 ✓
	10-13		Trf Fr DDA 0000479081028397 4731	24,887.55 ✓
	10-22		Trf Fr DDA 0000479081028397 4731	16,757.34 ✓
	10-27		Trf Fr DDA 0000479081028397 4731	9,089.47 ✓
	10-28		Trf Fr DDA 0000479081028397 4731	2,809.18 ✓
	10-28		Trf Fr DDA 0000479081028397 4731	2,809.18 ✓
	10-28		Trf Fr DDA 0000479081028397 4731	2,000.00 ✓
			Total additions	\$79,561.23

withdrawn

Subtractions

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13664	10-7	13,711.14	13672	10-6	3,387.48	13680	10-8	100.00
13665	10-6	1,761.15	13673	10-6	388.08	13681	10-8	135.66
13666	10-7	230.30	13674	10-6	738.42	13682	10-8	1,571.77
13667	10-5	2,372.72	13675	10-7	996.95	13683	10-13	8,879.90
13668	10-13	721.26	13676	10-7	325.97	13684	10-14	792.28
13669	10-6	500.00	13677	10-8	280.00	13685	10-16	2,233.26
13670	10-19	5,618.00	13678	10-14	100.00	13686	10-23	217.31
13671	10-8	1,000.00	13679	10-14	175.00			

Paper Checks Paid \$46,236.65

Withdrawals	Date	Serial #	Location	
	10-1		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	\$23,661.25 X
	10-1		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	8,165.55 X
	10-2		Direct Withdrawal, American Funds Investment	978.49 X
	10-6		Direct Withdrawal, American Funds Investment	884.21 X
	10-9		Direct Withdrawal, Adp Payroll Feesadp - Fees	156.85 X
	10-15		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	23,226.99 X
	10-15		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	7,965.36 X
	10-16		Direct Withdrawal, American Funds Investment	883.46 X
	10-23		Direct Withdrawal, Adp Payroll Feesadp - Fees	293.07 X



479081028389

KeyNotes (con't)

after the day of your deposit unless the routing number listed above is denoted with an asterisk(*). If the routing number is denoted an asterisk(*), then the first \$100 of your deposit will be available on the first business day after the day of your deposit, and the remaining funds will be available on the second business day after the day of deposit. The rest of the Funds Availability Policy remains unchanged.

Please retain this important information for your records. A complete copy of the revised Funds Availability Policy is available at any KeyBank branch.

Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

VOID 13842 - 200
 13813 - 50

Beginning balance 12-31-09	\$304,259.15
4 Additions	+53,805.98
64 Subtractions	-138,527.01
Net fees and charges	-119.68
Ending balance 1-31-10	\$219,418.44

Additions

Deposits	Date	Serial #	Source	
	1-4	1	Key Capture Deposit	\$17,195.93
	1-14	1	Key Capture Deposit	815.67
	1-19		Direct Deposit, Payroll Credit	0.97
	1-28		Trf Fr DDA 0000479081028397 4731	35,793.41
Total additions				\$53,805.98

Subtractions

Paper Checks *check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13756	1-25	\$60.00	13788	1-20	30.00	13809	1-21	600.00
*13761	1-11	30.06	13789	1-11	3,079.52	13810	1-29	225.00
*13764	1-4	135.87	13790	1-11	455.32	13811	1-20	70.00
*13774	1-4	504.58	*13793	1-19	50.00	*13814	1-21	250.00
13775	1-7	6,347.00	13794	1-11	41.02	*13816	1-22	250.00
13776	1-5	406.30	13795	1-12	1,614.84	13817	1-21	155.00
13777	1-4	3,700.00	13796	1-19	12.00	*13820	1-26	100.00
13778	1-6	1,045.53	13797	1-19	609.50	13821	1-22	20.00
13779	1-4	5,342.37	*13799	1-20	4,063.04	*13823	1-26	40.00
13780	1-6	90.00	13800	1-19	703.26	13824	1-25	1,490.03
13781	1-5	965.12	13801	1-19	863.37	13825	1-25	958.54
13782	1-6	562.00	13802	1-21	562.00	13826	1-22	995.67
13783	1-13	1,203.10	13803	1-20	973.41	13827	1-22	1,070.19
13784	1-14	505.75	13804	1-14	175.00	13828	1-25	753.88
13785	1-11	1,260.00	13805	1-25	225.00	13829	1-22	450.03
13786	1-8	13.75	13806	1-21	60.00	13830	1-25	2,089.52
13787	1-13	16.13	*13808	1-20	100.00	13831	1-25	1,373.98



479081028389

Subtractions
 (con't)

Paper Checks * check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13832	1-27	669.81	13833	1-25	1,635.56	13834	1-26	3,405.11
							Paper Checks Paid	\$52,407.16

Withdrawals	Date	Serial #	Location	Amount
	1-4		Direct Withdrawal, Adp Payroll Feesadp - Fees	\$156.85 ✓
	1-7		Direct Withdrawal, Anchor Bay Inc. Loan #22	4,000.00 ✓
	1-7		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	14,209.47 ✓
	1-7		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	9,864.50 ✓
	1-11		Direct Withdrawal, American Funds Investment	651.59 ✓
	1-15		Direct Withdrawal, Adp Payroll Feesadp - Fees	156.85 ✓
	1-15		Direct Withdrawal, Payroll Payroll	0.97 ✓
	1-25		Direct Withdrawal, Irs Usataxpymt	5,428.03 ✓
	1-27		Direct Withdrawal, American Funds Investment	651.59 ✓

Transfers	Date	Serial #	Destination	Amount
	1-14		Trf To DDA 0000479081028397 4731	\$51,000.00 ✓
Total subtractions				\$138,527.01

Fees and charges

Date	Description	Quantity	Unit Charge	Amount
1-11-10	Dec Analysis Service Chg	1	119.68	-\$119.68 ✓
Fees and charges assessed this period				-\$119.68

See your Account Analysis statement for details.



Business Banking Statement
 March 31, 2008
 page 2 of 5

Key Business Checking 479081028389
 ANCHOR BAY INSURANCE MANAGERS, INC.
 OPERATING ACCOUNT

Beginning balance 2-29-08	\$0.00
41 Additions	+1,799,547.29
69 Subtractions	-1,799,393.85
Net fees and charges	1,799,461.29 -67.44
Ending balance 3-31-08	\$86.00

Additions

Deposits	Date	Serial #	Source	
	3-6	1	Customer Deposit	\$38.07 ✓
	3-11	1	Customer Deposit	363.81 ✓
	3-12	1	Customer Deposit	50.82 ✓
	3-20	1	Customer Deposit	55,000.00 ✓
	3-27	1	Customer Deposit	135.14 ✓
	3-31	1	Customer Deposit	85.74 ✓

Transfers

Date	Serial #	Source	
3-3		Investment Maturity	\$267,742.31 ✓
3-3		Trf Fr DDA 0000479081028397 4731	24,436.13 ✓
3-3		Income Maturity	43.51 ✓
3-4		Investment Maturity	286,916.40 ✓
3-4		Trf Fr DDA 0000479081028397 4731	14,463.63 ✓
3-4		Income Maturity	15.54 ✓
3-5		Investment Maturity	297,837.66 ✓
3-5		Trf Fr DDA 0000479081028397 4731	10,000.00 ✓
3-5		Trf Fr DDA 0000479081028397 4731	2,941.60 ✓
3-5		Income Maturity	16.13 ✓
3-6		Investment Maturity	59,676.40 ✓
3-6		Income Maturity	3.23 ✓
3-11		Trf Fr DDA 0000479081028397 4731	9,137.41 ✓
3-19		Trf Fr DDA 0000479081028397 4731	80,750.25 ✓
3-20		investment Maturity	83,314.87 ✓
3-20		Trf Fr DDA 0000479081028397 4731	6,584.27 ✓
3-20		Income Maturity	2.78 ✓
3-21		Investment Maturity	40,194.09 ✓
3-21		Income Maturity	1.34 ✓
3-24		Investment Maturity	83,218.29 ✓
3-24		Trf Fr DDA 0000479081028397 4731	12,640.43 ✓
3-24		Income Maturity	8.32 ✓
3-25		Investment Maturity	95,638.79 ✓
3-25		Trf Fr DDA 0000479081028397 4731	8,237.75 ✓
3-25		Income Maturity	3.19 ✓
3-26		Investment Maturity	97,463.80 ✓
3-26		Income Maturity	3.25 ✓



Business Banking Statement
March 31, 2008
page 3 of 5

Additions (con't)	Transfers	Date	Serial #	Source		
		3-27		Investment Maturity		96,178.34 ✓
		3-27		Trf Fr DDA 0000479081028397	4731	5,594.26 ✓
		3-27		Income Maturity		3.21 ✓
		3-28		investment Maturity		78,549.16 ✓
		3-28		Income Maturity		2.62 ✓
		3-31		Investment Maturity		65,594.32 ✓
		3-31		Trf Fr DDA 0000479081028397	4731	16,853.87 ✓
		3-31		Income Maturity		6.56 ✓
				Total additions		\$1,799,547.29

Subtractions

Paper Checks * check missing from sequence

12751	3-27	✓	\$10.68	12813	3-28	✓	900.50	12832	3-27	✓	1,620.08
*12794	3-4	✓	3,000.00	12814	3-25	✓	3,067.64	12833	3-28	✓	560.18
*12796	3-3	✓	4,350.59	12815	3-24	✓	228.25	*12835	3-26	✓	172.00
12797	3-4	✓	497.91	*12817	3-27	✓	43.00	12836	3-31	✓	1,793.76
*12799	3-3	✓	954.96	12818	3-28	✓	215.47	12837	3-28	✓	2,585.45
*12802	3-4	✓	60.00	*12820	3-26	✓	1,069.96	*12841	3-31	✓	1,408.94
12803	3-6	✓	37.50	12821	3-28	✓	19.00	*12843	3-31	✓	273.00
12804	3-5	✓	251,118.99	12822	3-27	✓	980.90	12844	3-31	✓	403.50
12805	3-6	✓	62.81	12823	3-31	✓	794.72	12845	3-31	✓	175.00
12806	3-12	✓	550.02	12824	3-27	✓	374.30	12846	3-27	✓	101.01
12807	3-18	✓	497.91	12825	3-27	✓	4,350.59	12847	3-31	✓	778.00
12808	3-19	✓	1,868.40	12826	3-27	✓	2,415.75	*12849	3-28	✓	54.34
12809	3-19	✓	200.00	12827	3-26	✓	46.75	12850	3-31	✓	219.70
12810	3-27	✓	497.91	*12829	3-28	✓	8,579.12	Paper checks paid			\$323,076.91
12811	3-25	✓	1,461.55	12830	3-27	✓	12,782.57				
12812	3-21	✓	11,844.20	12831	3-27	✓	50.00				

Withdrawals	Date	Serial #	Location	
	3-6		Direct Withdrawal , Adp TX/Fincl Svcdp - Tax	\$35,845.69 ✓
	3-6		Direct Withdrawal , Adp TX/Fincl Svcdp - Tax	13,971.58 ✓
	3-10		Direct Withdrawal , American Funds Investment	2,654.02 ✓
	3-10		Direct Withdrawal , Adp TX/Fincl Svcdp - Tax	53.18 ✓
	3-13		Direct Withdrawal , Pfs 503-223-6450Pfspymtorp	9,008.08 ✓
	3-13		Direct Withdrawal , Pfs 503-223-6450Pfspymtorp	1,712.19 ✓
	3-14		Direct Withdrawal , Adp Payroll Feesadp - Fees	176.30 ✓
	3-20		Direct Withdrawal , Adp TX/Fincl Svcdp - Tax	35,916.06 ✓
	3-20		Direct Withdrawal , Adp TX/Fincl Svcdp - Tax	13,791.77 ✓
	3-21		Direct Withdrawal , Adp Payroll Feesadp - Fees	132.94 ✓
	3-25		Direct Withdrawal , American Funds Investment	1,886.74 ✓
	3-28		Direct Withdrawal , Adp Payroll Feesadp - Fees	178.40 ✓



479081028389

KeyNotes (con't)

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Key Business Checking 479081028389
ANCHOR BAY INSURANCE MANAGERS, INC.
OPERATING ACCOUNT

Beginning balance 3-31-09	\$22,415.35
8 Additions	+529,198.20
81 Subtractions	-450,602.71
Net fees and charges	-202.20
Ending balance 4-30-09	\$100,808.64

*posted
4/18/09*

*off (44876.55)
2 payroll entries made
via ATM in May*



Business Banking Statement

April 30, 2009

page 3 of 5

479081028389

Additions

Deposits	Date	Serial#	Source	
	4-8	1	Key Capture Deposit	\$362,196.00 ✓
	4-16	1	Key Capture Deposit	1,137.45 ✓

Transfers	Date	Serial#	Source	
	4-1		Trf Fr DDA 0000479081028397 4731	\$25,000.00 ✓
	4-1		Trf Fr DDA 0000479081028397 4731	6,890.54 ✓
	4-2		Trf Fr DDA 0000479081028397 4731	18,640.52 ✓
	4-16		Trf Fr DDA 0000479081028397 4731	54,405.19 ✓
	4-24		Trf Fr DDA 0000479081028397 4731	45,070.18 ✓
	4-30		Trf Fr DDA 0000479081028397 4731	15,858.32 ✓
Total additions				\$529,198.20

Subtractions

Paper Checks

* check missing from sequence

Check	Date	Amount	Check	Date	Amount	Check	Date	Amount
13384	4-14	✓ \$5.00	13465	4-13	✓ 724.55	13489	4-14	✓ 280.00
*13389	4-29	✓ 25.00	*13467	4-13	✓ 688.01	13490	4-22	✓ 819.68
*13421	4-6	✓ 2,809.00	13468	4-16	✓ 244.50	13491	4-14	✓ 51.69
*13429	4-1	✓ 833.85	13469	4-10	✓ 47.50	13492	4-10	✓ 185.00
*13444	4-2	✓ 100.00	13470	4-14	✓ 1,353.23	13493	4-15	✓ 24.91
13445	4-15	✓ 145,069.00	13471	4-14	✓ 147.97	13494	4-20	✓ 207.90
13446	4-15	✓ 7,253.45	13472	4-14	✓ 23.95	13496	4-13	✓ 1,106.99
13447	4-16	✓ 351.42	13473	4-16	✓ 123.00	13496	4-20	✓ 80.00
13448	4-9	✓ 375.00	13474	4-15	✓ 522.09	13497	4-14	✓ 262.50
13449	4-13	✓ 206.00	13475	4-15	✓ 44,699.32	13498	4-21	✓ 309.00
13450	4-14	✓ 1,203.10	13476	4-15	✓ 234.79	13499	4-20	✓ 2,277.34
13451	4-14	✓ 146.67	13477	4-14	✓ 5,386.85	13500	4-20	✓ 201.75
*13453	4-27	✓ 99.00	13478	4-15	✓ 69.66	13501	4-22	✓ 7,535.00
13454	4-14	✓ 16,928.14	13479	4-14	✓ 949.48	13502	4-21	✓ 50.00
13455	4-16	✓ 3,139.09	13480	4-14	✓ 388.08	13503	4-22	✓ 315.00
13456	4-14	✓ 4,000.00	13481	4-14	✓ 70.64	13504	4-22	✓ 840.00
13457	4-23	✓ 5,618.00	13482	4-14	✓ 6,791.45	13505	4-21	✓ 445.86
13458	4-15	✓ 110.67	13483	4-13	✓ 1,565.04	13506	4-30	✓ 10.00
13459	4-13	✓ 622.12	13484	4-13	✓ 1,259.49	13507	4-20	✓ 895.98
13460	4-15	✓ 37.45	13485	4-13	✓ 12,241.83	13508	4-22	✓ 40.00
13461	4-14	✓ 605.25	13486	4-15	✓ 216.50	13509	4-21	✓ 1,536.38
13462	4-13	✓ 405.40	13487	4-10	✓ 2,987.95	*13515	4-30	✓ 1,039.39
13463	4-13	✓ 3,663.79	13488	4-13	✓ 1,791.96	13516	4-30	✓ 12,241.83
13464	4-13	✓ 6,483.09						

Paper Checks Paid

\$313,373.53

Withdrawals	Date	Serial#	Location	
	4-2		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	\$31,849.83 ✓
	4-2		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	11,943.29 ✓
	4-10		Direct Withdrawal, Adp Payroll Feesadp - Fees	171.75 ✓
	4-13		Direct Withdrawal, American Funds Investment	2,382.66 ✓
	4-16		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	31,489.19 ✓
	4-16		Direct Withdrawal, Adp TX/Fincl Svcadp - Tax	11,825.16 ✓
	4-17		Direct Withdrawal, Adp Payroll Feesadp - Fees	136.76 ✓
	4-20		Direct Withdrawal, American Funds Investment	2,382.24 ✓

v15

EXHIBIT - 15

Reconciliation Report
 For Account #00-00-10040
 Statement Date: 1/31/2008 - Batch # 229993

Beginning Balance: \$35,177.74
 Deposits: \$188,738.44
 Withdrawals: \$183,215.87

Statement Balance: \$40,700.31
 Acct Balance: \$40,700.31
 Variance: \$0.00

Reconciled Transactions

2/6/08

Date	Description	Type	Debit	Credit	Batch
1/15/2008	Income 1/10/08 to 1/14/08	JE	\$40,064.14		212413
1/21/2008	Income 1/15/08 to 1/20/08	JE	\$38,818.16		214172
1/8/2008	WA SLA to Operating	JE	\$25,000.00		210869
12/31/2007	Income 12/26/07 to 12/31/07	JE	\$22,904.92		209699
1/7/2008	Income 1/1/08 to 1/6/08	JE	\$15,421.45		210571
1/24/2008	Income 1/21/08 to 1/23/08	JE	\$12,891.66		215534
1/30/2008	Income 1/24/08 to 1/29/08	JE	\$10,677.33		216437
1/9/2008	Income 1/7/08 to 1/8/08	JE	\$9,702.16		210873
1/10/2008	Income 1/9/08	JE	\$4,283.52		211150
1/3/2008	Oct. 07 & Nov. 07 Investment Interest T	JE	\$2,909.27		210232
1/3/2008	Oct. 07 & Nov 07 Investment Interest Tra	JE	\$2,909.27		210236
1/9/2008	Record Cash Receipt Batch #210944	PA	\$1,340.72		210944
1/3/2008	Record Cash Receipt Batch #210245	PA	\$845.79		210245
1/8/2008	Record Cash Receipt Batch #210788	PA	\$363.81		210788
1/24/2008	Gallegos-Wrong Account-Write Off Payment	JE	\$202.14		230027
12/31/2007	Correcting Entry Date to 12/28/07	JE	\$147.01		212414
1/2/2008	Record Cash Receipt Batch #209998	PA	\$68.09		209998
1/22/2008	Record Cash Receipt Batch #214826	PA	\$43.34		214826
1/22/2008	Interest 1/22/08	JE	\$21.79		216450
1/7/2008	Interest 1/7/08	JE	\$15.16		213016
1/14/2008	Interest 1/14/08	JE	\$11.40		214843
1/10/2008	Interest 1/10/08	JE	\$8.65		213020
1/9/2008	Interest 1/9/08	JE	\$8.44		213019
1/28/2008	Interest 1/28/08	JE	\$7.71		218075
1/23/2008	Interest 1/23/08	JE	\$6.81		216451
1/24/2008	Interest 1/24/08	JE	\$6.60		216452
1/8/2008	Interest 1/8/08	JE	\$6.39		213017
1/8/2008	Interest 1/8/08	JE	\$6.39		213018
1/2/2008	Interest 1/2/08	JE	\$6.25		210792
1/16/2008	Interest 1/16/08	JE	\$5.47		214844
1/17/2008	Interest 1/17/08	JE	\$5.47		214845
1/18/2008	Interest 1/18/08	JE	\$5.47		216449
1/4/2008	Interest 1/4/08	JE	\$5.25		213015
1/3/2008	Interest 1/3/08	JE	\$5.12		213014
1/11/2008	Interest 1/11/08	JE	\$3.81		214842
1/25/2008	Interest 1/25/08	JE	\$2.76		218074
1/29/2008	Interest 1/29/08	JE	\$2.28		218076
1/30/2008	Interest 1/30/08	JE	\$2.24		218077
1/31/2008	Interest 1/31/08	JE	\$2.20		218085
1/22/2008	## Record Check # EFT (Manual)	CHK		\$222.30	214763
1/22/2008	## Record Check # 12761	CHK		\$2,500.00	214773
1/22/2008	## Record Check # 12763	CHK		\$2,654.60	214782
1/22/2008	## Record Check # 12767	CHK		\$1,654.07	214782
1/22/2008	## Record Check # 12765	CHK		\$1,386.44	214782
1/22/2008	## Record Check # 12764	CHK		\$659.45	214782
1/22/2008	## Record Check # 12762	CHK		\$583.54	214782
12/17/2007	## Record Check # 12721	CHK		\$2,650.00	207439
12/17/2007	## Record Check # 12727	CHK		\$333.75	207439
12/21/2007	## Record Check # 12737	CHK		\$1,468.54	208698
12/21/2007	## Record Check # 12730	CHK		\$436.69	208698

Reconciliation Report
 For Account #00-00-10040
 Statement Date: 3/31/2008 - Batch # 239925

Date	Description	Type	Debit	Credit	Batch
3/6/2008	## Record Check # EFT (Manual)	CHK		\$2,654.02	230270
3/6/2008	## Record Check # EFT (Manual)	CHK		\$53.18	230263
3/27/2008	## Record Check # EFT (Manual)	CHK		\$178.40	236396
3/27/2008	Record Cash Receipt Batch #236486	PA	\$135.14		236486
3/3/2008	Income 2/26/08 to 3/2/08	JE	\$24,436.13		229057
3/10/2008	Bank Service Charge 3/08	JE		\$67.44	239922
3/10/2008	Bank Service Charge 3/08 (Reversal)	JE	\$67.44		239926
3/20/2008	Operating-Payroll	JE		\$35,916.06	235013
3/20/2008	Operating-Taxes	JE		\$13,791.77	235013
3/20/2008	Record Cash Receipt Batch #235301	PA	\$55,000.00		235301
3/20/2008	Income 3/19/08	JE	\$6,584.27		235304
3/11/2008	Record Cash Receipt Batch #231721	PA	\$363.81		231721
3/11/2008	Record Cash Receipt Batch #231723	PA	\$50.82		231723
3/3/2008	Interest 3/3/08	JE	\$43.51		231726
3/4/2008	Interest 3/4/08	JE	\$15.54		231727
3/11/2008	Income 3/5/08 to 3/10/08	JE	\$9,137.41		231729
2/29/2008	Record Cash Receipt Batch #229347	PA	\$38.07		229347
3/31/2008	Income 3/27/08 to 3/30/08	JE	\$16,653.87		236799
3/31/2008	Record Cash Receipt Batch #236926	PA	\$85.74		236926
3/21/2008	Interest 3/21/08	JE	\$1.34		237012
3/24/2008	Interest 3/24/08	JE	\$8.32		237013
3/25/2008	Interest 3/25/08	JE	\$3.19		237014
3/26/2008	Interest 3/25/08	JE	\$3.25		237015
3/28/2008	Interest 3/28/08	JE	\$2.62		238509
3/5/2008	Income 3/4/08	JE	\$2,941.60		230032
3/5/2008	WA SLA to Operating	JE	\$10,000.00		230065
3/6/2008	Operating-Payroll	JE		\$35,845.69	230068
3/6/2008	Operating-Taxes	JE		\$13,971.58	230068
3/20/2008	Interest 3/20/08	JE	\$2.78		236080
3/31/2008	Interest 3/31/08	JE	\$6.56		238847
3/27/2008	Interest 3/27/08	JE	\$3.21		237924
3/25/2008	Income 3/24/08	JE	\$8,237.75		235814
3/6/2008	Interest 3/6/08	JE	\$3.23		231930
3/10/2008	Bank Service Charge KeyBank 2/08	JE		\$67.44	231926
3/5/2008	Interest 3/5/08	JE	\$16.13		231929
3/4/2008	Income 3/3/08	JE	\$14,463.63		229484
3/27/2008	Income 3/25/08 to 3/26/08	JE	\$5,594.26		236383
3/19/2008	Income 3/11/08 to 3/18/08	JE	\$80,750.25		234792
3/24/2008	Income 3/20/08 to 3/23/08	JE	\$12,640.43		235538

Open Transactions

Open Debits: \$0.00
 Open Credits: \$24,478.52

Date	Description	Type	Debit	Credit	Batch
3/31/2008	## Record Check # 12864	CHK		\$28.06	237327
3/31/2008	## Record Check # 12863	CHK		\$3,522.52	237327
3/31/2008	## Record Check # 12862	CHK		\$100.00	237327
3/31/2008	## Record Check # 12861	CHK		\$844.95	237327
3/31/2008	## Record Check # 12860	CHK		\$770.97	237327
3/31/2008	## Record Check # 12859	CHK		\$79.65	237327
3/31/2008	## Record Check # 12858	CHK		\$1,073.19	237327
3/31/2008	## Record Check # 12857	CHK		\$1,141.87	237327
3/31/2008	## Record Check # 12856	CHK		\$9.50	237327
3/31/2008	## Record Check # 12855	CHK		\$5,300.00	237327
3/31/2008	## Record Check # 12854	CHK		\$427.89	237327
3/31/2008	## Record Check # 12853	CHK		\$1,800.00	237327

Reconciliation Report
 For Account #00-00-10040
 Statement Date: 9/30/2008 - Batch # 276360

Beginning Balance: \$49,535.30
 Deposits: \$426,778.14
 Withdrawals: \$323,256.03

Statement Balance: \$153,057.41
 Acct Balance: \$153,057.41
 Variance: \$0.00

RSC
10/10

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
8/29/2008	From tax reserve in trust to operating	JE	\$100,000.00		268326
9/4/2008	Profit sharing from Catlin	JE	\$73,135.00		269020
9/4/2008	Record Cash Receipt Batch #269085	PA	\$73,135.00		269085
9/4/2008	Income Sweep 8/28 - 9/3/08	JE	\$49,897.37		269039
9/19/2008	Income sweep 9/16 - 9/18	JE	\$46,030.05		272358
9/16/2008	9/9-9/15 Income Sweep	JE	\$23,673.23		271617
9/10/2008	Income sweep 9/5 - 9/9/08	JE	\$20,261.87		270174
9/22/2008	Income sweep for 9/19/08	JE	\$18,602.70		272491
9/26/2008	income sweep 9/20 - 9/25	JE	\$14,494.43		273110
9/15/2008	PFS E&O Contract change transfer	JE	\$4,286.53		271309
9/30/2008	Record Void Check #13220	VOD	\$3,000.00		275203
9/4/2008	Record Cash Receipt Batch #269083	PA	\$261.96		269083
8/31/2008	## Record Check # 13159	CHK		\$397.11	269005
8/31/2008	Net Payroll	JE		\$37,012.06	269037
8/31/2008	Operating Taxes	JE		\$13,900.93	269037
9/10/2008	## Record Check # 13194	CHK		\$848.38	270293
9/4/2008	## Record Check # EFT (Manual)	CHK		\$2,421.55	269099
9/17/2008	## Record Check # EFT (Manual)	CHK		\$141.78	271913
9/26/2008	NSF charges for ABIM checks paid	JE		\$66.00	273101
9/8/2008	## Record Check # 13165	CHK		\$844.00	269305
9/8/2008	## Record Check # 13166	CHK		\$844.00	269305
9/8/2008	## Record Check # 13180	CHK		\$706.44	269305
9/8/2008	## Record Check # 13164	CHK		\$453.93	269305
9/8/2008	## Record Check # 13187	CHK		\$442.53	269305
9/8/2008	## Record Check # 13189	CHK		\$400.00	269305
9/8/2008	## Record Check # 13175	CHK		\$303.00	269305
9/8/2008	## Record Check # 13162	CHK		\$258.00	269305
9/8/2008	## Record Check # 13163	CHK		\$225.72	269305
9/8/2008	## Record Check # 13169	CHK		\$212.28	269305
9/8/2008	## Record Check # 13172	CHK		\$177.94	269305
9/8/2008	## Record Check # 13160	CHK		\$170.00	269305
9/8/2008	## Record Check # 13170	CHK		\$150.95	269305
9/8/2008	## Record Check # 13176	CHK		\$124.11	269305
9/8/2008	## Record Check # 13186	CHK		\$120.00	269305
9/8/2008	## Record Check # 13161	CHK		\$100.00	269305
9/8/2008	## Record Check # 13184	CHK		\$100.00	269305
9/8/2008	## Record Check # 13179	CHK		\$80.91	269305
9/8/2008	## Record Check # 13188	CHK		\$55.04	269305
9/8/2008	## Record Check # 13173	CHK		\$52.00	269305
9/8/2008	## Record Check # 13190	CHK		\$31.67	269305
9/26/2008	## Record Check # 13220	CHK		\$3,000.00	273125
9/15/2008	Cash - Operating Key 8389	JE		\$204.45	271255
9/18/2008	Net Payroll	JE		\$37,118.83	272315
9/18/2008	Operating Taxes	JE		\$14,006.42	272315
9/16/2008	## Record Check # 13205	CHK		\$8,364.55	271562
9/16/2008	## Record Check # 13209	CHK		\$7,974.08	271562
9/16/2008	## Record Check # 13203	CHK		\$4,907.30	271562
9/16/2008	## Record Check # 13215	CHK		\$3,575.64	271562
9/16/2008	## Record Check # 13207	CHK		\$3,088.85	271562
9/16/2008	## Record Check # 13199	CHK		\$1,702.42	271562

Reconciliation Report
 For Account #00-00-10040
 Statement Date: 11/30/2008 - Batch # 288867

11/11/2008	## Record Check # eft (Manual)	CHK		\$16.00	282696
10/31/2008	## Record Check # 13286	CHK		\$15.00	280896
10/31/2008	## Record Check # 13289	CHK		\$1.77	280896
11/7/2008	Income Sweep 11/1-11/6	JE	\$39,434.27		282215
11/11/2008	Income Sweep 10/7-10/10	JE	\$10,409.37		282693
11/27/2008	SLA taxes transfer	JE	\$20,000.00		285526
11/7/2008	Record Cash Receipt Batch #282228	PA	\$130.08		282228
11/20/2008	Record Cash Receipt Batch #284499	PA	\$85.74		284499
11/25/2008	Income sweep 11/19-11/24	JE	\$34,025.61		284860
11/11/2008	From Tax Fund to be repaid	JE	\$20,000.00		283494
11/17/2008	Income sweep 11/11-11/16	JE	\$22,275.34		283497
11/18/2008	Income sweep 11/17-11/18	JE	\$23,773.24		284013

Open Transactions

Open Debits: \$0.00
 Open Credits: \$5,233.24

Date	Description	Type	Debit	Credit	Batch
9/30/2008	PFS E&O Contract change transfer (Revers	JE		\$4,286.53	283029
11/30/2008	## Record Check # 13317	CHK		\$908.71	285771
11/30/2008	## Record Check # 13316	CHK		\$25.00	285771
3/25/2008	## Record Check # 12838	CHK		\$13.00	235845

Reconciliation Report
For Account #00-00-10030
Statement Date: 1/31/2009 - Batch # 318159

Beginning Balance: \$406,112.31
Deposits: \$608,682.22
Withdrawals: \$752,869.40

Statement Balance: \$265,101.72
Acct Balance: \$261,925.13
Variance: \$3,176.59

*1808.76 Pmt/Alp/mo
 #367.83 / 1367.75*

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
1/12/2009	Record Cash Receipt Batch #290930	PA	\$29,796.28		290930
1/12/2009	Record Cash Receipt Batch #291079	PA	\$61,077.73		291079
1/12/2009	Record Cash Receipt Batch #291204	PA	\$3,226.05		291204
1/13/2009	Record Cash Receipt Batch #291457	PA	\$31,723.15		291457
12/31/2008	PFS payment for D&O (Reversal)	JE	\$9,155.70		291604
12/31/2008	Cash - Premium Trust 8397	JE		\$9,155.70	291610
1/14/2009	Record Cash Receipt Batch #291731	PA	\$39,721.99		291731
1/14/2009	Income Sweep 1/13 - 1/14	JE		\$16,772.99	291763
1/19/2009	Record Cash Receipt Batch #292758	PA	\$670.40		292758
1/19/2009	Record Cash Receipt Batch #292763	PA	\$33,379.11		292763
1/19/2009	Record Cash Receipt Batch #292823	PA	\$880.00		292823
1/19/2009	Record Cash Receipt Batch #292826	PA	\$44,388.38		292826
1/20/2009	Record Cash Receipt Batch #292922	PA	\$14,601.19		292922
1/20/2009	Record Cash Receipt Batch #292950	PA	\$2,808.68		292950
1/20/2009	Income sweep 1-14 thru 1-20	JE		\$16,447.83	292956
1/21/2009	Record Cash Receipt Batch #293039	PA	\$3,234.99		293039
1/15/2009	Record Cash Receipt Batch #292401	PA	\$48,346.92		292401
1/15/2009	Record Cash Receipt Batch #292435	PA	\$3,429.74		292435
1/22/2009	Record Cash Receipt Batch #293191	PA	\$1,393.60		293191
1/22/2009	Record Cash Receipt Batch #293194	PA	\$16,701.10		293194
1/26/2009	Record Cash Receipt Batch #293443	PA	\$57,767.71		293443
1/26/2009	Income sweep 1/21-1/26/09	JE		\$8,999.93	293781
1/27/2009	Record Cash Receipt Batch #293801	PA	\$4,508.40		293801
1/27/2009	Record Cash Receipt Batch #293804	PA	\$14,058.21		293804
1/27/2009	Income sweep 1/27/09	JE		\$5,356.67	294234
1/28/2009	Record Cash Receipt Batch #297620	PA	\$32,699.76		297620
1/28/2009	Record Cash Receipt Batch #297643	PA	\$1,767.92		297643
1/29/2009	Record Cash Receipt Batch #298292	PA	\$35,277.04		298292
1/29/2009	Record Cash Receipt Batch #298327	PA	\$717.00		298327
1/12/2009	Income sweep 1/7-1/12	JE		\$17,223.19	291405
12/31/2008	Income sweep 2/11-2/13	JE		\$17,914.59	301420
12/31/2008	Income sweep 2/11-2/13 (Reversal)	JE	\$17,914.59		301426
1/26/2009	Record Cash Receipt Batch #293531	PA	\$514.32		293531
1/6/2009	Record Cash Receipt Batch #290320	PA	\$10,807.56		290320
1/5/2009	Record Cash Receipt Batch #290161	PA	\$19,251.49		290161
1/5/2009	Record Cash Receipt Batch #290175	PA	\$4,381.60		290175
1/5/2009	Record Cash Receipt Batch #290180	PA	\$5,772.00		290180
1/5/2009	Income Sweep 12/31/08 - 1/5/09	JE		\$17,070.24	290183
1/12/2009	Record Cash Receipt Batch #291069	PA	\$978.08		291069
1/27/2009	Record Cash Receipt Batch #293855	PA	\$1,449.00		293855
12/31/2008	Record Cash Receipt Batch #290008	PA	\$12,498.76		290008
12/29/2008	Record Void Check #14505	VOD	\$1,599.80		289046
12/30/2008	Record Void Check #14474	VOD	\$677.95		289365
12/31/2008	Record Cash Receipt Batch #289761	PA	\$7,486.66		289761
12/31/2008	Record Cash Receipt Batch #289777	PA	\$652.80		289777
12/31/2008	Income sweep 12/29 - 12/30	JE		\$19,216.31	289872
12/31/2008	Record Void Check #14578	VOD	\$1,830.15		290192
1/6/2009	Income sweep 1/6/09	JE		\$1,172.31	290369
1/6/2009	From WA SLA tax reserve	JE		\$10,000.00	290372
1/7/2009	Record Cash Receipt Batch #290400	PA	\$1,150.45		290400

Reconciliation Report
 For Account #00-00-10030
 Statement Date: 3/31/2009 - Batch # 321603

3/2/2009	## Record Check # 14772	CHK	\$22,477.95	304043
3/5/2009	## Record Check # 14790	CHK	\$2,414.75	304770
3/5/2009	## Record Check # 14791	CHK	\$2,225.00	304770

Open Transactions

Open Debits: \$18,712.66
 Open Credits: \$186,333.08

Date	Description	Type	Debit	Credit	Batch	FIX BATCH
3/31/2009	Record Cash Receipt Batch #309716	PA	\$9,601.58		309716	
3/30/2009	Record Cash Receipt Batch #309480	PA	\$3,345.60		309480	
3/31/2009	Record Cash Receipt Batch #309706	PA	\$2,125.28		309706	✓
3/31/2009	Record Cash Receipt Batch #309713	PA	\$1,654.20		309713	
12/31/2008	Cash - Premium Trust 8397	JE	\$1,000.00		291610	329669
2/4/2009	Record Cash Receipt Batch #299644	PA	\$636.00		299644	
3/16/2009	Record Cash Receipt Batch #306761	PA	\$350.00		306761	306764
3/23/2009	## Record Check # 14818	CHK		\$38.00	307846	
3/31/2009	Taxes to be returned to Trust	JE		\$25,000.00	309882	APR
2/28/2009	Cash - Premium Trust 8397	JE		\$25,737.24	318588	MAY
2/2/2009	## Record Check # 14646	CHK		\$453.50	299125	
4/1/2008	## Record Check # 13549	CHK		\$1,774.98	237359	
3/18/2009	## Record Check # 14815	CHK		\$2,027.15	307244	
3/26/2009	## Record Check # 14829	CHK		\$1,113.87	308890	
3/26/2009	## Record Check # 14830	CHK		\$5,349.15	308890	
3/31/2009	Income Sweep 4/1/09 - 4/2/09	JE		\$18,640.52	310577	
12/31/2008	## Record Check # 14572	CHK		\$2,017.38	289905	
12/31/2008	## Record Check # 14574	CHK		\$276.00	289905	
12/31/2008	## Record Check # 14577	CHK		\$343.90	289905	
12/31/2008	## Record Check # 14537	CHK		\$127.15	289905	
12/31/2008	## Record Check # 14548	CHK		\$6.94	289905	
12/31/2008	## Record Check # 14550	CHK		\$122.25	289905	
3/16/2009	coll. serv. fee portion of debtor payme	JE		\$87.50	306764	
5/1/2008	## Record Check # 13647	CHK		\$31.59	244515	
6/2/2008	## Record Check # 13784	CHK		\$660.68	250427	
6/2/2008	## Record Check # 13776	CHK		\$85.42	250427	
8/31/2008	## Record Check # 14112	CHK		\$391.80	268639	
3/30/2009	## Record Check # 14832	CHK		\$943.50	309514	
3/30/2009	## Record Check # 14831	CHK		\$2,916.37	309514	
3/31/2009	## Record Check # 14839	CHK		\$2,169.64	309564	
3/31/2009	## Record Check # 14842	CHK		\$544.64	309564	
3/31/2009	## Record Check # 14843	CHK		\$1,455.70	309564	
3/31/2009	## Record Check # 14844	CHK		\$695.57	309564	
3/31/2009	## Record Check # 14833	CHK		\$330.15	309564	
3/31/2009	## Record Check # 14837	CHK		\$135.14	309564	
3/31/2009	## Record Check # 14846	CHK		\$81.67	309721	
3/31/2009	## Record Check # 14845	CHK		\$832.48	309721	
3/2/2009	## Record Check # 14757	CHK		\$544.49	303665	
3/2/2009	## Record Check # 14761	CHK		\$178.80	303665	
3/24/2009	## Record Check # 14826	CHK		\$57.39	308188	
3/25/2009	## Record Check # 14827	CHK		\$3,589.82	308265	
11/3/2008	## Record Check # 14366	CHK		\$2,016.94	280677	
12/1/2008	## Record Check # 14443	CHK		\$14.76	285604	
2/17/2009	ABIM Fireman's Fund policy fin payment	JE		\$3,564.00	301779	MAY
3/31/2009	Income sweep 3/25-3/31	JE		\$6,890.54	309878	
3/31/2009	## Record Check # 14900	CHK		\$161.90	309952	
3/31/2009	## Record Check # 14897	CHK		\$153.80	309952	
3/31/2009	## Record Check # 14873	CHK		\$756.00	309952	

Reconciliation Report
 For Account #00-00-10030
 Statement Date: 4/30/2009 - Batch # 321691

Beginning Balance: \$311,440.43
 Deposits: \$1,268,320.31
 Withdrawals: \$1,138,736.59

Statement Balance: \$440,337.73
 Acct Balance: \$441,024.15
 Variance: (\$686.42)

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
4/15/2009	Record Cash Receipt Batch #313078	PA	\$9,274.40		313078
4/22/2009	Record Cash Receipt Batch #314692	PA	\$42,428.68		314692
4/22/2009	Record Cash Receipt Batch #314738	PA	\$948.75		314738
4/23/2009	Record Cash Receipt Batch #315040	PA	\$38,707.63		315040
4/23/2009	Record Cash Receipt Batch #315124	PA	\$14,156.78		315124
4/9/2009	Record Cash Receipt Batch #311685	PA	\$33,030.41		311685
4/9/2009	Record Cash Receipt Batch #311723	PA	\$5,001.22		311723
4/14/2009	Record Cash Receipt Batch #312907	PA	\$51,149.26		312907
4/14/2009	Record Cash Receipt Batch #312939	PA	\$886.40		312939
3/31/2009	Income sweep 3/25-3/31	JE		\$6,890.54	309878
3/31/2009	Record Cash Receipt Batch #309706	PA	\$2,125.28		309706
3/31/2009	Record Cash Receipt Batch #309713	PA	\$1,654.20		309713
4/1/2009	Record Cash Receipt Batch #310103	PA	\$880.00		310103
2/4/2009	Record Cash Receipt Batch #299644	PA	\$636.00		299644
4/8/2009	Record Cash Receipt Batch #311030	PA	\$3,531.20		311030
4/8/2009	Record Cash Receipt Batch #311040	PA	\$362,196.00		311040
4/8/2009	transfer misdeposited profit sharing che	JE		\$362,196.00	311043
4/8/2009	Record Cash Receipt Batch #311117	PA	\$45,133.88		311117
4/6/2009	Record Cash Receipt Batch #310775	PA	\$67,178.27		310775
4/6/2009	Record Cash Receipt Batch #310852	PA	\$62.73		310852
3/31/2009	Taxes to be returned to Trust	JE		\$25,000.00	309882
4/13/2009	Record Cash Receipt Batch #312246	PA	\$78,640.33		312246
4/13/2009	Record Cash Receipt Batch #312311	PA	\$8,330.16		312311
4/13/2009	Record Cash Receipt Batch #312351	PA	\$3,113.20		312351
4/20/2009	Record Cash Receipt Batch #314051	PA	\$90,914.07		314051
4/20/2009	Record Cash Receipt Batch #314103	PA	\$53,260.86		314103
4/20/2009	Record Cash Receipt Batch #314187	PA	\$6,476.25		314187
4/27/2009	Record Cash Receipt Batch #315420	PA	\$86,796.18		315420
3/30/2009	Record Cash Receipt Batch #309480	PA	\$3,345.60		309480
4/1/2009	Record Cash Receipt Batch #310297	PA	\$23,972.19		310297
4/1/2009	Record Cash Receipt Batch #310330	PA	\$1,032.70		310330
4/8/2009	Record Cash Receipt Batch #311171	PA	\$3,960.14		311171
4/13/2009	Record Void Check #14898	VOD	\$51.00		312078
4/13/2009	Record Cash Receipt Batch #312097	PA	\$3,815.99		312097
4/15/2009	Record Cash Receipt Batch #313085	PA	\$70,292.51		313085
4/16/2009	Record Cash Receipt Batch #313497	PA	\$30,711.34		313497
4/16/2009	Record Cash Receipt Batch #313551	PA	\$712.50		313551
4/16/2009	Record Cash Receipt Batch #313560	PA	\$2,364.00		313560
4/21/2009	Record Cash Receipt Batch #314488	PA	\$2,090.40		314488
4/21/2009	Record Cash Receipt Batch #314493	PA	\$5,410.26		314493
4/21/2009	Record Cash Receipt Batch #314497	PA	\$5,025.73		314497
4/21/2009	Record Void Check #14907	VOD	\$20.00		314507
4/28/2009	Record Cash Receipt Batch #315854	PA	\$2,573.25		315854
3/31/2009	Record Cash Receipt Batch #309716	PA	\$9,601.58		309716
3/31/2009	Income Sweep 4/1/09 - 4/2/09	JE		\$18,640.52	310577
4/6/2009	Record Cash Receipt Batch #310709	PA	\$20.77		310709
4/6/2009	Record Cash Receipt Batch #310731	PA	\$953.60		310731
4/13/2009	Record Cash Receipt Batch #312048	PA	\$30,504.38		312048
4/8/2009	Record Cash Receipt Batch #311097	PA	\$267.75		311097
4/15/2009	Income Sweep 4/3 - 4/15	JE		\$54,405.19	313201

Reconciliation Report
 For Account #00-00-10030
 Statement Date: 6/30/2009 - Batch # 330064

Beginning Balance:	\$397,708.75	Statement Balance:	\$465,322.04
Deposits:	\$1,229,627.72	Acct Balance:	\$475,512.19
Withdrawals:	\$1,151,824.28	Variance:	(\$10,190.15)

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
6/16/2009	Record Cash Receipt Batch #323220	PA	\$16,695.49		323220
6/16/2009	Record Cash Receipt Batch #323262	PA	\$5,066.40		323262
6/16/2009	Income Sweep 6/11 - 6/16	JE		\$42,286.67	323269
6/16/2009	Income sweep 6/17 - 6/22	JE		\$31,332.16	323270
6/29/2009	Record Cash Receipt Batch #325209	PA	\$59,954.83		325209
6/29/2009	Record Cash Receipt Batch #325288	PA	\$1,144.00		325288
6/24/2009	Income sweep 6/23/09 - 6/29/09	JE		\$11,170.82	324918
6/9/2009	Income Sweep 6/4 - 6/9	JE		\$12,713.46	321903
6/9/2009	WA SLA tax funds on loan to operating	JE		\$10,000.00	321904
6/5/2009	correct deposit should be in Operating (JE	\$362,196.00		321724
6/30/2009	Record Cash Receipt Batch #325438	PA	\$21,912.00		325438
6/10/2009	Record Cash Receipt Batch #322115	PA	\$2,064.08		322115
6/10/2009	Record Cash Receipt Batch #322160	PA	\$45,720.56		322160
6/24/2009	Record Cash Receipt Batch #325006	PA	\$14,608.81		325006
6/11/2009	Income sweep 6/10 - 6/10	JE		\$19,539.60	322250
6/11/2009	Record Cash Receipt Batch #322255	PA	\$64,395.27		322255
4/30/2009	Correct erroneous entry-should be trust	JE	\$11,139.66		316828
6/10/2009	Record Cash Receipt Batch #322046	PA	\$70,502.73		322046
6/4/2009	Record Cash Receipt Batch #321651	PA	\$53,547.15		321651
6/4/2009	correct deposit should be in Operating	JE		\$362,196.00	321693
5/31/2009	Record Cash Receipt Batch #320929	PA	\$33,892.27		320929
6/8/2009	Record Cash Receipt Batch #321861	PA	\$14,766.35		321861
6/8/2009	Record Cash Receipt Batch #321882	PA	\$2,380.00		321882
6/17/2009	Record Cash Receipt Batch #323435	PA	\$9,158.32		323435
6/18/2009	Record Cash Receipt Batch #323850	PA	\$1,648.00		323850
6/18/2009	Record Cash Receipt Batch #323855	PA	\$49,472.21		323855
6/23/2009	Record Cash Receipt Batch #324757	PA	\$2,795.89		324757
6/23/2009	Record Cash Receipt Batch #324764	PA	\$2,296.75		324764
6/15/2009	Record Cash Receipt Batch #322996	PA	\$163,541.16		322996
6/15/2009	Record Cash Receipt Batch #323103	PA	\$29.16		323103
6/15/2009	Record Cash Receipt Batch #323112	PA	\$18,380.80		323112
6/22/2009	Record Cash Receipt Batch #324152	PA	\$107,485.77		324152
6/22/2009	Record Cash Receipt Batch #324277	PA	\$907.20		324277
6/4/2009	Record Cash Receipt Batch #321551	PA	\$25,228.36		321551
6/4/2009	Record Cash Receipt Batch #321596	PA	\$212.50		321596
6/4/2009	Record Cash Receipt Batch #321599	PA	\$774.15		321599
6/4/2009	Income sweep 5/27 - 6/3	JE		\$23,458.49	321602
6/15/2009	Record Cash Receipt Batch #322927	PA	\$1,197.75		322927
6/17/2009	Record Cash Receipt Batch #323446	PA	\$15,154.69		323446
6/1/2009	Record Cash Receipt Batch #321322	PA	\$26,909.01		321322
6/2/2009	Record Cash Receipt Batch #321404	PA	\$14,204.80		321404
6/4/2009	Record Cash Receipt Batch #321645	PA	\$4,467.20		321645
6/11/2009	Record Cash Receipt Batch #322853	PA	\$5,778.40		322853
6/11/2009	## Record Check # ord 6/09 (Manual)	CHK		\$81,692.70	322648
6/11/2009	## Record Check # ind 6/09 (Manual)	CHK		\$20,319.33	322670
6/11/2009	## Record Check # rok 6/09 (Manual)	CHK		\$47,273.74	322688
6/11/2009	## Record Check # and 6/09 (Manual)	CHK		\$121,703.12	322718
6/11/2009	## Record Check # ntP 6/09 (Manual)	CHK		\$18,693.60	322836
5/18/2009	## Record Check # 15043	CHK		\$49,745.00	319158
5/26/2009	## Record Check # 15059	CHK		\$1,010.62	320164

Reconciliation Report
 For Account #00-00-10030
 Statement Date: 8/31/2009 - Batch # 351713

Beginning Balance: \$359,714.10
 Deposits: \$764,433.54
 Withdrawals: \$780,435.16

Statement Balance: \$326,025.77
 Acct Balance: \$343,712.48
 Variance: (\$17,686.71)

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
8/11/2009	## Record Check # Aug 2009 (Manual)	CHK		\$103,955.31	332071
8/11/2009	## Record Check # 15303	CHK		\$63,577.60	331957
8/12/2009	## Record Check # ord 8/09 (Manual)	CHK		\$51,468.48	332426
8/17/2009	Cash - Premium Trust 8397	JE		\$42,235.18	333101
8/17/2009	## Record Check # 15316	CHK		\$33,946.17	332932
8/12/2009	## Record Check # rok 8/09 (Manual)	CHK		\$32,292.20	332410
8/12/2009	## Record Check # ind 8/09 (Manual)	CHK		\$25,487.38	332445
8/2/2009	Cash - Premium Trust 8397	JE		\$25,000.00	330644
8/5/2009	Income Sweep 8/1/09-8/4/09	JE		\$23,638.98	331422
8/18/2009	## Record Check # 15308	CHK		\$22,838.32	333182
8/24/2009	Income Sweep 8-18 thru 8-24	JE		\$22,726.09	334382
8/11/2009	## Record Check # 15304	CHK		\$20,434.40	331992
8/18/2009	## Record Check # 15311	CHK		\$15,678.25	333182
8/13/2009	## Record Check # 15306	CHK		\$14,880.25	332667
7/29/2009	## Record Check # 15231	CHK		\$14,263.04	330126
8/18/2009	## Record Check # 15315	CHK		\$14,178.25	333216
8/18/2009	## Record Check # 15310	CHK		\$13,840.20	333182
7/30/2009	## Record Check # 15244	CHK		\$13,298.76	330581
7/30/2009	## Record Check # 15237	CHK		\$10,795.24	330581
7/31/2009	Income sweep 7-29 ~ 7-31	JE		\$9,359.07	330643
8/11/2009	Income sweep 8-7 thru 8-10	JE		\$9,150.98	331928
7/30/2009	## Record Check # 15242	CHK		\$9,145.52	330581
7/29/2009	## Record Check # 15230	CHK		\$8,340.80	330126
8/12/2009	## Record Check # Aug 2009 (Manual)	CHK		\$7,693.60	332395
8/11/2009	## Record Check # 15300	CHK		\$7,397.50	331945
8/18/2009	## Record Check # 15322	CHK		\$6,991.20	333501
8/17/2009	## Record Check # 15317	CHK		\$6,964.66	332932
7/29/2009	## Record Check # 15232	CHK		\$6,903.00	330126
7/31/2009	## Record Check # 15295	CHK		\$6,823.87	327608
7/29/2009	## Record Check # 15229	CHK		\$6,500.00	330126
8/4/2009	## Record Check # 15294	CHK		\$6,300.00	331194
8/25/2009	## Record Check # 15326	CHK		\$6,187.50	334458
7/30/2009	## Record Check # 15245	CHK		\$5,843.75	330620
8/18/2009	## Record Check # 15307	CHK		\$5,270.92	333182
8/25/2009	## Record Check # 15325	CHK		\$5,098.10	334458
7/23/2009	## Record Check # 15276	CHK		\$4,978.43	329216
7/23/2009	## Record Check # 15282	CHK		\$4,963.50	329216
8/26/2009	## Record Check # 2nd Qtr (Manual)	CHK		\$4,173.91	334685
7/30/2009	## Record Check # 15240	CHK		\$4,080.23	330581
8/27/2009	## Record Check # 15338	CHK		\$3,909.56	334779
8/7/2009	Income Sweep 8/5 ~ 8/6/09	JE		\$3,646.37	331671
7/31/2009	## Record Check # 15291	CHK		\$3,400.00	330928
7/23/2009	## Record Check # 15284	CHK		\$3,304.56	329216
8/25/2009	## Record Check # 15331	CHK		\$3,160.80	334595
8/25/2009	## Record Check # 15328	CHK		\$3,075.00	334458
7/29/2009	## Record Check # 15228	CHK		\$2,759.20	330126
8/25/2009	## Record Check # 15327	CHK		\$2,673.00	334458
8/18/2009	## Record Check # 15313	CHK		\$2,628.80	333182
8/18/2009	## Record Check # 15323	CHK		\$2,550.00	333614
8/11/2009	## Record Check # 15302	CHK		\$2,362.50	331945

Reconciliation Report
 For Account #00-00-10030
 Statement Date: 10/31/2009 - Batch # 351718

Beginning Balance:	\$324,194.54	Statement Balance:	\$225,081.85
Deposits:	\$539,660.52	Acct Balance:	\$242,768.56
Withdrawals:	\$621,086.50	Variance:	(\$17,686.71)

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
10/1/2009	Record Cash Receipt Batch #339655	PA	\$2,674.78		339655
10/1/2009	Record Cash Receipt Batch #339680	PA	\$1,252.00		339680
10/1/2009	Record Cash Receipt Batch #339683	PA	\$754.72		339683
10/2/2009	Income sweep 9-30-09 thru 10-2-09	JE		\$11,226.42	339718
10/5/2009	Record Cash Receipt Batch #339910	PA	\$43,415.06		339910
10/15/2009	Record Cash Receipt Batch #341871	PA	\$13,388.57		341871
10/13/2009	Income sweep 10-9 thru 10-13-09	JE		\$24,887.55	341171
10/14/2009	Record Cash Receipt Batch #341352	PA	\$37,826.27		341352
10/27/2009	Income sweep Oct-22 thru Oct 26	JE		\$9,089.47	343411
10/27/2009	Record Cash Receipt Batch #343463	PA	\$4,838.25		343463
10/28/2009	Record Cash Receipt Batch #343540	PA	\$560.00		343540
10/28/2009	Record Cash Receipt Batch #343606	PA	\$22,089.67		343606
10/28/2009	Income sweep 10-27 & 10-28	JE		\$2,809.18	343660
10/28/2009	Borrow from Taxes	JE		\$2,000.00	343661
10/29/2009	Record Cash Receipt Batch #343737	PA	\$9,094.66		343737
10/29/2009	Record Cash Receipt Batch #343766	PA	\$990.40		343766
10/5/2009	Record Cash Receipt Batch #340042	PA	\$1,878.40		340042
10/6/2009	Record Cash Receipt Batch #340159	PA	\$8,098.05		340159
10/8/2009	Record Cash Receipt Batch #340203	PA	\$19,769.41		340203
10/8/2009	Income sweep 10-3 thru 10-8-09	JE		\$8,117.67	340342
10/8/2009	Record Cash Receipt Batch #340360	PA	\$12,295.66		340360
10/8/2009	Record Cash Receipt Batch #340385	PA	\$1,665.00		340385
9/29/2009	Record Cash Receipt Batch #339086	PA	\$8,052.98		339086
9/30/2009	Record Cash Receipt Batch #339212	PA	\$908.80		339212
9/30/2009	Record Cash Receipt Batch #339215	PA	\$21,641.81		339215
10/19/2009	Record Cash Receipt Batch #342428	PA	\$82,867.65		342428
10/19/2009	Record Cash Receipt Batch #342532	PA	\$1,095.06		342532
10/21/2009	Record Cash Receipt Batch #342846	PA	\$600.00		342846
10/21/2009	Record Cash Receipt Batch #342849	PA	\$16,360.45		342849
10/20/2009	Record Cash Receipt Batch #342664	PA	\$4,620.04		342664
10/12/2009	Record Cash Receipt Batch #340862	PA	\$50,510.94		340862
10/12/2009	Record Cash Receipt Batch #340894	PA	\$7,468.80		340894
10/13/2009	Record Cash Receipt Batch #341015	PA	\$1,078.40		341015
10/13/2009	Record Cash Receipt Batch #341049	PA	\$98,725.51		341049
10/21/2009	Income sweep 10-14 thru 10-21	JE		\$16,757.34	342930
10/22/2009	Record Cash Receipt Batch #342960	PA	\$979.20		342960
10/22/2009	Record Cash Receipt Batch #342994	PA	\$14,306.41		342994
10/22/2009	Record Cash Receipt Batch #343017	PA	\$652.09		343017
10/26/2009	Record Cash Receipt Batch #343169	PA	\$32,759.75		343169
10/26/2009	Record Void Check #15483	VOD	\$735.01		343182
10/26/2009	Record Cash Receipt Batch #343202	PA	\$3,183.45		343202
10/26/2009	Record Cash Receipt Batch #343337	PA	\$8,972.70		343337
10/26/2009	Record Cash Receipt Batch #343360	PA	\$434.32		343360
10/19/2009	Record Cash Receipt Batch #349410	PA	\$3,116.25		349410
10/8/2009	## Record Check # rd 10-09 (Manual)	CHK		\$90,013.11	340711
10/8/2009	## Record Check # Oct 09 (Manual)	CHK		\$16,665.54	340664
10/8/2009	## Record Check # ok 10-09 (Manual)	CHK		\$29,320.09	340678
10/8/2009	## Record Check # nd 10-09 (Manual)	CHK		\$7,026.68	340688
10/27/2009	## Record Check # Aug 2009 (Manual)	CHK		\$314.85	343414
10/8/2009	## Record Check # Oct 09 (Manual)	CHK		\$95,416.99	340538

Reconciliation Report
 For Account #00-00-10040
 Statement Date: 12/31/2009 - Batch # 351408

Beginning Balance:	\$425,413.22	Statement Balance:	\$304,259.15
Deposits:	\$131,847.45	Acct Balance:	\$304,747.76
Withdrawals:	\$252,512.91	Variance:	(\$488.61)

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
11/13/2009	Set aside SLA taxes	JE		\$72,000.00	345353
12/22/2009	Record Cash Receipt Batch #350306	PA	\$485.20		350306
12/22/2009	Record Void Check #ach	VOD	\$4,000.00		350340
12/28/2009	Net Payroll	JE		\$15,233.24	350355
12/28/2009	Operating Taxes	JE		\$3,021.86	350355
12/22/2009	Transfer tax reserve back to Operating	JE	\$72,000.00		350326
12/31/2009	Correcting Nov balance ADP/typo on ADP e	JE		\$127.22	351409
12/3/2009	Record Cash Receipt Batch #349155	PA	\$284.17		349155
12/3/2009	Record Cash Receipt Batch #349157	PA	\$414.46		349157
12/3/2009	Income sweep 11/10 - 12/2/09	JE	\$50,106.25		349160
12/30/2009	Transfer - PFS payment for ABIM Wrap	JE	\$4,273.20		350490
12/9/2009	Net Payroll	JE		\$15,527.03	349408
12/9/2009	Operating Taxes	JE		\$4,785.73	349408
12/10/2009	Record Cash Receipt Batch #349704	PA	\$284.17		349704
12/10/2009	Transfer partial tax funds back to Trust	JE		\$22,000.00	349723
12/14/2009	Transfer tax reserve to Trust	JE		\$50,000.00	349759
12/10/2009	## Record Check # ACH (Manual)	CHK		\$4,000.00	349695
12/10/2009	## Record Check # EFT (Manual)	CHK		\$166.17	349695
12/10/2009	## Record Check # EFT (Manual)	CHK		\$746.65	349695
12/22/2009	## Record Check # ACH (Manual)	CHK		\$127.48	350301
12/30/2009	## Record Check # Qtr late (Manual)	CHK		\$416.62	351412
12/3/2009	## Record Check # EFT (Manual)	CHK		\$1,911.24	349188
12/22/2009	## Record Check # ach (Manual)	CHK		\$4,000.00	350331
12/30/2009	## Record Check # EFT (Manual)	CHK		\$651.59	350410
12/4/2009	## Record Check # EFT (Manual)	CHK		\$3,375.00	349274
12/21/2009	## Record Check # ACH (Manual)	CHK		\$156.85	350238
12/30/2009	## Record Check # EFT (Manual)	CHK		\$156.85	350481
11/14/2009	## Record Check # 13690	CHK		\$2,000.00	345391
11/14/2009	## Record Check # 13720	CHK		\$2,453.37	345391
11/14/2009	## Record Check # 13721	CHK		\$30.95	345391
12/3/2009	## Record Check # 13729	CHK		\$200.00	349150
12/3/2009	## Record Check # 13730	CHK		\$380.00	349164
12/3/2009	## Record Check # 13731	CHK		\$130.90	349171
12/3/2009	## Record Check # 13732	CHK		\$959.17	349222
12/3/2009	## Record Check # 13733	CHK		\$182.53	349222
12/3/2009	## Record Check # 13734	CHK		\$220.00	349222
12/3/2009	## Record Check # 13735	CHK		\$3,885.00	349222
12/3/2009	## Record Check # 13736	CHK		\$15,385.17	349222
12/3/2009	## Record Check # 13737	CHK		\$479.25	349222
12/3/2009	## Record Check # 13738	CHK		\$6,346.41	349222
12/3/2009	## Record Check # 13739	CHK		\$1,122.03	349222
12/3/2009	## Record Check # 13740	CHK		\$440.94	349222
12/3/2009	## Record Check # 13741	CHK		\$2,100.00	349222
12/3/2009	## Record Check # 13742	CHK		\$22.25	349222
12/3/2009	## Record Check # 13743	CHK		\$875.62	349222
12/3/2009	## Record Check # 13744	CHK		\$85.50	349222
12/3/2009	## Record Check # 13745	CHK		\$280.00	349222
12/3/2009	## Record Check # 13746	CHK		\$69.30	349222
12/3/2009	## Record Check # 13747	CHK		\$227.73	349222
12/3/2009	## Record Check # 13748	CHK		\$562.00	349222

Reconciliation Report
For Account #00-00-10030
Statement Date: 12/31/2009 - Batch # 351818

Beginning Balance:	\$110,327.31	Statement Balance:	\$135,149.63
Deposits:	\$347,307.58	Acct Balance:	\$135,149.63
Withdrawals:	\$322,485.26	Variance:	\$0.00

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
12/28/2009	Record Cash Receipt Batch #350400	PA	\$3,119.33		350400
12/29/2009	Record Cash Receipt Batch #350403	PA	\$1,470.47		350403
12/30/2009	Transfer - PFS payment for ABIM Wrap	JE		\$4,273.20	350490
12/3/2009	Record Cash Receipt Batch #349137	PA	\$283.06		349137
12/3/2009	Income sweep 11/10 - 12/2/09	JE		\$50,106.25	349160
12/3/2009	Record Cash Receipt Batch #349178	PA	\$4,368.63		349178
12/7/2009	Record Void Check #15613	VOD	\$4,478.91		349306
12/7/2009	Record Void Check #15614	VOD	\$990.74		349311
12/7/2009	Record Void Check #15616	VOD	\$2,467.78		349316
12/7/2009	Record Cash Receipt Batch #349321	PA	\$66,763.02		349321
3/11/2010	Reconcile 00-00-10030	REC			CR
12/20/2009	Record Cash Receipt Batch #351860	PA	\$4,273.20		351860
11/25/2009	Record Cash Receipt Batch #348846	PA	\$6,546.49		348846
11/30/2009	Record Cash Receipt Batch #348949	PA	\$34,470.24		348949
12/28/2009	Record Cash Receipt Batch #350397	PA	\$2,009.45		350397
12/9/2009	Record Cash Receipt Batch #349452	PA	\$1,254.93		349452
12/10/2009	Transfer partial tax funds back to Trust	JE	\$22,000.00		349723
12/14/2009	Transfer tax reserve to Trust	JE	\$50,000.00		349759
12/14/2009	Record Cash Receipt Batch #349762	PA	\$53,382.03		349762
8/6/2009	PFS payment for financed E&O premium	JE		\$29,695.50	331502
12/15/2009	Record Cash Receipt Batch #349956	PA	\$46.13		349956
12/21/2009	Record Cash Receipt Batch #350101	PA	\$946.06		350101
12/21/2009	Record Cash Receipt Batch #350186	PA	\$72,761.11		350186
12/31/2009	Record Void Check #ACH 4/09	VOD	\$15,676.00		353492
12/9/2009	## Record Check # Dec 09 (Manual)	CHK		\$844.51	349559
12/28/2009	## Record Check # Oct 2009 (Manual)	CHK		\$440.94	350362
12/10/2009	## Record Check # Dec 09 (Manual)	CHK		\$9,159.90	349630
12/10/2009	## Record Check # nd 12/09 (Manual)	CHK		\$1,795.14	349646
12/10/2009	## Record Check # rd 12/09 (Manual)	CHK		\$34,274.37	349656
12/10/2009	## Record Check # ok 12/09 (Manual)	CHK		\$9,401.15	349674
3/31/2009	## Record Check # 14866	CHK		\$152.85	309952
7/23/2009	## Record Check # 15275	CHK		\$419.74	329216
10/19/2009	## Record Check # 15503	CHK		\$5,285.86	342133
10/31/2009	## Record Check # 15521	CHK		\$75.00	343924
10/31/2009	## Record Check # 15531	CHK		\$5.00	343924
11/18/2009	## Record Check # 15600	CHK			347653
11/19/2009	## Record Check # 15612	CHK		\$500.71	348279
11/19/2009	## Record Check # 15613	CHK		\$4,478.91	348279
11/19/2009	## Record Check # 15614	CHK		\$990.74	348279
11/19/2009	## Record Check # 15615	CHK		\$775.39	348279
11/24/2009	## Record Check # 15616	CHK		\$2,467.78	348801
11/24/2009	## Record Check # 15617	CHK		\$1,396.50	348801
11/24/2009	## Record Check # 15621	CHK		\$2,676.80	348838
12/1/2009	## Record Check # 15622	CHK		\$118.32	349037
12/1/2009	## Record Check # 15623	CHK		\$70.00	349037
12/1/2009	## Record Check # 15624	CHK		\$650.01	349037
12/1/2009	## Record Check # 15625	CHK		\$100.00	349037
12/1/2009	## Record Check # 15626	CHK		\$1,232.40	349037
12/1/2009	## Record Check # 15627	CHK		\$29.81	349037
12/1/2009	## Record Check # 15628	CHK		\$771.00	349037

Reconciliation Report
 For Account #00-00-10030
 Statement Date: 1/31/2010 - Batch # 356730

Beginning Balance:	\$135,149.63	Statement Balance:	\$77,907.04
Deposits:	\$153,454.72	Acct Balance:	\$77,907.04
Withdrawals:	\$210,697.31	Variance:	\$0.00

Reconciled Transactions

Date	Description	Type	Debit	Credit	Batch
1/11/2010	## Record Check # Jan '10 (Manual)	CHK		\$78,130.83	351048
1/11/2010	## Record Check # Jan '10 (Manual)	CHK		\$52,418.08	350959
1/28/2010	Income sweep 12/3 - 12/31/09	JE		\$35,793.41	352282
1/11/2010	## Record Check # 15679	CHK		\$15,485.60	351021
1/13/2010	## Record Check # 15683	CHK		\$4,309.60	351446
11/19/2009	## Record Check # 15611	CHK		\$4,253.50	348279
1/12/2010	## Record Check # Jan '10 (Manual)	CHK		\$3,857.20	351391
1/18/2010	## Record Check # 15687	CHK		\$2,212.50	351709
12/31/2009	## Record Check # 15663	CHK		\$2,027.02	350497
1/11/2010	## Record Check # 15680	CHK		\$1,532.80	351071
1/31/2010	Correct Bank Rec adjustment (Reversal)	JE		\$1,196.66	357009
12/31/2009	## Record Check # 15670	CHK		\$1,088.55	350567
12/31/2009	## Record Check # 15662	CHK		\$1,038.50	350497
1/11/2010	## Record Check # Jan '10 (Manual)	CHK		\$977.28	351067
1/12/2010	## Record Check # Jan 2010 (Manual)	CHK		\$968.00	351387
12/31/2009	## Record Check # 15665	CHK		\$745.30	350567
8/31/2009	## Record Check # 15351	CHK		\$618.99	335666
12/15/2009	## Record Check # 15659	CHK		\$606.22	349865
12/31/2009	## Record Check # 15666	CHK		\$411.51	350567
12/31/2009	## Record Check # 15671	CHK		\$393.91	350567
11/24/2009	## Record Check # 15618	CHK		\$344.00	348801
10/31/2009	## Record Check # 15533	CHK		\$341.90	343924
1/12/2010	## Record Check # 15682	CHK		\$332.80	351380
1/18/2010	## Record Check # 15686	CHK		\$292.43	351655
1/12/2010	## Record Check # 15681	CHK		\$289.60	351380
12/31/2009	## Record Check # 15667	CHK		\$252.08	350567
12/31/2009	## Record Check # 15668	CHK		\$191.88	350567
12/31/2009	## Record Check # 15673	CHK		\$160.54	350567
12/31/2009	## Record Check # 15669	CHK		\$154.83	350567
12/31/2009	## Record Check # 15675	CHK		\$112.65	350641
12/31/2009	## Record Check # 15674	CHK		\$44.00	350567
1/12/2010	## Record Check # 15678	CHK		\$42.00	351376
12/31/2009	## Record Check # 15664	CHK		\$33.50	350502
1/18/2010	## Record Check # 15684	CHK		\$18.00	351614
1/11/2010	## Record Check # 15676	CHK		\$13.84	350611
1/12/2010	## Record Check # 15677	CHK		\$4.84	351372
12/31/2009	## Record Check # 15672	CHK		\$2.96	350567
12/31/2009	Record Cash Receipt Batch #350570	PA	\$1,112.42		350570
12/31/2009	Record Cash Receipt Batch #350630	PA	\$2,178.40		350630
1/31/2010	Correct Bank Rec adjustment	JE	\$1,196.66		357001
12/30/2009	Record Cash Receipt Batch #350436	PA	\$2,943.33		350436
1/13/2010	Record Cash Receipt Batch #351449	PA	\$5,360.76		351449
1/13/2010	Record Void Check #15618	VOD	\$344.00		351458
1/14/2010	Record Void Check #15667	VOD	\$252.08		351513
1/18/2010	Record Cash Receipt Batch #351624	PA	\$21,519.17		351624
1/14/2010	Record Cash Receipt Batch #351518	PA	\$1,068.86		351518
1/14/2010	Transfer to Trust Operating capital	JE	\$51,000.00		351521
1/7/2010	Record Cash Receipt Batch #350881	PA	\$4,940.62		350881
1/11/2010	Record Cash Receipt Batch #351073	PA	\$12,392.04		351073
1/11/2010	Record Cash Receipt Batch #351092	PA	\$292.43		351092

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EXHIBIT - 16

June	July	August	September	October	November	December	Total CY		
47,234	29,802	70,936	34,624	41,739	40,756	75,081	723,071		
46,343		5,637	34,363				306,343		
	1,787			2,462			6,777		
							120,000		
		65,000			40,000	75,000	205,000	230,000	Actual
662	28,015	299	261	6,366	128	81	50,520	4,210	
229				32,911	628		34,431		
218,609	157,250	221,421	204,565	189,743	168,937	137,740	2,510,597		
265,843	187,052	292,357	239,189	231,482	209,693	212,821	3,233,668		
77,119	12,176	88,967	99,913	40,176	25,370				
203,584	206,795	210,503	222,564	179,560	182,544	179,726			
218,609	157,250	221,421	204,565	189,743	168,937	137,740			
15,025	(49,545)	10,918	(17,999)	10,183	(13,607)	(41,986)			
7.38%	-23.96%	5.19%	-10.02%	5.58%	-7.57%	(179,726)			
60,262	10,717	21,635	3,636	13,819	212	(41,774)			
16.23%	14.78%	14.25%	11.80%	11.48%	10.68%	9.04%			

Sum
10/21/2010

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EXHIBIT - 17

INCOME ITEMS	Total YTD	January	February	March	April	May	June	July
Other Income	723,071	26,569	275	202,662	32,727	120,666	47,234	29,802
Carrier Bonuses	306,343		0	189,629	30,371		46,343	
Premium Finance Income	6,777	1,236			1,292			1,787
Loans	120,000					120,000		
Borrow from / Repay to Taxes	205,000	25,000						
Interest Income	50,520	333	275	13,033	472	595	662	28,015
Other Cash In	34,431				592	71	229	
Swept Income	2,510,597	218,316	294,376	191,176	258,733	249,731	218,609	157,250
Total Income	3,233,668	244,885	294,651	393,838	291,460	370,397	265,843	187,052
Actual Amount in Bank		41,238	69,844	37,181	94,682	60,937	77,119	12,176
Projected Income		213,536	235,075	221,106	278,923	218,455	203,584	206,795
Swept Income		218,316	294,376	191,176	258,733	249,731	218,609	157,250
Discrepancy in \$		4,780	59,301	(29,930)	(20,190)	31,276	15,025	(49,545)
Discrepancy in %		2.24%	25.23%	-13.54%	-7.24%	14.32%	7.38%	-23.96%
Rolling Discrepancy in \$		4,780	64,081	34,151	13,961	45,237	60,262	10,717
Rolling Discrepancy in %		2.24%	15.35%	15.38%	12.33%	13.90%	16.23%	14.78%

Page 04 - 3

OIC Case # 98 0538

Separate Premium Account
Balance as of
November 30, 1997

Marianne Wise
11/17/2010
12:59 PM

	Nov-97	Oct-97	Sep-97	Aug-97	Jul-97	Jun-97
Separate Premium Acct Checking #1	2616	6904	1698	1475	65131	1441
Separate Premium Acct Checking #2	66	66	66	66	66	66
Separate Premium Acct Savings	57789	71215	52142	38367	50978	50978
Separate Premium Acct Money Market						
Accounts Receivable	44313	17563	45986	61346	52529	49639
Less: Commissions 12.5 %	-5539	-2195	-5748	-7668	-6568	-6205
Less: Accounts over 90 days old	-3510	-3650	-4856	-3475	-4046	-5524
Total	\$ 95,735	\$ 89,903	\$ 89,288	\$ 90,111	\$ 158,092	\$ 90,395
Payable to Insurers	-90239	-80582	-98414	-116559	-111490	-83676
NET DIFFERENCE	\$ 5,496	\$ 9,321	\$ (9,126)	\$ (26,448)	\$ 46,602	\$ 6,719

EXHIBIT A

OIC Case # 98 0258

Separate Premium Account
Balance as of
April 30, 1998

Marianne Wise
11/17/2010
12:55 PM

	Apr-98	Mar-98	Feb-98	Jan-98	Dec-97	Nov-97
Separate Premium Acct Checking #1	8418	7993	15043	923	4031	3776
Separate Premium Acct Checking #2						
Separate Premium Acct Savings	54359	54147	53957	53746	53533	53329
Separate Premium Acct Money Market	62047	84235	42573	86379	85058	107914
Accounts Receivable	51689	29477	37879	17733	36524	25643
Less: Commissions 12.5 %	-8461.125	-3684.625	-4734.875	-2216.625	-4565.5	-3205.375
Less: Accounts over 90 days old	-13537	-8319	-16233	-10449	-12994	3442
Total	\$ 156,515	\$ 163,848	\$ 128,484	\$ 146,115	\$ 161,587	\$ 190,899
Payable to Insurers	-77286	-73446	-52374	-66362	-92684	-111503
NET DIFFERENCE	\$ 79,229	\$ 90,402	\$ 76,110	\$ 79,753	\$ 68,903	\$ 79,396

Separate Premium Account

Ken Combs and
Marianne Wise
11/17/2010

OIC Case # 98 0294

Washington

	Jan-98	Feb-98	Mar-98	Apr-98	May-98		
Separate Premium Acct Checking #1	\$349,958	\$217,670	\$312,156	\$237,279	\$160,757		
Separate Premium Acct Checking #2							
Separate Premium Acct Savings							
Brokers Accounts Receivable	406,080	374,432	293,769	275,394	309,225		
Accounts Receivable	40,702	30,882	29,369	30,095	16,653		
Less: Accounts over 90 days old							
Total	\$796,740	\$622,984	\$635,294	\$542,768	\$486,635		
Payable to Insurers	(\$811,160)	(\$612,491)	(\$630,887)	(\$525,376)	(\$482,134)		
NET DIFFERENCE	\$ (14,420)	\$ 10,493	\$ 4,407	\$ 17,392	\$ 4,501		

OIC Case # 98 0490

Separate Premium Account
 Balance as of
 Month day, yr

Marianne Wise
 11/17/2010
 12:58 PM

	Jul-98	Jun-98	May-98	Apr-98	Mar-98	Feb-98
Separate Premium Acct Checking #1	76313					
Separate Premium Acct Checking #2						
Separate Premium Acct Savings						
Separate Premium Acct Money Market	105000					
Accounts Receivable	87222					
Less: Commissions 12.5 %	-10902.75	0	0	0	0	0
Less: Accounts over 90 days old						
Total	\$ 257,632	\$ -				
Payable to Insurers	-164111					
NET DIFFERENCE	\$ 93,521	\$ -				
Per [redacted] has over 1.5 million in cd's 100,000 allotted to each agency						

OIC Case #00-0125
Ken Combs

ABILITY OF AGENCY TO MEET PREMIUM LIABILITIES:

To determine the agency's "Trust Position" on March 31, 2000 we performed the following calculations:

Trust Bank Accounts	\$ 45,857.82
Accounts Receivable	<u>21,609.77</u>
Funds Available for Premium Liabilities	67,467.59
Insurance Company Payables-(Gross)	<u>65,774.80</u>
Overage or (Shortage)	\$ <u>1,692.79</u>

The above calculations show that the agency is "In Trust" as of March 31, 2000.



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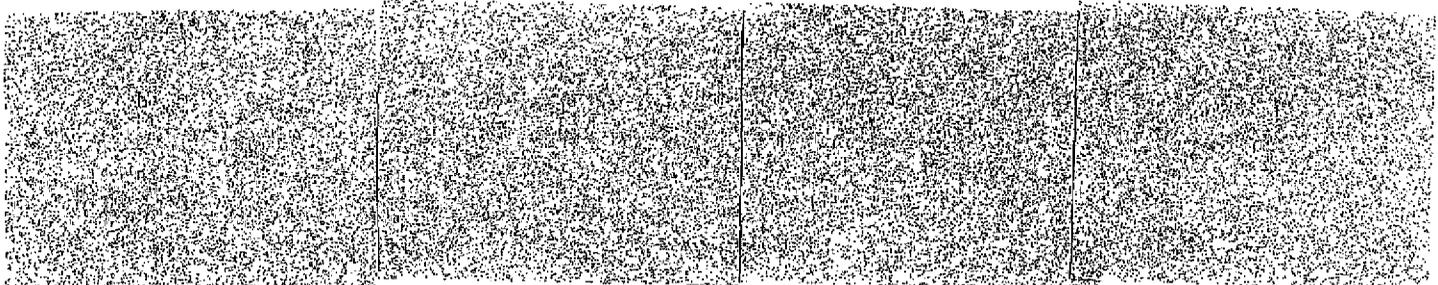
OIC Case #01-0004
Ken Combs

ABILITY OF AGENCY TO MEET PREMIUM LIABILITIES:

We calculated the agency's ability to meet premium liabilities or its "Trust Position" with the following calculations based on balances on April 30, 2001.

Premium Trust Account-Acct #		\$ 491,373.13
Treasury - Acct		752,091.70
Sub Account - Acct #		270,712.56
Accounts Receivable	\$1,587,898.90	
Less: Commissions (10% est.)	<u>158,789.89</u>	<u>1,429,109.01</u>
Funds Available		2,943,286.40
Insurance Company Payables		<u>2,934,428.35</u>
Overage (Shortage)		<u>\$ 8,858.05</u>

Based on the above calculations the agency is "In Trust" as of April 30, 2001.



Ken Combs
Ken Combs, CPA
Insurance Examiner



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OIC Case #01-0443
Ken Combs

ABILITY OF AGENCY TO MEET PREMIUM LIABILITIES:

To determine the agency's "Trust Position" on August 31, 2001 we performed the following calculations:

Trust Checking Accounts		\$ 9,717,996
Trust Investment Account		201,938
Accounts Receivable	\$8,521,573	
Less Commissions	<u>190,598</u>	<u>8,330,975</u>
Funds Available for Premium Liabilities		18,250,909
Insurance Company Payables		<u>16,497,418</u>
Overage or (Shortage)		<u>\$ 1,753,491</u>

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OIC Case#: 10555 Case Description Notes:

To determine the agency's ability to meet premium liabilities or its "Trust Position" on December 31, 2001 we performed the following calculations:

Trust Bank Accounts	\$ 78,187.66	
Money Market Account	142,052.48	
Accounts Receivable	\$360,622.62	
Less Commissions (7.5% est.)	27,046.70	333,575.92
Funds Available for Premium Liabilities	553,816.06	
Less Insurance Company Payables	979,243.22	
Overage or (Shortage)	(425,427.16)	

The above shows that the agency is "Out of Trust" as of December 31, 2001 by \$425,427.16.

Ken Combs, Investigator

OIC Case #: 20176 Case Description Notes:

To determine the agency's ability to meet premium liabilities we performed the following calculations based on the agent's 04/31/02 balance sheet.

Premium Trust Checking	\$ 7,379.03	
Premium Trust Savings	12,341.19	
Trust Money Market	1,134.60	
New Trust Savings	1,816.65	
Accounts Receivable	\$62,956.16	
Less Commissions (12% est.)	<u>7,554.74</u>	55,401.42
Total Funds Available	78,072.89	
Insurance Company Payables	<u>75,145.51</u>	
Overage or (Shortage)	\$ 2,927.38	

The above calculation shows that the agency is "In Trust" as of April 30, 2002.

OIC Case #: 30098

AGENCY'S ABILITY TO MEET PREMIUM OBLIGATIONS: To determine the agency's ability to meet obligations as they come due, I performed the following calculation based on the balances February 28, 2003.

Separate Premium Account Balance	\$ 497,717	
Separate Premium Acct. Money Market	\$ 52,783	
Accounts Receivable	\$1,578,817	
Less: Avg. commission @12.5%	<\$197,352>	\$1,381,465
Less: Accounts over 90 days old	<\$ 333,776>	
Total:	\$1,598,189	
Payable to Insurers	<\$1,769,734>	
NET DIFFERENCE:	<\$ 171,545>	

Investigator/Examiner: Not Ken Combs

OIC Case #: 30437

AGENCY'S ABILITY TO MEET FUTURE PREMIUM LIABILITIES:

In order to calculate the agency's "trust position" the following calculations were made based on balance sheet balances on 7/17/03.

Trust Checking	\$ 2,458.68	
Trust Sweep Account	1,114.18	
Trust Savings	25,607.44	
Accounts Receivable	\$76,368.86	
Less		
commissions (est. @ 12.5%)	9,546.11	66,822.75
Funds available	96,003.05	
Less		
Insurance Company Payables	74,659.77	
"In Trust" Balance	\$21,343.28	

Ken Combs, Investigator

Case : # 40451 Case Description Notes:

AGENCY'S ABILITY TO MEET PREMIUM LIABILITIES: In order to determine if the agency is "In Trust" we performed the following computations based on the Balance Sheet figures as of July 20, 2004:

Trust Bank Account	\$231,565.29
Accounts Receivable	246,620.34
Funds Available	478,185.63
Less:	
Insurance Company Payables	402,410.48
In Trust	75,775.15

The above shows the agency is In trust by \$75,775.15.

Case #40544 Description of Case Notes:

AGENCY'S ABILITY TO MEET PREMIUM LIABILITIES: In order to determine if the agency is "in Trust" we performed the following computations based on Balance Sheet figures as of August 18, 2004:

Trust Bank Account	\$38,573.90
Accounts Receivable	(16,381.57)
Funds Available	\$22,192.52
Less: Accounts Payable-	
Insurance Companies	4,500.81
In Trust	\$17,691.52

OIC Case # 40587
Ken Combs

C

AGENCY'S ABILITY TO MEET PREMIUM LIABILITIES: Based on [REDACTED] Balance Sheet as of November 30, 2004 the agency's "Trust Position" was as follows:

Trust Account	\$ 9,439.20	
Accounts Receivable	\$183,303.76	
Less Commissions @ 12% (Est)	21,996.46	161,307.30
Funds Available	170,746.50	
Less Insurance Company Payables	441,282.80	
Out of Trust	\$ (270,536.30)	

OIC Case #60158 [File closed 03-0247] Notes:

March 31, 2006 balances. The balances are as follows:

Premium Bank Account	\$ 160,727.60
Accounts Receivables	963,052.21
Total to be Available	\$1,123,779.81
Less:	
Insurance Company Payables	(1,791,598.25)
Surplus Lines Taxes	(40,217.72)
"Out of Trust Balance"	\$ (708,036.16)

Ken Combs was the Investigator on this case.

76

OIC Case #: 60473

AGENCY'S ABILITY TO MEET PREMIUM OBLIGATIONS To determine the agency's ability to meet obligations as they come due, I performed the following calculation based on a month-end report ending May 2006.

Separate Premium Account – Checking	\$ 40,497	
Separate Premium Account - Savings	\$ 60,958	
Accounts Receivable	\$325,181	
Less: Avg.Comm @12.5%	\$ 40,648	\$284,533
Total:	\$385,988	
Payable due Insurers:	\$352,915	
NET DIFFERENCE:	+\$ 33,073	

Based on the above calculation the agency has sufficient funds in the separate premium account to meet future obligations.

OIC Case #: 1013740

RETURN PREMIUMS:

To test for compliance with RCW 48.17.480 Reporting and accounting for premiums, I selected credits from the insurance company statements for the period January 2006 through December 2007.

All of the credits had been refunded to the insureds in a timely manner.

There were no violations found during this review.

Agency's Ability to Meet Future Premium Liabilities:

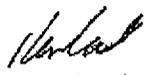
In order to calculate the agency's ability to meet their premium liabilities the following calculations were made based on balance sheet amounts on December 31, 2007.

Trust Checking	\$ 205
Trust Savings	38,617
Accounts Receivable	<u>3,623</u>
Funds Available	42,445
Insurance Company Payables	<u>31,671</u>
"In Trust" Balance	<u>\$ 10,774</u>

The above calculations shows that the agency is "in trust" by \$10,774 and has sufficient funds to meet its premium liabilities.

SUMMARY:

There were no violations found during the audit. All refunds were returned promptly to the insureds and the agency is in trust. The agency appears to be operating very well in all areas.


Ken Combs, CPA
Insurance Examiner

OIC Case # 1023097 (prior)

Separate Premium Account
Summary

Mary Manum
Financial Examiner
1/29/2009
7:39 AM

	Jan.-07	Feb.-07	Mar.-07	Apr.07	May-07	Jun-07
Separate Premium Acct Checking #1	87,754	42,441	141,756	39,666	58,086	128,891
Separate Premium Acct Checking #2						
Separate Premium Acct Savings	66,075	66,257	66,459	66,655	66,858	67,056
Separate Premium Acct Money Market						
Accounts Receivable	30,099	-4813	61,526	40,409	-48,152	36,214
Less: Commissions 12.0%	-3611.88	601,625	-7690.75	-5051.125	6019	-4526.75
Less: Accounts over 90 days old						
Total	\$ 180,316	\$ 104,487	\$ 262,050	\$ 141,679	\$ 82,811	\$ 227,634
Payable to Insurers	-172,800	-97,760.00	-244,705	-136,925	-74,634	-197,676
NET DIFFERENCE	\$ 7,516	\$ 6,727	\$ 17,345	\$ 4,754	\$ 8,177	\$ 29,958

bl

OIC Case # 114226

Separate Premium Account
Summary

Mary Manum
Financial Examiner
4/24/2009
8:44 AM

	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Separate Premium Acct Checking #1	72,378	68,351	68,114	47,548	47,970	80,597
Separate Premium Acct Checking #2						
Separate Premium Acct Savings						
Separate Premium Acct Money Market						
Accounts Receivable	46,002	127,352	56,477	23,765	39,029	494
Less: Commissions 12.5 %	-5750.25	-15919	-7059.625	-2970.625	-4878.625	-61.75
Less: Accounts over 90 days old						
Total	\$ 112,630	\$ 179,784	\$ 117,531	\$ 68,342	\$ 82,120	\$ 81,029
Payable to Insurers	-44,262	-119,533	-50,943	-20,495	-31,505	-29,471
NET DIFFERENCE	\$ 68,368	\$ 60,251	\$ 66,588	\$ 47,847	\$ 50,615	\$ 51,558

OIC Case #: 1023097

AGENCY'S ABILITY TO MEET PREMIUM OBLIGATIONS

To determine the agency's ability to meet obligations as they come due, I performed the following calculation based on a month end December 2008 report.

Separate Premium Account Checking	\$ 38,727	
Separate Premium Account Savings	\$ 69,622	
Accounts Receivable	\$ 48,440	
Less: Avg. commission @ 12.0%	6,055	\$ 42,385
Total:	\$150,734	
Payable to Insurers	(\$139,206)	
NET DIFFERENCE	\$ 11,528	

Based on the above calculation the agency has sufficient funds in the separate premium account to meet future obligations.

WAC 284-12-080 Requirements for separate accounts. (1) The purpose of this section is to effectuate RCW 48.17.600 and 48.17.480 with respect to the separation and accounting of premium funds by agents, brokers, solicitors, general agents and surplus line brokers, hereinafter called "producers." Pursuant to RCW 48.30.010, the commissioner has found and hereby defines it to be an unfair practice for any producer, except as allowed by statute, to conduct insurance business without complying with the requirements of RCW 48.17.600 and this section. As provided in RCW 48.17.600, agents for title insurance companies or insurance brokers whose average daily balance for premiums received on behalf of insureds in the state of Washington equals or exceeds one million dollars, are exempt from subsections (1) through (6) of this section, except with respect to premiums and return premiums received in another licensing capacity.

(2) All funds representing premiums and return premiums received on Washington business by a producer in his or her fiduciary capacity on or after January 1, 1987, shall be deposited in one or more identifiable separate accounts which may be interest bearing.

(a) A producer may deposit no funds other than premiums and return premiums to the separate account except as follows:

- (i) Funds reasonably sufficient to pay bank charges;
- (ii) Funds a producer may deem prudent for advancing premiums, or establishing reserves for the paying of return premiums; and
- (iii) Funds for contingencies as may arise in the business of receiving and transmitting premiums or return premiums.

(b) A producer may commingle Washington premiums and return premiums with those produced in other states, but there shall be no commingling of any funds which would not be permitted by this section.

(3)(a) The separate account funds may be:

- (i) Deposited in a checking account, demand account, or a savings account in a bank, national banking association, savings and loan association, mutual savings bank, stock savings bank, credit union, or trust company located in the state of Washington. Such an account must be insured by an entity of the federal government; or
- (ii) Invested in United States government bonds and treasury certificates or other obligations for which the full faith and credit of the United States government is pledged for payment of principal and interest, repurchase agreements collateralized by securities issued by the United States government, and bankers acceptances. Insurers may, of course, restrict investments of separate account funds by their agent.

(b) A nonresident licensee, or a resident producer with affiliated operations under common ownership in two or more states, may utilize comparable accounts in another state provided such accounts otherwise meet the requirements of RCW 48.17.600 and this rule, and are accessible to the commissioner for purposes of examination or audit at the expense of the producer.

EXHIBIT C

(4) Disbursements or withdrawals from a separate account shall be made for the following purposes only, and in the manner stated:

(a) For charges imposed by a bank or other financial institution for operation of the separate account;

(b) For payments of premiums, directly to insurers or other producers entitled thereto;

(c) For payments of return premiums, directly to the insureds or other persons entitled thereto;

(d) For payments of commissions and other funds belonging to the separate account's producer, directly to another account maintained by such producer as an operating or business account; and

(e) For transfer of fiduciary funds, directly to another separate premium account which meets the requirements of this section.

~~(5)(a) The entire premium received (including a surplus lines premium tax if paid by the insured) must be deposited into the separate account. Such funds shall be paid promptly to the insurer or to another producer entitled thereto in accordance with the terms of any applicable agreement between the parties.~~

(b) Return premiums received by a producer and the producer's share of any premiums required to be refunded, must be deposited promptly to the separate account. Such funds shall be paid promptly to the insured or person entitled thereto.

Case #	90 Day Limitation on A/R?	Less Commission on A/R?	Surplus Line Taxes
60158	No	No	Yes
- 01-0443	No	Yes	No
00-0125	No	No	No
10555	No	Yes	No
40587	No	Yes	No
40451	No	No	No
30437	No	Yes	No
1013740	No	No	No
40544	No	No	No
60473	No	Yes	No
20176	No	Yes	No
114226	No	Yes	No
1023097	No	Yes	No
1023097 (prior)	No	Yes	No
98 0258	Yes	Yes	No
- 98 0294	No	Yes	No
98 0538	Yes	Yes	No
98 0490	No	Yes	No
30098	Yes	Yes	No
01-0004	No	Yes	No

Premiums, Accounts Receivable and Carrier Payables were always included in the calculations.



**OFFICE OF
INSURANCE COMMISSIONER**

Monday, November 15, 2010

WILLIAM H TANNER
ANCHOR BAY INSURANCE MANAGERS, INC.
10049 KITSAP MALL BLVD STE 303
SILVERDALE, WA 98383

OIC Case # 1038881

AGENCY FINANCIAL EXAMINATION – 2009 UNPAID SURPLUS LINE PREMIUM TAX

On October 18, 2010, I went to Anchor Bay Insurance Managers, Inc. in Silverdale, Washington to conduct a limited scope agency financial examination, assisted by Investigator Marianne Azevedo. The examination was initiated due to the Licensee's failure to pay his 2009 surplus lines taxes in the amount of \$89,325.00 by March 1, 2010 as required by RCW 48.15.120(1). As of Friday, October 29, 2010, the firm has failed to remit the taxes, and the total amount due including penalties is now \$107,190.00.

We met with William Tanner, President/Owner, and Sally Cabbell, Chief Financial Officer (CFO), who provided the books and records necessary to complete the examination.

The examination was limited to the transactions and records pertinent to verifying the agency's compliance with the Insurance Code. The areas audited and the results of the examination are as follows:

PREMIUM TAX

Anchor Bay Insurance Managers, Inc. has electronically filed the 2009 annual statement that self-reports an aggregate total of \$89,325.00 in premium tax owing for the year 2009. These taxes were required to be remitted to the State of Washington by March 1, 2010. On March 8, 2010, Mr. Tanner apprised the Office of the Insurance Commissioner via email that the taxes had not been paid and stated "...I need to discuss our options in some detail."

VIOLATION

RCW 48.15.120(1) Premium tax – Surplus lines. "On or before the first day of March of each year each surplus line broker shall remit to the state treasurer through the commissioner a tax on the premiums...transacted by him or her during the preceding calendar year as shown by his or her annual statement filed with the commissioner..."

Firm was instructed to remit this amount immediately.



SEPARATE PREMIUM ACCOUNT

Premium tax monies were not kept in the premium trust account. Anchor Bay Insurance Managers Inc. has consistently used premium tax monies to fund operating expenses of the firm. Review of financial documents and conversations with William Tanner and Sally Cabbell demonstrate the following pattern from January 2007 through October 2009:

1. Funds are deposited into the premium trust bank account.
2. Firm transfers monies identified as premium taxes from the premium trust bank account to the operating bank account. Funds are used to pay operating expenses throughout the year.
3. Firm remits taxes out of the operating account.

Sworn statements provided by William Tanner and Sally Cabbell indicate Anchor Bay experienced severe cash flow problems, and in 2008 they began moving some of the premium tax monies from the premium trust bank account into the operating bank account to pay general operating expenses of the firm, such as payroll.

William Tanner states in his October 20, 2010 sworn statement:

“...in part of 2008 and all or almost all of 2009, we kept the premium taxes in the operating account and used them to fund operations, expecting that we would recoup them, before they were due, upon the sale of our book to Hull. Unfortunately, we over-estimated the net receipts from the sale and, in order to continue operations, were not able to pay our taxes in a timely fashion....”

Sally Cabbell initially states in her October 20, 2010 sworn statement:

“...Anchor Bay maintains two bank accounts: a premium trust account and an operating account. In 2008, we began using some of the premium trust account tax monies to fund the operating account.... We were depositing the premiums collected, including the inspection fees, sales tax and stamping fees, into the premium trust account and moving some of the tax reserve funds to the operating account to cover payroll and other operating expenses. ...”

However, subsequent discussion with Sally Cabbell after analysis of these bank transfers found that Anchor Bay had actually begun transferring premium tax monies to the operating account in January 2007, and she had tracked the money movement in 2007 on an excel spreadsheet. Ms. Cabbell provided another sworn statement indicating that the total amount of the premium tax funds borrowed to fund operating expenses was \$452,000.00, and also provided a copy of her 2007 spreadsheet, which I had her sign.

Ms. Cabbell related that Anchor Bay paid the 2007 and 2008 premium taxes out of the operating account, so the balance of monies “owed” to the trust account could be considered as offsetting the funds taken in 2007 and 2008. These tax payments were verified as being made from the operating account.

In December 2009 the firm attempted to replace some of the premium tax funds removed from the trust account in anticipation of paying the taxes by March 1, 2010. However, there was so

little cash in the trust account available to pay insurance carriers and return premiums; the taxes could not be paid.

Ms. Cabbell's second sworn statement is a schedule tracing the transfers between the premium trust bank account and the operating bank account. Source documents supporting include:

- (1) Bank statements and journal entries to itemize and describe the \$247,000 in premium tax monies removed from the premium trust account in 2008 and 2009 and the transfers back into the trust account in December 2009 and January 2010. The descriptions clearly indicate the firm was aware the funds moved related to premium tax. [Note: The firm prepared the 2008 premium tax check specifying the Surplus Line Association of Washington (SLAW) as the payee instead of the State of Washington. This clarifies why the firm described the tax amounts transferred to the operating account as "SLA."]
- (2) Sally Cabbell's schedule, supported by copies of the bank statements, was used to identify the 2007 transfers. [Ms. Cabbell was asked for the 2007 bank statements and bank reconciliations and initially stated she thought they were in storage offsite. These were located late in the day on Thursday, October 21, 2010.]

Investigator Azevedo performed an analysis of various balance sheet account balances to arrive at an estimate of the minimum balance the firm should be maintaining in the premium trust bank account. The analysis indicated a deficiency of \$108,365 as of September 30, 2010.

VIOLATION

WAC 284-12-080 Requirements for separate accounts. (5)(a) The entire premium received (including a surplus lines premium tax if paid by the insured) must be deposited into the separate account.

RCW 48.15.180 Surplus line broker's fiduciary capacity. – Violations. (3) Any surplus line broker or other person licensed under this chapter who, not being lawfully entitled thereto, diverts or appropriates funds received in a fiduciary capacity or any portion thereof to his or her own use, is guilty of theft under chapter 9A.56 RCW. [Diversion of funds to pay general operating expenses.]

DILIGENT SEARCH

Insurance may only be placed in the non-admitted market after a diligent search of the admitted market has been performed and coverage is not available. William Tanner related that he does not perform a search of the admitted market prior to signing the Affidavit attesting that the search has been performed. Mr. Tanner stated that he was relying on the producer generating the referral to Anchor Bay Insurance Managers Inc. to have performed the work. In 2009 the firm filed over 2,000 Affidavits.

Review of the contents of several insured customer files verified that there was no documentation to support the contention that a diligent search of the admitted market was performed.

On Friday, October 22, 2010 Mr. Tanner signed acknowledgement of the directive to cease signing Affidavits and placing insurance in the non-admitted market until he has performed and documented the diligent search required by statute.

VIOLATIONS

RCW 48.15.040 "Surplus line" coverage. (2). The insurance must not be procurable, after diligent effort has been made to do so from among a majority of the insurers authorized to transact that kind of insurance in this state.

RCW 48.15.040 "Surplus line" coverage. (5) At the time of the procuring of any such insurance an affidavit setting forth the facts referred to in subsections (2) and (3) of this section must be executed by the surplus line broker. Such affidavit shall be filed with the commissioner within thirty days after the insurance is procured. [Misrepresentation; Filing false affidavits.]

BOND-Renewal

Sally Cabbell, CFO, indicated that the firm has continuously maintained the \$20,000 bond in favor of the State of Washington and that the producer bond in favor of the people of the State of Washington in the amount of \$50,000 was recently renewed by Lovsted-Worthington. Ms. Cabbell stated that Lovsted-Worthington was their sole bonding provider. Lovsted-Worthington confirmed that the \$50,000 producer bond was recently renewed (August 2010) and that there were no additional bonds other than these two for Washington State.

The \$50,000 bond in favor of the people of the State of Washington is inadequate in amount and fails to meet statutory requirement. RCW 48.15.070 (3) requires a bond in the amount of 5% of the premiums written in the previous year, and sets a minimum bond requirement of \$2,500 and a maximum of \$100,000. The calculation below illustrates the deficiency:

2009 Total Premiums written \$4,466,231.69 [Per Annual tax statement filed by firm]

5% of Premiums Written \$ 223,311.00

The firm, William Tanner, is required to maintain a bond in favor of the people of the State of Washington in the amount of \$100,000.

VIOLATION

RCW 48.15.070 Surplus line brokers – Licensing – Bond – Renewal. (3) Every resident surplus line broker licensed under this chapter must maintain in force while so licensed a bond in favor of the people of the state of Washington ... in the amount of two thousand five hundred dollars, or five percent of the premiums from placement of coverage with surplus line insurers in the previous calendar year, whichever is greater, but not to exceed one hundred thousand dollars total aggregate liability.


Mary E. Tunis

Financial Examiner

In-Trust Calculations

2000 Accounts	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00
Interstate Sweep Trust												
Key checking Trust												
BofA Savings Trust						200	200	12,676	195,399	427,004	480,188	430,380
BofA Checking Trust								100	100	100	113	146
McDonalds Investment												
Accounts Receivable								(12,576)	(1,236)	(1,313)	(4,015)	(5,419)
Carrier Payables						2,368	1,195	0	177,044	373,731	410,459	351,768
Over/Short						(2,168)	(985)	200	17,219	52,060	65,827	73,339
Trust Ratio						0.08	0.17	-	1.10	1.14	1.16	1.21

2001 Accounts	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Interstate Sweep Trust												
Key checking Trust												
BofA Savings Trust	270,582	434,430	692,783	614,962	794,980	709,790	639,458	373,786	365,663	634,538	525,732	474,087
BofA Checking Trust	146	146	(49,573)	146	146	146	1,396	9,431	5,510	7,857	6,758	6,783
McDonalds Investment												
Accounts Receivable	(27,894)	(4,398)	(57,970)	(10,186)	(75,132)	31,549	23,064	24,132	57,629	12,121	16,857	71,811
Carrier Payables	170,743	404,473	512,452	497,214	604,422	606,762	554,019	292,815	329,226	528,117	434,039	478,134
Over/Short	72,091	25,705	72,788	107,708	115,572	134,723	109,899	114,534	99,576	126,399	115,308	74,547
Trust Ratio	1.42	1.06	1.14	1.22	1.19	1.22	1.20	1.39	1.30	1.24	1.27	1.16

2002 Accounts	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02
Interstate Sweep Trust												
Key checking Trust												
BofA Savings Trust	398,301	556,883	436,010	832,851	871,940	623,535	1,065,423	891,586	651,348	536,110	672,733	816,713
BofA Checking Trust	6,783	(135,478)	8,933	12,202	12,202	12,502	38,477	40,471	332,057	671,089	595,465	541,413
McDonalds Investment												
Accounts Receivable	28,114	220,467	28,170	7,424	(51,349)	(11,339)	30,823	123,386	149,625	56,710	233,310	68,842
Carrier Payables	339,550	497,547	507,652	674,430	761,289	1,000,206	926,699	1,217,841	980,897	1,405,539	1,198,895	1,118,415
Over/Short	93,648	144,325	(34,539)	178,047	171,504	(375,508)	208,024	(162,398)	152,133	(141,630)	302,613	308,553
Trust Ratio	1.28	1.29	0.93	1.26	1.23	0.62	1.22	0.87	1.16	0.90	1.25	1.28

2003 Accounts	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
Interstate Sweep Trust		5	495	490	485	630,331	547	(537,484)	595	2,973	643	29,058
Key checking Trust												12,991
BofA Savings Trust	1,112,336	1,755,272	872,082	818,016	1,544,597	1,662,096	2,177,720	1,958,033	2,269,278	2,661,631	2,464,237	2,481,040
BofA Checking Trust	788,755	47,409	76,985	325,336	388,119	390,429	392,373	401,431	160,580	103,762	106,719	294,134
McDonalds Investment												
Accounts Receivable	(55,756)	154,450	(42,323)	(4,282)	(40,251)	54,764	91,866	78,372	(18,101)	(116,028)	190,989	202,218
Carrier Payables	1,750,744	1,507,560	586,944	890,463	1,514,655	2,388,239	2,295,644	1,555,849	2,128,539	2,178,547	2,230,779	2,428,838
Over/Short	94,591	449,576	320,295	249,097	378,295	349,381	366,862	344,503	273,813	473,791	531,809	590,603
Trust Ratio	1.05	1.30	1.55	1.28	1.25	1.15	1.16	1.22	1.13	1.22	1.24	1.24

2004 Accounts	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04
Interstate Sweep Trust	706	1,122	599,884	26,853	585	624,954	2,117	5,392	2,416	26,617	51	423
Key checking Trust	990,191	247,593	494,502	408,334	320,067	398,782	(72,832)	253,398	171,470	65,530	627,080	652,432
BofA Savings Trust	201,063	194,490	194,489	194,568	196,640	194,707	298,750	0	0	0	0	0
BofA Checking Trust	103,831	103,831	103,961	103,961	103,961	103,961	149,502	0	0	0	0	0
McDonalds Investment	1,500,463	1,686,110	1,612,035	2,352,945	2,403,941	1,535,152	2,096,454	1,237,549	1,273,483	1,749,822	1,311,424	1,315,728
Accounts Receivable	11,088	252,488	(304,843)	1,350,219	1,381,665	1,130,301	1,096,474	1,149,418	1,286,004	1,350,941	960,297	1,072,890
Carrier Payables	2,336,588	2,122,422	2,314,931	3,682,583	3,617,468	3,298,574	2,831,191	2,370,786	2,157,884	2,636,857	2,616,057	2,721,298
Over/Short	470,754	363,212	385,097	752,297	789,391	689,283	739,274	274,971	575,489	556,053	282,795	320,175

Exhibit H

Trust Ratio	1.20	1.17	1.17	1.20	1.22	1.21	1.26	1.12	1.27	1.21	1.11	1.12
Impact of BofA to Key Transfer Error								123,000	123,000	123,000	123,000	123,000
								397,971.00	#####	#####	#####	#####
Trust Ratio – Factoring in Errors								1.17	1.32	1.26	1.16	1.16
2005 Accounts	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
Interstate Sweep Trust	1,626	1,405	205,337	1,375	1,183	260						
Key checking Trust	121,385	465,118	595,010	438,589	197,552	296,490	272,359	442,279	(39,940)	391,089	342,768	73,056
BofA Savings Trust												
BofA Checking Trust												
McDonalds Investment	1,932,729	1,474,894	1,103,861	2,006,830	1,585,110	1,500,841	1,404,437	657,008	1,108,963	811,663	761,663	1,015,282
Accounts Receivable	1,213,275	1,114,139	1,438,114	1,340,750	1,671,991	1,205,338	1,089,912	1,404,552	1,168,302	1,065,742	1,087,541	1,047,224
Carrier Payables	2,959,147	2,993,680	3,169,392	3,579,044	3,157,923	2,762,914	2,490,655	2,201,585	1,955,247	1,925,137	1,871,902	1,804,090
Over/Short	309,868	61,876	172,930	208,500	297,913	240,015	276,053	302,254	282,078	343,357	320,070	331,472
Trust Ratio	1.10	1.02	1.05	1.06	1.09	1.09	1.11	1.14	1.14	1.18	1.17	1.18
2006 Accounts	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Key checking Trust	7,243	431,593	1,113,523	366,248	281,073	591,931	613,289	22,036	339,410	912,395	505,791	174,045
McDonalds Investment	1,053,055	906,281	684,127	1,787,511	1,342,593	1,095,968	716,014	1,169,076	1,524,098	1,079,369	1,113,066	1,163,066
Accounts Receivable	1,689,185	1,387,802	1,688,506	1,779,246	1,727,575	1,315,599	1,366,345	1,748,840	1,523,359	1,342,002	1,771,271	1,663,616
Carrier Payables	2,318,011	2,527,881	3,068,147	3,542,363	2,989,666	2,657,299	2,364,890	2,441,229	2,885,510	2,758,046	2,783,452	2,397,283
Over/Short	431,472	197,795	418,009	390,642	361,575	346,219	330,758	498,723	501,357	575,720	606,676	603,444
Trust Ratio	1.19	1.08	1.14	1.11	1.12	1.13	1.14	1.20	1.17	1.21	1.22	1.25
2007 Accounts	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Key checking Trust	226,773	(46,721)	55,251	423,532	486,519	260,154	538,594	159,894	150,878	331,185	147,137	305,509
McDonalds Investment	968,170	1,118,170	920,858	876,721	463,022	716,984	489,436	641,639	743,381	495,501	697,162	199,603
Accounts Receivable	1,537,781	1,586,363	1,804,295	1,687,330	1,274,936	1,283,654	1,151,499	1,473,352	1,215,002	1,131,367	1,376,295	1,469,289
Carrier Payables	2,021,221	2,327,106	2,364,925	2,849,772	1,931,672	1,956,602	1,869,806	1,998,494	1,938,618	1,714,224	1,994,362	1,810,117
Over/Short	711,483	330,706	415,479	337,811	292,805	304,190	309,723	276,391	170,643	243,829	226,232	164,284
Trust Ratio	1.35	1.14	1.18	1.13	1.15	1.16	1.17	1.14	1.09	1.14	1.11	1.09
2008 Accounts	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Key checking Trust	212,266	303,486	404,922	102,362	416,216	358,038	444,175	357,872	612,824	420,155	327,309	257,650
McDonalds Investment	399,603	200,708	309,998	501,456	201,833	451,198	202,709					
Accounts Receivable	1,277,743	1,233,880	1,266,124	1,295,350	1,449,719	1,268,311	1,071,002	1,292,723	961,712	869,741	922,456	707,692
Carrier Payables	1,747,807	1,597,208	1,815,196	1,731,792	1,856,305	1,853,864	1,534,253	1,528,592	1,539,176	1,208,747	1,219,542	959,517
Over/Short	141,805	140,866	156,848	167,376	211,463	223,683	183,633	122,003	35,360	81,149	30,223	5,825
Trust Ratio	1.08	1.09	1.09	1.10	1.11	1.12	1.12	1.08	1.02	1.07	1.02	1.01
2009 Accounts	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Key checking Trust	226,256	286,527	162,001	(53,905)	(13,697)	418,267	256,612	195,754	242,570	125,768	70,916	86,608
Accounts Receivable	792,360	778,913	819,635	776,465	872,677	764,897	675,080	585,838	503,757	532,000	217,802	132,948
Carrier Payables	997,510	1,059,789	1,001,775	1,084,774	1,161,914	1,148,995	935,084	808,572	788,992	703,335	360,174	254,860
Less commissions											20,473	
Over/Short	21,106	5,651	(20,139)	(362,214)	(302,934)	34,169	(3,392)	(26,980)	(42,665)	(45,567)	(71,456)	(35,304)
Trust Ratio	1.02	1.01	0.98	0.67	0.74	1.03	1.00	0.97	0.95	0.94	0.80	0.86
2010 Accounts	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Key checking Trust	27,493	40,073	32,919	87,375	147,639	181,898	133,377	145,420	120,140	131,163	167,537	
Accounts Receivable	93,400	52,830	125,115	158,732	176,337	161,832	153,393	98,852	99,136	118,262	157,515	0
Carrier Payables	136,292	48,964	116,994	202,496	276,940	302,736	239,519	229,198	176,200	196,735	286,122	0
Over/Short	(15,399)	43,939	41,040	43,611	47,036	40,994	47,251	15,074	43,076	52,690	38,930	0
Trust Ratio	0.89	1.90	1.35	1.22	1.17	1.14	1.20	1.07	1.24	1.27	1.14	

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In-Trust Calculations												
2007 Accounts	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Key checking Trust	226,773	(46,721)	55,251	423,532	486,519	260,154	538,594	159,894	150,878	331,185	147,137	305,509
McDonalds Investment	968,170	1,118,170	920,858	876,721	463,022	716,984	489,436	641,639	743,381	495,501	697,162	199,603
Accounts Receivable	1,537,761	1,586,363	1,804,295	1,687,330	1,274,936	1,283,654	1,151,499	1,473,352	1,215,002	1,131,367	1,376,295	1,469,289
Carrier Payables	2,021,221	2,327,106	2,364,925	2,649,772	1,931,672	1,956,602	1,869,806	1,998,494	1,938,618	1,714,224	1,994,362	1,810,117
Taxes Payable	405,011	103,193	132,563	149,822	169,118	192,591	208,053	231,021	249,644	271,453	281,356	296,120
Over/Short	306,472	227,513	282,916	187,989	123,687	111,599	101,670	45,370	(79,001)	(27,624)	(55,124)	(131,836)
Trust Ratio	1.13	1.09	1.11	1.07	1.06	1.05	1.05	1.02	0.96	0.99	0.98	0.94
Impact of Taxes in Trust Error	25,000	25,000	25,000	25,000	25,000	25,000	25,000	90,000	90,000	90,000	130,000	205,000
Impact of BofA to Key Transfer Error	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Over/Short (Revised)	481,472	402,513	457,916	362,989	298,687	286,599	276,670	285,370	160,999	212,376	224,876	223,164
Trust Ratio -- Factoring in Errors	1.20	1.17	1.18	1.13	1.14	1.13	1.13	1.13	1.07	1.11	1.10	1.11
2008 Accounts	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Key checking Trust	212,266	303,486	404,922	102,362	416,216	358,038	444,175	357,872	612,824	420,155	327,309	257,650
McDonalds Investment	399,603	200,708	300,998	501,456	201,833	451,198	202,709					
Accounts Receivable	1,277,743	1,233,880	1,266,124	1,295,350	1,449,719	1,268,311	1,071,002	1,292,723	961,712	869,741	922,456	707,692
Carrier Payables	1,747,807	1,597,208	1,815,196	1,731,792	1,856,305	1,853,864	1,534,253	1,528,592	1,539,176	1,208,747	1,219,542	959,517
Taxes Payable	305,888	47,085	67,955	84,797	103,367	119,958	128,692	136,402	149,477	161,523	166,980	177,462
Over/Short	(164,083)	93,781	88,893	82,579	108,096	103,725	54,941	(14,399)	(114,117)	(80,374)	(136,757)	(171,637)
Trust Ratio	0.92	1.06	1.05	1.05	1.06	1.05	1.03	0.99	0.93	0.94	0.90	0.85
Impact of Taxes in Trust Error	230,000	(21,119)	(11,119)	(11,119)	(11,119)	(11,119)	(11,119)	88,881	88,881	88,881	128,881	128,881
Impact of BofA to Key Transfer Error	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Over/Short (Revised)	215,917	222,662	227,774	221,460	246,977	242,606	193,822	224,482	124,764	158,507	142,124	107,244
Trust Ratio -- Factoring in Errors	1.11	1.14	1.12	1.12	1.13	1.12	1.12	1.13	1.07	1.12	1.10	1.09

In-Trust Calculations												
2009 Accounts	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Key checking Trust	226,256	286,527	162,001	(53,905)	(13,697)	418,267	256,612	195,754	242,570	125,768	70,916	86,608
Accounts Receivable	792,360	778,913	819,635	776,465	872,677	764,897	675,080	585,838	503,757	532,000	217,802	132,948
Carrier Payables	997,510	1,059,789	1,001,775	1,084,774	1,161,914	1,148,995	935,084	808,572	788,992	703,335	360,174	254,860
Taxes Payable	187,652	182,689	196,244	67,406	86,097	96,882	99,118	104,941	114,082	115,666	110,988	113,091
Over/Short	(166,546)	(177,038)	(216,383)	(429,620)	(389,031)	(62,713)	(102,510)	(131,921)	(156,747)	(161,233)	(182,444)	(148,395)
Trust Ratio	0.86	0.86	0.82	0.63	0.69	0.95	0.90	0.86	0.83	0.80	0.61	0.60
Impact of BofA to Key Transfer Error	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	78,000
Impact of Taxes in Trust Error	138,881	138,881	163,881	18,812	18,812	28,812	28,812	53,812	53,812	55,812	55,812	55,812
Over/Short (Revised)	122,335	111,843	97,498	(260,808)	(220,219)	116,099	76,302	71,891	47,065	44,579		
Trust Ratio -- Factoring in Errors	1.10	1.09	1.08	0.77	0.82	1.09	1.07	1.08	1.05	1.05	1.05	0.96
2010 Accounts	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Key checking Trust	27,493	40,073	32,919	87,375	147,639	181,898	133,377	145,420	120,140	131,163		
Accounts Receivable	93,400	52,830	125,115	158,732	176,337	161,832	153,393	98,852	99,136	118,262		
Carrier Payables	136,292	48,964	116,994	202,496	276,940	302,736	239,519	229,198	176,200	196,735		
Taxes Payable	109,742	100,044	103,518	107,005	112,950	115,882	120,452	121,142	123,416	127,554		
Over/Short	(125,141)	(56,105)	(62,478)	(63,394)	(65,914)	(74,888)	(73,201)	(106,068)	(80,340)	(74,864)		
Trust Ratio	0.49	0.62	0.72	0.80	0.83	0.82	0.80	0.70	0.73	0.77		
Impact of BofA to Key Transfer Error												
Impact of Taxes in Trust Error	138,881	138,881	163,881	18,812	18,812	28,812	28,812	53,812	53,812	55,812		
Over/Short (Revised)	13,740	82,776	101,403	(44,582)	(47,102)	(46,076)	(44,389)	(52,256)	(26,528)	(19,052)		
Trust Ratio -- Factoring in Errors	1.06	1.56	1.46	0.86	0.88	0.89	0.88	0.85	0.91	0.94		

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Bill Tanner

From: Bill Tanner [btanner@surpluslines.com]
Sent: Sunday, November 14, 2010 12:00 PM
To: 'Sally Cabbell'
Cc: 'Linda Tanner'
Subject: AK Premium Taxes

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
 ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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BULLETIN 94-09

TO: ALL ALASKA LICENSED PRODUCERS

RE: PREMIUM TRUST MONEY ACCOUNT REGULATIONS

Regulations for premium trust money accounts were initially adopted in August of 1990. Revisions of the regulations were adopted in June 1994. Following are several items of clarification regarding use of trust money accounts in compliance with Alaska statute and regulations. These comments are in response to questions and concerns raised as to the proper use of premium trust accounts.

Commingling of Funds in the Trust Money Account

A producer may leave a fund in the trust money account for purposes listed in AS 21.27.360(d):

A licensee may only commingle premium taxes and fees, premiums, and return premiums with additional money for the purpose of advancing premiums, establishing reserves for the payment of return premiums or reserves for receiving and transmitting premium or return premium money. Money collected for the payment of premium taxes, policy or filing fees, late payment charges, and interest from fiduciary money on deposit may be commingled in a fiduciary account, but ~~it~~ shall be separately accounted for and periodically removed from the fiduciary account.

It is not required that earned commission be removed from the trust money account. Commissions retained in the account are considered additions to reserve funds. The monies left in the account, however, can only be used for advancing premium or payment of return premium or service charges deducted directly from the account and

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EXHIBIT G

any other use of the reserve funds is not allowed. If the producer chooses to maintain reserves in the account, the aggregate reserve would be a category listed on a reconciliation of the total of the trust account to make it clear reserve monies belong to the producer and not to insurers or insureds. See Record Keeping and Reconciliation of Trust Money Account later in this Bulletin.

AS 21.27.360(d).requires the periodic removal of interest and late payment charges remaining in the account. This is to avoid the accumulation of large reserve funds in the trust money account. Because the purpose of the trust money account is to hold premium or return premium until forwarded to the insurer or insured, the reserve funds should not become so large as to be a major portion of the money held in the account. In addition, it is not appropriate to hide income (commissions earned or other income) in the trust account to avoid attachment by others under the exemption of 3 AAC 23.720.

Earned Commission

When the contract between a producer and an insurer specifies when commission is earned by the producer (transferred to the producer's use), contract language shall supersede the requirements of 3 AAC 23.620.

If there is no contract language stating when commission is earned, the regulations require that commissions can be earned no earlier than the date on which both

- 1) funds are received by the producer, and
- 2) insurance coverage is bound.

For example, if the contract between the producer and the insurer stated that commissions can be transferred to the producer at the time funds are received, the commissions for policies with that insurer may be removed from the trust money account at that time. If the contract between the producer and the insurer is silent as to when commissions are earned or transferred, the requirements of 3 AAC 23.620 would apply such that commissions are earned after the premiums are received and the coverage is bound. This, however, does not change the requirement that on cancellation of an unexpired policy appropriate unearned commission must be added to unearned premium and returned to the client. This returned commission must come from the producer's funds.

With these changes in 3 AAC 23.620, the producer may take commission any time after the two conditions are met. The producer may find, however, that the agency accounting system provides better internal control and record keeping if commissions are not taken or "earned" until the settlement date of the account current. In any case, the producer must be able to show a division examiner the system for determining when commissions are earned and provide documentation to show that only proper amounts of commission have been removed from the premium trust account or transferred to reserves in the account.

The last sentence of 3 AAC 23.620 clarifies that if the producer's funds are in the premium trust account for advance payment of a specific premium to the insurer (prior to receipt of payment from the client), any amount appropriately considered commission could be removed from the premium trust account immediately. This is allowed because the funds representing commission in the transaction are considered funds of the producer at all times.

Record Keeping and Reconciliation of Trust Money Account

3 AAC 23.520 and 3 AAC 23.530 discuss record keeping requirements of Alaska producers. 3 AAC 23.520 specifies that a system of control accounts and subsidiary ledgers is required for accounts receivable, accounts payable, and the trust money account. The level of detail required in the accounting system for the trust money account is stated in 3 AAC 23.520(b)(1) so as to allow:

"the ready identification of the dollar amount, by category, of the money comprising the balance of a control account."

The reference to category in this phrase can be no more detailed than those categories required in Alaska Statute (AS). Specifically AS 21.27.360 refers to premiums, return premiums, premium taxes and fees, and money for the purpose of advancing premium or payment of return premiums or service charges, policy or filing fees, late payment charges, or interest. The broad categories are 1) money for the payment of premium to insurers, 2) money for the payment of return premium to insureds, 3) money for the payment of taxes or fees to third parties, and 4) money owned by the producer held in the trust account as reserves.

3 AAC 23.520 requires reconciliation of the amounts by category with the total balance in the account (bank statement account balance and general ledger account balance). The method by which the producer determines the amount by category is a business decision made by the producer after considering business volume and the accounting system. The amounts by category must have support in the accounting records. To complete the reconciliation, it is not required that the licensee use the "specific item method" of accounting (the accumulation of separate trust money receipts in a separate tracking system). Any other procedure which is reliable and accurate for determining the amounts by category on a periodic basis is acceptable. 3 AAC 23.520(c)(2), however, does require that each receipt of premium trust funds be entered into the accounting system as a separate transaction.

To show compliance with 3 AAC 23.520, the producer must be able to explain the movement of trust fund transactions through the accounting system. The explanation must go from documents in the insured file to accounts receivable (if applicable) to payment of premium to the insurer, and include the flow of any other items which may affect the balance of the trust account. The producer must also be able to explain the calculation of the amounts by category on the reconciliation. The reconciliation of the trust account must be completed periodically which is defined in 3 AAC 23.730 as a frequency occurring as often as internal financial statements are prepared. We

recommend preparation of reconciliations monthly so that errors discovered in the records are corrected on a timely basis.

Advancing of Funds to Pay Premium

Changes to 3 AAC 23.250 and 3 AAC 23.650 will allow the advancing of premium by the producer without a signed premium finance agreement only if:

- (1) the extension of credit to pay premium is on a zero interest cost to the insured, with no service charge representing income to the licensee or expense to the insured, however, a late fee in keeping with the standard late fee charged by the licensee may be collected; and
- (2) the insured is notified within 30 days after the extension of credit of the amount of credit extended and for what purpose.

If the licensee chooses to forward premium without a premium finance agreement, the licensee must take the risk of extending credit or loaning funds. If notified by the insured that the insurance was not desired, the producer must reverse the extension of credit from the insured's records effective to the date the credit was extended.

The notice to the insured of the extension of credit must clearly state the amount of premium when the loan or extension of credit was made and for what specific policies. The amount should be broken down by policy if more than one policy was involved. The notice may be made on a monthly statement to the client or by separate notification as long as it is done within 30 days after the advance of premium through a loan or extension of credit.

The category of reserve funds held in the trust money account for the purpose of forwarding premium may be used for the payment of premiums to the insurer when the insured has not yet paid. Funds held in the account belonging to insureds cannot be used to forward premium for a different insured who has not paid regardless of the size of the trust money account.

Application of Refunds to Amounts Due

Changes in 3 AAC 23.680 will allow the use of refunds to offset other amounts due from the same insured. However, the insured must be notified of the application of refund within the 45-day period for processing of refunds in 3 AAC 23.600. This does not allow the holding of refunds beyond the 45-day period without returning the money to the insured or sending written notice specifying how the refund was used.

This bulletin has been issued to answer questions regarding the use of fiduciary accounts to hold premium as required in Alaska statute. This is not a restatement of all of the regulations on this subject and all producers are encouraged to become familiar with the regulations as published. The program of examination of trust money accounts

conducted by the Division of Insurance will continue in the future to evaluate compliance with AS 21.27.350, AS 21.27.360, and 3 AAC 23.500 to 3 AAC 23.730.

Signed this 9th day of September, 1994


David J. Walsh, Director

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Emergency Backup Email: anchorbayinsurance@gmail.com
Web Site: <http://SurplusLines.com>

Visit our Environmental home page at

<http://www.surpluslines.com/products/environmental.asp>

...for a description of the environmental coverages that we offer and for direct links to more than three dozen Environmental Applications. And coming soon: direct links to more than 100 company-specific environmental applications too!

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ANCHOR BAY INS MANAGERS INC
 10049 KITSAP MALL BLVD STE 303
 SILVERDALE WA 98383

Separate Premium Account
 Summary

10/2 ANCHOR B
 10049 KITS
 Marianne Azevedo, Inve: SILVERDA
 SILVERDA

360-613-5455

360-613-54

	Sep-10	Aug-10	Jul-10	Jun-10	May-10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09
Separate Premium Acct Checking #1	120140	145420	133377	181898	147639	87375	32919	40073	27493	86608	70916
Separate Premium Acct Checking #2											
Separate Premium Acct Savings											
Separate Premium Acct Money Market											
Accounts Receivable	96,588	96,304	150,845	161,832	176,337	156,184	122,567	50,282	93,400	132,948	217,582
Less: Commissions 11.5%	-11,108	-11,075	-17,347	-18,611	-20,279	-17,961	-14,095	-5,782	-10,741	-15,289	-25,022
Less: Accounts over 90 days old											
Total	\$ 205,620	\$ 230,649	\$ 266,875	\$ 325,119	\$ 303,697	\$ 225,598	\$ 141,391	\$ 84,573	\$ 110,152	\$ 204,267	\$ 263,476
Payable to Surplus Lines taxes	-123115	-120841	-120151	-115882	-112950	-106704	-103217	-99743	-109441	-113091	-110688
Payable to Insurers	-190870	-227863	-238184	-302736	-276940	-202505	-117003	-48974	-136301	-254860	-360183
NET DIFFERENCE	\$ (108,365)	\$ (118,055)	\$ (91,460)	\$ (93,499)	\$ (86,193)	\$ (83,611)	\$ (78,829)	\$ (64,144)	\$ (135,590)	\$ (163,684)	\$ (207,395)

ANCHOR BAY INS MANAGERS INC
 10049 KITSAP MALL BLVD STE 303
 SILVERDALE WA 98383

360-613-5455

Separate Premium Account
 Summary

ANCHOR BAY INS MAN,
 10049 KITSAP MALL BL
 SILVERDALE WA 98383
 Marianne Azevedo

360-613-5455

Nov-09	Oct-09	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	12-08	11-08	10-08	9-08	8-08
70916	125768	242570	195754	256612	418267	-13697	-53905	162001	286527	226256	257650	327309	420155	612824	357872
217,582	531,780	503,537	585,619	674,860	764,677	872,457	776,245	819,415	778,693	792,140	707,472	922,236	869,521	961,492	1,292,503
-25,022	-61,155	-57,907	-67,346	-77,609	-87,938	-100,333	-89,268	-94,233	-89,550	-91,096	-81,359	-106,057	-99,995	-110,572	-148,638
263,476	\$ 596,393	\$ 688,200	\$ 714,027	\$ 853,863	\$ 1,095,006	\$ 758,427	\$ 633,072	\$ 887,183	\$ 975,670	\$ 927,300	\$ 883,763	\$ 1,143,488	\$ 1,189,681	\$ 1,463,744	\$ 1,501,737
-110688	-115366	-113782	-104641	-98817	-96581	-85796	-1084783	-195943	-182388	-187351	-177161	-166679	-161222	-149176	-136107
-360183	-703344	-789001	-808582	-935093	-1149004	-1161923	-67105	-1001784	-1059798	-997519	-959526	-1219551	-120756	-1539185	-1528607
(207,395)	\$ (222,317)	\$ (214,583)	\$ (199,196)	\$ (180,047)	\$ (150,579)	\$ (489,292)	\$ (518,816)	\$ (310,544)	\$ (266,516)	\$ (257,570)	\$ (252,924)	\$ (242,742)	\$ 907,703	\$ (224,617)	\$ (162,965)

INS MANAGERS INC
 MALL BLVD STE 303
 WA 98383

Separate Premium Account
 Summary

ANCHOR BAY INS MANAGERS INC
 10049 KITSAP MALL BLVD STE 303
 SILVERDALE WA 98383
 Marianne Azevedo,

360-613-5455

8-08	7-08	6-08	5-08	4-08	3-08	2-08	1-08	12-07	11-07	10-07	9-07	8-07	7-07	6-07
357872	444175	358038	416216	102362	404922	303486	212266	305509	147137	331185	150878	159894	538594	260154
1,292,503	1,070,782	1,268,091	1,449,499	1,295,130	1,265,904	1,233,660	1,277,523	1,469,069	1,376,072	1,131,147	1,214,782	1,473,132	1,151,279	1,283,434
-148,638	-123,140	-145,830	-166,692	-148,940	-145,579	-141,871	-146,915	-168,943	-158,248	-130,082	-139,700	-169,410	-132,397	-147,595
1,501,737	\$ 1,391,817	\$ 1,480,299	\$ 1,699,023	\$1,248,552	\$ 1,525,247	\$ 1,395,275	\$ 1,342,874	\$ 1,605,635	\$ 1,364,961	\$ 1,332,250	\$ 1,225,960	\$ 1,463,616	\$ 1,557,476	\$ 1,395,993
-136101	-128391	-119657	-103066	-84497	-67654	-46785	-305587	-295820	-281056	-271152	-249343	-230721	-207753	-192290
-1528601	-1534262	-1853873	-1856314	-1731801	-1815205	-1597217	-1747816	-1810126	-1994371	-1714234	-1938627	-1988503	-1860815	-1956611
(162,965)	\$ (270,836)	\$ (493,231)	\$ (260,357)	\$ (567,746)	\$ (357,612)	\$ (248,727)	\$ (710,529)	\$ (500,311)	\$ (910,466)	\$ (653,136)	\$ (962,010)	\$ (755,608)	\$ (520,092)	\$ (752,908)

ANCHOR BAY INS MANAGERS INC
 10049 KITSAP MALL BLVD STE 303
 SILVERDALE WA 98383

Separate Premium Account
 Summary

10/21/2010

Marianne Azevedo, Investigator

360-613-5455

	8-07	7-07	6-07	5-07	4-07	3-07	2-07	1-07						
07														
50878	159894	538594	260154	486519	423532	55251	46721	226773	0	0	0	0	0	0
14,782	1,473,132	1,151,279	1,283,434	1,274,716	1,687,110	1,804,075	1,572,889	1,524,288	0	0	0	0	0	0
39,700	-169,410	-132,397	-147,595	-146,592	-194,018	-207,469	-180,882	-175,293	0	0	0	0	0	0
5,960	\$ 1,463,616	\$ 1,557,476	\$ 1,395,993	\$ 1,614,643	\$ 1,916,624	\$ 1,651,857	\$ 1,438,728	\$ 1,575,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49343	-230721	-207753	-192290	-168818	-149521	-132263	-102893	-404711	0	0	0	0	0	0
138627	-1988503	-1869815	-1956611	-1931681	-2649781	-2364934	-2339298	-2033413	0	0	0	0	0	0
2,010	\$ (755,608)	\$ (520,092)	\$ (752,908)	\$ (485,856)	\$ (882,678)	\$ (845,340)	\$ (1,003,463)	\$ (862,356)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

✓26

Sally Cabbell

From: Richards,Emily [emilyrichards@vertafore.com]
Sent: Thursday, December 30, 2010 2:02 PM
To: scabbell@surpluslines.com
Subject: How income posts in AMS360

Hi Sally,

As you requested in our phone call, here is the email follow up regarding how income posts in AMS360.

When an invoice is posted in the system, the transactions included in that invoice post to their appropriate general ledger income account. For example, commission resulting from premium posts to a commission income account, agency fees post to an agency fee income account, etc. You are not able to lump these accounts together. They will always post to their respective accounts.

Please let me know if you need any other information on this subject.

Thank you!

Vertafore
Unleash your potential

Emily Richards
Product Support Representative
Agency Markets

emilyrichards@vertafore.com

11724 NE 195th Street, Bothell, WA 98011
T 800 444 4813 ext. 6388 | F 866 823 2508
vertafore.com

1/19/2011

Bill Tanner

From: Sally Cabbell [scabbell@surpluslines.com]
Sent: Friday, October 22, 2010 4:22 PM
To: maryt@oic.wa.gov; marianna@oic.wa.gov
Cc: 'Bill Tanner'
Subject: Separate Premium Account Summary

Hello again,

As you observed today, Bill and I were taken aback at the large "out of trust" numbers on the spreadsheet. Even using our old logic of not including taxes in the formula, it seemed impossible that we could have been that far off. So, I immediately went to review the data I use to calculate trust ratio vis a vis what you (Mariann) had entered to find out if there was a significant flaw in our accounting system or if I had just gone insane. I found three problems which explain much and will require an amendment to your spreadsheet.

1. The investment account was not included as part of the cash on hand. Mary, you and I discussed the fact that we had an investment account where I put Trust monies to earn interest. We had that account for a few years until our business declined to the point where it was not worthwhile. That makes a tremendous difference as that adds between \$200,000 to over \$1,000,000 to each month from January 07 through July of 08. Those investments are listed on the balance sheet as McDonalds Investment. You will see that we were in trust some months and when out, by a significantly smaller amount than your spreadsheet suggests.
2. We found several keying errors from the balance sheets that have an impact on the numbers, albeit not in our favor, but we wanted you to know why they have changed. I have highlighted those errors on the spreadsheet I am sending.
3. There is a difference between the balance sheet payables and receivables and the aging report payables and receivables. There shouldn't be, but there are. Those differences are included on the spreadsheet as well. I will contact the software company to investigate why the same system should deliver two different numbers and why there is a pattern to the variances. The good news is that most of the variances are not significant enough to make much difference. Until I get the system trued up, I will, use both the balance sheet and the aging detail and calculate the trust factor both ways to assure we stay "in trust".

I have sent, by separate email, a spreadsheet detailing the errors and differences as it is large and may end up in your spam folder. I wanted you to know it is coming and am pretty sure this email will not go to spam. Please confirm that you received the spreadsheet.

It is a lot of data to review, so please let me know if you have any questions.

Thank you,
Sally

Sally Cabbell
Chief Financial Officer
Anchor Bay Insurance Managers, Inc.
PO Box 2510
Silverdale, WA 98383
Phone: (800) 929-9560 Ext: 242
Fax: (800) 929-9794

Email: scabbell@surpluslines.com
Web Site: <http://SurplusLines.com>

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Obvious Problems with the OIC's Trust Calculations

There are several problems with the content of Exhibit 17. Among them are the following:

- According to Ms. Azevedo's spreadsheet, we finished February of 2007, \$1,003,463 out of trust, and we finished February of 2008, \$248,727 out of trust. That's an improvement of more than \$750,000 in our trust position. Yet elsewhere, Ms. Tunis indicates that we lost \$273,474.05 in 2007.

Obviously, in the absence of some extraordinary event, one does not improve his trust position by more than three quarters of a million dollars in roughly the same time frame in which he loses more than a quarter million dollars. Yet Ms. Tunis never addressed that anomaly.

- In the two year period of January of 2007 through December 2008, according to Ms. Tunis' report, we lost more than 70% of our business and almost a half a million dollars – and yet according to Ms. Azevedo's spreadsheet, we improved our trust position by over \$600,000. Ms. Tunis never addressed that anomaly either.

- I draw your attention to September through November of 2008. As you can see, in one month's time, our trust position improved from allegedly being out of trust by \$224,617 to being in trust by \$907,703. That's a one month improvement in our trust position of \$1,132,320. And then the next month, we gave it all back. Now, in fact, this anomaly was the result of a typo which Ms. Azevedo later fixed – after we raised issues about the spreadsheet and after the Order was issued.

But at the time that Ms. Tunis wrote her preliminary report, the report on which the Order was based, the \$1.1 million dollar error was still in the spreadsheet and the anomaly was obvious. Yet she never addressed it.

- The trust calculation spreadsheet shows us improving our trust position by roughly \$450,000 between January and February of 2008 – and yet our total retained commission and fee income that month was \$127,000 – before expenses. There were numerous similar situations where one month deviations could not be explained by the income generated in the period. And again, Ms. Tunis never addressed any of them.
- Just look at it top level. Logically, absent an extraordinary event, how could we possibly still be in business today when, according to Ms. Tunis, we finished January 2007 more than \$862,000 out of trust and then lost almost a half million dollars in the next two years?

- For that matter, if we were over \$1 mil out of trust, then I would have had to have removed a lot more than premium taxes from the trust account. I would have had to have raided at least \$600,000, and perhaps as much as \$800,000, of premiums and return premiums from the account as well.

In her report, she goes on for a page and a half about how we didn't keep premium taxes in the trust account. And yet, nowhere in her notes, nowhere in her reports, nowhere in the Order itself, can I find a single reference to the far more serious issue of our having raided the trust account of more than \$600,000 in premiums.

It is absurd on its face that we could engage in thievery on such a grand scale without getting caught. Our carriers would have yanked our appointments and the OIC would have been inundated with complaints from both carriers and Insureds alike. And yet OIC had exactly zero such complaints. Another unexplored anomaly.

Bill Tanner

From: OIC Taxes [Taxes@OIC.WA.GOV]
Sent: Tuesday, April 06, 2010 10:38 AM
To: Bill Tanner
Subject: RE: Premium taxes for Anchor Bay Insurance Managers Inc, WAOIC# 168179
Follow Up Flag: Follow up
Flag Status: Blue

Bill,

This is an unusual situation; I will have to work with licensing to determine how to proceed. I will let you know what we determine.

Kriscinda

Kriscinda Hansen | Budget Analyst II | WA Office of Insurance Commissioner | 360.725.7032
Please think about the environment before printing this message.

Please visit <https://fortress.wa.gov/oic/onlineServices/Login.aspx?module=TAX> for access to E-Tax.

From: Bill Tanner [mailto:btanner@surpluslines.com]
Sent: Tue 04/06/10 10:26 AM
To: OIC Taxes
Subject: RE: Premium taxes for Anchor Bay Insurance Managers Inc, WAOIC# 168179

Kriscinda:

Sally forwarded your email to me.

Regrettably, we do not have the ability to pay the taxes at this time and do not expect to have that ability until sometime in the last quarter of the year. At that point, we will receive both a profit sharing check and the final installment on the sale of much of our book of business to Hull and will be able to make full payment -- including penalties. Or at least we will if we are allowed to continue to operate until that time.

What do we do now?

Bill

William H. Tanner, CPCU, AU, ASLI, CISC
President / Owner

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Silverdale, WA 98383
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From: OIC Taxes [mailto:Taxes@OIC.WA.GOV]
Sent: Monday, April 05, 2010 1:26 PM
To: scabbell@surpluslines.com
Subject: Premium taxes for Anchor Bay Insurance Managers Inc, WAOIC# 168179
Importance: High

Good afternoon,

The Washington State Office of Insurance Commissioner has not yet received your 2009 premium tax payment of \$89,325, which was due March 1, 2010. Additionally, there is a penalty of \$4,466 due. Please login to E-Tax to retrieve your invoices and remit payment as soon as possible to avoid further penalties.

Regards,

Kriscinda Hansen | Budget Analyst II | WA Office of Insurance Commissioner | 360.725.7032
Please think about the environment before printing this message.

Please visit <https://fortress.wa.gov/oic/onlineservices/Login.aspx?module=TAX> for access to E-Tax.

Bill Tanner

From: Hansen, Kriscinda (OIC) [KriscindaH@OIC.WA.GOV] on behalf of OIC Taxes [Taxes@OIC.WA.GOV]
Sent: Monday, March 08, 2010 3:39 PM
To: Bill Tanner
Subject: RE: Anchor Bay Insurance Managers
Follow Up Flag: Follow up
Flag Status: Blue

Thanks Bill!

I looked at the statute before I responded, and it says the Commissioner may revoke, suspend or refuse to renew a license as long as there are taxes due. Taxes and fines may be collected by distraint, or by an auction instituted by the Commissioner. Those are things the Commissioner can do; I would have to ask, but I would think there are intermediate steps.

If you are not able to pay the taxes in full by the end of the month, please let me know and I will research to find out options.

Kriscinda

Kriscinda Hansen | Budget Analyst II | WA Office of Insurance Commissioner | 360.725.7032
Please think about the environment before printing this message.

From: Bill Tanner [mailto:btanner@surpluslines.com]
Sent: Monday, March 08, 2010 2:46 PM
To: OIC Taxes
Subject: RE: Anchor Bay Insurance Managers

Kriscinda:

I love your name by the way...

Just out of curiosity, what would happen if we just couldn't pay? I've never been late on taxes before -- of any kind -- so I'm not really sure what would happen? Would I end up in jail? At what point would the state shut down the business? I can see everything from allowing me to sell the book off and paying you out of proceeds to shutting me down and selling it yourselves -- and paying me the remainder.

I've just never heard of the subject coming up.

Thanks...

Bill

William H. Tanner, CPCU, AU, ASLI, CISC
President / Owner

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1/19/2011

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Environmental home page at

<http://www.surpluslines.com/products/environmental.asp>

Description of the environmental coverages that we offer and for direct links to more than three dozen environmental Applications. And coming soon: direct links to more than 100 company-specific environmental links too!

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From: Hansen, Kriscinda (OIC) [mailto:KrisCindaH@OIC.WA.GOV] **On Behalf Of** OIC Taxes
Sent: Monday, March 08, 2010 2:40 PM
To: Bill Tanner
Subject: RE: Anchor Bay Insurance Managers

Thanks Bill. Sorry there's not more we can do.

Kriscinda

Kriscinda Hansen | Budget Analyst II | WA Office of Insurance Commissioner | 360.725.7032
Please think about the environment before printing this message.

From: Bill Tanner [mailto:btanner@surpluslines.com]
Sent: Monday, March 08, 2010 2:37 PM
To: OIC Taxes
Subject: RE: Anchor Bay Insurance Managers

We will try to make payment by the end of the month -- whether or not we can depends upon the size of a profit sharing check that we are expecting in a couple of weeks.

Thanks and regards,

Bill

William H. Tanner, CPCU, AU, ASLI, CISC
President / Owner

1/19/2011

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From: Hansen, Kriscinda (OIC) [mailto:KrisindaH@OIC.WA.GOV] **On Behalf Of** OIC Taxes
Sent: Monday, March 08, 2010 2:05 PM
To: Bill Tanner
Subject: Anchor Bay Insurance Managers

Good afternoon,

Unfortunately, our statutes do not have any provisions for extensions on filing or payment due. Payments not made by March 31 are subject to 5% penalties on the balance due; it is another 5% if not paid by April 15 and a final 10% for any payments not made by April 30. According to the reporting from the Surplus Line Association, your taxes due are \$89,325. Please file your return using E-Tax. Please let me know if I may be of further assistance.

Regards,
Krisinda

Krisinda Hansen | Budget Analyst II | WA Office of Insurance Commissioner | 360.725.7032
Please think about the environment before printing this message.

From: Bill Tanner [mailto:btanner@surpluslines.com]
Sent: Monday, March 08, 2010 11:07 AM

1/19/2011

To: OIC Taxes

Subject: RE: Are you still there?

We encountered a problem that we didn't expect and basically cannot pay the taxes at this time. We owe approximately \$105,000. I'm hoping that there is a way of making some arrangements to pay this over time -- something like paying \$5,000 a month with a balloon payment at the end or... you tell me. Beggars can't be choosers, if you know what I mean.

This was a one time accounting error that has been fixed and won't be repeated. Unfortunately, it comes at a time where, between the economy and the soft market, it caught us off guard.

Please advise what our options are in this kind of a situation.

Thanks and regards,

Bill

William H. Tanner, CPCU, AU, ASLI, CISC
President / Owner

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PO Box 2510
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From: Hansen, Kriscinda (OIC) [mailto:KrisindaH@OIC.WA.GOV] **On Behalf Of** OIC Taxes
Sent: Monday, March 08, 2010 10:57 AM
To: btanner@surpluslines.com
Subject: RE: Are you still there?

1/19/2011

Good morning Bill,
Ken forwarded your email to me, as I work with premium taxes. What may I do to help you? Please let me know.

Regards,
Kriscinda

Kriscinda Hansen | Budget Analyst II | WA Office of Insurance Commissioner | 360.725.7032
Please think about the environment before printing this message.

From: Combs, Ken (OIC)
Sent: Monday, March 08, 2010 10:55 AM
To: Hansen, Kriscinda (OIC)
Subject: FW: Are you still there?

From: Bill Tanner [mailto:btanner@surpluslines.com]
Sent: Monday, March 08, 2010 9:59 AM
To: Combs, Ken (OIC)
Subject: Are you still there?

Ken:

I heard you were retiring this month so I'm not sure if you are still there or not.

However, I need to set up a meeting with you -- you're office or mine, either way. We have not paid our taxes for last year yet and I need to discuss our options in some detail.

Thanks and regards,

Bill

William H. Tanner, CPCU, AU, ASLI, CISC
President / Owner

Anchor Bay Insurance Managers, Inc.
PO Box 2510
Silverdale, WA 98383
Phone: (800) 929-9560 Ext: 202
Cell: (360) 649-8969
Fax: (800) 929-9794

Email: btanner@surpluslines.com
Emergency Backup Email: anchorbayinsurance@gmail.com
Web Site: <http://SurplusLines.com>

environmental home page at

<http://www.surpluslines.com/products/environmental.asp>

description of the environmental coverages that we offer and for direct links to more than three dozen environmental Applications. And coming soon: direct links to more than 100 company-specific environmental pages too!

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Bill Tanner

From: Brown, Charles (OIC) [CharlesB@OIC.WA.GOV]
Sent: Monday, January 03, 2011 9:30 AM
To: btanner@surpluslines.com
Cc: Tunis, Mary (OIC)
Subject: FW: Anchor Bay - Disclosure Request for Premium Trust Calculations
Attachments: 20101201_085151.pdf

Mr. Tanner,

Although your post hearing request for additional information regarding other audits of other producers is untimely and the information you requested is irrelevant to any issue in this case, here it is. Regarding your "dismay" over the OIC information that is available on line, your attention is invited to the Public Records Act and RCW 42.56.010 which defines a "public record" to include "any writing containing information relating to the conduct of government" that is "prepared, owned, used, or retained" by a state or local agency.

Charles Brown
 OIC Staff Attorney

From: Tunis, Mary (OIC)
Sent: Wednesday, December 01, 2010 9:20 AM
To: Brown, Charles (OIC)
Subject: Anchor Bay - Disclosure Request for Premium Trust Calculations

Chuck,

I have gone back over 10 years searching for the calculations requested. We do not have 12 surplus line producer calculations. I have provided the calculations from other examiners who worked for/with Ken, so that Anchor Bay can have what we can find.

Some facts that may be relevant:

- Many of the examinations performed by the examiners related to captive agents and firms that are virtually 100% direct bill. If the firm did not control the premium trust account, there will not be a calculation in the file.
- There are a couple of examination files that we are still waiting for to be delivered from Archive. [I cannot be sure whether the file contains a calculation or not at this point.] Also, 1 of Ken's examinations was so old it had been destroyed.

I will let you know when we have received the other files from Archive.

Mary E. Tunis, CPA, CFE
 Financial Examiner
 Consumer Protection Division - Licensing
 Office of Insurance Commissioner
 State of Washington
 360-725-7109

1/19/2011

MaryT@oic.wa.gov

From: oicproly30@oic.wa.gov [mailto:oicproly30@oic.wa.gov]

Sent: Wednesday, December 01, 2010 8:52 AM

To: Tunis, Mary (OIC)

Subject: Scanned image from MX-M503N

Brown, Charles (OIC)

35
w/ stats.

From: Tunis, Mary (OIC)
Sent: Wednesday, January 19, 2011 2:01 PM
To: Brown, Charles (OIC)
Subject: FW: STATE OF ALASKA Surplus Line Premiums and Premium Taxes received by licensed Surplus Lines Producers/Agencies
Attachments: Alaska Fiduciary Statute and Regs.docx

From: Glover, Gloria G (CED) [<mailto:gloria.glover@alaska.gov>]
Sent: Tuesday, January 11, 2011 10:00 AM
To: Tunis, Mary (OIC)
Cc: Brunette, Linda A (CED); Nesheim, Rebecca J (CED)
Subject: RE: Surplus Line Premiums and Premium Taxes received by licensed Surplus Lines Producers/Agencies

Dear Ms. Tunis,

Attached is a copy of our statute and regulations regarding the handling of premiums and premium taxes by producer licensees. This is where the requirements come from that we have spoken about before. I will respond to your specific questions below.

Where are the surplus line premium taxes received by the licensed surplus line producer required to be maintained? [Are the premium taxes required to be maintained in the separate account until remitted to the State of Alaska?

The Alaska statute is based on a the producer licensee having fiduciary responsibility over the payments for insurance. Statute specifies that money shall be received by the licensee as a fiduciary and shall be promptly accounted for and paid to the person entitle to the money. In addition the money may not be commingled with other nonfiduciary monies. Included in that fiduciary responsibility is the safeguarding of those funds. The statute and regulation does not specifically require a trust account, however, the fiduciary responsibility would require the segregation, separate accounting, and safeguarding of the funds. This essentially requires a separate account at a bank which could be termed a trust account to hold the insurance payment. The statute requires that monies representing premium taxes and fees, premiums or return premiums are included in the funds that the licensee holds in a fiduciary capacity so premium taxes should be held together with premiums and return premiums in a separate account.

Are the premium taxes collected by the surplus line producer received in a fiduciary capacity?

Yes, as given in AS 21.27.360(b). These statutes apply to the surplus lines producer because the licensing of surplus lines brokers is included in Chapter 27 (21.27.790 - .820). AS 21.27.360 applies to a "licensee" and "licensee" is defined in AS 21.97.900(28) to be a person or firm licensed under AS 21.27.

Please let me know if you have other questions.

Gloria G. Glover, CFE
Chief Financial Examiner
Alaska Division of Insurance

From: Tunis, Mary (OIC) [<mailto:MaryT@oic.wa.gov>]
Sent: Monday, January 10, 2011 3:02 PM
To: Glover, Gloria G (CED)
Subject: Surplus Line Premiums and Premium Taxes received by licensed Surplus Lines Producers/Agencies

Hello Gloria Glover,

I need to confirm in writing the State of Alaska's requirements regarding surplus line premium taxes and the separate premium account.

1. Where are the surplus line premium taxes received by the licensed surplus line producer required to be maintained? [Are the premium taxes required to be maintained in the separate account until remitted to the State of Alaska?
2. Are the premium taxes collected by the surplus line producer received in a fiduciary capacity?

Any relevant statutes or regulations you may be able to provide me would be very helpful.

Thanking you in advance for your assistance,

Mary E. Tunis, CPA, CFE
Financial Examiner
Consumer Protection Division - Licensing
Office of Insurance Commissioner
State of Washington
360-725-7109
MaryT@oic.wa.gov

35 cont'd.

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*** Current through the 2010 Regular Session of the Twenty-Sixth State Legislature ***

*** Annotations current through opinions posted on Lexis.com as of July 15, 2010 ***

TITLE 21. INSURANCE

CHAPTER 27. PRODUCERS, AGENTS, ADMINISTRATORS, BROKERS, ADJUSTERS, AND MANAGERS

ARTICLE 1. LICENSING

Go to the Alaska Code Archive Directory

Alaska Stat. § 21.27.360 (2010)

Sec. 21.27.360. Reporting and accounting for premiums and premium taxes and fees

(a) A licensee involved in the procuring or issuance of an insurance contract shall report to the insurer the exact amount of consideration charged as a premium for the contract. The amount charged shall be shown in the contract and in the records of the licensee.

(b) Except as provided under (h) of this section, all money, except that made payable to the insurer, representing premium taxes and fees, premiums, or return premiums received by the licensee shall be received by the licensee as a **fiduciary** and shall be promptly accounted for and paid to the person entitled to the money. Money held by the licensee as a **fiduciary** may not be commingled or otherwise combined with other money not held by the licensee as a **fiduciary**.

(c) In addition to any other penalty provided by law, a person who the director has determined has acted to divert or appropriate money held as a **fiduciary** for personal use shall be ordered to make restitution and shall be subject to suspension or revocation under [AS 21.27.420](#) -- [21.27.430](#) of all licenses and a civil penalty not to exceed \$ 50,000 for each violation.

(d) A licensee may only commingle premium taxes and fees, premiums, and return premiums with additional money for the purpose of advancing premiums, establishing reserves for the payment of return premiums, or reserves for receiving and transmitting premium or return premium money.

(e) Money held by a licensee as a **fiduciary** may not be treated as a personal asset, as collateral for a personal or business loan, or as a personal asset or income on a financial statement, except that money held by the licensee as a **fiduciary** may be included in a financial statement of the licensee if clearly identified as assets held by the licensee as a **fiduciary**.

(f) This section does not apply to an individual in the firm who acts solely on behalf of a firm that maintains compliance with this section.

(g) *[Repealed, § 223 ch 67 SLA 1992.]*

(h) A licensee who transacts the business of insurance under a motor vehicle rental agency limited producer license under AS 21.27.150(a)(4) is not required to hold money collected from a person for the purchase of rental motor vehicle insurance coverage in a separate **fiduciary** account if

(1) the fees for the rental insurance coverage are itemized and are a part of a rental motor vehicle transaction; and

(2) the insurer has given written consent that the money need not be segregated from other money received by the licensee and the consent is signed by an officer of the insurer.

(i) The director of insurance may adopt regulations to implement, define, and enforce this section.

HISTORY: (§ 1 ch 120 SLA 1966; am §§ 5, 6 ch 149 SLA 1984; am §§ 21, 22 ch 29 SLA 1987; am §§ 36, 37 ch 51 SLA 1990; am §§ 78 -- 82, 223 ch 67 SLA 1992; am § 42 ch 62 SLA 1995; am §§ 1, 2 ch 77 SLA 2001; am §§ 34 -- 39 ch 81 SLA 2001; am § 22 ch 96 SLA 2004)

NOTES: REVISOR'S NOTES. --Subsection (i) was enacted as subsection (h) and relettered in 2001.

CROSS REFERENCES. --For criminal provisions relating to misapplication of property by a **fiduciary**, see AS 11.46.620.

ADMINISTRATIVE CODE. --For **fiduciary** responsibilities of licensees, see 3 AAC 23, art. 4. For bail bonds, see 3 AAC 23, art. 5.

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Insurance Agents & Adjusters

COLLATERAL REFERENCES. --Liability of insurance agent, for exposure of insurer to liability because of failure to fully disclose or assess risk or to report issuance of policy. 35 ALR3d 821.

USER NOTE: For more generally applicable notes, see notes under the first section of this article, chapter or title.

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Data Source: Balance Sheets of
Anchor Bay Insurance Managers Inc.

Separate Account "In/Out of Trust" Calculation
Revised 12/28/10 ~~Includes McDonald Investment Account~~

Rev: Mary Tunis, Financial Examiner
Original: Marianne Azevedo, Investigator

	A	B	C	D	E	F	G	H	I	J
1		2010								
2		Sep-10	Aug-10	Jul-10	Jun-10	May-10	Apr-10	Mar-10	Feb-10	Jan-10
3	Trust Assets:									
4	Separate Premium Acct Checking #1	120,140	145,420	133,377	181,898	147,639	87,375	32,919	40,073	27,493
5	Separate Premium Acct Checking #2									
6	Separate Premium Acct Savings									
7	Separate Premium Acct Money Mkt									
8	Accounts Receivable	96,588	96,304	150,845	161,832	176,337	156,184	122,567	50,282	93,400
9	Less: Commissions 11.5%	(11,108)	(11,075)	(17,347)	(18,611)	(20,279)	(17,961)	(14,095)	(5,782)	(10,741)
10	Less: Accounts over 90 days old									
11	Total Trust Assets	\$ 205,620	\$ 230,649	\$ 266,875	\$ 325,119	\$ 303,697	\$ 225,598	\$ 141,391	\$ 84,573	\$ 110,152
12										
13										
14	Less - Trust Liabilities:									
15	Payable to Surplus Lines taxes	(123,115)	(120,841)	(120,151)	(115,882)	(112,950)	(106,704)	(103,217)	(99,743)	(109,441)
16	Payable to Insurers	(190,870)	(227,863)	(238,184)	(302,736)	(276,940)	(202,505)	(117,003)	(48,974)	(136,301)
17	Total Trust Liabilities	(313,985)	(348,704)	(358,335)	(418,618)	(389,890)	(309,209)	(220,220)	(148,717)	(245,742)
18										
19	NET DIFFERENCE	\$ (108,365)	\$ (118,055)	\$ (91,460)	\$ (93,499)	\$ (86,193)	\$ (83,611)	\$ (78,829)	\$ (64,144)	\$ (135,590)
20										
21	Add: McDonald Investment Account	0	0	0	0	0	0	0	0	0
22	Adjusted Black= "In Trust"; Red= "Out of Trust"	\$ (108,365)	\$ (118,055)	\$ (91,460)	\$ (93,499)	\$ (86,193)	\$ (83,611)	\$ (78,829)	\$ (64,144)	\$ (135,590)
23										
24	Transfers from Trust to Operating Account:									
25	Identified as Premium Taxes [Exhibit #10]:									
26	Other Transfers - 2009 & 2010	(21,847)	(57,672)	(29,140)	(45,882)	(30,540)	(32,572)	(29,284)	0	(35,793)
27	Total transfers from Trust	\$ (21,847)	\$ (57,672)	\$ (29,140)	\$ (45,882)	\$ (30,540)	\$ (32,572)	\$ (29,284)	\$ -	\$ (35,793)
28										
29	Transfers from Operating to Trust:	\$ 19,156							\$ 65,000	\$ 51,000
30										



	A	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH
1	2008												
2		12-08	11-08	10-08	9-08	8-08	7-08	6-08	5-08	4-08	3-08	2-08	1-08
3	Trust Assets:												
4	Separate Premium Acct Checking #1	257,650	327,309	420,155	612,824	357,872	444,175	358,038	416,216	102,362	404,922	303,486	212,266
5	Separate Premium Acct Checking #2												
6	Separate Premium Acct Savings												
7	Separate Premium Acct Money Mkt												
8	Accounts Receivable	707,472	922,236	869,521	961,492	1,292,503	1,070,782	1,268,091	1,449,499	1,295,130	1,265,904	1,233,660	1,277,523
9	Less: Commissions 11.5%	(81,359)	(106,057)	(99,995)	(110,572)	(148,638)	(123,140)	(145,830)	(166,692)	(148,940)	(145,579)	(141,871)	(146,915)
10	Less: Accounts over 90 days old												
11	Total Trust Assets	\$ 883,763	\$ 1,143,488	\$ 1,189,681	\$ 1,463,744	\$ 1,501,737	\$ 1,391,817	\$ 1,480,299	\$ 1,699,023	\$ 1,248,552	\$ 1,525,247	\$ 1,395,275	\$ 1,342,874
12													
13													
14	Less - Trust Liabilities:												
15	Payable to Surplus Lines taxes	(177,161)	(166,679)	(161,222)	(149,176)	(136,101)	(128,391)	(119,657)	(103,066)	(84,497)	(67,654)	(46,785)	(305,587)
16	Payable to Insurers	(959,526)	(1,219,551)	(1,208,756)	(1,539,185)	(1,528,601)	(1,534,262)	(1,853,873)	(1,856,314)	(1,731,801)	(1,815,205)	(1,597,217)	(1,747,816)
17	Total Trust Liabilities	(1,136,687)	(1,386,230)	(1,369,978)	(1,688,361)	(1,664,702)	(1,662,653)	(1,973,530)	(1,959,380)	(1,816,298)	(1,882,859)	(1,644,002)	(2,053,403)
18													
19	NET DIFFERENCE	\$ (252,924)	\$ (242,742)	\$ (180,297)	\$ (224,617)	\$ (162,965)	\$ (270,836)	\$ (493,231)	\$ (260,357)	\$ (567,746)	\$ (357,612)	\$ (248,727)	\$ (710,529)
20													
21	Add: McDonald Investment Account	(245)	(245)	(245)	(245)	(245)	202,710	452,298	201,833	501,457	300,998	200,708	399,603
22	Adjusted Black= "In Trust"; Red= "Out of Trust"	\$ (253,169)	\$ (242,987)	\$ (180,542)	\$ (224,862)	\$ (163,209)	\$ (68,126)	\$ (40,933)	\$ (58,524)	\$ (66,289)	\$ (56,614)	\$ (48,019)	\$ (310,926)
23													
24	Transfers from Trust to Operating Account:												
25	Identified as Premium Taxes [Exhibit #10]:		(40,000)		(100,000)						(10,000)		(25,000)
26	Other Transfers - 2009 & 2010												
27	Total transfers from Trust	\$ -	\$ (40,000)	\$ -	\$ (100,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	\$ -	\$ (25,000)
28													
29	Transfers from Operating to Trust:												
30													
31													



