Build America Mutual Assurance Company

Statutory Financial Statements and Schedules

For the years ended December 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

To the Board of Directors of Build America Mutual Assurance Company:

We have audited the accompanying statutory financial statements of Build America Mutual Assurance Company, which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2015 and December 31, 2014, and the related statutory statements of operations and changes in capital and surplus, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2015 and December 31, 2014 or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2015 and December 31, 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 1.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The supplemental "schedule of investments, schedule of investment risk interrogatories and schedule of reinsurance disclosures" (collectively, the "supplemental schedules") of the Company as of December 31, 2015 and for the year then ended are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the statutory-basis financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, NY
February 19, 2016

Build America Mutual Assurance Company

Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus

	As of December 31, 2015	As of December 31, 2014
ADMITTED ASSETS		
Bonds	$ 418,087,506	$ 420,892,608
Cash, cash equivalents and short-term investments	59,104,895	52,115,811
Receivables for securities	9,737	17,551
Total cash and invested assets	$ 477,202,138	$ 473,025,970
Investment income due and accrued	2,241,670	2,548,293
Other assets	167,155	144,477
Total admitted assets	$ 479,610,963	$ 475,718,740
LIABILITIES		
Unearned premiums	$ 12,480,575	$ 6,477,031
Ceded reinsurance premiums payable	20,995	14,073
Mandatory contingency reserve	12,376,872	4,744,013
Accrued and payable expenses	17,461,494	15,705,427
Total liabilities	$ 42,339,936	$ 26,940,544
CAPITAL AND SURPLUS		
Surplus notes	$ 503,000,000	$ 503,000,000
Member surplus contributions	62,728,670	33,555,866
Unassigned funds - surplus (deficit)	(128,457,643)	(87,777,670)
Total capital and surplus	$ 437,271,027	$ 448,778,196
Total liabilities, capital and surplus	$ 479,610,963	$ 475,718,740

See accompanying notes to statutory financial statements.

Build America Mutual Assurance Company
Statutory Statements of Operations

	For the Year Ended December 31, 2015		For the Year Ended December 31, 2014	
Premiums earned	$	323,076	$	159,256
Underwriting deductions:				
Other underwriting expenses		37,039,695		37,379,652
Total underwriting deductions	$	37,039,695	$	37,379,652
Net underwriting gain (loss)	$	(36,716,619)	$	(37,220,396)
Net investment income	$	4,236,328	$	5,653,381
Net realized capital gains (losses) (net of capital gains tax of $0 and $0, respectively)		439,091		(228,931)
Net investment gain	$	4,675,419	$	5,424,450
Net income (loss) before federal income tax expense	$	(32,041,200)	$	(31,795,946)
Federal income tax expense incurred		-		-
Net income (loss)	$	(32,041,200)	$	(31,795,946)

See accompanying notes to statutory financial statements.

Build America Mutual Assurance Company
Statutory Statements of Changes in Capital and Surplus
For the Years Ended December 31, 2015 and 2014

	Surplus Notes	Member Surplus Contributions	Unassigned Surplus	Total
Balances as of December 31, 2013	$ 503,000,000	$ 17,333,374	$ (51,283,979)	$ 469,049,395
Net income (loss)	-	-	(31,795,946)	(31,795,946)
Change in nonadmitted assets	-	-	(1,026,447)	(1,026,447)
Change in unrealized loss	-	-	(1,287)	(1,287)
Change in member surplus contributions	-	16,222,492	-	16,222,492
Change in mandatory contingency reserve	-	-	(3,670,011)	(3,670,011)
Balances as of December 31, 2014	$ 503,000,000	$ 33,555,866	$ (87,777,670)	$ 448,778,196
Net income (loss)	-	-	(32,041,200)	(32,041,200)
Change in nonadmitted assets	-	-	(1,005,914)	(1,005,914)
Change in unrealized loss	-	-	-	-
Change in member surplus contributions	-	29,172,804	-	29,172,804
Change in mandatory contingency reserve	-	-	(7,632,859)	(7,632,859)
Balances as of December 31, 2015	$ 503,000,000	$ 62,728,670	$ (128,457,643)	$ 437,271,027

See accompanying notes to statutory financial statements.

Build America Mutual Assurance Company

Statutory Statements of Cash Flows

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Cash from operations:		
Premiums collected, net of reinsurance	$ 6,333,541	$ 1,656,797
Net investment income	8,050,226	11,160,805
Subtotal	$ 14,383,767	$ 12,817,602
Commissions and expenses paid	(34,348,850)	(32,438,334)
Net increase (decrease) in cash from operations	$ (19,965,083)	$ (19,620,732)
Cash from investments:		
Proceeds from investments sold, matured or repaid:		
Bonds	$ 181,391,145	$ 65,815,245
Other invested assets	-	4,998,000
Net gains on cash, cash equivalents and short-term investments	567	-
Miscellaneous proceeds	7,814	-
Cost of investments acquired:		
Bonds	(181,876,146)	(42,435,068)
Other invested assets	-	(5,001,000)
Miscellaneous applications	-	(17,551)
Net cash from investments	$ (476,620)	$ 23,359,626
Cash from financing and miscellaneous sources:		
Cash provided (applied):		
Capital and paid-in surplus	$ 29,172,804	$ 16,480,292
Other cash provided (applied)	(1,742,017)	(1,751,934)
Net cash from financing and miscellaneous sources	$ 27,430,787	$ 14,728,358
Net change in cash, cash equivalents and short-term investments	$ 6,989,084	$ 18,467,252
Cash, cash equivalents and short-term investments at beginning of period	52,115,811	33,648,559
Cash, cash equivalents and short-term investments at end of year	$ 59,104,895	$ 52,115,811

See accompanying notes to statutory financial statements.

1. Organization and Basis of Presentation

Organization

Build America Mutual Assurance Company ("Build America" or the "Company") is a New York domiciled mutual financial guaranty insurance company. The Company was capitalized on July 17, 2012 and received its license to write financial guaranty insurance from the New York State Department of Financial Services (the "Department") and commenced operations on July 20, 2012. Build America is also licensed in the District of Columbia and the remaining 49 states. Build America's financial strength and counterparty credit ratings of 'AA/Stable Outlook', from Standard & Poor's Ratings Services, were reaffirmed on June 29, 2015. Build America is not licensed to write financial guaranty insurance in Puerto Rico or any other territory or possession of the United States, and it has no exposure to debt issued in Puerto Rico or any other territory or possession of the United States.

The first mutual bond insurance company, Build America is owned by and operated for the benefit of the cities, states and other municipal agencies—the municipal issuers—that use the Company's 'AA/Stable Outlook' rated financial guaranty to lower their cost of funding in the U.S. municipal market.

Build America collects a payment for every policy that it issues, comprising i.) a risk premium and ii.) a Member Surplus Contribution ("MSC") that is recognized as an addition to other than special surplus funds when collected. An issuer's MSC is credited to the payment due when Build America guaranties debt that refunds a debt issue insured by the Company. Issuers whose debt is insured by Build America become members of the Company for as long as they have debt outstanding insured by Build America, and as members have the right to vote and to receive dividends, if declared, and other benefits of mutual membership. The Company's policies are issued without contingent mutual liability for assessment.

On July 17, 2012, the Company issued, for cash, the Series 2012-A Surplus Notes and Series 2012-B Surplus Notes (collectively, the "Surplus Notes") to HG Holdings, Ltd. ("HG Holdings"), a Bermuda holding company, and its wholly owned subsidiary HG Re, Ltd. ("HG Re") in the amount of $203,000,000 and $300,000,000, respectively.

The Company's reinsurance protection is provided by HG Re via a first-loss reinsurance treaty (the "Reinsurance Agreement"), whereby HG Re assumes all directly insured losses in an amount up to 15% of the par outstanding for each insurance policy. HG Re's obligations under the Reinsurance Agreement are secured by, and limited to the value of, high quality assets held in trusts, which are pledged for the benefit of Build America.

Both HG Holdings and HG Re are wholly owned subsidiaries of HG Global, Ltd. ("HG Global"), a Bermuda corporation. HG Global's controlling parent is White Mountain Insurance Group, Ltd., a Bermuda-domiciled financial services holding company ("White Mountains"), which owns 88% of HG Global's common equity and 97% of its preferred equity. Two of the Company's directors, Mr. Cochran and Mr. McCarthy, along with 11 of the Company's current and former officers and employees, own individually or through family trusts the remaining common and preferred equity interests in HG Global.

Basis of Presentation

The accompanying statutory financial statements have been prepared on the basis of accounting practices prescribed or permitted by the State of New York.

The Department recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under New York State Insurance Law ("NYSIL"). The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP") has been adopted as a component of prescribed practices by the Department.

The Department has the right to permit other specific practices that deviate from prescribed practices. The Company has received permission from the Department to defer the recognition of the deferred tax liabilities attributable to member surplus contributions received until such time the member surplus contributions are included in the Company's taxable income, to the extent that the total gross deferred tax liabilities exceed the total gross admitted deferred tax assets. The Department's permission to utilize this permitted practice expired on January 1, 2016. This permitted practice had no effect on either results of operations for the years ended December 31, 2015 and 2014 or statutory surplus as of December 31, 2015 and December 31, 2014.

Summary of Significant Accounting Policies

Invested Assets

Investments in long-term bonds with an NAIC designation of 1 or 2 that are not backed by loans are reported at amortized cost; amortized cost is computed using the effective interest method. Bonds with an NAIC designation of 3 through 6 are carried at the lower of amortized cost or fair value. For bonds purchased at a price below par value, discounts are accreted over the remaining term of the bond. For bonds purchased at a price above par value, premiums are amortized to the call date that produces the lowest yield, or, if there are no call features, premiums are amortized over the remaining term of the bond.

Loan-backed securities with an NAIC designation of 1 or 2 are reported at amortized cost. Loan-backed securities with an NAIC designation of 3 through 6 are carried at the lower of amortized cost or fair value. Changes in estimated cash flows, including the effect of prepayment assumptions, on loan-backed securities are reviewed periodically. Prepayment assumptions are applied consistently to securities backed by similar collateral. Loan-backed securities are revalued using the estimated cash flows, including new prepayment assumptions, using the retrospective adjustment method. If there is an increase in expected cash flows, the Company will recalculate the amount of accretable yield. If there is a decrease in expected cash flows or if the fair value of the loan-backed security has declined below its amortized cost basis, the Company determines whether an other-than-temporary-impairment ("OTTI") has occurred.

The Company did not hold any bonds with NAIC designations 3 through 6 as of December 31, 2015 or December 31, 2014.

For loan-backed securities for which the fair value has declined below its amortized cost basis and the Company either: (i) has the intent to sell the security, or (ii) does not have the intent or ability to hold security for a period of time sufficient to recover the amortized cost basis, an OTTI shall have occurred. The amount of the OTTI recognized in earnings as a realized loss will equal the entire difference between security's amortized cost basis and its fair value at the balance sheet date.

When an OTTI has occurred because the Company does not expect to recover the entire amortized cost basis of the security, even if the Company has no intent to sell and the Company has the intent and ability to hold, the amount of the OTTI recognized in earnings as a realized loss shall be equal to the difference between the security's amortized cost basis and the present value of cash flows expected to be collected.

The Company has not recorded any OTTI for the years ended December 31, 2015 or 2014. However, because OTTI is based on management's judgment and estimates, there can be no assurance that the Company will not record OTTI in future periods.

Short-term investments are stated at amortized cost.

Cash and cash equivalents are carried at cost, which approximates fair value, and consists of cash in depository accounts and short-term obligations of the U.S. government and its agencies with original maturities of less than 90 days.

Premiums

Upfront written premiums are earned on a basis proportionate to the remaining scheduled periodic maturity of principal and payment of interest to the original total principal and interest insured. Installment premiums are reflected in income pro-rata over the installment period covered. Unearned premiums represent the portion of premiums written that relate to unexpired risk. When an issue insured by the Company has been refunded or called, the remaining unrecognized premium is earned at that time.

Premiums ceded to reinsurers reduce the amount of earned premium the Company recognizes from its insurance policies. Ceded premium is recognized in earnings in proportion to and at the same time the related gross premium revenue is recognized. Ceding commission income is recognized in earnings when due.

Expenses incurred in connection with the acquisition of new insurance business are charged to operations as incurred and are reduced for ceding commissions received or receivable.

Unpaid Loss and Loss Adjustment Expenses

The Company's financial guaranty insurance contracts provide an unconditional and irrevocable guaranty of the payment of the principal and interest of insured obligations when due.

Case basis loss reserves are established in an amount equal to the present value of management's estimate of future claim payments discounted using the average rate of return on admitted invested assets. Case basis loss reserves are established on a contract-by-contract basis when an insured event has occurred or an insured event is expected in the future based upon credit deterioration that has already occurred and has been identified. Subsequent changes to the measurement of loss reserves are recognized as losses incurred in the period of change.

The Company did not have any loss or loss adjustment expense reserves as of December 31, 2015 or December 31, 2014. However, because the reserves are based on management's judgment and estimates, there can be no assurance that the Company will not incur loss or loss adjustment expenses in future periods.

Member Surplus Contributions

MSC payments are recognized as an addition to surplus when collected.

Mandatory Contingency Reserve

The Company is required to establish a mandatory contingency reserve in accordance with NAIC SAP, NYSIL and the insurance laws of each of the states in which it is licensed. The mandatory contingency reserve is a liability established to protect policyholders against the effect of adverse economic developments or cycles or other unforeseen circumstances. Under NAIC SAP, financial guarantors are required to establish a contingency reserve equal to the greater of 50% of premiums written or a stated percentage of the principal guarantied based on the category of obligation insured. Contributions under NAIC SAP are made in equal quarterly installments over a period of 20 years for municipal bonds. Such contributions may be discontinued if the total reserve established for all categories exceeds the sum of the stated percentages multiplied by the unpaid principal balance. Under the Department's prescribed and permitted practices, a municipal bond insurer is required to establish a contingency reserve as calculated above. Certain states in which Build America is licensed may require contingency reserves greater than the amount required by NAIC SAP or NYSIL. Accordingly, the Company calculates contingency reserves using the requirements of each state in which it is licensed and records a contingency reserve equal to the greatest result. A guarantor may be permitted to release reserves under specified circumstances in the event that actual loss experience exceeds certain thresholds or if the reserve accumulated is deemed excessive in relation to the guarantor's outstanding guarantied obligations, with notice to or approval by the Department.

The NAIC SAP mandatory contingency reserve may be released on a first-in, first-out basis through unassigned surplus in the following circumstances:

- In any year where incurred losses exceed 35% of the corresponding earned premiums, with the Department's approval;
- If the reserve has been in existence less than 40 quarters, upon demonstration that the amount is excessive in relation to the outstanding obligations under the Company's financial guaranties, with the Department's approval;
- If the reserve has been in existence more than 40 quarters, upon demonstration that the amount is excessive in relation to the outstanding obligations under the Company's financial guaranties, upon 30 days prior written notice to the Department.

Reinsurance Ceded

Premiums earned and losses and loss adjustment expenses incurred are reported net of ceded reinsurance. Estimated amounts recoverable on unpaid losses and loss adjustment expenses are determined based on the Company's estimate of losses and loss adjustment expenses and the terms and conditions of the Reinsurance Agreement. As of December 31, 2015 and December 31, 2014, there were no reinsurance recoverables on unpaid losses.

Reinsurance contracts that have a more than remote probability of significant variations in the amount and timing of net cash flows are generally considered to transfer risk from the cedant to the reinsurer; these contracts are accounted for using reinsurance accounting. Reinsurance contracts that do not meet these criteria are deemed to not transfer risk from the cedant to the reinsurer, and are accounted for as deposits. As of December 31, 2015 and December 31, 2014, the Company did not have any reinsurance contracts that were accounted for as deposits.

Nonadmitted Assets

The assets included in the accompanying statutory statement of admitted assets, liabilities and capital and surplus are stated at amounts consistent with valuation methodologies prescribed by NAIC SAP. Assets designated as nonadmitted are charged directly to unassigned surplus. Nonadmitted assets consist principally of prepaid expenses, non-operating software and furniture and equipment. Nonadmitted assets were $4,781,313 and $3,775,398 as of December 31, 2015 and December 31, 2014, respectively.

Income Taxes

Federal income taxes are recorded as an expense when payable. Deferred federal income taxes are provided for differences between the NAIC SAP financial statement amounts and the tax bases of assets and liabilities, subject to various limitations. Gross deferred tax assets are reduced by a valuation allowance if it is more-likely-than-not that some portion or all of the gross deferred tax assets will not be realized. The Company admits gross deferred tax assets, subject to certain capital requirements, to the sum of: (i) federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with Internal Revenue Service tax loss carryback provisions, not to exceed three years, and (ii) the lesser of: (a) the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date, or (b) fifteen percent of statutory capital and surplus as required to be shown on the statutory balance sheet of the Company for its current statement, adjusted to exclude any net deferred tax assets, electronic data processing equipment, operating system software and any net positive goodwill, and (iii) the amount of adjusted gross deferred tax assets that can offset against existing gross deferred tax liabilities. The admissibility of gross deferred tax assets included in item (ii) above are subject to the realization threshold limits prescribed in the Statement of Statutory Accounting Principles No. 101, *Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP 101"). Changes in net admissible deferred tax assets are charged or credited directly to unassigned surplus.

Surplus Notes

Surplus notes are reported as surplus on the Company's statutory statement of admitted assets, liabilities and capital and surplus. Surplus note interest payments are reported as a reduction in investment income when approved by the Department. Accordingly, unapproved interest is not reported as a reduction in investment income and is not reported as a liability in the statutory statement of admitted assets, liabilities and capital and surplus.

Property and Equipment

Build America's written policy with respect to the capitalization of prepaid expenses, electronic data processing equipment, software, furniture, fixtures, other equipment and/or leasehold improvements is that purchases of less than ten thousand dollars are not capitalized and are expensed when purchased.

Purchases meeting the capitalization threshold that provide probable future economic benefits to the Company are capitalized. Expense for the amortization of capitalized assets are recognized over the estimated useful lives of the assets as follows:

Class of Asset	Estimated Useful Life
Personal computers	3 years
Electronic data processing equipment	3 years
Software - operating	3 years
Software - non-operating	5 years
Office equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements[1]	10 years

[1] *The estimated useful life of leasehold improvements is the lesser of 10 years or the remaining term on the lease for the location of the improvements.*

Use of Estimates

The preparation of the statutory financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from these estimates. The significant estimates used in the preparation of the Company's statutory financial statements, and therefore considered to be critical accounting estimates, include, but are not limited to, unpaid loss and loss adjustment expenses, the valuation of investments and the recoverability of deferred tax assets. In addition, estimates are used to evaluate risk transfer for ceded reinsurance transactions. Results of changes in estimates are generally reflected in results of operations in the period in which the change is made.

Recent Accounting Pronouncements

The NAIC adopted revisions to Statement of Statutory Accounting Principle No. 1, *Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures* and Statement of Statutory Accounting Principle No. 4, *Assets and Nonadmitted Assets*, adopting the guidance of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-15, *Presentation of Financial Statements – Going Concern*. The revisions require management to evaluate whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued and requires additional disclosure if substantial doubt is determined. These revisions are for annual and interim reporting periods effective December 31, 2016. The Company does not expect any material impact of these revisions upon adoption.

Differences from Generally Accepted Accounting Principles in the United States of America

NAIC SAP varies from generally accepted accounting principles in the United States of America ("U.S. GAAP"). The effects on the financial statements of the variances between NAIC SAP and U.S. GAAP, although not reasonably determinable, are presumed to be material. The more significant differences are:

- Under U.S. GAAP, investments are reported at fair value. Unrealized holding gains and losses are included in income. Under NAIC SAP, investment grade bonds are reported at amortized cost and non-investment grade bonds are carried at the lower of amortized cost or fair value. Unrealized holding gains and losses on equity securities and unrealized losses on non-investment grade bonds are recorded as a direct credit or charge to unassigned surplus;
- Under U.S. GAAP, premiums for financial guaranty insurance contracts are earned using a constant yield method based on the insured principal amount outstanding, while under NAIC SAP, upfront premiums written for financial guaranty insurance contracts are earned on a basis proportionate to the remaining scheduled periodic maturity of principal and payment of interest to the original total principal and interest insured and installment premiums are reflected in income pro-rata over the installment period. Additionally, under U.S. GAAP, installment premiums receivable are recorded at the present value of the premiums due over the period of the financial guaranty insurance contract using a discount rate which reflects the risk-free rate at the inception of the financial guaranty insurance contract;
- Under U.S. GAAP, unearned premium reserves are reported gross of amounts ceded to reinsurers, while under NAIC SAP, such amounts are reported net of amounts ceded to reinsurers;
- Under U.S. GAAP, policy acquisition costs and commissions are deferred and amortized or accreted as the related premium is earned, while under NAIC SAP policy acquisition costs and commissions are included in operations as incurred or due only to the extent that the ceding commissions paid do not exceed the anticipated acquisition cost of the business ceded and if exceeded, a liability is established and amortized pro rata over the effective period;
- Under U.S. GAAP, surplus notes are reported as liabilities, while under NAIC SAP, surplus notes are reported in a separate caption within surplus;
- Under U.S. GAAP, interest on surplus notes is accrued as an expense and reported as a liability based on the contractual due dates of the surplus notes, while under NAIC SAP, interest on surplus notes is reported as an expense and reported as a liability when the Department approves payment;
- Under U.S. GAAP, there is no concept of nonadmitted assets and the Company uses judgment and estimates to determine if the carry value of assets has been impaired, while under NAIC SAP, assets designated as nonadmitted assets such as deferred tax assets, furniture and equipment, prepaid expenses and receivable balances more than ninety days overdue are excluded from assets and charged to statutory unassigned surplus;

- Under U.S. GAAP, unpaid losses and loss adjustment expenses are: (i) reported gross of amounts ceded to reinsurers, (ii) are reported net of related unearned premiums and (iii) are discounted at the risk-free rate, while under NAIC SAP such amounts are: (iv) reported net of amounts ceded to reinsurers, (v) are not reported net of related unearned premiums and (vi) are discounted at the rate of return on admitted invested assets;
- Under U.S. GAAP, deferred taxes are reflected in the statement of operations, while under NAIC SAP the admissible deferred income tax assets and deferred tax liabilities and charges in admissible net deferred tax balances are recorded directly to unassigned surplus;
- Under NAIC SAP, a liability for a mandatory contingency reserve is reported and charged directly to unassigned surplus, while no such liability is required under U.S. GAAP; and
- Under NAIC SAP, a liability for unsecured reinsurance recoverables due from unauthorized reinsurers is recorded based on criteria established by the NAIC and charged directly to surplus, while under U.S. GAAP the Company establishes an amount for uncollectible reinsurance recoverables based on the credit quality of the reinsurer and the Company's judgment.

2. Investments

The following are the carrying values of the Company's bonds and the related fair values:

As of December 31, 2015:

	Carry Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ 109,691,246	$ 564,980	$ (899,238)	$ 109,356,988
Special revenue and special assessment obligations	160,077,034	710,749	(979,044)	159,808,739
Industrial and miscellaneous	148,319,226	19,259	(519,254)	147,819,231
Total bonds	$ 418,087,506	$ 1,294,988	$ (2,397,536)	$ 416,984,958

As of December 31, 2014:

	Carry Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ 49,953,837	$ 165,529	$ (682,429)	$ 49,436,937
Special revenue and special assessment obligations	102,839,361	814,307	(199,369)	103,454,299
Industrial and miscellaneous	268,099,410	378,895	(2,019,545)	266,458,760
Total bonds	$ 420,892,608	$ 1,358,731	$ (2,901,343)	$ 419,349,996

Fair values and unrealized losses on securities held, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

As of December 31, 2015:

	Fair Value	Unrealized Loss
Less than twelve months		
Bonds:		
U.S. government	$ 35,516,256	$ (244,239)
Special revenue and special assessment obligations	96,116,534	(979,045)
Industrial and miscellaneous	114,062,202	(418,817)
Total bonds	$ 245,694,992	$ (1,642,101)
Twelve months or more		
Bonds:		
U.S. government	$ 28,515,341	$ (654,998)
Industrial and miscellaneous	9,111,598	(100,437)
Total bonds	$ 37,626,939	$ (755,435)
Total unrealized loss		
Bonds:		
U.S. government	$ 64,031,597	$ (899,237)
Special revenue and special assessment obligations	96,116,534	(979,045)
Industrial and miscellaneous	123,173,800	(519,254)
Total bonds	$ 283,321,931	$ (2,397,536)

As of December 31, 2014:

	Fair Value	Unrealized Loss
Less than twelve months		
Bonds:		
U.S. government	$ -	$ -
Special revenue and special assessment obligations	24,899,849	(94,163)
Industrial and miscellaneous	64,295,004	(251,072)
Total bonds	$ 89,194,853	$ (345,235)
Twelve months or more		
Bonds:		
U.S. government	$ 34,647,239	$ (682,429)
Special revenue and special assessment obligations	15,801,716	(105,206)
Industrial and miscellaneous	94,425,832	(1,768,473)
Total bonds	$ 144,874,787	$ (2,556,108)
Total unrealized loss		
Bonds:		
U.S. government	$ 34,647,239	$ (682,429)
Special revenue and special assessment obligations	40,701,565	(199,369)
Industrial and miscellaneous	158,720,836	(2,019,545)
Total bonds	$ 234,069,640	$ (2,901,343)

The Company routinely reviews its investments to determine whether unrealized losses represent temporary changes in fair value or are the result of an OTTI. The process of determining whether a security is other-than-temporarily impaired is subjective and involves analyzing many factors. These factors include, but are not limited to, the overall financial condition of the issuer, the length and magnitude of an unrealized loss, specific credit events, the collateral structure and credit enhancements that may be applicable to loan-backed securities. The Company also considers its ability and intent to hold a security for a sufficient period of time for the value to recover the unrealized loss, which is based, in part, on current and anticipated future positive net cash flows from operations that generate sufficient liquidity in order to meet the Company’s obligations. If it is determined that an unrealized loss on a security is other-than-temporary, the Company recognizes a realized capital loss in the statement of operations in the period the write down occurred. In the case of mortgage-backed securities, the security is written down to the greater of the present value of expected future cash flows or the fair value of the security. All other securities determined to have an OTTI are written down to fair value.

The Company did not record any OTTI for the years ended December 31, 2015 or 2014.

The carrying values and the related fair market values of bonds, by contractual maturity, are as follows:

As of December 31, 2015	Carrying Value	Fair Value
One year or less	$ 72,070,316	$ 72,048,000
Over one year to five years	195,819,456	195,119,548
Over five years to ten years	5,850,406	5,874,855
Over ten years	52,522,135	52,349,481
Mortgage- and asset-backed securities	91,825,193	91,593,074
Total bonds	$ 418,087,506	$ 416,984,958

Net investment income is summarized by invested asset class as follows:

Investment Income (Expense)	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Bonds	$ 4,876,168	$ 6,199,842
Cash, cash equivalents and short-term investments	8,403	26,224
Total investment income	$ 4,884,571	$ 6,226,066
Less: investment expenses	(648,243)	(572,685)
Net investment income	$ 4,236,328	$ 5,653,381

There were no amounts of accrued investment income nonadmitted as of December 31, 2015 or December 31, 2014.

Net realized gains and losses by invested asset class were comprised of the following:

	For the Year Ended December 31, 2015			
	Gross Realized Gains	Gross Realized Losses	Tax (Expense) Benefit	Net Realized Captial Gains (Losses)
Bonds	$ 808,922	$ (370,400)	$ -	$ 438,522
Cash, cash equivalents and short-term investments	569	-	-	$ 569
Total	$ 809,491	$ (370,400)	$ -	$ 439,091

	For the Year Ended December 31, 2014			
	Gross Realized Gains	Gross Realized Losses	Tax (Expense) Benefit	Net Realized Captial Gains (Losses)
Bonds	$ 91,239	$ (320,170)	$ -	$ (228,931)
Total	$ 91,239	$ (320,170)	$ -	$ (228,931)

Proceeds from sales of investments in bonds, excluding maturities and paydowns, during the years ended December 31, 2015 and 2014 were $122,564,830 and $28,320,275, respectively.

As of December 31, 2015 and December 31, 2014, securities with a carrying value of $6,010,232 and $5,666,501, respectively, were on deposit with various state and other regulatory authorities as required by law. Assets with a carrying value of $97,265 and $96,510, respectively, were held in trust to secure letters of credit as of December 31, 2015 and

December 31, 2014. As of December 31, 2015 and December 31, 2014, assets with a carrying value of $69,890 and $37,265, respectively, were held by lessors to benefit the lease obligations of the Company.

3. Fair Value Measurements

The fair values of the Company's financial instruments are determined primarily through the use of observable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from external independent sources. Unobservable inputs reflect management's assumptions about what market participants' assumptions would be in pricing the asset or liability based on the best information available. The Company classifies financial assets in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. This classification requires judgment in assessing the market and pricing methodologies for a particular security. The fair value hierarchy is comprised of the following three levels:

- Level 1: Valuations are based on unadjusted quoted prices in active markets for identical financial assets or liabilities;
- Level 2: Valuations of financial assets and liabilities are based on prices obtained from independent index providers, pricing vendors or broker-dealers using observable inputs; and
- Level 3: Valuations are based on unobservable inputs for assets and liabilities where there is little or no market activity. Management's assumptions and/or internal valuation pricing models are used to determine the fair value of financial assets or liabilities.

The Company did not carry any assets or liabilities at fair value as of December 31, 2015 or December 31, 2014.

The following inputs, methods and assumptions were used to determine the fair value of each class of financial instrument for which it is practicable to estimate that value:

Bonds

The estimated fair values generally represent prices received from third party pricing services or alternative pricing sources. The pricing services prepare estimates of fair value measurements using their pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities and matrix pricing. The observable inputs used in the valuation of these securities may include the spread above the risk-free yield curve, reported trades, broker-dealer quotes, bids, prepayment speeds, delinquencies, loss severity and default rates. In cases where specific market quotes are unavailable, interpreting market data and estimating market values require considerable judgment by management. Accordingly, the estimates presented are not necessarily indicative of the amount the Company could realize in the market. In these cases, the fair value measurements are primarily classified as Level 2.

Cash, Cash Equivalents and Short-Term Investments

The fair value of cash and short-term investments approximates its amortized cost. The fair value measurements were classified as Level 1.

Investment Income Due and Accrued

The fair value of investment income due and accrued approximates carrying value, and the fair value measurements were classified as Level 1.

Net Financial Guaranty Insurance Contracts

The fair value of net financial guaranty insurance contracts represents the Company's estimate of the cost to Build America to completely transfer its insurance obligations to another financial guarantor under current market conditions. Theoretically, this amount should be the same amount that another financial guarantor would hypothetically charge in the market place to provide the same protection as of the balance sheet date. The cost to transfer these insurance obligations is based on the carrying values of unearned premium reserves and member surplus contributions, which are observable inputs, less estimated ceding commissions, which are not observable inputs. The Company has classified this fair value measurement as Level 3.

The following table presents all financial assets and liabilities by fair value hierarchy:

	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
As of December 31, 2015:					
Financial Assets:					
Bonds	$ 416,984,958	$ 418,087,506	$ -	$ 416,984,958	$ -
Cash, cash equivalents and short-term investments	59,104,895	59,104,895	59,104,895	-	-
Investment income due and accrued	2,241,670	2,241,670	2,241,670	-	-
Total Financial Assets	$ 478,331,523	$ 479,434,071	$ 61,346,565	$ 416,984,958	$ -
Financial Liabilities:					
Net financial guaranty insurance contracts	$ 58,198,084	$ -	$ -	$ -	$ 58,198,084
Total Financial Liabilities	$ 58,198,084	$ -	$ -	$ -	$ 58,198,084
As of December 31, 2014:					
Financial Assets:					
Bonds	$ 419,349,996	$ 420,892,608	$ -	$ 419,349,996	$ -
Cash, cash equivalents and short-term investments	52,115,811	52,115,811	52,115,811	-	-
Investment income due and accrued	2,548,293	2,548,293	2,548,293	-	-
Total Financial Assets	$ 474,014,100	$ 475,556,712	$ 54,664,104	$ 419,349,996	$ -
Financial Liabilities:					
Net financial guaranty insurance contracts	$ 31,299,741	$ -	$ -	$ -	$ 31,299,741
Total Financial Liabilities	$ 31,299,741	$ -	$ -	$ -	$ 31,299,741

Transfers of assets and liabilities into or out of Level 3 are recorded at their fair values as of the end of each reporting period, consistent with the date of determination of fair value. During the years ended December 31, 2015 and 2014, the Company did not transfer any assets or liabilities into or out of Level 3. The liability for net financial guaranty insurance contracts as of December 31, 2015 and December 31, 2014 had an estimated fair value of $58,198,084 and $31,299,741, respectively.

The Company had no items for which it was not practicable to estimate fair values as of December 31, 2015 or December 31, 2014.

4. Income Taxes

The Company has no unrecognized deferred tax assets ("DTA") or deferred tax liabilities ("DTL").

The Company's permitted practice with respect to the recognition of deferred tax liabilities on MSC collected had no effect on either net income or surplus for the years ended December 31, 2015 or 2014.

The components of DTA and DTL are as follows:

	Ordinary	Capital	Total
As of December 31, 2015:			
Gross deferred tax assets	$ 66,722,861	$ 349,170	$ 67,072,031
Less: valuation allowance adjustment	16,404,194	349,170	16,753,364
Subtotal - adjusted gross deferred tax assets	$ 50,318,667	$ -	$ 50,318,667
Deferred tax assets non-admitted			-
Subtotal - net admitted deferred tax asset	$ 50,318,667	$ -	$ 50,318,667
Deferred tax liabilities	50,318,667		50,318,667
Total - net admitted deferred tax asset	$ -	$ -	$ -
As of December 31, 2014:			
Gross deferred tax assets	$ 51,813,612	$ 348,296	$ 52,161,908
Less: valuation allowance adjustment	15,423,842	348,296	15,772,138
Subtotal - adjusted gross deferred tax assets	$ 36,389,770	$ -	$ 36,389,770
Deferred tax assets non-admitted	-	-	-
Subtotal - net admitted deferred tax asset	$ 36,389,770	$ -	$ 36,389,770
Deferred tax liabilities	36,389,770	-	36,389,770
Total - net admitted deferred tax asset	$ -	$ -	$ -

The admission calculation for DTA admitted under each component of SSAP 101 paragraphs 11.a., 11.b., and 11.c. is as follows:

As of December 31, 2015:	Ordinary		Capital		Total
SSAP 101 ¶11.a.:					
Federal income taxes paid in prior years recoverable through loss carrybacks		$ -		$ -	$ -
SSAP 101 ¶11.b.:					
Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets SSAP 101 ¶11.a.) after application of the threshold limitation. The lesser of:					
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	$ -		$ -		
Adjusted gross deferred tax assets allowed per limitation threshold	$ -	-	$ -	-	-
SSAP 101 ¶11.c.:					
Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from SSAP 101 ¶11.a. and ¶11.b.) that can be offset by gross deferred tax liabilities		50,318,667		-	50,318,667
Deferred tax assets admitted as a result of application of SSAP No. 101		$ 50,318,667		$ -	$ 50,318,667

As of December 31, 2014:

		Ordinary		Capital	Total
SSAP 101 ¶11.a.:					
Federal income taxes paid in prior years recoverable through loss carrybacks		$ -		$ -	$ -
SSAP 101 ¶11.b.:					
Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets SSAP 101 ¶11.a.) after application of the threshold limitation. The lesser of:					
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	$ -		$ -		
Adjusted gross deferred tax assets allowed per limitation threshold	$ -	-	$ -	-	-
SSAP 101 ¶11.c.:					
Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from SSAP 101 ¶11.a. and ¶11.b.) that can be offset by gross deferred tax liabilities		36,389,770		-	36,389,770
Deferred tax assets admitted as a result of application of SSAP No. 101		$ 36,389,770		$ -	$ 36,389,770

The amount of adjusted gross DTA admitted under each component of SSAP 101 are as follows:

	As of December 31, 2015	As of December 31, 2014
Deferred tax assets:		
Ordinary:		
Unearned premiums	$ 410,166	$ 200,042
Investments	72,333	124,868
Compensation and benefit accruals	5,212,820	5,004,055
Net operating loss carryforward	60,444,518	45,851,291
Start-up costs	583,024	633,356
Subtotal - ordinary deferred tax assets	$ 66,722,861	$ 51,813,612
Statutory valuation allowance	16,404,194	15,423,842
Nonadmitted ordinary deferred tax assets	-	-
Admitted ordinary deferred tax assets	$ 50,318,667	$ 36,389,770
Capital:		
Investments	$ 349,170	$ 348,296
Subtotal - capital deferred tax assets	$ 349,170	$ 348,296
Statutory valuation allowance	349,170	348,296
Nonadmitted capital deferred tax assets	-	-
Admitted capital deferred tax assets	$ -	$ -
Deferred tax liabilities:		
Ordinary:		
Fixed assets	$ 257,890	$ 81,756
Interest on surplus notes	31,076,652	26,024,017
Member surplus contributions	18,984,125	10,283,997
Ordinary deferred tax liabilities	$ 50,318,667	$ 36,389,770
Net admitted deferred tax asset	$ -	$ -

As of December 31, 2015 and December 31, 2014, the Company has not implemented any tax planning strategies that would affect adjusted gross and net admitted DTA.

The Company generated tax basis ordinary operating losses of $42,600,952 and $39,418,738 for the years ended December 31, 2015 and December 31, 2014, respectively. The Company has an unused ordinary operating loss carryforward of the $172,518,459 available to offset against future taxable income. Unused ordinary operating losses of $28,493,874, $62,004,895, $39,418,738 and $42,600,952 expire in 2031, 2032, 2033 and 2034, respectively.

The Company generated tax basis capital losses of $-0- and $248,813 for the years ended December 31, 2015 and December 31, 2014, respectively. The Company has unused capital loss carryforwards of $677,073 available to offset against future taxable capital gains. Unused capital losses of $428,260 and $248,813 expire in 2017 and 2018, respectively.

The differences between the expected federal income tax expense computed at the statutory federal rate of 35% and the actual federal income tax expenses are as follows:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Statutory pre-tax income	$ (32,041,200)	$ (31,795,946)
Provision computed at 35% statutory rate	$ (11,214,420)	$ (11,128,581)
Increase (decrease) in actual tax reported resulting from:		
Tax on member surplus contribution	10,210,491	5,677,882
Change in valuation allowance	981,226	5,422,856
Non-deductible expenses for meals, entertainment and lobbying	28,362	23,614
Other	(5,659)	4,229
Federal income taxes incurred	$ -	$ -

5. Unpaid Losses and Loss Adjustment Expenses

Insured obligations are monitored periodically with the objective of identifying emerging trends, ensuring proper ratings for capital allocation and avoiding or minimizing losses.

As of December 31, 2015, all of Build America's insured obligations are "Performing" and exhibit no indication that the status will change. The Company does not establish any case basis reserves for insured obligations that are "Performing".

Should any of Build America's insured obligations exhibit weakness that could potentially lead to a rating of below investment grade, those obligations would be placed on Build America's "Watchlist" and would be monitored closely.

If the insured obligation requires distressed credit management, a team of Build America's professionals and, possibly, outside consultants or attorneys, would be engaged to work with the obligor to improve it's financial situation and avoid or minimize losses to Build America.

If Build America determines that a loss on a Build America "Watchlist" policy is expected and measurable, then Build America would establish a reserve for that policy.

The Company did not have any loss or loss adjustment expense reserves as of December 31, 2015 or December 31, 2014.

6. Reinsurance

As discussed in Note 1 – Organization and Basis of Presentation, Build America is provided reinsurance protection by HG Re via the Reinsurance Agreement.

The following table summarizes reinsurance:

	As of December 31, 2015		As of December 31, 2014	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Assumed:				
Affiliated	$ -	$ -	$ -	$ -
Non-affiliated	-	-	-	-
Total assumed	$ -	$ -	$ -	$ -
Ceded:				
Affiliated	$ -	$ -	$ -	$ -
Non-affiliated	(39,700,939)	(8,397,142)	(21,794,515)	(4,965,006)
Total ceded	$ (39,700,939)	$ (8,397,142)	$ (21,794,515)	$ (4,965,006)
Net:				
Affiliated	$ -	$ -	$ -	$ -
Non-affiliated	(39,700,939)	(8,397,142)	(21,794,515)	(4,965,006)
Total net	$ (39,700,939)	$ (8,397,142)	$ (21,794,515)	$ (4,965,006)

The Company's direct unearned premium reserve was 52,181,514 and $28,271,546 as of December 31, 2015 and December 31, 2014, respectively.

7. Insurance In Force

The insurance policies issued by Build America are unconditional and irrevocable guaranties of the payment of the principal and interest when due. The Company's insurance in force represents the aggregate amount of the insured principal on insured obligations, net of reinsurance.

The creditworthiness of each issuer of an insured obligation is evaluated prior to the issuance of insurance and must comply with Build America's underwriting guidelines. These guidelines are based on the aspects of credit quality that Build America deems important for each category of obligation. These include but are not limited to economic trends, financial management, viable tax and economic bases and estimated cash flows.

As discussed in Note 6 – Reinsurance, Build America is provided reinsurance protection via the Reinsurance Agreement.

As of December 31, 2015 and December 31, 2014, insurance in force on insured obligations had a contractual maturity range of less than one year to 40 years.

The geographic distribution of in force principal and interest on insured obligations, net of reinsurance, was as follows:

	As of December 31, 2015		As of December 31, 2014	
	Principal and Interest Obligations of Insurance In Force, Net of Reinsurance	Percentage of Insurance In Force, Net of Reinsurance	Principal and Interest Obligations of Insurance In Force, Net of Reinsurance	Percentage of Insurance In Force, Net of Reinsurance
United States:				
Alabama	$ 553,767,798	1.8%	$ 268,544,181	1.5%
Arizona	510,855,325	1.6%	275,793,050	1.6%
Arkansas	223,520,796	0.7%	158,642,856	0.9%
California	8,200,765,892	26.4%	4,577,454,813	26.1%
Colorado	350,530,548	1.1%	104,118,101	0.6%
Connecticut	511,624,546	1.6%	139,438,433	0.8%
Florida	885,820,977	2.8%	286,913,493	1.6%
Georgia	114,754,972	0.4%	71,625,064	0.4%
Hawaii	13,874,567	-	13,874,567	0.1%
Illinois	1,898,542,625	6.1%	1,299,991,199	7.4%
Indiana	319,280,735	1.0%	200,626,457	1.2%
Iowa	207,594,548	0.7%	134,684,665	0.8%
Kansas	413,313,950	1.3%	159,971,384	0.9%
Kentucky	97,883,546	0.3%	54,069,812	0.3%
Louisiana	577,068,294	1.9%	424,853,155	2.4%
Maine	22,616,625	0.1%	-	-
Massachusetts	85,079,288	0.3%	82,552,061	0.5%
Michigan	719,020,204	2.3%	444,355,732	2.5%
Minnesota	52,969,849	0.2%	46,496,182	0.3%
Mississippi	120,157,155	0.4%	71,690,001	0.4%
Missouri	112,799,297	0.4%	61,743,920	0.4%
Nevada	20,423,964	0.1%	16,971,783	-
New Jersey	1,173,900,375	3.8%	675,401,694	3.8%
New Mexico	147,166,746	0.5%	93,656,021	0.5%
New York	2,299,176,192	7.4%	1,417,759,723	8.1%
North Carolina	28,023,434	0.1%	10,452,302	0.1%
North Dakota	30,970,979	0.1%	-	-
Ohio	865,993,674	2.8%	233,459,858	1.3%
Oklahoma	238,746,395	0.8%	138,201,883	0.8%
Oregon	5,568,750	-	5,717,250	-
Pennsylvania	4,125,077,275	13.3%	2,392,261,643	13.6%
Rhode Island	59,953,662	0.2%	14,768,319	0.1%
South Carolina	249,874,347	0.8%	80,740,629	0.5%
South Dakota	7,873,436	-	8,036,144	-
Tennessee	213,267,082	0.7%	48,215,075	0.3%
Texas	5,158,301,076	16.6%	3,313,856,207	18.8%
Utah	36,848,122	0.1%	-	-
Vermont	2,806,454	-	-	-
Virginia	31,362,920	0.1%	32,172,806	0.2%
Washington	108,552,668	0.2%	59,632,009	0.4%
West Virginia	89,513,288	0.3%	-	-
Wisconsin	230,495,335	0.7%	141,814,878	0.8%
Total	$ 31,115,737,711	100.0%	$ 17,560,557,350	100.0%

The in force principal and interest on insured obligations, net of reinsurance, by type of bond was as follows:

	As of December 31, 2015		As of December 31, 2014	
	Principal and Interest Obligations of Insurance In Force, Net of Reinsurance	Percentage of Insurance In Force, Net of Reinsurance	Principal and Interest Obligations of Insurance In Force, Net of Reinsurance	Percentage of Insurance In Force, Net of Reinsurance
Municipal Bonds:				
General obligation	$ 19,038,039,283	61.2%	$11,633,998,042	66.3%
Utility	4,162,118,124	13.4%	2,294,561,202	13.1%
Dedicated tax	3,451,805,981	11.1%	1,683,409,134	9.6%
General fund	2,520,799,251	8.1%	1,032,739,767	5.9%
Transportation	944,258,646	3.0%	444,019,865	2.5%
Public higher education	870,682,595	2.8%	419,599,028	2.4%
Other public finance	128,033,831	0.4%	52,230,312	0.2%
Total	$ 31,115,737,711	100.0%	$17,560,557,350	100.0%

The premiums written and earned were as follows:

	For the Year Ended December 31, 2015		For the Year Ended December 31, 2014	
	Written Premium	Earned Premium	Written Premium	Earned Premium
Direct	$ 25,306,492	$ 1,396,525	$ 15,433,775	$ 714,783
Assumed	-	-	-	-
Gross	$ 25,306,492	$ 1,396,525	$ 15,433,775	$ 714,783
Ceded	(18,979,872)	(1,073,449)	(11,794,512)	(555,527)
Net	$ 6,326,620	$ 323,076	$ 3,639,263	$ 159,256

The gross unearned premiums on an undiscounted basis for the entire book of business that would have been reported had all installment premiums been received at inception would have been $54,265,689 as of December 31, 2015.

The table below summarizes future scheduled, contractual earned premium revenue, net of reinsurance, on non-installment contracts in force:

As of December 31, 2015	Net Earned Premium
Three months ended:	
March 31, 2016	$ 112,632
June 30, 2016	111,866
September 30, 2016	170,801
December 31, 2016	126,004
Twelve months ended:	
December 31, 2017	565,835
December 31, 2018	605,711
December 31, 2019	625,601
December 31, 2020	633,835
Five years ended:	
December 31, 2025	3,185,440
December 31, 2030	2,453,706
December 31, 2035	1,977,654
December 31, 2040	1,150,796
December 31, 2045	604,490
December 31, 2050	99,731
December 31, 2055	56,473
Total	$ 12,480,575

The table below summarizes future scheduled, undiscounted premiums expected to be collected for installment contracts in force:

As of December 31, 2015	Installment Premium Collections
Three months ended:	
March 31, 2016	$ -
June 30, 2016	-
September 30, 2016	-
December 31, 2016	-
Twelve months ended:	
December 31, 2017	-
December 31, 2018	5,423
December 31, 2019	5,257
December 31, 2020	5,086
Five years ended:	
December 31, 2025	244,719
December 31, 2030	815,145
December 31, 2035	532,626
December 31, 2040	290,166
December 31, 2045	101,914
December 31, 2050	49,666
December 31, 2055	15,977
Total	$ 2,065,979

8. Capital and Surplus and Dividend Restrictions

Build America is a mutual insurance company domiciled in New York. NYSIL defines the scope of permitted financial guaranty insurance and governs the conduct of business of all financial guarantors licensed to do business in the State of New York, including Build America. NYSIL also establishes single risk and aggregate risk limits with respect to insured obligations insured by financial guaranty insurers. Single risk limits are specific to the type of insured obligation. Under NYSIL, policyholders' surplus and contingency reserves must be equal to or greater than a percentage of aggregate net liability. The percentage of aggregate net liability is equal to the sum of various percentages of aggregate net liability for various categories of specified obligations. In addition, to the extent applicable, Build America must also comply with the single and aggregate risk limits established by the insurance laws in the other states and jurisdictions the Company is licensed.

As discussed in Note 1 – Organization and Basis of Presentation, the Surplus Notes were purchased by HG Holdings and HG Re.

Pursuant to the Amended and Restated Surplus Note Purchase Agreement (the "Amended Surplus Note Agreement"), effective January 1, 2014, Build America, HG Holdings and HG Re agreed to change the interest rate on the Surplus Notes for the five years ended December 31, 2018 from a fixed 8% rate to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually. Prior to the end of 2018, Build America has the option to extend the variable rate period for another three years. Following the expiration of the variable rate period, the interest rate adjusts to the higher of the then variable rate or 8%. The Department approved the Amended Surplus Note Agreement on April 25, 2014.

Details regarding the Surplus Notes issued by the Company are as follows:

As of December 31, 2015	Series 2012-A	Series 2012-B
Date issued	July 17, 2012	July 17, 2012
Date of maturity	April 1, 2042	April 1, 2042
Interest rate	variable	variable
Par value	$ 203,000,000	$ 300,000,000
Carrying value	$ 203,000,000	$ 300,000,000
Principal and interest paid:		
In current period	$ -	$ -
In total	$ -	$ -
Unapproved principal and interest	$ 239,402,313	$ 353,796,522

The Amended Surplus Note Agreement provides for quarterly payments, on every March 1, June 1, September 1, and December 1, until all amounts due on the Surplus Notes have been paid, upon: i.) the Company's request for authority to make payment and ii.) the Department's approval of that request. These conditions to the payment of interest due on the Surplus Notes allow for the deferral of interest without the occurrence of a default under the Amended Surplus Note Agreement. The Company did not request Department approval for the payments through December 31, 2015. No interest shall be accrued on deferred interest payments. The Surplus Notes are expressly subordinate and junior to the Company's policy obligations and all other liabilities other than distribution of assets to members. Because the Company is a mutual company, there is no liquidation preference for the insurer's common and preferred shareholders, as no such shares exist.

As funds become available to make interest and principal payments and subject to approval by the Department, payments will be made pursuant to the Amended Surplus Note Agreement in the following order, satisfying each category of payment in full before beginning payments on the subsequent category: i.) outstanding principal of the Series 2012-A Surplus Notes, plus any interest due and payable thereon, ii.) interest due and payable on Series 2012-B Surplus Notes, and iii.) outstanding principal of the Series 2012-B Surplus Notes.

The Company may not make any payment of principal or interest on the Series 2012-B Surplus Notes, or on any other debt subordinated to the Surplus Notes, until all interest due and all outstanding principal on the Series 2012-A Surplus Notes has been paid. In addition, the Company may not make any payment of principal on any debt subordinated to the Surplus Notes until all interest due and all outstanding principal on all of the Surplus Notes has been paid.

While the scheduled maturity date of the Surplus Notes is April 1, 2042, the Company has the option to pre-pay, in whole or in part, the principal amount of the Surplus Notes at par value prior to such date subject to Department approval and the conditions noted in the previous paragraphs.

Build America has not paid any dividends as of December 31, 2015.

9. Information Concerning Related Party Transactions

During 2014, the Company formed BAM Asset Management, LLC ("BAM AM"), a wholly owned non-insurance limited liability company domiciled in Delaware and contributed $5,001,000 of cash to BAM AM. BAM AM subsequently returned $4,998,000 during 2014 in the form of cash and marketable securities, resulting in a net capital contribution to BAM AM of $3,000. The Company utilizes the look-through approach in valuing BAM AM at $1,713. BAM AM's U.S. GAAP basis financial statements are not audited and therefore the Company nonadmitted the entire investment in BAM AM as of December 31, 2015 and December 31, 2014.

Other than the transactions noted above, Build America had no material related party transactions during the years ended December 31, 2015 or December 31, 2014.

10. Retirement Plans and Deferred Compensation

The Company participates in a multiemployer defined contribution plan. All of Build America's employees are co-employed by Build America and a professional employer organization ("PEO"). Under this arrangement, the PEO is the employer of record; however, Build America directs the employees' day-to-day activities. Employees are eligible to participate in the PEO's defined contribution plan. Build America makes a matching contribution subject to limits set by the Internal Revenue Code. The Company provides a 100% match on employee contributions up to 3% of the employee's base pay and a 50% match on employee contributions up to an additional 2% of the employee's base pay. The total cost to the Company of the defined contribution plan was $457,034 and $396,243 for the years ended December 31, 2015 and December 31, 2014, respectively.

11. Contingencies and Commitments

Outstanding Commitments for Financial Guaranty

As of December 31, 2015, Build America had commitments to insure obligations with total principal and interest of approximately $611,000,000.

Litigation

In the normal course of operating a business, Build America may be involved in various legal proceedings. The Company is not currently aware of any pending or threatened material litigation or arbitration.

Lease Commitments

The Company leases office space in New York, New York, San Francisco, California, Santa Monica, California and Houston, Texas under operating lease agreements that expire through January 1, 2026.

On September 10, 2014, the Company executed an operating lease agreement for the New York, New York office space, as well as additional contiguous space, for the period January 1, 2016 to December 31, 2025. Under the terms of the lease, Build America has the option to extend the term of the lease for an additional five years for the period January 1, 2026 to December 31, 2030.

Rental expense for the years ended December 31, 2015 and 2014 was $883,324 and $815,425, respectively.

The minimum aggregate rental commitments are as follows:

As of December 31, 2015	
Year ending:	
December 31, 2016	$ 1,229,651
December 31, 2017	1,750,546
December 31, 2018	1,647,745
December 31, 2019	1,647,745
December 31, 2020	1,647,745
Thereafter	9,536,949
Total	$ 17,460,381

12. Subsequent Events

Subsequent events have been considered through February 19, 2016, the date upon which the audited statutory financial statements were available to be issued.

Build America Mutual Assurance Company

Schedule I – Summary Investment Schedule

At December 31, 2015

	Gross Investment Holdings		Admitted Assets			
	Amount	Percentage	Amount	Securities Lending Collateral Reinvested	Total Admitted Assets	Percentage
Bonds:						
U.S. Treasury securities	$ 16,894,130	3.5%	$ 16,894,130	$ -	$ 16,894,130	3.5%
U.S. government agency and corporate obligations (excluding mortgage-backed securities):						
Issued by U.S. government-sponsored agencies	26,683,690	5.6%	26,683,690	-	26,683,690	5.6%
Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
States, territories and possessions general obligations	16,669,551	3.5%	16,669,551	-	16,669,551	3.5%
Political subdivisions of states, territories and possessions and political subdivions general obligations	35,203,771	7.4%	35,203,771	-	35,203,771	7.4%
Revenue and assessment obligations	108,203,709	22.7%	108,203,709	-	108,203,709	22.7%
Mortgage-backed securities:						
Issued or guaranteed by GNMA	33,729,654	7.1%	33,729,654	-	33,729,654	7.1%
Issued or guaranteed by FNMA or FHLMC	32,383,773	6.8%	32,383,773	-	32,383,773	6.8%
Other debt and other fixed income securities:						
Unaffiliated domestic securities	148,319,228	31.1%	148,319,228	-	148,319,228	31.1%
Receivable for securities	9,737	0.0%	9,737	-	9,737	0.0%
Cash, cash equivalent and short-term investments	59,104,895	12.3%	59,104,895	-	59,104,895	12.3%
Other invested assets	1,713	0.0%	-	-	-	0.0%
Total	$ 477,203,851	100.0%	$ 477,202,138	$ -	$ 477,202,138	100.0%

See accompanying independent auditors' report.

Build America Mutual Assurance Company

Schedule II – Supplemental Investment Risk Interrogatories
For the Year Ended December 31, 2015

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1 Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 479,610,963

2 Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	DREYFUS TRSY PRIME CASH MGMT	Money Market	$ 35,391,126	7.379%
2.02	GNMA POOL MA0089	Bonds	25,542,655	5.326%
2.03	FNMA POOL 725205	Bonds	16,354,981	3.410%
2.04	FHLMC POOL J23929	Bonds	16,028,792	3.342%
2.05	US TREASURY N/B	Bonds	14,727,913	3.071%
2.06	CITY OF NEW YORK NY SERIES J-12	Bonds	13,349,519	2.783%
2.07	MET TRANSPRTN AUTH NY REVENUE SERIES B2C	Bonds	12,023,138	2.507%
2.08	FANNIE MAE	Bonds	10,184,696	2.124%
2.09	FREDDIE MAC	Bonds	9,498,994	1.981%
2.10	COLORADO ST DEPT OF TRANSPRTN	Bonds	8,950,000	1.866%

3 Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

		1	2
	Bonds	Amount	Percent
3.01	NAIC-1	$ 461,356,107	96.194%
3.02	NAIC-2	-	0.000%
3.03	NAIC-3	-	0.000%
3.04	NAIC-4	-	0.000%
3.05	NAIC-5	-	0.000%
3.06	NAIC-6	-	0.000%

		3	4
	Preferred Stocks	Amount	Percent
3.07	P/RP-1	$ -	0.000%
3.08	P/PR-2	-	0.000%
3.09	P/PR-3	-	0.000%
3.10	P/PR-4	-	0.000%
3.11	P/PR-5	-	0.000%
3.12	P/PR-6	-	0.000%

4 Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10

		1	2
		Amount	Percent
4.02	Total admitted assets held in foreign investments	$ -	0.000%
4.03	Foreign-currency-denominated investments	-	0.000%
4.04	Insurance liabilities denominated in that same foreign currency	-	0.000%

11 Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments exposure and unhedged Canadian currency.

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 above is yes, responses are not required for the remainder of Interrogatory 11.

12 Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 above is yes, responses are not required for the remainder of Interrogatory 12.

13 Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

14 Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15 Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

16 Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:
16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

18 Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:
18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19 Amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:
19.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

20 Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-End		Amount at End of Each Quarter		
		Amount	Percent	1st Qtr	2nd Qtr	3rd Qtr
	Description	1	2	3	4	5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$ -	0.000%	$ -	$ -	$ -
20.02	Repurchase agreements	-	0.000%	-	-	-
20.03	Reverse repurchase agreements	-	0.000%	-	-	-
20.04	Dollar repurchase agreements	-	0.000%	-	-	-
20.05	Dollar reverse repurchase agreements	-	0.000%	-	-	-

21 Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

		Owned		Written	
		1	2	3	4
	Description	Amount	Percent	Amount	Percent
21.01	Hedging	$ -	0.000%	$ -	0.000%
21.02	Income generation	-	0.000%	-	0.000%
21.03	Other	-	0.000%	-	0.000%

22 Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps and forwards:

		At Year-End		Amount at End of Each Quarter		
		Amount	Percent	1st Qtr	2nd Qtr	3rd Qtr
	Description	1	2	3	4	5
22.01	Hedging	$ -	0.000%	$ -	$ -	$ -
22.02	Income generation	-	0.000%	-	-	-
22.03	Replications	-	0.000%	-	-	-
22.04	Other	-	0.000%	-	-	-

23 Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

		At Year-End		Amount at End of Each Quarter		
		Amount	Percent	1st Qtr	2nd Qtr	3rd Qtr
	Description	1	2	3	4	5
23.01	Hedging	$ -	0.000%	$ -	$ -	$ -
23.02	Income generation	-	0.000%	-	-	-
23.03	Replications	-	0.000%	-	-	-
23.04	Other	-	0.000%	-	-	-

1. The Company has no quota share reinsurance contracts inforce that include a provision that would limit the reinsurer's losses below the stated quota share percentage.
2. The Company has not ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement:
   - it recorded a positive or negative underwriting result greater than five-percent (5%) of prior year end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than five-percent (5%) of prior year-end surplus as regards policyholders;
   - it accounted for that contract as reinsurance and not as a deposit; and
   - the contract(s) contain one or more of the following features or other features that would have similar results:
     - a contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
     - a limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
     - aggregate stop loss reinsurance coverage;
     - an unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
     - a provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
     - payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.
3. The Company does not have reinsurance agreements wherein the positive or negative underwriting result represents five percent (5%) or more of prior year-end surplus as regards policyholders or its reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than five percent (5%) of prior year-end surplus as regards policyholders where:
   - the written premium ceded to the reinsurer by the Company represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
   - twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the Company or its affiliates in separate reinsurance contract.
4. The Company has not ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
   - accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (“SAP”) and as a deposit under generally accepted accounting principles (“GAAP”); or
   - accounted for that contract as reinsurance under GAAP and as a deposit under SAP.