

Build America Mutual Assurance Company

Statutory Financial Statements and Supplemental Schedules

December 31, 2025 and 2024

Build America Mutual Assurance Company
Statutory Financial Statements and Supplemental Schedules
December 31, 2025 and 2024

Table of Contents

Report of Independent Auditors 1

Statutory Statements of Admitted Assets, Liabilities and Capital
and Surplus 4

Statutory Statements of Operations 5

Statutory Statements of Changes in Capital and Surplus 6

Statutory Statements of Cash Flows 7

Notes to Statutory Financial Statements 8

Schedule I – Summary Investment Schedule 36

Schedule II – Supplemental Investment Risk Interrogatories 37

Schedule III – Reinsurance Summary Supplement 39



Report of Independent Auditors

To the Board of Directors of Build America Mutual Assurance Company

Opinions

We have audited the accompanying statutory financial statements of Build America Mutual Assurance Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024, and the related statutory statements of operations, changes in capital and surplus, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, 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.

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 section of our report, the accompanying financial statements 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, 2025 and 2024, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental Schedule I – Summary Investment Schedule, Schedule II – Supplemental Investment Risk Interrogatories and Schedule III – Reinsurance Summary Supplement (collectively referred to as the "supplemental schedules") of the Company as of December 31, 2025 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 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, New York
February 13, 2026

Build America Mutual Assurance Company

Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus

	December 31,	
	2025	2024
ADMITTED ASSETS		
Bonds	\$ 473,984,785	\$ 459,374,978
Common stocks	128,200	126,400
Cash, cash equivalents and short-term investments	<u>34,062,727</u>	<u>34,314,776</u>
Total cash and invested assets	\$ 508,175,712	\$ 493,816,154
Investment income due and accrued	3,896,656	3,477,688
Other assets	<u>1,978,027</u>	<u>1,279,780</u>
Total admitted assets	<u><u>\$ 514,050,395</u></u>	<u><u>\$ 498,573,622</u></u>
LIABILITIES		
Unearned premiums	\$ 70,601,641	\$ 64,938,854
Ceded reinsurance premiums payable	4,869,546	3,869
Mandatory contingency reserve	178,160,119	156,041,561
Accrued and payable expenses	34,562,884	31,735,330
Payable for securities	961,065	-
Payable to parent, subsidiaries and affiliates	100,963	-
Deposit liabilities	<u>782,262</u>	<u>608,063</u>
Total liabilities	<u><u>\$ 290,038,480</u></u>	<u><u>\$ 253,327,677</u></u>
CAPITAL AND SURPLUS		
Surplus notes	\$ 276,761,822	\$ 300,927,875
Member surplus contributions	701,507,516	614,898,253
Unassigned funds - deficit	<u>(754,257,423)</u>	<u>(670,580,183)</u>
Total capital and surplus	<u><u>\$ 224,011,915</u></u>	<u><u>\$ 245,245,945</u></u>
Total liabilities, capital and surplus	<u><u>\$ 514,050,395</u></u>	<u><u>\$ 498,573,622</u></u>

See accompanying notes to statutory financial statements.

Build America Mutual Assurance Company
Statutory Statements of Operations

	Year Ended December 31,	
	2025	2024
Premiums earned	\$ 4,832,891	\$ 4,626,943
Underwriting deductions:		
Losses Incurred (benefit)	-	(4,131)
Other underwriting expenses	54,587,251	49,737,412
Total underwriting deductions	<u>\$ 54,587,251</u>	<u>\$ 49,733,281</u>
Net underwriting loss	\$ (49,754,360)	\$ (45,106,338)
Net investment loss	\$ (10,829,897)	\$ (4,053,757)
Net realized capital gains (losses) (net of capital gains tax of \$0 and \$0, respectively)	163,717	(3,278,185)
Net investment loss	<u>\$ (10,666,180)</u>	<u>\$ (7,331,942)</u>
Other (expense) income	<u>(27,324)</u>	<u>-</u>
Net loss before federal income tax expense	(60,447,864)	(52,438,280)
Federal income tax expense incurred	-	-
Net loss	<u><u>\$ (60,447,864)</u></u>	<u><u>\$ (52,438,280)</u></u>

See accompanying notes to statutory financial statements.

Build America Mutual Assurance Company
Statutory Statements of Changes in Capital and Surplus
Years Ended December 31, 2025 and 2024

	Surplus Notes	Member Surplus Contributions	Unassigned Funds - Deficit	Total
Balances as of December 31, 2023	\$ 322,191,623	\$ 545,163,778	\$ (598,026,592)	\$ 269,328,809
Net loss	-	-	(52,438,280)	(52,438,280)
Change in nonadmitted assets	-	-	(238,050)	(238,050)
Change in surplus notes	(21,263,748)	-	-	(21,263,748)
Change in net unrealized capital gain	-	-	14,155	14,155
Change in net unrealized foreign exchange loss	-	-	(392)	(392)
Change in member surplus contributions	-	69,734,475	-	69,734,475
Change in mandatory contingency reserve	-	-	(19,891,024)	(19,891,024)
Balances as of December 31, 2024	<u>\$ 300,927,875</u>	<u>\$ 614,898,253</u>	<u>\$ (670,580,183)</u>	<u>\$ 245,245,945</u>
Net loss	-	-	(60,447,864)	(60,447,864)
Change in nonadmitted assets	-	-	(1,219,290)	(1,219,290)
Change in surplus notes	(24,166,053)	-	-	(24,166,053)
Change in net unrealized capital gain	-	-	104,701	104,701
Change in net unrealized foreign exchange gain	-	-	3,771	3,771
Change in member surplus contributions	-	86,609,263	-	86,609,263
Change in mandatory contingency reserve	-	-	(22,118,558)	(22,118,558)
Balances as of December 31, 2025	<u><u>\$ 276,761,822</u></u>	<u><u>\$ 701,507,516</u></u>	<u><u>\$ (754,257,423)</u></u>	<u><u>\$ 224,011,915</u></u>

See accompanying notes to statutory financial statements.

Build America Mutual Assurance Company

Statutory Statements of Cash Flows

	Year Ended December 31,	
	2025	2024
Cash from operations:		
Premiums collected, net of reinsurance	\$ 15,361,355	\$ 8,813,376
Net investment loss	(11,831,840)	(4,874,982)
Miscellaneous loss	(27,324)	-
Subtotal	\$ 3,502,191	\$ 3,938,394
Benefit and loss related recoveries	-	4,131
Commissions and expenses paid	(50,304,035)	(49,737,028)
Net cash from operations	\$ (46,801,844)	\$ (45,794,503)
Cash from investments:		
Proceeds from investments sold, matured or repaid:		
Bonds	\$ 83,905,213	\$ 138,855,906
Net gains on cash, cash equivalents and short-term investments	142	-
Miscellaneous proceeds	961,065	-
Cost of investments acquired:		
Bonds	(97,594,271)	(136,363,323)
Stocks	(1,800)	(9,800)
Other invested assets	-	(67)
Net cash from investments	\$ (12,729,651)	\$ 2,482,716
Cash from financing and miscellaneous sources:		
Cash provided (applied):		
Surplus notes	\$ (24,166,053)	\$ (21,263,748)
Capital and paid-in surplus	86,609,263	69,734,475
Other cash applied	(3,163,764)	(2,275,298)
Net cash from financing and miscellaneous sources	\$ 59,279,446	\$ 46,195,429
Net change in cash, cash equivalents and short-term investments	\$ (252,049)	\$ 2,883,642
Cash, cash equivalents and short-term investments at beginning of period	34,314,776	31,431,134
Cash, cash equivalents and short-term investments at end of year	\$ 34,062,727	\$ 34,314,776

See accompanying notes to statutory financial statements.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements

For the Years Ended December 31, 2025 and 2024

1. Organization and Basis of Presentation

Organization

Build America Mutual Assurance Company (“BAM Mutual” or the “Company”) is a New York domiciled mutual financial guaranty insurance company licensed in all of the 50 states and the District of Columbia. The Company commenced operations on July 20, 2012 and became a member of the Federal Home Loan Bank of New York (“FHLB of NY”) on September 13, 2019. The first mutual bond insurance company, BAM Mutual’s charter and underwriting guidelines permit the Company to insure only municipal bonds as defined in Section 6901(o) of the New York State Insurance Code. The Company’s policies are issued without contingent mutual liability for assessment. BAM Mutual’s financial strength and counterparty credit ratings of ‘AA/Stable Outlook’, from Standard & Poor’s Ratings Services, were reaffirmed on July 11, 2025.

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 New York State Department of Financial Services (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. During 2012, the Company received permission from the Department to defer the recognition of the deferred tax liabilities attributable to MSC received until such time as the MSC 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 Company has the Department’s permission to utilize this permitted practice through December 31, 2025. The permitted practice had no effect on net income for the years ended December 31, 2025 or December 31, 2024 and increased surplus by \$28,850,611 and \$22,638,353 as of December 31, 2025 and December 31, 2024.

Net Loss	SSAP #	Year Ended December 31,	
		2025	2024
Build America's state basis		\$ (60,447,864)	\$ (52,438,280)
State Prescribed Practices:			
None		-	-
State Permitted Practices:			
Deferred tax liability on MSC	101	-	-
NAIC statutory accounting principles		<u>\$ (60,447,864)</u>	<u>\$ (52,438,280)</u>

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

Surplus	SSAP #	December 31,	
		2025	2024
Build America's state basis		\$ 224,011,915	\$ 245,245,945
State Prescribed Practices:			
None		-	-
State Permitted Practices:			
Deferred tax liability on MSC	101	(28,850,611)	(22,638,353)
NAIC statutory accounting principles		\$ 195,161,304	\$ 222,607,592

Changes in Accounting Policies

Effective January 1, 2025, the Company adopted revisions to Statutory Statement of Accounting Principle ("SSAP") No. 26R - Bonds, SSAP No. 43R - Loan-Backed and Structured Securities, and SSAP No. 21R - Other Admitted Assets. The revisions clarified a principles-based definition of a bond as an issuer credit obligation, and established principles for classifying structured securities and other asset-backed investments. Investments that do not qualify as bonds under the revisions are required to be reclassified to other invested assets. The Company's adoption of the revisions did not result in the reclassification of any bonds to other invested assets or transition adjustments to previously reported bonds.

Effective January 1, 2025, the Company changed its accounting policy for the mandatory contingency reserve liability such that the liability is reduced for the effects of both collateral and reinsurance, in accordance with statutory accounting practices prescribed or permitted by the State of New York under NYSIL. Prior to January 1, 2025, the mandatory contingency reserve liability was reduced for the effect of reinsurance only. This change in accounting policy had no impact on surplus upon adoption or on net income for the year ended December 31, 2025.

Summary of Significant Accounting Policies

Bonds

Issuer credit obligations include U.S. government, municipal and corporate debt securities and represent a direct obligation of the issuer to pay principal and interest. Issuer credit obligations with an NAIC designation of 1 or 2 are reported at amortized cost; amortized cost is computed using the effective interest method. Issuer credit obligations with an NAIC designation of 3 through 6 are carried at the lower of amortized cost or fair value. For issuer credit obligations purchased at a price below par value, discounts are accreted over the remaining term of the issuer credit obligations. For issuer credit obligations 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 issuer credit obligation.

For issuer credit obligations for which it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the debt security, including issuer credit obligations for which 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 other-than-temporary-impairment ("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.

Asset-backed securities include residential mortgage-backed securities and other asset-backed securities. The Company determines whether an investment qualifies as an issuer credit

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

obligation or an asset-backed security under SSAP 43 by analyzing the underlying credit relationship and the characteristics of the cash flows.

Investments in asset-backed securities with an NAIC designation of 1 or 2 are reported at amortized cost. Asset-backed securities with an NAIC designation of 3 through 6 are carried at the lower of amortized cost or fair value. The Company did not hold any asset-backed securities with NAIC designations 3 through 6 as of December 31, 2025 or December 31, 2024. Changes in estimated cash flows, including the effect of prepayment assumptions, on asset-backed securities are reviewed periodically. Prepayment assumptions are applied consistently to securities backed by similar collateral. Asset-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 asset-backed security has declined below its amortized cost basis, the Company determines whether an OTTI has occurred.

For asset-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 on an asset-backed security 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 issuer credit obligations or asset-backed securities for the years ended December 31, 2025 or 2024. 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.

Common Stock

Common stock investments are stated at fair value.

Short-Term Investments

Short-term investments are stated at amortized cost and consist primarily of bonds with maturities of less than one year.

Cash and cash equivalents are carried at cost, which approximates fair value, and consists of cash in depository accounts, short-term obligations of the U.S. government and its agencies with original maturities of less than 90 days and money market mutual funds registered under the Investment Company Act of 1940 (the "Act of 1940") and regulated under Rule 2a-7 of the Act of 1940.

Other Invested Assets

Investments in non-insurance subsidiaries are recorded based on the underlying equity of the subsidiary's audited financial statements presented in accordance with U.S. Generally Accepted Accounting Principles. Investments in unaudited non-insurance subsidiaries are non-admitted.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

Premium Revenue Recognition

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 net cash outflows and inflows to be paid or received under the contract. 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 considers its ability to collect contractual interest on claim payments when developing its estimate of expected cash inflows. The inclusion of such interest may result in the Company recording recoveries in excess of its actual or expected claim payments on a policy.

The Company did not have any loss or loss adjustment expense reserves as of December 31, 2025 or December 31, 2024. 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

BAM Mutual collects a Member Surplus Contribution ("MSC") payment for every policy that it issues. MSC payments are recognized as an addition to surplus when collected. An issuer's MSC is generally creditable, subject to certain conditions, to the payment due when BAM Mutual guarantees debt that refunds a debt issue insured by the Company.

Mandatory Contingency Reserve

The Company is required to establish and maintain a mandatory contingency reserve liability in accordance with statutory accounting practices prescribed or permitted by the State of New York under NYSIL to protect policyholders against the effects of excessive losses occurring during adverse economic cycles.

Financial guarantors are required to establish a mandatory contingency reserve liability equal to the greater of 50% of premiums written or a stated percentage of the principal guaranteed based on the category of obligation insured, net of collateral and reinsurance ("Net Contingency

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

Reserves”). Contributions 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 net of collateral and reinsurance. 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 guaranteed obligations, with notice to or approval by the Department.

The 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 guarantees, with the Department’s approval; or
- 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 guarantees, upon 30 days prior written notice to the Department.

Reinsurance Ceded

Premiums earned, losses and loss adjustment expenses incurred and contributions to the mandatory contingency reserve 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 applicable reinsurance contracts. As of December 31, 2025 and December 31, 2024, 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 with adjustments to the deposit liability charged to interest expense.

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 non-operating software, prepaid expenses, furniture and equipment and investments in unaudited non-insurance subsidiaries. Nonadmitted assets were \$6,230,882 and \$5,011,592 as of December 31, 2025 and December 31, 2024, 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

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

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* ("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

BAM Mutual's 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. Expenses for the amortization of capitalized assets are recognized over the estimated useful lives of the assets as follows:

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
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.*

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

For the year December 31, 2025, the Company had depreciation expense of \$1,224,504 related to electronic data processing equipment and software, \$179,182 related to leasehold improvements and \$51,976 related to furniture and fixtures.

For the year December 31, 2024, the Company had depreciation expense of \$1,167,212 related to electronic data processing equipment and software, \$140,176 related to leasehold improvements and \$55,259 related to furniture and fixtures.

Reclassifications

Prior year amounts may have been reclassified to conform to the current year's presentation.

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 deferred tax assets and liabilities. 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.

Going Concern

Management has evaluated the Company's ability to continue as a going concern and does not believe there are conditions or events, considered in the aggregate, that raise substantial doubt regarding the Company's ability to continue as a going concern within one year of the issuance of the statutory financial statements for the year ended December 31, 2025.

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

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

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, investments in subsidiaries are consolidated with the results of the parent company, while under NAIC SAP, investments in subsidiaries are carried on the balance sheet using the equity basis, to the extent admissible;
- 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.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

2. Investments

The following are the carrying values of the Company's bonds and common stocks and the related fair values as of December 31, 2025 and 2024:

	December 31, 2025			Fair Value
	Carry Value	Gross Unrealized Gains	Gross Unrealized Losses	
Bonds:				
Issuer Credit Obligations				
U.S. Government Obligations	\$ 11,964,500	\$ 98,739	\$ (5,120)	\$ 12,058,119
Municipal Bonds - General Obligations	61,676,347	797,632	(1,841,637)	60,632,342
Municipal Bonds - Special Revenue	205,578,620	2,217,092	(6,545,283)	201,250,429
Corporate Bonds	48,764,174	291,322	(96,577)	48,958,919
Total Issuer Credit Obligations	\$ 327,983,641	\$ 3,404,785	\$ (8,488,617)	\$ 322,899,809
Asset -Backed Securities				
Financial Asset-Backed Securities - Self-Liquidating	134,684,909	1,055,886	(8,014,373)	127,726,422
Non-Financial Asset-Backed Securities	11,316,235	181,876	-	11,498,111
Total Asset -Backed Securities	\$ 146,001,144	\$ 1,237,762	\$ (8,014,373)	\$ 139,224,533
Total bonds	\$ 473,984,785	\$ 4,642,547	\$ (16,502,990)	\$ 462,124,342
Common Stocks:				
Industrial and miscellaneous other (unaffiliated)	128,200	-	-	128,200
Total stocks	\$ 128,200	\$ -	\$ -	\$ 128,200
Total bonds and stocks	\$ 474,112,985	\$ 4,642,547	\$ (16,502,990)	\$ 462,252,542
December 31, 2024				
	Carry Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds:				
Issuer Credit Obligations				
U.S. Government Obligations	\$ 21,114,988	\$ 3,871	\$ (99,351)	\$ 21,019,508
Municipal Bonds - General Obligations	54,763,267	194,978	(3,797,640)	51,160,605
Municipal Bonds - Special Revenue	197,119,344	58,706	(12,294,704)	184,883,346
Corporate Bonds	26,575,404	55,814	(256,109)	26,375,109
Total Issuer Credit Obligations	\$ 299,573,003	\$ 313,369	\$ (16,447,804)	\$ 283,438,568
Asset -Backed Securities				
Financial Asset-Backed Securities - Self-Liquidating	146,292,511	481,161	(11,754,227)	135,019,445
Non-Financial Asset-Backed Securities	13,509,464	80,546	(17,416)	13,572,594
Total Asset -Backed Securities	\$ 159,801,975	\$ 561,707	\$ (11,771,643)	\$ 148,592,039
Total bonds	\$ 459,374,978	\$ 875,076	\$ (28,219,447)	\$ 432,030,607
Common Stocks:				
Industrial and miscellaneous other (unaffiliated)	126,400	-	-	126,400
Total stocks	\$ 126,400	\$ -	\$ -	\$ 126,400
Total bonds and stocks	\$ 459,501,378	\$ 875,076	\$ (28,219,447)	\$ 432,157,007

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

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, as of December 31, 2025 and 2024 are as follows:

	December 31, 2025	
	Fair Value	Unrealized Loss
<i>Less than twelve months</i>		
Bonds:		
Issuer Credit Obligations		
U.S. Government Obligations	\$ -	\$ -
Municipal Bonds - General Obligations	3,355,892	(42,986)
Municipal Bonds - Special Revenue	12,583,826	(528,371)
Corporate Bonds	9,596,855	(51,588)
Total Issuer Credit Obligations	\$ 25,536,573	\$ (622,945)
Asset - Backed Securities		
Financial Asset-Backed Securities - Self-Liquidating	875,135	(50)
Non-Financial Asset-Backed Securities	-	-
Total Asset - Backed Securities	\$ 875,135	\$ (50)
Total bonds	\$ 26,411,708	\$ (622,995)
<i>Twelve months or more</i>		
Bonds:		
Issuer Credit Obligations		
U.S. Government Obligations	\$ 1,279,514	\$ (5,120)
Municipal Bonds - General Obligations	27,041,276	(1,798,651)
Municipal Bonds - Special Revenue	92,152,688	(6,016,912)
Corporate Bonds	10,519,550	(44,989)
Total Issuer Credit Obligations	\$ 130,993,028	\$ (7,865,672)
Asset - Backed Securities		
Financial Asset-Backed Securities - Self-Liquidating	57,915,404	(8,014,323)
Non-Financial Asset-Backed Securities	-	-
Total Asset - Backed Securities	\$ 57,915,404	\$ (8,014,323)
Total bonds	\$ 188,908,432	\$ (15,879,995)
<i>Total unrealized loss</i>		
Bonds:		
Issuer Credit Obligations		
U.S. Government Obligations	\$ 1,279,514	\$ (5,120)
Municipal Bonds - General Obligations	30,397,168	(1,841,637)
Municipal Bonds - Special Revenue	104,736,514	(6,545,283)
Corporate Bonds	20,116,405	(96,577)
Total Issuer Credit Obligations	\$ 156,529,601	\$ (8,488,617)
Asset - Backed Securities		
Financial Asset-Backed Securities - Self-Liquidating	58,790,539	(8,014,373)
Non-Financial Asset-Backed Securities	-	-
Total Asset - Backed Securities	\$ 58,790,539	\$ (8,014,373)
Total bonds	\$ 215,320,140	\$ (16,502,990)

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

	December 31, 2024	
	Fair Value	Unrealized Loss
<i>Less than twelve months</i>		
Bonds:		
Issuer Credit Obligations		
U.S. Government Obligations	\$ 12,953,172	\$ (92,043)
Municipal Bonds - General Obligations	17,913,889	(730,013)
Municipal Bonds - Special Revenue	89,195,881	(2,048,998)
Corporate Bonds	3,930,179	(58,120)
Total Issuer Credit Obligations	\$ 123,993,121	\$ (2,929,174)
Asset - Backed Securities		
Financial Asset-Backed Securities - Self-Liquidating	16,279,461	(251,123)
Non-Financial Asset-Backed Securities	842,353	(17,416)
Total Asset - Backed Securities	\$ 17,121,814	\$ (268,539)
Total bonds	\$ 141,114,935	\$ (3,197,713)
 <i>Twelve months or more</i>		
Bonds:		
Issuer Credit Obligations		
U.S. Government Obligations	\$ 3,035,079	\$ (7,308)
Municipal Bonds - General Obligations	26,423,521	(3,067,627)
Municipal Bonds - Special Revenue	86,707,547	(10,245,706)
Corporate Bonds	15,786,334	(197,989)
Total Issuer Credit Obligations	\$ 131,952,481	\$ (13,518,630)
Asset - Backed Securities		
Financial Asset-Backed Securities - Self-Liquidating	70,854,422	(11,503,104)
Non-Financial Asset-Backed Securities	-	-
Total Asset - Backed Securities	\$ 70,854,422	\$ (11,503,104)
Total bonds	\$ 202,806,903	\$ (25,021,734)
 <i>Total unrealized loss</i>		
Bonds:		
Issuer Credit Obligations		
U.S. Government Obligations	\$ 15,988,251	\$ (99,351)
Municipal Bonds - General Obligations	44,337,410	(3,797,640)
Municipal Bonds - Special Revenue	175,903,428	(12,294,704)
Corporate Bonds	19,716,513	(256,109)
Total Issuer Credit Obligations	\$ 255,945,602	\$ (16,447,804)
Asset - Backed Securities		
Financial Asset-Backed Securities - Self-Liquidating	87,133,883	(11,754,227)
Non-Financial Asset-Backed Securities	842,353	(17,416)
Total Asset - Backed Securities	\$ 87,976,236	\$ (11,771,643)
Total bonds	\$ 343,921,838	\$ (28,219,447)

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

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 asset-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. The Company did not record any OTTI for the years ended December 31, 2025 or December 31, 2024.

The carrying values and the related fair market values of bonds, by contractual maturity as of December 31, 2025 is as follows:

	December 31, 2025	
	Carrying Value	Fair Value
One year or less	\$ 15,142,412	\$ 15,090,451
Over one year to five years	136,337,559	136,841,684
Over five years to ten years	97,922,026	97,609,166
Over ten years	224,582,788	212,583,041
Total bonds	<u>\$ 473,984,785</u>	<u>\$ 462,124,342</u>

Net investment income (expense) is summarized by invested asset class for the years ended December 31, 2025 and 2024, is as follows:

	Year Ended December 31,	
	2025	2024
Bonds	\$ 19,072,269	\$ 17,609,214
Common stocks	10,317	11,535
Cash, cash equivalents and short-term investments	<u>1,071,061</u>	<u>1,103,687</u>
Total investment income	\$ 20,153,647	\$ 18,724,436
Less: investment expenses	(388,502)	(453,755)
Less: interest expense	<u>(30,595,042)</u>	<u>(22,324,438)</u>
Net investment expense	<u>\$ (10,829,897)</u>	<u>\$ (4,053,757)</u>

Interest expense on surplus notes was \$10,833,947 and \$8,736,252 for the years ended December 31, 2025 and December 31, 2024, respectively. Interest expense related to deposit accounting reinsurance was \$19,761,095 and \$13,588,186 for the years ended December 31, 2025 and December 31, 2024, respectively. There were no amounts of accrued investment income not admitted as of December 31, 2025 or December 31, 2024.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

Net realized gains and losses for the years ended December 31, 2025 and 2024 are comprised of the following:

		Year Ended December 31, 2025			
		Gross Realized	Gross Realized	Tax (Expense)	Net Realized
		Gains	Losses	Benefit	Capital Gains
Bonds		\$ 198,969	\$ (35,252)	\$ -	\$ 163,717
Total		\$ 198,969	\$ (35,252)	\$ -	\$ 163,717

		Year Ended December 31, 2024			
		Gross Realized	Gross Realized	Tax (Expense)	Net Realized
		Gains	Losses	Benefit	Capital Gains
Bonds		\$ 35,155	\$ (3,313,340)	\$ -	\$ (3,278,185)
Total		\$ 35,155	\$ (3,313,340)	\$ -	\$ (3,278,185)

Proceeds from sales of investments in bonds, excluding maturities and paydowns, during the years ended December 31, 2025 and 2024 were \$13,934,980 and \$90,931,377 respectively.

As of December 31, 2025 and December 31, 2024, securities with a carrying value of \$4,888,381 and \$4,875,682 respectively, were on deposit with various state and other regulatory authorities as required by law. As of December 31, 2025 and December 31, 2024, assets with a carrying value of \$4,287,502 and \$3,288,753 respectively, were held in trust as collateral for the benefit of reinsurers. As of December 31, 2025 and December 31, 2024, assets with a carrying value of \$68,620 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 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:

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

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.

Common Stocks

The Company's common stock investments relate to holdings in the FHLB of NY. FHLB of NY's capital plan prescribes the par value of the capital stock is \$100 and all capital stock is issued, redeemed, repurchased or transferred at par value. Since there is not an observable market for the FHLB of NY common stock, it has been classified as Level 3. The fair value of the FHLB of NY's common stock is presumed to equal par as prescribed by SSAP 30, *Unaffiliated Common Stock*. The fair value of FHLB of NY stock was \$128,200 and \$126,400 at December 31, 2025 and December 31, 2024, respectively.

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 BAM Mutual 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.

Excluding the Company's investment in FHLB of New York common stock, the Company did not carry any assets or liabilities at fair value as of December 31, 2025 or December 31, 2024.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The following tables presents all financial assets and liabilities by fair value hierarchy as of December 31, 2025 and 2024:

	December 31, 2025				
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Financial Assets:					
Bonds	\$ 462,124,342	\$ 473,984,785	\$ -	\$ 462,124,342	\$ -
Common stocks	128,200	128,200	-	-	128,200
Cash, cash equivalents and short-term investments	34,062,727	34,062,727	34,062,727	-	-
Investment income due and accrued	3,896,656	3,896,656	3,896,656	-	-
Total Financial Assets	<u>\$ 500,211,925</u>	<u>\$ 512,072,368</u>	<u>\$ 37,959,383</u>	<u>\$ 462,124,342</u>	<u>\$ 128,200</u>
Financial Liabilities:					
Net financial guaranty insurance contracts	\$ 525,424,353	\$ -	\$ -	\$ -	\$ 525,424,353
Total Financial Liabilities	<u>\$ 525,424,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,424,353</u>

	December 31, 2024				
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Financial Assets:					
Bonds	\$ 432,030,607	\$ 459,374,978	\$ -	\$ 432,030,607	\$ -
Common stocks	126,400	126,400	-	-	126,400
Cash, cash equivalents and short-term investments	34,314,776	34,314,776	34,314,776	-	-
Investment income due and accrued	3,477,688	3,477,688	3,477,688	-	-
Total Financial Assets	<u>\$ 469,949,471</u>	<u>\$ 497,293,842</u>	<u>\$ 37,792,464</u>	<u>\$ 432,030,607</u>	<u>\$ 126,400</u>
Financial Liabilities:					
Net financial guaranty insurance contracts	\$ 459,145,189	\$ -	\$ -	\$ -	\$ 459,145,189
Total Financial Liabilities	<u>\$ 459,145,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,145,189</u>

For financial assets and liabilities measured at fair value and categorized within Level 3 of the fair value hierarchy, the following tables reconcile the opening balance to the closing balance for the year ended December 31, 2025 and 2024.

	Year Ended December 31, 2025		Year Ended December 31, 2024	
	Financial Assets Common stocks	Financial Liability Net financial guaranty insurance	Financial Assets Common stocks	Financial Liability Net financial guaranty insurance
Opening Balance	\$ 126,400	\$ 459,145,189	\$ 116,600	\$ 432,190,011
Transfer Into Level 3	-	-	-	-
Transfers Out of Level 3	-	-	-	-
Gains/(Losses) Included in Net Income	-	-	-	-
Gains/(Losses) Included in Surplus	-	-	-	-
Purchases	1,800	-	9,800	-
Issuances	-	66,279,164	-	26,955,178
Sales	-	-	-	-
Settlements	-	-	-	-
Ending Balance	<u>\$ 128,200</u>	<u>\$ 525,424,353</u>	<u>\$ 126,400</u>	<u>\$ 459,145,189</u>

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

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

year ended December 31, 2025 the Company purchased \$1,800 of FHLB of NY capital stock that was classified as Level 3. During the years ended December 31, 2025 and December 31, 2024, 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, 2025 and December 31, 2024 had an estimated fair value of \$525,424,353 and \$459,145,189, respectively.

The Company had no items for which it was not practicable to estimate fair values as of December 31, 2025 or December 31, 2024.

4. Income Taxes

The Company's permitted practice with respect to the deferral of the recognition of Deferred Tax Liabilities ("DTL") on MSC collected increased surplus by \$28,850,611 and \$ 22,638,353 for the years ended December 31, 2025 and 2024, respectively.

The components of gross Deferred Tax Assets ("DTA") and DTL as of December 31, 2025 and 2024 are as follows:

	December 31, 2025		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	\$ 104,473,554	\$ 535,705	\$ 105,009,259
Less: valuation allowance adjustment	-	-	-
Subtotal - adjusted gross deferred tax assets	\$ 104,473,554	\$ 535,705	\$ 105,009,259
Deferred Tax Assets non-admitted	-	-	-
Subtotal - net admitted deferred tax asset	\$ 104,473,554	\$ 535,705	\$ 105,009,259
Deferred Tax Liabilities	104,473,554	535,705	105,009,259
Total - net admitted deferred tax asset	\$ -	\$ -	\$ -

	December 31, 2024		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	\$ 97,357,346	\$ 596,833	\$ 97,954,179
Less: valuation allowance adjustment	-	-	-
Subtotal - adjusted gross deferred tax assets	\$ 97,357,346	\$ 596,833	\$ 97,954,179
Deferred Tax Assets non-admitted	-	-	-
Subtotal - net admitted deferred tax asset	\$ 97,357,346	\$ 596,833	\$ 97,954,179
Deferred Tax Liabilities	97,357,346	596,833	97,954,179
Total - net admitted deferred tax asset	\$ -	\$ -	\$ -

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The admission calculation for deferred tax assets (“DTA”) admitted under each component of SSAP 101 paragraphs 11.a., 11.b., and 11.c. as of December 31, 2025 and 2024 is as follows:

	December 31, 2025		
	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	<u>104,473,554</u>	<u>535,705</u>	<u>105,009,259</u>
Deferred tax assets admitted as a result of application of SSAP No. 101	<u>\$ 104,473,554</u>	<u>\$ 535,705</u>	<u>\$ 105,009,259</u>
	December 31, 2024		
	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	<u>97,357,346</u>	<u>596,833</u>	<u>97,954,179</u>
Deferred tax assets admitted as a result of application of SSAP No. 101	<u>\$ 97,357,346</u>	<u>\$ 596,833</u>	<u>\$ 97,954,179</u>

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The amount of adjusted gross DTA admitted under each component of SSAP 101 as of December 31, 2025 and 2024 are as follows:

	December 31,	
	2025	2024
Deferred tax assets:		
Ordinary:		
Unearned premiums	\$ 1,509,933	\$ 1,377,877
Compensation and benefit accruals	6,269,573	5,616,982
Net operating loss carryforward	96,644,819	90,282,725
Start-up costs	49,229	79,762
Subtotal - ordinary deferred tax assets	\$ 104,473,554	\$ 97,357,346
Statutory valuation allowance	-	-
Nonadmitted ordinary deferred tax assets	-	-
Admitted ordinary deferred tax assets	\$ 104,473,554	\$ 97,357,346
Capital:		
Investments	\$ 535,705	\$ 596,833
Subtotal - capital deferred tax assets	\$ 535,705	\$ 596,833
Statutory valuation allowance	-	-
Nonadmitted capital deferred tax assets	-	-
Admitted capital deferred tax assets	\$ 535,705	\$ 596,833
Deferred tax liabilities:		
Ordinary:		
Investments	\$ 479,840	\$ 332,694
Fixed assets	205,628	172,148
Interest on surplus notes	31,085,728	29,465,491
Member surplus contributions	73,238,063	67,983,846
Ordinary deferred tax liabilities	\$ 105,009,259	\$ 97,954,179
Net admitted deferred tax asset	\$ -	\$ -

As of December 31, 2025 and December 31, 2024, 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 \$28,159,475 and \$24,798,552 for the years ended December 31, 2025 and December 31, 2024, respectively. As of December 31, 2025, the Company has an unused ordinary operating loss carryforward of \$480,645,481 available to offset against future taxable income which expire beginning in 2033 through 2045.

The Company generated tax basis capital gains of \$291,087 for the year ended December 31, 2025 and tax basis capital loss of \$2,842,064 for the year ended December 31, 2024. As of December 31, 2025, the Company has \$2,550,977 of unused capital loss carryforwards, which expire beginning 2030.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The differences between the expected federal income tax expense computed at the statutory federal rates and the actual federal income tax expenses for the years ended December 31, 2025 and 2024 are as follows:

	<u>Year Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Statutory pre-tax loss	\$ (60,447,864)	\$ (52,438,280)
Provision computed at statutory rate	\$ (12,694,051)	\$ (11,012,039)
Increase (decrease) in actual tax reported resulting from:		
Tax on member surplus contribution	12,670,261	10,616,775
All other items	<u>23,790</u>	<u>395,264</u>
Federal income taxes incurred expense	\$ -	\$ -
Change in net deferred income tax charge	<u>-</u>	<u>-</u>
Total Statutory Income Taxes	<u>\$ -</u>	<u>\$ -</u>

5. Unpaid Losses and Loss Adjustment Expenses

Insured obligations are monitored periodically with the objective of identifying emerging trends, updating the external and internal ratings and surveillance categories and avoiding or minimizing losses. The Company classifies each credit in its insured portfolio using the following surveillance categories:

I – Performing – Standard Oversight

Credit is performing well. No losses are expected.

II – Performing – Enhanced Oversight

Credit experiencing financial, legal, or administrative problems, causing overall credit quality deterioration or a breach of one or more covenants or triggers. Issuers in this category are, to the extent possible, taking all necessary remedial actions. For some issuers, factors outside of their control are the cause, at least in part, of the deterioration in their credit profile. Issuers in this category are more closely monitored by Surveillance. Despite the current credit difficulties, BAM Mutual does not expect any interruption of debt service payments and no losses are expected.

III – Watchlist – Deteriorated

Credit experiencing financial, legal, or administrative problems, causing overall credit quality deterioration or a breach of one or more covenants or triggers, which if not corrected could lead to a loss on the policy. Issuers in this category are not taking conclusive remedial action or are unable to do so due to external factors, requiring Surveillance to employ enhanced surveillance and loss mitigation procedures. This may include the development of a remediation plan in consultation with internal and/or external attorneys, and/or outside consultants. The objectives of any remediation plan would be to address the problems the issuer is facing and any external factors impacting the credit, as well as ensuring that creditor's rights are enforced and curing any breaches that may have occurred with respect to any credit triggers or covenants. BAM Mutual may work with other insurers, bondholders, and/or interested parties on remediation efforts, as applicable. Probability of a loss is remote.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

IV – Watchlist – Distressed

A loss is expected or losses have been paid and have not been recovered or are not recoverable. Surveillance is employing enhanced surveillance and loss mitigation procedures, and may include a remediation plan developed in consultation internal and/or external attorneys, and/or outside consultants. Probability of a loss is elevated.

The Company has one credit that has been assigned to category “III - Watchlist – Deteriorated” for which it does not expect any losses. All remaining credits are deemed Performing and have been assigned to either category “I – Performing – Standard Oversight” or “II – Performing – Enhanced Oversight.” The Company did not have any loss or loss adjustment expense reserves as of December 31, 2025 or December 31, 2024. 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.

During the year ended December 31, 2024, the Company paid a claim of \$44,400, net of reinsurance, and received a subrogation recovery of \$48,531, inclusive of contractual interest on the claim payment and net of reinsurance, resulting in a benefit of \$4,131. The Company did not have any loss or loss adjustment expenses attributable to insured events of prior years for the years ended December 31, 2025 or December 31, 2024.

6. Reinsurance

The Company benefits from first loss reinsurance protection provided by HG Re, Ltd. (“HG Re”) via a reinsurance treaty (the “First Loss Reinsurance Treaty”), whereby HG Re assumes losses in an amount up to 15% of the par outstanding for each insurance policy. HG Re’s obligations under the First Loss Reinsurance Treaty are secured by and limited to the assets held in trusts which include a beneficial interest in surplus notes issued by BAM Mutual, all of which are pledged for the benefit of BAM Mutual.

The following table summarizes unearned premiums and the related commission equity for assumed reinsurance and reinsurance ceded to HG Re via the First Loss Reinsurance Treaty as of December 31, 2025 and 2024:

	December 31,			
	2025		2024	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Assumed:				
Affiliated	\$ -	\$ -	\$ -	\$ -
Non-affiliated	7,692,565	-	10,043,614	-
Total assumed	\$ 7,692,565	\$ -	\$ 10,043,614	\$ -
Ceded:				
Affiliated	\$ -	\$ -	\$ -	\$ -
Non-affiliated	(388,546,181)	34,708,990	(349,477,521)	35,215,463
Total ceded	\$ (388,546,181)	\$ 34,708,990	\$ (349,477,521)	\$ 35,215,463
Net:				
Affiliated	\$ -	\$ -	\$ -	\$ -
Non-affiliated	(380,853,616)	34,708,990	(339,433,907)	35,215,463
Total net	\$ (380,853,616)	\$ 34,708,990	\$ (339,433,907)	\$ 35,215,463

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The Company's direct unearned premium reserve was \$451,455,257 and \$404,372,761 as of December 31, 2025 and December 31, 2024, respectively.

The Company benefits from excess of loss reinsurance protection provided by HG Re via an excess of loss reinsurance treaty (the "Excess of Loss Reinsurance Treaty") which provides last dollar protection for exposures on municipal bonds insured by the Company in excess of regulatory single issuer limits, subject to an aggregate limit equal to \$125,000,000. HG Re's obligations under the Excess of Loss Reinsurance Treaty are secured by and limited to the assets held in trusts which include a beneficial interest in surplus notes issued by BAM Mutual, all of which are pledged for the benefit of BAM Mutual.

In addition to the reinsurance protection provided by HG Re, BAM Mutual benefits from collateralized excess of loss reinsurance agreements with Fidus Re, Ltd. ("Fidus"), a Bermuda based special purpose insurer created solely to provide reinsurance protection to BAM Mutual.

The Company has entered into a series of collateralized excess of loss reinsurance agreements with Fidus whereby Fidus issues Insurance Linked Securities ("ILS") to qualified institutional investors. The proceeds of the issuances are deposited into a collateral trust account to secure Fidus's obligations under the reinsurance agreements and are invested in high-quality, liquid assets such as money market funds or cash. Each transaction provides fully collateralized indemnity reinsurance protection to BAM Mutual for a defined portion of its insured portfolio of U.S. municipal obligations.

Each Fidus transaction applies to a static pool of policies underwritten by BAM Mutual prior to a specified cutoff date and includes predetermined attachment and detachment points that define the layer of losses subject to reinsurance coverage. The transactions are structured on an indemnity basis, such that recoveries are triggered only by actual losses experienced by BAM Mutual on the covered portfolio.

As of December 31, 2025, there were three ILS issuances outstanding which collateralized excess of loss reinsurance agreements providing total protection of \$575,000,000 for 90% of aggregate losses exceeding attachment points ranging from \$110,000,000 to \$165,000,000 for the covered portions of BAM Mutual's financial guarantee portfolio and covers approximately 78% of the total gross par in force for BAM Mutual's portfolio of financial guaranty policies.

As of December 31, 2024 there were three ILS issuances outstanding which collateralized excess of loss reinsurance agreements providing total protection of \$400,000,000 for 90% of aggregate losses exceeding attachment points ranging from \$110,000,000 to \$165,000,000 for the covered portions of BAM Mutual's financial guarantee portfolio and covers approximately 65% of the total gross par in force for BAM Mutual's portfolio of financial guaranty policies.

The Company uses deposit accounting for the excess of loss reinsurance protection provided by HG Re and Fidus.

7. Insurance In Force

The insurance policies issued by BAM Mutual are unconditional and irrevocable guarantees 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.

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The creditworthiness of each issuer of an insured obligation is evaluated prior to the issuance of insurance and must comply with BAM Mutual's underwriting guidelines. These guidelines are based on the aspects of credit quality that BAM Mutual 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, BAM Mutual benefits from first loss and excess of loss reinsurance protection provided by HG Re, as well as collateralized excess of loss reinsurance provided by Fidus.

As of December 31, 2025, insurance in force on insured obligations had a contractual maturity range of less than one year to 44 years.

The inforce principal and interest on insured obligations, gross of reinsurance, by type of bond as of December 31, 2025 and 2024 is as follows:

	December 31,			
	2025		2024	
	Principal and Interest Obligations of Insurance In Force	Percentage of Insurance In Force	Principal and Interest Obligations of Insurance In Force	Percentage of Insurance In Force
Municipal Bonds:				
General obligation	\$ 106,932,759,973	50.1%	\$ 94,523,644,358	50.6%
Utility	32,784,027,845	15.4%	27,320,574,755	14.6%
Dedicated tax	20,037,238,243	9.4%	18,473,078,737	9.9%
General fund	18,084,442,907	8.5%	16,733,859,177	9.0%
Higher education	17,796,299,073	8.3%	14,952,604,171	8.0%
Enterprise Systems	17,742,071,577	8.3%	14,741,182,457	7.9%
Total	<u>\$ 213,376,839,618</u>	<u>100.0%</u>	<u>\$ 186,744,943,655</u>	<u>100.0%</u>

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The geographic distribution of in force principal and interest on insured obligations, gross of reinsurance, as of December 31, 2025 and 2024, is as follows:

	December 31,			
	2025		2024	
	Principal and Interest Obligations of Insurance In Force	Percentage of Insurance In Force	Principal and Interest Obligations of Insurance In Force	Percentage of Insurance In Force
United States:				
Alabama	\$ 6,164,362,918	2.9%	\$ 5,530,547,653	3.0%
Alaska	26,621,298	-	-	-
Arizona	3,782,500,580	1.8%	3,164,070,003	1.7%
Arkansas	3,033,902,316	1.4%	2,602,252,736	1.4%
California	39,881,851,849	18.7%	35,108,513,452	18.8%
Colorado	5,561,013,157	2.6%	4,274,183,776	2.3%
Connecticut	2,547,510,835	1.2%	2,709,139,803	1.5%
District of Columbia	181,225,104	0.1%	175,432,886	0.1%
Delaware	164,318,173	0.1%	144,024,855	0.1%
Florida	6,329,578,053	3.0%	6,376,552,004	3.4%
Georgia	3,361,209,347	1.5%	2,980,185,111	1.6%
Hawaii	54,717,100	-	55,523,900	-
Idaho	462,452,901	0.2%	476,014,968	0.3%
Illinois	19,743,404,814	9.3%	17,256,827,141	9.2%
Indiana	5,168,320,542	2.4%	4,720,919,892	2.5%
Iowa	2,992,698,399	1.4%	2,336,056,681	1.3%
Kansas	3,789,954,654	1.8%	3,017,560,348	1.6%
Kentucky	2,525,291,807	1.2%	2,105,084,329	1.1%
Louisiana	3,379,827,591	1.6%	3,446,425,907	1.8%
Maine	133,774,220	0.1%	141,013,337	0.1%
Maryland	336,015,216	0.2%	333,473,735	0.2%
Massachusetts	448,502,004	0.2%	489,710,433	0.3%
Michigan	4,847,501,509	2.3%	4,174,410,770	2.2%
Minnesota	265,220,403	0.1%	236,064,670	0.1%
Mississippi	1,983,260,260	0.9%	1,493,263,176	0.8%
Missouri	1,496,599,483	0.7%	1,432,992,312	0.8%
Montana	637,018,135	0.3%	272,815,253	0.1%
Nebraska	119,532,339	0.1%	123,456,460	0.1%
Nevada	1,275,926,789	0.6%	1,181,637,595	0.6%
New Hampshire	328,517,080	0.2%	364,962,762	0.2%
New Jersey	7,645,241,282	3.6%	6,720,214,021	3.6%
New Mexico	313,325,237	0.1%	318,716,244	0.2%
New York	10,266,825,482	4.8%	8,509,754,177	4.6%
North Carolina	491,739,238	0.2%	423,552,388	0.2%
North Dakota	141,562,404	0.1%	186,226,251	0.1%
Ohio	6,580,277,287	3.1%	5,140,603,265	2.8%
Oklahoma	1,804,654,570	0.8%	1,651,416,499	0.9%
Oregon	1,320,941,557	0.6%	1,308,666,322	0.7%
Pennsylvania	16,563,744,410	7.8%	16,020,054,385	8.6%
Rhode Island	580,740,388	0.3%	464,381,585	0.2%
South Carolina	1,798,688,408	0.8%	1,807,085,323	1.0%
South Dakota	213,261,357	0.1%	189,170,339	0.1%
Tennessee	1,570,487,622	0.7%	1,359,569,435	0.7%
Texas	34,885,760,628	16.3%	29,694,108,789	15.9%
Utah	1,228,089,189	0.6%	1,133,482,967	0.6%
Vermont	50,298,678	-	53,345,516	-
Virginia	144,340,551	0.1%	29,056,945	-
Washington	2,165,211,100	1.0%	1,071,968,892	0.6%
West Virginia	818,797,739	0.4%	571,894,901	0.3%
Wisconsin	3,732,947,182	1.7%	3,329,639,845	1.8%
Wyoming	37,276,433	-	38,919,619	-
Total	<u>\$ 213,376,839,618</u>	<u>100.0%</u>	<u>\$ 186,744,943,655</u>	<u>100.0%</u>

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The premiums written and earned for the years ended December 31, 2025 and 2024 are as follows:

	Year Ended December 31,			
	2025		2024	
	Written Premium	Earned Premium	Written Premium	Earned Premium
Direct	\$ 71,870,950	\$ 24,788,452	\$ 60,260,516	\$ 23,800,333
Assumed	-	2,351,050	-	2,086,570
Gross	\$ 71,870,950	\$ 27,139,502	\$ 60,260,516	\$ 25,886,903
Ceded	(61,375,272)	(22,306,611)	(51,436,441)	(21,259,960)
Net	<u>\$ 10,495,678</u>	<u>\$ 4,832,891</u>	<u>\$ 8,824,075</u>	<u>\$ 4,626,943</u>

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 \$470,085,158 as of December 31, 2025.

Accelerated net unearned premiums for non-installment contracts were \$1,221,655 and \$1,353,662 for the years ended December 31, 2025 and December 31, 2024, respectively. These accelerations were the result of insured bonds refunding earlier than the initial debt service scheduled at the policy date.

The table below summarizes future scheduled, contractual earned premium revenue, net of reinsurance, on non-installment contracts in force as of December 31, 2025:

	Scheduled Net Earned Premium
Three months ended:	
March 31, 2026	\$ 786,804
June 30, 2026	798,113
September 30, 2026	1,100,017
December 31, 2026	815,480
Twelve months ended:	
December 31, 2027	3,536,581
December 31, 2028	3,569,066
December 31, 2029	3,501,577
December 31, 2030	3,292,766
Five years ended:	
December 31, 2035	16,282,242
December 31, 2040	15,109,895
December 31, 2045	9,873,243
December 31, 2050	7,207,049
December 31, 2055	3,747,628
December 31, 2060	653,296
December 31, 2065	300,489
December 31, 2070	27,395
Total	<u>\$ 70,601,641</u>

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

The table below provides a roll forward of the expected future gross undiscounted premiums as of December 31, 2025:

	Expected Future Gross Undiscounted Premiums
Expected future premiums - December 31, 2024	\$ 10,163,720
Less: premium payments received for existing installment contracts	468,031
Add: expected premium payments for new installment contracts	1,340,209
Adjustments to the expected future premium payments	<u>(264,582)</u>
Expected future premiums - December 31, 2025	<u>\$ 10,771,316</u>

The table below summarizes future scheduled gross undiscounted premiums expected to be collected for installment contracts in force as of December 31, 2025:

	Expected Gross Installment Premium Collections
Three months ended:	
March 31, 2026	\$ 41,066
June 30, 2026	8,261
September 30, 2026	394,593
December 31, 2026	45,224
Twelve months ended:	
December 31, 2027	482,045
December 31, 2028	389,022
December 31, 2029	377,921
December 31, 2030	365,753
Five years ended:	
December 31, 2035	1,835,092
December 31, 2040	2,233,938
December 31, 2045	1,840,196
December 31, 2050	1,513,364
December 31, 2055	899,781
December 31, 2060	287,121
December 31, 2065	<u>57,939</u>
Total	<u>\$ 10,771,316</u>

8. Capital and Surplus and Dividend Restrictions

BAM Mutual 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 BAM Mutual. 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

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

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, BAM Mutual 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.

The Series 2018 Surplus Notes the (“Surplus Notes”) are held in an HG Re sponsored trust for the benefit of BAM Mutual.

The Surplus Notes have scheduled semi-annual payments on every June 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 Surplus Notes allow for the deferral of interest without the occurrence of a default. Interest does not accrue on deferred interest payments.

As funds become available, they will be used to make payments of outstanding principal plus any accrued interest thereon. All payments in respect of accrued interest shall be paid to the holders of the rights to receive such interest in proportion to their rights as of the date of any such payment. 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 the Surplus Notes has been paid.

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.

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.

For the year ended December 31, 2025, the annual rate on the Surplus Notes was 10.0%. For the period from January 1, 2024 to June 30, 2024, the annual interest rate of the Surplus Notes was 8.20%. Effective July 1, 2024, the terms of the Surplus Notes were modified such that the annual rate on the Surplus Notes was fixed at 10.0%.

Details regarding the Series 2018 Surplus Notes as of December 31, 2025 and 2024 are as follows:

	December 31,	
	2025	2024
Carrying value	\$ 276,761,822	\$ 300,927,875
Life to date principal paid	\$ 226,238,178	\$ 202,072,125
Life to date interest expense recognized	\$ 91,061,822	\$ 80,227,875
Unapproved principal and interest	\$ 490,494,830	\$ 495,689,152

For the year ended December 31, 2025, the Company made total Surplus Note payments of \$35,000,000, consisting of \$24,166,053 of principal and \$10,833,947 of interest. For the year ended December 31, 2024, the Company made total Surplus Note payments of \$30,000,000, consisting of \$21,263,748 of principal and \$8,736,252 of interest. Interest expense for Series

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

2018 Surplus Notes for the years ended December 31, 2025 and 2024 was \$10,833,947 and \$8,736,252 respectively.

The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$122,235.

9. Information Concerning Related Party Transactions

During 2024, the Company formed BAM Services Pty, LTD (“BAM Services”), a wholly owned non-insurance proprietary limited company domiciled in Australia. BAM Mutual and BAM Services are party to a management service agreement whereby BAM Services provides marketing services to the Company.

BAM Mutual is obligated to reimburse BAM Services in full, plus a margin, for all costs incurred in connection with the management services agreement and provides an unconditional and irrevocable guaranty to BAM Services’ landlord for rental payments and other monetary amounts due from BAM Services on account of its tenancy. The guaranty remains in effect until all amounts due under the lease have been paid in full and all of BAM Services obligations have been performed or observed in full.

For the years ended December 31, 2025 and December 31, 2024, BAM Mutual paid \$1,308,503 and \$225,701 of management fees to BAM Services, respectively. The U.S. GAAP basis financial statements of BAM Services are not audited and the Company’s \$122,611 investment in BAM Services was not admitted as of December 31, 2025, as was the Company’s December 31, 2024 investment in BAM Services of \$13,830.

BAM Asset Management, LLC (“BAM AM”), a non-insurance limited liability company domiciled in Delaware, is wholly owned by the Company. BAM AM’s U.S. GAAP basis financial statements are not audited and therefore the Company’s \$1,101 investment in BAM AM was not admitted as of December 31, 2025.

10. Retirement Plans and Deferred Compensation

The Company sponsors a defined contribution plan (the “401k Plan”). Under the 401k Plan, BAM Mutual makes matching contributions 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, subject to U.S. Internal Revenue Service (“IRS”) limitations. The Company provides a 50% match on employee contributions up to an additional 2% of the employee’s base pay, subject to IRS limitations. The total cost to the Company for defined contribution plan was \$796,243 and \$811,427 and for the years ended December 31, 2025 and December 31, 2024, respectively. The fair value of the 401k Plan’s assets was \$37,898,041 and \$31,355,260 as of December 31, 2025 and December 31, 2024, respectively.

11. Contingencies and Commitments

Outstanding Commitments for Financial Guaranty

As of December 31, 2025, BAM Mutual had commitments to insure obligations with total principal and interest of approximately \$1,287,000,000.

Litigation

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

Build America Mutual Assurance Company

Notes to Statutory Financial Statements, continued

For the Years Ended December 31, 2025 and 2024

Lease Commitments

The Company leases space in New York, California and Texas under operating lease agreements that expire through January 1, 2038.

Rental expense for the years ended December 31, 2025 and 2024 was \$1,939,898 and \$1,946,338, respectively.

The minimum aggregate rental commitments as of December 31, 2025 are as follows:

	<u>December 31, 2025</u>
Year ending:	
December 31, 2026	\$ 991,944
December 31, 2027	1,392,890
December 31, 2028	1,400,073
December 31, 2029	1,158,836
December 31, 2030	1,153,440
Thereafter	<u>8,794,979</u>
Total	<u>\$ 14,892,162</u>

12. Subsequent Events

Subsequent events have been considered through February 13, 2026, the date upon which the audited statutory financial statements were available to be issued.

Build America Mutual Assurance Company

Schedule I – Summary Investment Schedule

As of December 31, 2025

	<u>Gross Investment Holdings</u>		<u>Admitted Assets</u>			
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Securities Lending Collateral Reinvested</u>	<u>Total Admitted Assets</u>	<u>Percentage</u>
Bonds:						
Issuer Credit Obligations						
U.S. Government Obligations	\$ 11,964,500	2.4%	\$ 11,964,500	\$ -	\$ 11,964,500	2.4%
Municipal Bonds - General Obligations	61,676,347	12.1%	61,676,347	-	61,676,347	12.1%
Municipal Bonds - Special Revenue	205,578,620	40.5%	205,578,620	-	205,578,620	40.5%
Corporate Bonds	48,764,174	9.6%	48,764,174	-	48,764,174	9.6%
Asset - Backed Securities						
Financial Asset-Backed Securities - Self-Liquidating	134,684,909	26.5%	134,684,909	-	134,684,909	26.5%
Non-Financial Asset-Backed Securities	11,316,235	2.2%	11,316,235	-	11,316,235	2.2%
Cash, Cash Equivalents and Short-Term Investments						
Cash (Schedule E, Part 1)	7,339,303	1.4%	7,339,303	-	7,339,303	1.4%
Cash Equivalents (Schedule E, Part 2)	26,723,424	5.3%	26,723,424	-	26,723,424	5.3%
Short-Term Investments (Schedule DA)	-	0.0%	-	-	-	0.0%
Common Stocks:						
Industrial and Miscellaneous - Other (Unaffiliated)	128,200	0.0%	128,200	-	128,200	0.0%
Receivable for Securities	-	0.0%	-	-	-	0.0%
Other Invested Assets	123,712	0.0%	-	-	-	0.0%
Total	<u>\$ 508,299,424</u>	<u>100.0%</u>	<u>\$ 508,175,712</u>	<u>\$ -</u>	<u>\$ 508,175,712</u>	<u>100.0%</u>

See accompanying report of independent auditors.

Build America Mutual Assurance Company

Schedule II – Supplemental Investment Risk Interrogatories

For the Year Ended December 31, 2025

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. \$ 514,050,395

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	ARLINGTON TX HGR EDU FIN CORP	Bonds	\$ 12,258,417	2.38%
2.02	FNMA POOL	Bonds	11,629,482	2.26%
2.03	UTILITY DEBT SECURITIZATION AU	Bonds	10,378,370	2.02%
2.04	WISCONSIN ST GEN FUND ANNUAL	Bonds	8,000,000	1.56%
2.05	MASSACHUSETTS ST SPL OBLG REVE	Bonds	7,883,313	1.53%
2.06	FNMA POOL	Bonds	7,528,159	1.46%
2.07	NEW YORK ST SERIES B	Bonds	6,949,749	1.35%
2.08	NEW YORK ST URBAN DEV CORP REV	Bonds	6,900,908	1.34%
2.09	FHLMC POOL	Bonds	6,460,930	1.26%
2.10	GEORGIA ST	Bonds	6,020,789	1.17%

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	\$ 490,968,355	95.51%
3.02	NAIC-2	-	0.00%
3.03	NAIC-3	-	0.00%
3.04	NAIC-4	-	0.00%
3.05	NAIC-5	-	0.00%
3.06	NAIC-6	-	0.00%

		3	4
	Preferred Stocks	Amount	Percent
3.07	P/RP-1	\$ -	0.00%
3.08	P/PR-2	-	0.00%
3.09	P/PR-3	-	0.00%
3.10	P/PR-4	-	0.00%
3.11	P/PR-5	-	0.00%
3.12	P/PR-6	-	0.00%

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	\$ -	0.00%
4.03 Foreign-currency-denominated investments	-	0.00%
4.04 Insurance liabilities denominated in that same foreign currency	-	0.00%

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.

See accompanying report of independent auditors.

Build America Mutual Assurance Company
Schedule II – Supplemental Investment Risk Interrogatories (continued)
For the Year Ended December 31, 2025

- 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:

Description	At Year-End		Amount at End of Each Quarter		
	Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ -	0.00%	\$ -	\$ -	\$ -
20.02 Repurchase agreements	-	0.00%	-	-	-
20.03 Reverse repurchase agreements	-	0.00%	-	-	-
20.04 Dollar repurchase agreements	-	0.00%	-	-	-
20.05 Dollar reverse repurchase agreements	-	0.00%	-	-	-

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

Description	Owned		Written	
	Amount 1	Percent 2	Amount 3	Percent 4
21.01 Hedging	\$ -	0.00%	\$ -	0.00%
21.02 Income generation	-	0.00%	-	0.00%
21.03 Other	-	0.00%	-	0.00%

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

Description	At Year-End		Amount at End of Each Quarter		
	Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
22.01 Hedging	\$ -	0.00%	\$ -	\$ -	\$ -
22.02 Income generation	-	0.00%	-	-	-
22.03 Replications	-	0.00%	-	-	-
22.04 Other	-	0.00%	-	-	-

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

Description	At Year-End		Amount at End of Each Quarter		
	Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
23.01 Hedging	\$ -	0.00%	\$ -	\$ -	\$ -
23.02 Income generation	-	0.00%	-	-	-
23.03 Replications	-	0.00%	-	-	-
23.04 Other	-	0.00%	-	-	-

See accompanying report of independent auditors.

Build America Mutual Assurance Company

Schedule III – Reinsurance Summary Supplement

For the Year Ended December 31, 2025

1. The Company has no quota share reinsurance contracts in force that include a provision that would limit the reinsurer's losses below the stated quota share percentage.
2. The Company has ceded risk under a 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 noncancelable 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 have a reinsurance agreement 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.

See accompanying report of independent auditors.

Build America Mutual Assurance Company

Schedule III – Reinsurance Summary Supplement (continued)

For the Year Ended December 31, 2025

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.

The Company is party to a first loss reinsurance treaty (the "First Loss Reinsurance Treaty") whereby HG Re, Ltd. assumes all of the Company's directly insured losses in an amount up to 15% of the par outstanding for each insured policy. HG Re, Ltd.'s obligations under the First Loss Reinsurance Treaty are secured by, and limited to the value of the assets held in trusts which include a beneficial interest in the Series 2018 Surplus Notes as well as other high quality assets, which are pledged for the benefit of the Company.

The purpose of this contract is to provide 100% loss protection on the first 15% of par on each policy exposure.

The table below summarizes the financial impact for the First Loss Reinsurance Treaty as of and for the year ended December 31, 2025, which meets the criteria for both items 2 and 3 above:

	<u>As Reported</u>	<u>Reinsurance Effect</u>	<u>Restated Reinsurance</u>
Assets	\$ 514,050,395	\$ (363,768,202)	\$ 877,818,597
Liabilities	\$ 290,038,480	\$ (533,431,729)	\$ 823,470,209
Surplus as regards to policyholders	\$ 224,011,915	\$ 169,663,527	\$ 54,348,388
Net loss before taxes	\$ (60,447,864)	\$ (3,882,608)	\$ (56,565,256)

See accompanying report of independent auditors.