

BAM

BUILD AMERICA MUTUAL

Quarterly Operating Supplement
September 30, 2015

Build America Mutual Assurance Company

Quarterly Operating Supplement

September 30, 2015

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

The information contained in this report may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this report which address activities, events or developments which Build America Mutual Assurance Company ("Build America" or "BAM") expects or anticipates will or may occur in the future are forward-looking statements. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward looking statements. These forward looking statements include, among others, statements with respect to Build America's:

- changes in U.S. statutory basis surplus or claims paying resources;
- business strategy;
- financial and operating targets or plans;
- incurred losses and the adequacy of its loss and loss adjustment expense reserves and related reinsurance;
- projections of revenues, income (or loss), earnings (or loss), dividends, market share or other financial forecasts;
- expansion and growth of its business and operations; and
- future capital expenditures.

These statements are based on certain assumptions and analyses made by Build America in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform with its expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to Build America, its competitors or its clients;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch; and
- other factors, most of which are beyond Build America's control.

Consequently, all of the forward looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Build America will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on Build America or its business or operations. Build America assumes no obligation to update publicly any such forward looking statements, whether as a result of new information, future events or otherwise.

Build America Mutual Assurance Company

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Company Profile

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

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

Build America's insured portfolio benefits from a first loss reinsurance treaty with HG Re Ltd. ("HG Re"), a Bermuda domiciled special purpose insurance company. Build America is HG Re's sole primary insurer, and HG Re currently does not assume risks from any other insurers or reinsurers. Under the terms of the first loss reinsurance treaty, HG Re assumes all of Build America's directly insured losses in an amount up to 15% of the par outstanding for each insured obligation. HG Re's obligations under the reinsurance agreement are secured by, and limited to the value of, assets held in trust, which are pledged for the benefit of Build America.

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Statutory Statements of Assets, Liabilities and Capital and Surplus

(in millions)	As of	As of
	September 30, 2015	December 31, 2014
ADMITTED ASSETS		
Bonds	\$ 336.1	\$ 420.9
Cash, Cash Equivalents and Short-term Investments	142.3	52.1
Total Cash and Invested Assets	\$ 478.4	\$ 473.0
Investment Income Due and Accrued	1.6	2.6
Other Assets	0.2	0.1
Total Admitted Assets	<u>\$ 480.2</u>	<u>\$ 475.7</u>
LIABILITIES		
Unearned Premiums	\$ 10.6	\$ 6.5
Mandatory Contingency Reserve	10.1	4.7
Payable for Securities Purchased	6.0	-
Accrued and Payable Expenses	14.9	15.7
Total Liabilities	\$ 41.6	\$ 26.9
CAPITAL AND SURPLUS		
Surplus Notes	\$ 503.0	\$ 503.0
Member Surplus Contributions	53.9	33.6
Unassigned Funds - Deficit	(118.3)	(87.8)
Total Capital and Surplus	\$ 438.6	\$ 448.8
Total Liabilities, Capital and Surplus	<u>\$ 480.2</u>	<u>\$ 475.7</u>

Build America Mutual Assurance Company
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Claims Paying Resources and Leverage Statistics

(in millions)	As of September 30, 2015	As of December 31, 2014
Policyholders' Surplus	\$ 438.6	\$ 448.8
Contingency Reserve	10.1	4.7
Qualified Statutory Capital	\$ 448.7	\$ 453.5
First Loss Reinsurance Collateral Trusts	131.5	120.0
Total Hard Capital	\$ 580.2	\$ 573.5
Unearned Premiums, Net of Reinsurance	10.6	6.5
Loss and Loss Adjustment Expense Reserves	-	-
Present Value of Installment Gross Risk Premiums and Member Surplus Contributions ⁽¹⁾	1.8	1.4
Claims Paying Resources	\$ 592.6	\$ 581.4
 <u>Gross Par Outstanding</u>		
Investment Grade ⁽²⁾	\$ 19,841.0	\$ 12,362.5
Below Investment Grade ("BIG") ⁽²⁾	-	-
Total	\$ 19,841.0	\$ 12,362.5

Leverage Statistics

Total Gross Par Outstanding ÷ Total Hard Capital	34.2x	21.6x
BIG Gross Par Outstanding ÷ Total Hard Capital	-	-
 Total Gross Par Outstanding ÷ Total Claims Paying Resources	33.5x	21.3x
BIG Gross Par Outstanding ÷ Total Claims Paying Resources	-	-

⁽¹⁾ Represents the present value of future installment risk premiums, gross of reinsurance, and member surplus contributions, discounted at a risk-free rate.

⁽²⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations, without the benefit of financial guaranty insurance, based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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Business Production

(in millions)

Gross Par Written

U.S. Public Finance - New Issue

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
General Obligation	\$ 992.1	\$ 4,385.6
Utility	345.0	921.7
Dedicated Tax	307.9	1,038.1
General Fund	257.5	524.2
Public Higher Education	50.7	240.7
Transportation	-	135.5
Other Public Finance	-	47.1
Total U.S. Public Finance - New Issue	\$ 1,953.2	\$ 7,292.9

U.S. Public Finance - Secondary Market

Transportation	\$ 102.3	\$ 109.2
Utility	84.1	112.4
General Obligation	57.1	138.2
Public Higher Education	26.7	56.1
General Fund	8.5	40.3
Dedicated Tax	1.5	9.7
Total U.S. Public Finance - Secondary Market	\$ 280.2	\$ 465.9

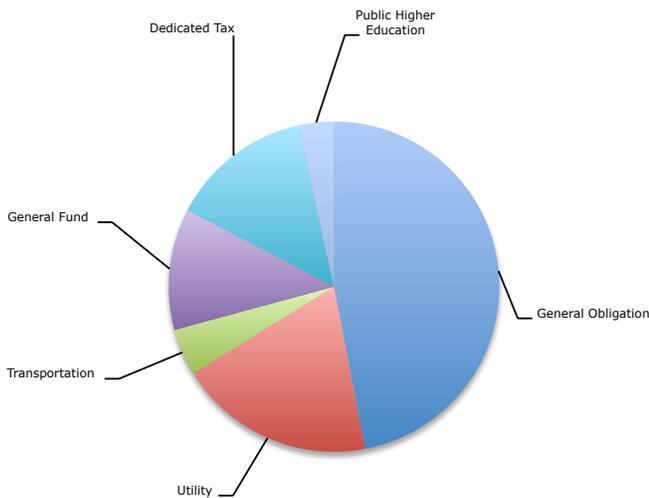
Total Gross Par Written

Total Gross Par Written	\$ 2,233.4	\$ 7,758.8
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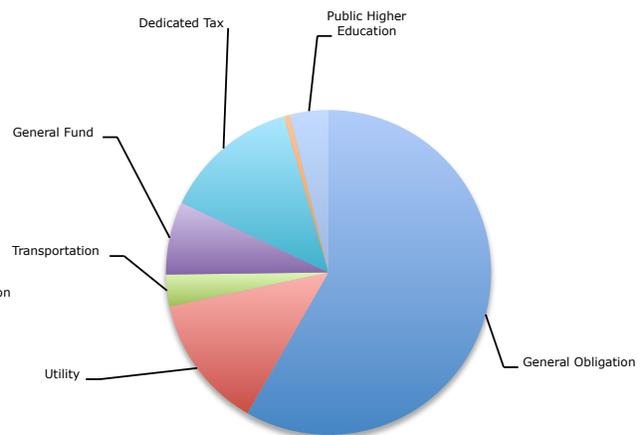
**Gross Risk Premiums Written and Member
Surplus Contributions Collected**

Gross Risk Premiums Written	\$ 7.0	\$ 17.6
Member Surplus Contributions Collected	8.9	20.3
Total Gross Risk Premiums and Member Surplus Contributions Collected	\$ 15.9	\$ 37.9

**Gross Par Written
For the Three Months Ended September 30, 2015**



**Gross Par Written
For the Nine Months Ended September 30, 2015**

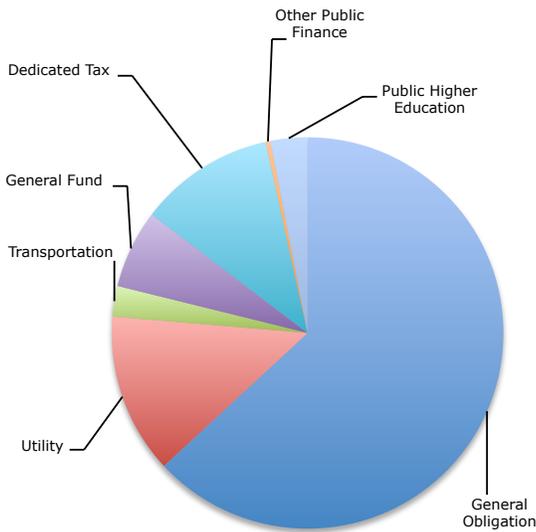


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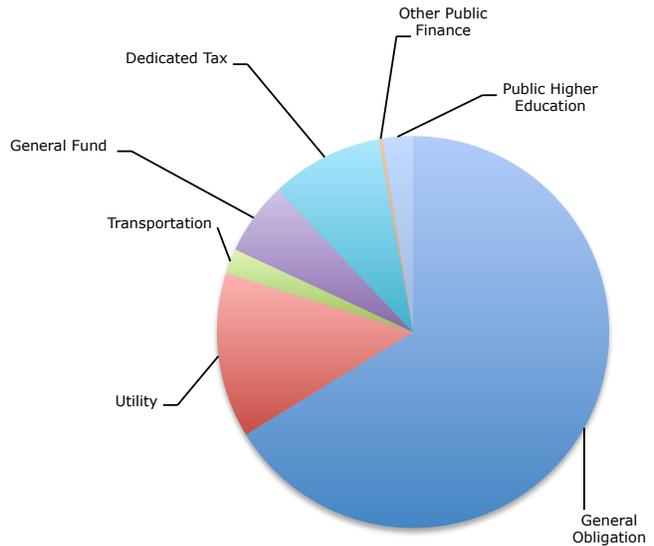
Gross Par Outstanding by Sector

(in millions)	<u>As of September 30, 2015</u>	<u>As of December 31, 2014</u>
U.S. Public Finance - New Issue		
General Obligation	\$ 11,892.4	\$ 7,699.0
Utility	2,468.6	1,569.4
Dedicated Tax	2,104.1	1,109.6
General Fund	1,204.7	696.7
Public Higher Education	533.6	295.9
Transportation	274.8	142.0
Other Public Finance	77.5	30.5
Total U.S. Public Finance - New Issue	<u>\$ 18,555.7</u>	<u>\$ 11,543.1</u>
U.S. Public Finance - Secondary Market		
General Obligation	\$ 628.1	\$ 490.1
Transportation	225.1	115.8
Utility	158.2	112.4
Dedicated Tax	120.9	45.8
General Fund	81.2	39.6
Public Higher Education	71.8	15.7
Total U.S. Public Finance - Secondary Market	<u>\$ 1,285.3</u>	<u>\$ 819.4</u>
Total Gross Par Outstanding	<u>\$ 19,841.0</u>	<u>\$ 12,362.5</u>

**Gross Par Outstanding
As of September 30, 2015**



**Gross Par Outstanding
As of December 31, 2014**

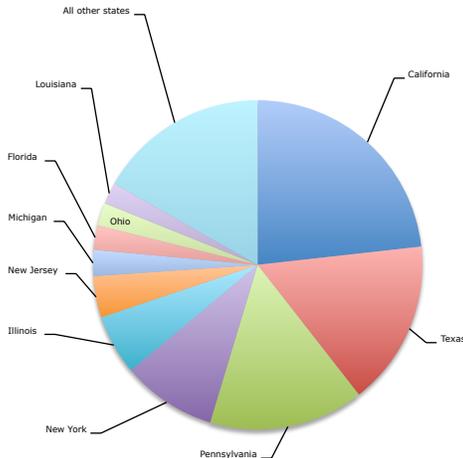


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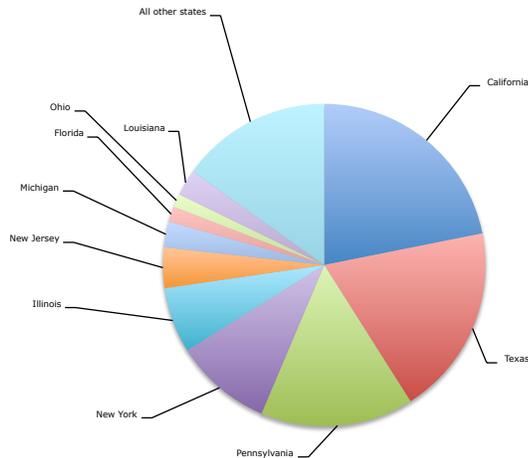
Gross Par Outstanding by State

(in millions)	<u>As of</u> <u>September 30, 2015</u>	<u>% of</u> <u>Total</u>	<u>As of</u> <u>December 31, 2014</u>	<u>% of</u> <u>Total</u>
California	\$ 4,608.7	23.2%	\$ 2,701.9	21.9%
Texas	3,221.1	16.2%	2,370.2	19.2%
Pennsylvania	3,012.8	15.2%	1,894.2	15.3%
New York	1,843.4	9.3%	1,207.9	9.8%
Illinois	1,171.6	5.9%	813.9	6.6%
New Jersey	805.4	4.1%	502.5	4.1%
Michigan	508.9	2.6%	318.3	2.6%
Florida	473.6	2.4%	189.6	1.5%
Ohio	445.6	2.3%	167.1	1.4%
Louisiana	420.3	2.1%	325.4	2.6%
Alabama	366.6	1.8%	189.2	1.5%
Arizona	363.2	1.8%	191.8	1.6%
Kansas	235.1	1.2%	126.8	1.0%
Connecticut	228.0	1.1%	114.4	0.9%
Indiana	210.3	1.1%	155.8	1.3%
Colorado	190.3	1.0%	67.2	0.5%
Wisconsin	177.6	0.9%	108.1	0.9%
Iowa	169.4	0.9%	115.8	0.9%
Arkansas	162.0	0.8%	115.6	0.9%
Oklahoma	161.1	0.8%	82.9	0.7%
Tennessee	155.1	0.8%	35.0	0.3%
New Mexico	117.9	0.6%	83.0	0.7%
Missouri	94.7	0.5%	48.3	0.4%
Georgia	81.3	0.4%	54.0	0.4%
Mississippi	80.1	0.4%	56.5	0.5%
South Carolina	76.7	0.4%	62.2	0.5%
Kentucky	73.4	0.4%	41.2	0.3%
Massachusetts	67.1	0.3%	63.3	0.5%
West Virginia	48.7	0.2%	-	0.0%
Washington	47.6	0.2%	45.7	0.4%
Minnesota	45.3	0.2%	38.2	0.3%
Rhode Island	41.7	0.2%	10.6	0.1%
Utah	31.1	0.2%	-	0.0%
Nevada	20.5	0.1%	15.8	0.1%
North Carolina	20.1	0.1%	6.4	0.1%
Maine	19.4	0.1%	-	0.0%
Virginia	16.8	0.1%	16.8	0.1%
Hawaii	16.3	0.1%	16.3	0.1%
South Dakota	7.6	0.0%	7.6	0.1%
Oregon	3.0	0.0%	3.0	0.0%
Vermont	1.5	0.0%	-	0.0%
Total Gross Par Outstanding	\$ 19,841.0	100.0%	\$ 12,362.5	100.0%

**Gross Par Outstanding by State
As of September 30, 2015**



**Gross Par Outstanding by State
As of December 31, 2014**

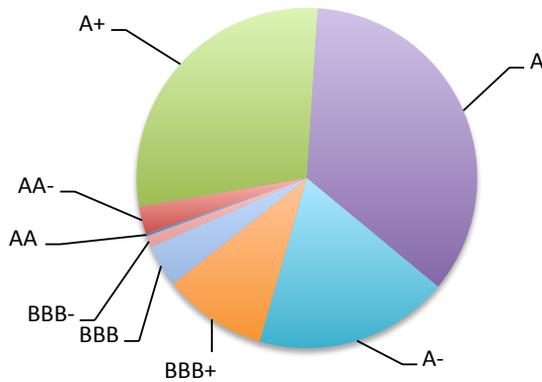


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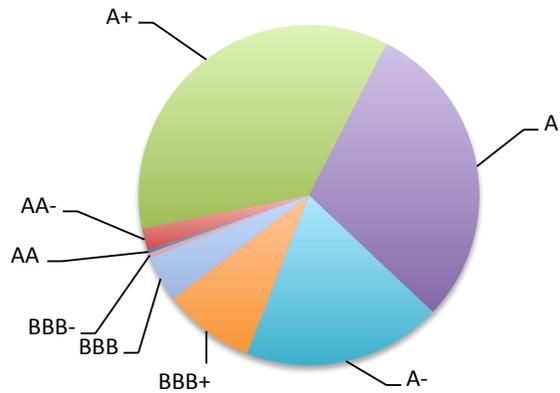
Rating Distribution of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Percentage of Gross Par Outstanding as of September 30, 2015</u>	<u>Percentage of Gross Par Outstanding as of December 31, 2014</u>
AA	0.3%	0.3%
AA-	2.6%	2.1%
A+	28.7%	35.7%
A	35.0%	29.5%
A-	18.5%	18.9%
BBB+	9.9%	8.7%
BBB	4.0%	4.4%
BBB-	1.1%	0.4%
BIG	- %	- %
Total Gross Par Outstanding	100.0%	100.0%
Weighted Average Rating	A	A

**Rating Distribution of Gross Par
Outstanding⁽¹⁾
As of September 30, 2015**



**Rating Distribution of Gross Par
Outstanding⁽¹⁾
As of December 31, 2014**



⁽¹⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations, without the benefit of financial guaranty insurance, based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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Contractual Amortization of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Contractual Par Amortization</u>	<u>Ending Gross Par Outstanding</u>
As of September 30, 2015:		\$ 19,841.0
Oct 1, 2015 to December 31, 2015	\$ 130.5	19,710.5
Year 2016	628.0	19,082.5
Year 2017	754.8	18,327.7
Year 2018	854.0	17,473.6
Year 2019	934.0	16,539.7
Subtotal	<u>3,301.3</u>	
Years 2020 to 2024	5,084.0	11,455.7
Years 2025 to 2029	4,569.1	6,886.6
Years 2030 to 2034	3,662.0	3,224.5
Year 2035 and thereafter	3,224.5	0.0
Total	<u><u>\$ 19,841.0</u></u>	

⁽¹⁾ Depicts contractual amortization of existing guaranteed portfolio (principal only) and assumes no unscheduled, advance refundings.

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Top 25 U.S. Public Finance Exposures

(in millions)

Obligor	As of September 30, 2015		
	Rating⁽¹⁾	Gross Par Outstanding	% of Total Gross Par Outstanding
Hamden, Town of, CT (New Haven County)	A-	\$ 112.5	0.6%
Tulsa Airport, OK, (Tulsa County), Airport GARBs	A-	110.3	0.6%
New Jersey Transportation Trust Fund Authority, System & Program Bonds, NJ, Gas Tax - State	A-	110.0	0.6%
Shreveport, City of, LA (Caddo Parish), Water & Sewer	A-	109.1	0.5%
Val Verde USD, CA (Riverside County)	A	105.3	0.5%
Chicago, City of, IL (Cook County) ⁽²⁾	BBB	103.0	0.5%
Jersey City, City of, NJ (Hudson County)	A+	101.6	0.5%
Illinois, State of, IL (State-Wide)	BBB+	94.4	0.5%
Chicago Board of Education, IL (Cook County)	BBB-	90.0	0.5%
Natomas USD, CA (Sacramento County)	A-	88.3	0.4%
Monroe County, NY (Monroe County)	A-	82.4	0.4%
Irvine USD CFD No. 01-1 (South Irvine Communities), CA (Orange County), Special Assessment - Established	A-	81.8	0.4%
Sweetwater Union HSD, CA (San Diego County)	A+	81.2	0.4%
Oyster Bay, Town of, NY (Nassau County)	BBB+	81.1	0.4%
Capistrano USD CFD No. 98-2 (Ladera), CA (Orange County), Special Assessment - Established	BBB+	80.1	0.4%
Northern Arizona University, AZ	A	79.7	0.4%
Riviera Beach, City of, FL (Palm Beach County)	A+	79.4	0.4%
Sutter Butte Flood Control Agency, CA (Sutter and Butte Counties), Other Fee	A+	77.5	0.4%
Coachella Valley USD, CA, (Riverside County)	A-	77.1	0.4%
Vacaville USD, CA (Solano County)	A+	76.3	0.4%
Twin Rivers USD, CA, (Sacramento & Placer Counties)	A+	76.0	0.4%
Bucks County Water And Sewer Authority, PA (Bucks County), Sewer	A	75.1	0.4%
Spring ISD, TX (Harris County)	A+	74.7	0.4%
Allegheny County Sanitary Authority, PA - City of Pittsburgh	A	71.7	0.4%
Harris County MUD No. 165, TX (Harris County)	A-	70.8	0.4%
Total - Top 25 U.S. Public Finance Exposures		\$ 2,189.3	11.0%

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⁽²⁾ Approximately, \$50 million of the \$103 million of gross par outstanding is insured by an unaffiliated financial guaranty insurer rated "AA" by Standard & Poor's and "A2" by Moody's, with BAM in a second to pay position, which is not reflected in the rating.

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Fixed Income Investment Portfolio
(in millions)

Investment Category	As of September 30, 2015		U.S. Statutory Basis Yield ⁽¹⁾	Actual U.S. Statutory Basis Investment Income For the Nine Months Ended September 30, 2015	Annualized U.S. Statutory Basis Investment Income For the Twelve Months Ending December 31, 2015
	Fair Value	Amortized Cost			
Long-term Investments					
Corporate Obligations	\$ 135.3	\$ 135.4	1.13%	\$ 1.2	\$ 1.6
U.S. Agency Obligations - MBS	70.3	70.0	1.80%	1.0	1.3
U.S. Agency Obligations - Non-MBS	29.9	29.8	0.76%	0.3	0.4
U.S. Government Obligations	12.0	11.9	0.95%	0.1	0.1
Asset-backed Securities	11.4	11.3	0.76%	-	-
Municipal Obligations	78.0	77.6	2.30%	0.8	1.1
Subtotal Long-term investments	\$ 336.9	\$ 336.0	1.41%	\$ 3.4	\$ 4.5
Short-term Investments	5.4	5.4	0.04%	-	-
Subtotal Long-term and Short-term Investments	\$ 342.3	\$ 341.4	1.38%	\$ 3.4	\$ 4.5
Cash Equivalents	125.0	125.0			
Total	\$ 467.3	\$ 466.4			
Investment Expenses				0.5	0.7
U.S. Statutory-basis Net Investment Income				\$ 2.9	\$ 3.8

Rating Distribution of Fixed Income Investment Portfolio

As of September 30, 2015

Rating ⁽²⁾	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 12.0	2.6%
U.S. Agency Obligations	100.2	21.4%
Cash Equivalents	125.0	26.7%
AAA	19.6	4.2%
AA	93.3	20.0%
A	117.2	25.1%
BBB	-	-
Below Investment Grade	-	-
Not Rated	-	-
Total	\$ 467.3	100.0%

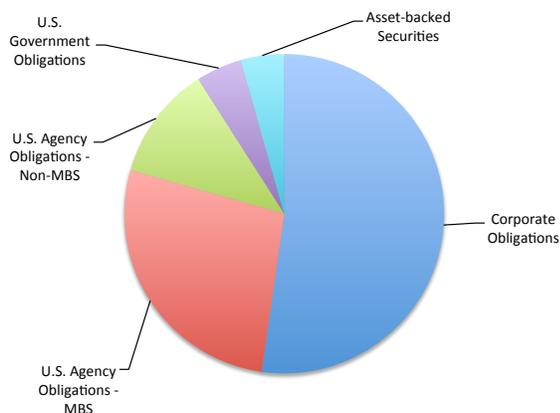
Weighted Average Rating

AA-

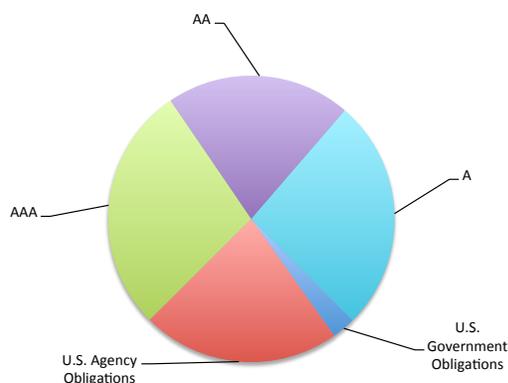
Duration of Fixed Income Investment Portfolio

2.19 years

Fixed Income Investment Portfolio⁽³⁾
As of September 30, 2015



Ratings Distribution of Fixed Income Investment Portfolio⁽²⁾
As of September 30, 2015



(1) Represents the annualized ratio of U.S. Statutory basis investment income (gross of investment expenses) to the weighted average U.S. Statutory basis invested asset balance for the nine months ended September 30, 2015.

(2) Ratings are based on the lower of Standard & Poor's or Moody's rating. Rating distribution is calculated based on fair value.

(3) Based on fair value.

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Glossary

Contingency reserve – a mandatory reserve required by New York State Insurance Law and the insurance laws of the other states in which BAM is licensed. The mandatory contingency reserve is a liability established to protect policyholders against the effect of adverse economic developments or cycles or other unforeseen circumstances.

First loss reinsurance collateral trusts – trusts established by HG Re for the benefit of BAM, which are secured by high quality collateral and are available to fund reinsurance claims.

Gross par written – the principal amount of obligations insured during the period, excluding the effect of the first loss reinsurance treaty with HG Re.

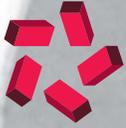
New issue – a bond for which a BAM insurance policy was purchased by the issuer prior to the bond's issuance. New issue bonds are issued and sold in the market with BAM insurance protection in place.

Secondary market – a bond that was initially issued in the market without a BAM insurance policy for which a BAM insurance policy was subsequently purchased by the owner of that bond.

Gross risk premiums written – a fee charged by BAM to insure the contractual principal and interest of a bond.

Member surplus contribution – a fee charged by BAM for the bond issuer to become a member of BAM.

Gross par outstanding – amount of remaining future contractual bond principal insured by BAM.



BAMSM

**BUILD AMERICA MUTUAL
ASSURANCE COMPANY**

CORPORATE HEADQUARTERS

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