

ProBuilders Specialty Insurance Company, RRG

Balance Sheets

December 31, 2006 and 2005

Assets

	2006	2005
	(Unaudited)	
Cash and cash equivalents	\$ 4,697,761	\$ 12,327,616
Short-term investments	-	990,980
Fixed maturity investments	76,775,809	73,032,751
Premiums receivable	10,739,063	11,065,186
Reinsurance recoverable, affiliate	90,356,414	54,222,973
Deferred policy acquisition costs	2,680,479	4,776,915
Prepaid reinsurance premiums	41,447,109	36,256,623
Deferred income taxes	1,344,620	622,309
Other assets	865,264	828,016
Total assets	<u>\$ 228,906,518</u>	<u>\$ 194,123,369</u>

Liabilities and Stockholders' Equity

Liabilities:

Reserve for unpaid losses and loss adjustment expenses	\$ 124,185,607	\$ 79,731,994
Unearned premium reserve	46,394,481	48,739,246
Funds withheld from reinsurer	8,642,949	9,190,195
Ceded reinsurance prem payable	5,505,977	15,117,037
Due to affiliate	18,895,716	16,763,414
Accrued expenses and other liabilities	728,986	2,161,908
Accrued share redemptions	4,726,603	4,009,264
Income taxes payable	(782,598)	392,570
Total liabilities	<u>208,297,722</u>	<u>176,105,628</u>

Stockholders' equity:

Common stock, \$1 par value. Authorized 1,000,000 shares; issued and outstanding 54,975 and 67,632 shares in 2006 and 2005, respectively	54,975	67,632
Additional paid-in capital	14,149,432	13,942,482
Retained earnings	6,757,543	4,007,627
Other comprehensive income	(353,154)	-
Total stockholders' equity	<u>20,608,796</u>	<u>18,017,741</u>

Total liabilities and stockholders' equity	<u>\$ 228,906,518</u>	<u>\$ 194,123,369</u>
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ProBuilders Specialty Insurance Company, RRG

Statements of Income Years Ended December 31, 2006 and 2005

	2006 (Unaudited)	2005
Revenues:		
Premiums written	\$ 103,794,468	\$ 103,124,980
Change in unearned	2,344,760	(15,286,088)
Premiums earned	106,139,228	87,838,892
Ceded reinsurance	(84,851,978)	(59,918,897)
Net premiums earned	21,287,250	27,919,995
Investment income	3,169,191	1,448,061
Other income	-	64,992
Total revenues	24,456,441	29,433,048
Expenses:		
Loss and loss adjustment expenses	48,123,476	44,145,934
Reinsurance recoveries	(38,837,254)	(30,074,430)
Net loss and loss adjustment expenses	9,286,222	14,071,504
Commissions and management fees	8,237,488	10,040,277
Profit commissions, affiliate	477,262	600,463
Other operating expenses	2,577,230	1,015,553
Total expenses	20,578,202	25,727,797
Income before income taxes	3,878,239	3,705,251
Income tax expense	1,128,323	1,289,423
Net income	\$ 2,749,916	\$ 2,415,828

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Statement of Cash Flows Year Ended December, 31, 2006

Cash flows from operating activities:	
Net income	\$ 2,749,916
Adjustments to reconcile net income to net cash provided by operating activities:	
Deferred income taxes	(722,311)
Change in:	
Premiums receivable	326,123
Reinsurance recoverable	(36,133,441)
Deferred acquisition costs	2,096,437
Accrued investment income	39,468
Prepaid reinsurance premiums	(5,190,486)
Reserve for unpaid losses and loss adjustment expenses	44,453,614
Unearned premium reserve	(2,344,765)
Funds withheld from reinsurer	(547,246)
Ceded reinsurance prem payable	(9,611,061)
Due to affiliates	2,132,301
Accrued expenses and other liabilities	(1,432,921)
Income taxes payable	(1,175,168)
Other assets	(76,717)
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Net cash provided by operating activities:	<u>(5,436,256)</u>
Cash flows from investing activities:	
Purchase of fixed maturity investments	(3,743,059)
Sale of short-term investments	990,980
Unrealized gains (losses) on available-for-sale securities	(353,154)
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Net cash used in investing activities	<u>(3,105,233)</u>
Cash flows from financing activities:	
Capitalization from investors	<u>911,633</u>
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Cash flows provided by financing activities	<u>911,633</u>
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Increase in cash and cash equivalents	(7,629,856)
Cash and cash equivalents at beginning of year	<u>12,327,616</u>
Cash and cash equivalents at end of period	<u><u>\$ 4,697,761</u></u>