

**Probuilders Specialty Insurance Company, RRG  
and Subsidiary**

Consolidated Balance Sheets  
December 31, 2005 and 2004

**Assets**

	<b>2005</b>	<b>2004</b>
Cash and cash equivalents	\$ 13,000,763	\$ 13,747,917
Cash and cash equivalents, restricted	317,833	6,561,495
Fixed maturity investments	50,817,757	25,609,982
Fixed maturity investments, restricted	22,214,993	24,136,835
Premiums receivable	11,032,436	10,474,800
Premium finance notes receivable	227,300	6,010,044
Reinsurance recoverable, affiliate	47,726,123	15,612,188
Reinsurance recoverable	7,439,185	10,043,288
Deferred acquisition costs	4,707,074	2,805,905
Accrued investment income	764,407	506,737
Prepaid reinsurance premiums, affiliate	26,966,373	25,878,603
Prepaid reinsurance premiums	9,060,547	-
Deferred income taxes	679,122	264,561
Other assets	1,080	8,356
Total assets	\$ 194,954,993	\$ 141,660,711

**Liabilities and Stockholders' Equity**

Liabilities:

Reserve for unpaid losses and loss adjustment expenses	\$ 79,731,994	\$ 37,904,843
Unearned premium reserve	48,279,840	33,453,158
Funds withheld from reinsurer, affiliate	-	38,308,733
Funds withheld from reinsurer	9,728,461	15,114,693
Ceded reinsurance prem payable, affiliate	11,434,766	-
Ceded reinsurance prem payable	4,153,668	-
Due to affiliates	16,872,753	1,645,927
Accrued expenses and other liabilities	2,179,791	1,279,521
Accrued share redemptions	4,169,909	1,662,987
Income taxes payable	449,383	(557)
Total liabilities	177,000,566	129,369,305

Stockholders' equity:

Common stock, \$1 par value. Authorized 1,000,000 shares; issued and outstanding 67,632 shares	67,632	61,722
Additional paid-in capital	13,781,836	10,637,885
Retained earnings	4,104,958	1,591,799
Total stockholders' equity	17,954,427	12,291,406

Total liabilities and stockholders' equity	\$ 194,954,993	\$ 141,660,711
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**Probuilders Specialty Insurance Company, RRG  
and Subsidiary**

Consolidated Statements of Income  
Years ended December 31, 2005 and 2004

	<b>2005</b>	<b>2004</b>
<b>Revenues:</b>		
Premiums written	\$ 103,124,980	\$ 70,473,501
Change in unearned	<u>(14,826,682)</u>	<u>(14,656,323)</u>
Premiums earned	88,298,298	55,817,178
Ceded reinsurance	<u>(60,148,600)</u>	<u>(37,406,743)</u>
Net premiums earned	28,149,698	18,410,436
Investment income	1,385,531	429,009
Premium finance interest income	37,702	357,308
Other income	<u>27,290</u>	<u>50,824</u>
Total revenues	29,600,221	19,247,577
<b>Expenses:</b>		
Loss and loss adjustment expenses	44,145,934	26,044,082
Reinsurance recoveries	<u>(30,074,430)</u>	<u>(17,371,087)</u>
Net loss and loss adjustment expenses	14,071,504	8,672,995
Commissions	10,110,118	5,736,258
Profit commissions, affiliate	600,463	606,149
Other operating expenses	<u>1,015,553</u>	<u>2,921,731</u>
Total expenses	25,797,637	17,937,133
Income before income taxes	3,802,583	1,310,444
Income tax expense	1,289,423	450,441
Net income	<u>\$ 2,513,160</u>	<u>\$ 860,003</u>

**ProBuilders Specialty Insurance Company, RRG  
and Subsidiary**

Consolidated Statement of Cash Flows  
Year ended December 31, 2005

Cash flows from operating activities:	
Net income	\$ 2,513,160
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in:	
Deferred acquisition costs	(1,901,169)
Premiums receivable	(557,636)
Premium finance notes receivable	5,782,744
Funds withheld from reinsurer, affiliate	(38,308,733)
Funds withheld from reinsurer	(5,386,232)
Ceded reinsurance prem payable, affiliate	11,434,766
Ceded reinsurance prem payable	4,153,668
Deferred income taxes	(414,561)
Prepaid reinsurance premiums, affiliate	(1,087,770)
Prepaid reinsurance premiums	(9,060,547)
Reinsurance recoverable, affiliate	(32,113,935)
Reinsurance recoverable	2,604,103
Reserve for unpaid losses and loss adjustment expenses	41,827,151
Unearned premium reserve	14,826,682
Income taxes payable	449,940
Accrued expenses and other liabilities	900,270
Due to affiliates	15,226,826
Accrued investment income	(257,670)
Other assets	7,275
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Net cash provided by operating activities:	10,638,333
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Cash flows from investing activities:	
Purchase of fixed maturity investments	(23,285,933)
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Net cash used in investing activities	(23,285,933)
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Cash flows from financing activities:	
Capitalization from investors	5,656,784
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Cash flows provided by financing activities	5,656,784
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Increase in cash and cash equivalents	(6,990,816)
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Cash at beginning of year	20,309,412
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Cash at end of year	\$ 13,318,596
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