

FINANCIAL STATEMENTS
ELITE CONTRACTORS TRUST OF NEW YORK

SEPTEMBER 30, 2010
with
INDEPENDENT AUDITOR'S REPORT

ELITE CONTRACTORS TRUST OF NEW YORK

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INDEPENDENT AUDITORS' REPORT

New York State Workers' Compensation Board
Elite Contractors Trust of New York
Albany, New York

We have audited the accompanying balance sheets of the Elite Contractors Trust of New York as of September 30, 2010 and 2009 and the related statements of operations and changes in members' deficit and cash flows for the years then ended. These financial statements are the responsibility of New York State Workers' Compensation Board and the Trust's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraphs, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to obtain confirmation of contributions and assessment receivable balances totaling \$2,238,901 as of September 30, 2010 (\$3,706,157 – 2009) by direct correspondence with the members. We were unable to satisfy ourselves as to the balances by means of other auditing procedures.

In addition, as more fully described in Note 1 to the financial statements, New York State passed legislation in March 2007 and June 2008 which changed the method of calculating assessments for active and inactive group self-insurers. The methodology used by the Trust to calculate the Workers' Compensation Board assessments is similar to the methodology used prior to this legislation being enacted. In our opinion, accounting principles generally accepted in the United States of America require the Workers' Compensation Board assessment be recognized based on the current general understanding of the current legislation.

In our opinion, except for the effects of recognizing the Workers' Compensation Board assessments based upon a future clarification of how inactive funds will be assessed that has not been issued to date, and such adjustments, if any, as might have been determined to be necessary had we been able to confirm contributions and assessment receivable balances, the financial statements referred to above presents fairly, in all material respects, the financial position of the Trust at September 30, 2010 and 2009 and the results of its operations and changes in members' deficit and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Freed Maxick & Battaglia, CPAs, PC

Buffalo, New York
December 22, 2010

ELITE CONTRACTORS TRUST OF NEW YORK

BALANCE SHEETS

September 30,

Assets:	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,389,385	\$ 1,732,703
Restricted cash (Note 1)	158,037	-
	<u>2,547,422</u>	<u>1,732,703</u>
Certificates of deposit	-	2,528,345
Investments (Note 2)	-	2,584,030
Contributions and assessment receivable (Note 1)	2,238,901	3,706,157
Special fund claims receivable (Note 7)	463,302	205,166
Interest receivable	-	57,963
Other assets	44,211	21,894
	<u>5,293,836</u>	<u>10,836,258</u>
Deposits	-	157,578
Deferred tax asset (Note 6)	32,999,500	33,413,000
	<u>32,999,500</u>	<u>33,413,000</u>
	<u>\$ 38,293,336</u>	<u>\$ 44,406,836</u>
 Liabilities and Members' Deficit		
Liabilities:		
Unpaid losses and loss adjustment expense (Note 1 and 4):		
Case-basis reserves	\$ 40,463,065	\$ 25,475,653
Incurred but not reported	34,290,648	58,165,842
Employer liability claims (Note 9)	1,325,000	1,325,000
Reinsurance claims (Note 3)	(14,224,831)	(14,150,461)
Total unpaid losses and loss adjustment expenses	<u>61,853,882</u>	<u>70,816,034</u>
Due to Workers' Compensation Board	2,515,962	-
Accounts payable and accrued expenses	981,676	1,018,154
Accrued Workers' Compensation Board assessment (Note 1 and 5)	<u>22,441,004</u>	<u>22,692,084</u>
Total liabilities	<u>87,792,524</u>	<u>94,526,272</u>
 Members' Deficit:		
Accumulated members' deficit	(49,499,188)	(50,094,483)
Accumulated other comprehensive losses:		
Unrealized losses on investments, net of income taxes	-	(24,953)
Total members' deficit	<u>(49,499,188)</u>	<u>(50,119,436)</u>
	<u>\$ 38,293,336</u>	<u>\$ 44,406,836</u>

See accompanying notes

ELITE CONTRACTORS TRUST OF NEW YORK

STATEMENTS OF OPERATIONS AND CHANGE IN MEMBERS' DEFICIT
For the Years Ended September 30,

	<u>2010</u>	<u>2009</u>
Revenues:		
Income from Workers' Compensation Board (Note 8)	\$ 780,004	\$ -
Member contributions and assessments	(46,173)	2,147,923
Interest income	115,929	499,090
Other income	21,358	1,439,961
	<u>871,118</u>	<u>4,086,974</u>
Expenses:		
Claims expense	(1,270,093)	20,024,688
Compensation board assessments	67,974	8,123,022
Professional and administrative expenses	1,064,442	632,479
	<u>(137,677)</u>	<u>28,780,189</u>
Net income (loss) before taxes	1,008,795	(24,693,215)
(Provision) benefit for income taxes (Note 6)	(413,500)	33,396,348
Net income	595,295	8,703,133
Accumulated deficit - beginning of year, as previously stated	(50,094,483)	(61,847,187)
Prior period adjustment (Note 1)	-	3,049,571
Accumulated deficit - beginning of year, as restated	<u>(50,094,483)</u>	<u>(58,797,616)</u>
Ending accumulated deficit	<u>\$ (49,499,188)</u>	<u>\$ (50,094,483)</u>

ELITE CONTRACTORS TRUST OF NEW YORK

STATEMENTS OF CASH FLOWS
For the Years Ended September 30,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income	\$ 595,295	\$ 8,703,133
Adjustments to reconcile net income to net cash used by operating activities		
Deferred income taxes	413,500	(33,413,000)
Decrease (increase) in assets:		
Contributions and assessment receivable	1,467,256	(286,537)
Special fund claims receivable	(258,136)	(205,166)
Interest receivable	57,963	(8,296)
Other assets	(22,317)	10,024
Deposits	157,578	(7,578)
Reinsurance claims	(74,370)	(4,482,357)
Increase (decrease) in liabilities:		
Case-basis reserves	14,987,412	(7,342,552)
Incurred but not reported	(23,875,194)	17,252,433
Employer liability claims	-	1,325,000
Due to Workers' Compensation Board	2,515,962	-
Accounts payable and accrued expenses	(36,478)	(393,152)
Accrued Workers' Compensation Board assessment	(251,080)	3,443,917
Net cash used by operating activities	(4,322,609)	(15,404,131)
Cash flows from investing activities:		
Purchase of investments	-	(12,720,394)
Proceeds from sale and maturities of investments	5,137,328	16,769,825
Net cash provided by investing activities	5,137,328	4,049,431
Net increase (decrease) in cash	814,719	(11,354,700)
Cash and cash equivalents – beginning of year	1,732,703	13,087,403
Cash and cash equivalents – end of year	<u>\$ 2,547,422</u>	<u>\$ 1,732,703</u>

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. - SIGNIFICANT ACCOUNTING POLICIES

Organization – Elite Contractors Trust of New York (the Trust) is a group self-insurance trust that largely provided Workers' Compensation coverage to the construction industry and operates in the State of New York. Contributions paid by members are used to pay covered losses, claims administration and costs associated with the management of the group, such as loss control, legal, accounting, actuarial, and excess insurances. Any excess of contributions over expenses are returned to the Trust members as dividends on a pro rate share basis or through the reduction of future rates. The Trust began providing coverage to its members in August 1999.

The Trust ceased operations effective July 17, 2008. The Trust is responsible for paying all claims incurred prior to 12:01 am July 18, 2008, which will likely take several years. As of September 30, 2010, the Trust's liabilities are greater than its assets. The New York State Workers' Compensation Board (WCB) took possession of the Trust and began to authorize payments of claims on behalf of the Trust in April 2010. The WCB is currently in the process of seeking deficit contributions from members of the Trust. The Trust voluntarily ceased operations due to the deterioration of its liquid assets to claims reserve ratio.

Basis of Presentation - The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents - The Trust considers all cash and invested cash with original maturities not in excess of three months to be cash equivalents.

Restricted Cash – Trust funds received by the WCB from the Trust's prior administrator upon the Trusts transition to the WCB. This also includes the portion of the security deposit that was identified as collateralized by the Trust.

Contributions and Assessment Receivable - The Trust is currently in run-off and payments for future claims and administrative expense will be funded from members payments to the WCB or its administrator. Contributions and assessment receivables that were outstanding as of September 30, 2010 and 2009 continue to be carried forward and will be incorporated into the final billings.

Income Taxes - The Trust is a self insured entity which essentially is taxed on the excess of members' contributions over expenses incurred.

The Trust Fund adopted the provisions under United States generally accepted accounting principles (US GAAP) of accounting for Uncertainty in Income Taxes, on October 1, 2009. As a result of the implementation, the Trust Fund recognized no increase in the liability for unrecognized tax benefits and as a result recognized no interest or penalties. The Trust files income tax returns in the U.S. federal jurisdiction and the State of New York. With few exceptions, the Trust is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2006.

Investments - The Trust determines the classification of securities in accordance US GAAP at purchase date based on its intent. The securities are considered available-for-sale. The securities are recorded at estimated fair value with unrealized gains and losses excluded from earnings and reported as a separate component of other comprehensive income or loss until realized. Cost is adjusted for amortization of premiums and accretion of discounts from the date of purchase to maturity.

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrealized losses are charged against "net realized loss on securities" when a decline in fair value is determined to be other-than-temporary. In accordance with US GAAP, the Trust reviews several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the extent to which the fair value is less than cost and the cause for the fair value decline, (ii) the financial condition and near term prospects of the issuer, (iii) the length of time a security is in an unrealized loss position and (iv) the Trust's ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

If the estimated fair value of a security is below its carrying value, the Trust Fund evaluates whether it has the intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value and whether evidence indicating that the cost of the investment is recoverable within a reasonable period of time outweighs evidence to the contrary. If the impairment is considered to be other-than-temporary, the security is written down through the statement of operations to its estimated fair value. Other-than-temporary declines in estimated fair value of all marketable securities are charged to "net realized loss on securities". The cost of all securities sold is based on the specific identification method. The Trust Fund did not recognize a charge during the year ended September 30, 2009 related to other-than-temporary declines in the estimated fair values of certain of the Trust Fund's marketable equity and debt securities, as the Trust believes all declines to be temporary.

Fair Value - As defined in US GAAP fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company adopted Fair Value Measurements during the year ended September 30, 2009 and there was no material impact to the financial statements. Fair Value Measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. US GAAP requires disclosures that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. The reader of the financial statements is able to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

As of September 30, 2009, all of the Trust's securities are considered level 1.

Securities in Unrealized Loss Positions - The following investments were in an unrealized loss position for a period of 12 months or longer at September 30, 2009:

	<u>Unrealized Loss</u>	<u>Market Value</u>
U.S. Government agency securities	\$ <u>42,913</u>	\$ <u>935,052</u>

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of September 30, 2009, the following investments were in an unrealized loss position for a period less than 12 months:

	<u>Unrealized Loss</u>	<u>Market Value</u>
U.S. Government agency securities	\$ <u>18,733</u>	\$ <u>418,926</u>

Unpaid Losses and Loss Adjustment Expenses and Reinsurance Recoverable - Liabilities for unpaid losses and loss adjustment expenses are estimates of ultimate future payments to be made to settle all claims for reported losses and estimates of incurred but not reported losses based on past experience. Estimates of liability for claims are established on an undiscounted basis of expected ultimate payment amounts (see Note 4). Management believes that the liability for unpaid losses and loss adjustment expense is adequate to cover the ultimate cost of claims incurred; however, such estimates may be more or less than the amount ultimately paid when the claims are settled. Changes in the estimated liability are reflected in expenses as the estimates are revised.

Litigation costs with respect to claims arising from insurance coverage, as well as expenses related to processing of unprocessed claims are considered in establishing the estimated liability for unpaid losses and loss adjustment expenses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. The recoverability of these assets depends on the reinsurers' ability to perform under the reinsurance agreements. Contracts not meeting the definition of reinsurance are accounted for as deposits.

Management utilizes an actuarial service in its calculation of this estimated liability.

Accrued Workers' Compensation Board Assessment - The Trust has an accrued assessment liability which reflects an estimate of the ultimate cost expected to be paid by the Trust for all of the NYS Workers' Compensation Board's legally mandated assessments. These assessments include, among other things, the self insurers assessment, special disability fund assessments, and an overall administrative assessment.

Legislation passed in June 2008, clarified some and changed other sections of the NYS Workers' Compensation Law (WCL) that set forth the methodology used to apportion these costs to the industry. Specifically, this amendment confirmed the prior interpretation requiring inactive group self insurers to continue to pay assessments long after a group has terminated coverage. However, the amendment also changed the allocation methodology for such an assessment. Furthermore, as part of the continuing reform to the WCL, the WCB will propose further legislation to clarify the long term accrual of such assessments to make clear the intent of the June 2008 legislation. Accordingly, it has been determined that a reasonable estimate of this future liability should be based on the intent of the relevant assessment accrual language. If a strict interpretation of the current legislation was followed, the assessment liability would be substantially higher than the balance currently recorded on the financial statements.

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Therefore, the Trust has calculated this accrued assessment on a basis of approximately 25% of the estimated loss and allocated loss adjustment expense (ALAE) as of September 30, 2010 and 2009. See Note 5 for calculation.

Other Income - This amount reflects monies received from third parties by the Trust in settlement of respective workers compensation liens.

Prior Period Adjustment - This amount reflects members' contribution receivable deemed uncollectible in prior years in error.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Event - These financial statements have not been updated for subsequent events occurring after December 22, 2010 which is the date these financial statements were available to be issued.

NOTE 2. - INVESTMENTS

The amortized cost, gross unrealized gains and losses and estimated fair value of securities available for sale at September 30, 2009 is as follows:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
U.S. Government agency Securities	\$ 2,623,693	\$ 20,058	\$ (61,646)	\$ 2,582,105
Equity securities	<u>1,925</u>	<u>-</u>	<u>-</u>	<u>1,925</u>
	<u>\$ 2,625,618</u>	<u>\$ 20,058</u>	<u>\$ (61,646)</u>	<u>\$ 2,584,030</u>

The cost and fair value of debt securities available for sale by contractual maturity follows at September 30, 2009. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Cost</u>	<u>Fair Value</u>
One year or less	\$ 1,992,802	\$ 1,945,836
One year through five years	<u>630,891</u>	<u>636,269</u>
	<u>\$ 2,623,693</u>	<u>\$ 2,582,105</u>

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. - RE-INSURANCE

The Trust purchased excess liability insurance as required by the State of New York, to meet statutory requirements for Workers' Compensation. The insurance coverage is for excess of the retention as follows:

Specific retention:	\$300,000 for August 27, 1999 – November 30, 2002 \$400,000 for December 1, 2002 – November 30, 2003 \$500,000 for December 1, 2003 – July 16, 2008
Aggregate retention:	\$1,728,728 for August 27, 1999 – May 31, 2000 with a \$5 million limit. \$5,700,572 for June 1, 2000 – November 30, 2001 with a \$5 million limit. \$15,065,291 for December 1, 2001 – November 30, 2002 with a \$5 million limit. \$24,803,291 for December 1, 2002 – November 30, 2003 with a \$2 million limit. \$33,971,328 for December 1, 2003 – November 30, 2004 with a \$2 million limit. \$55,137,282 for December 1, 2004 – March 31, 2006 with a \$2 million limit. \$56,058,753 for April 1, 2006 – March 31, 2007 with a \$2 million limit \$39,074,477 for April 1, 2007 – July 17, 2008 with a \$2 million limit

Failure of the reinsurers to honor their obligations could result in losses to the Trust. The Trust evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency. At September 30, 2010 and 2009, there are no losses recorded or anticipated due to failure of the reinsurers to honor their obligations.

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liability (reserve) for unpaid losses and loss adjustment expenses is summarized as follows:

	<u>2010</u>	<u>2009</u>
Reserve balance at beginning of year	\$ 84,966,495	\$ 73,731,614
Less reinsurance recoverable at beginning of year	<u>14,150,461</u>	<u>9,668,104</u>
Net reserve balance at beginning of year	<u>70,816,034</u>	<u>64,063,510</u>
Administrative expenses related to:		
Current year	-	-
Prior years	<u>(191,402)</u>	<u>6,145,322</u>
	<u>(191,402)</u>	<u>6,135,322</u>
Incurred related to:		
Current year	-	-
Prior years	<u>(1,078,691)</u>	<u>13,879,366</u>
	<u>(1,078,691)</u>	<u>13,879,366</u>
Paid related to:		
Current year	-	-
Prior years	<u>(7,692,059)</u>	<u>(13,272,164)</u>
	<u>(7,692,059)</u>	<u>(13,272,164)</u>
Net reserve balance at end of year	<u>61,853,882</u>	<u>70,816,034</u>
Add reinsurance recoverable at end of year	<u>14,224,831</u>	<u>14,150,461</u>
Reserve balance at end of year	\$ <u>76,078,713</u>	\$ <u>84,966,495</u>
<u>Reserve reconciliation:</u>		
Case-basis reserves	\$ 40,463,065	\$ 25,475,653
Incurred but not reported	34,290,648	58,165,842
Employer liability claims	<u>1,325,000</u>	<u>1,325,000</u>
Reserve balance at end of year	\$ <u>76,078,713</u>	\$ <u>84,966,495</u>
<u>Claims expense reconciliation:</u>		
Incurred claim expense	\$ (1,078,691)	\$ 13,879,366
Administrative expense	<u>(191,402)</u>	<u>6,145,322</u>
	\$ <u>(1,270,093)</u>	\$ <u>20,024,688</u>

At September 30, 2010 and 2009, the liability for unpaid losses and loss adjustment expenses, including incurred but not reported claims has been actuarially determined on an undiscounted basis.

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. - ACCRUED WORKERS' COMPENSATION BOARD ASSESSMENT

	<u>2010</u>	<u>2009</u>
Total payments made during year	\$ 7,692,059	\$ 13,272,164
25% NYS assessment rate	<u>25%</u>	<u>25%</u>
NYS assessment current year	1,923,015	3,318,041
Add: prior year NYS assessment	3,318,041	-
Add: 25% rate applied to actuary estimate of losses net of recoveries limited to prior specific and aggregate retention of \$54,574,962 (\$63,345,712 – 2009)	13,643,740	15,836,428
Add: 25% rate applied to losses incurred excess of retention of \$14,224,831 (\$14,150,461 – 2009)	<u>3,556,208</u>	<u>3,537,615</u>
Total accrued Workers' Compensation Board assessment	<u>\$ 22,441,004</u>	<u>\$ 22,692,084</u>

NOTE 6. - INCOME TAXES

The Trust provides currently for income taxes applicable to all items included in the financial statements, regardless of when such taxes are payable. Deferred assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. Temporary differences arise from using different methods of accounting for bad debts, New York State Workers' Compensation Board assessments, incurred losses and loss adjustment expense, and various other accrued liabilities. Also, the Trust recognizes future tax benefits of net operating loss carryforwards. However, deferred taxes is an estimate and is not to be considered as monies (cash) available to pay claims.

Since the Trust has ceased operating, all future contributions will come from the Board to fund operations. The Trust has available at September 30, 2010, approximately \$82,499,000 (\$83,532,400 – 2009) of unused operating loss carryforwards, expiring in 2029, that may be applied against future taxable income. The Trust does believe that it will receive the benefit associated with the utilization of the net operating loss in future years. Therefore, the financial statements at September 30, 2010, reflect a deferred tax asset of \$32,999,500 (\$33,413,000 – 2009), which entirely relates to the net operating loss carryforwards. The effective tax rate for the Trust is 40%.

NOTE 7. - SPECIAL FUNDS CLAIMS RECEIVABLE

Under New York State Regulation 15-8, the Trust Fund is protected against additional losses for previously injured employees. At September 30, 2010, amounts recoverable on paid losses from New York State totaled \$463,302 (\$205,166 – 2009).

ELITE CONTRACTORS TRUST OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. - DUE TO AND INCOME RECEIVED FROM WORKERS' COMPENSATION BOARD

Under New York State Regulation 50-5, in the event sufficient funds are not available, the Trust is advanced monies by New York State on claims to be paid on behalf of its' members. At September 30, 2010, amounts due to the WCB related to 50-5 amounted to \$2,467,552 and is included in Due to Workers' Compensation Board.

The WCB obtains this money by an assessment it issues to the active self-insurers which ultimately has to be repaid.

Monies used from forensic assessment billings and uncollateralized portion of trusts security deposits that the WCB has collected on the behalf of the Trust and used to pay benefits and related obligations are considered to be income received from the WCB and for the year ended September 30, 2010 amounted to \$780,004 (\$0 – 2009).

NOTE 9. - LITIGATION, COMMITMENTS AND CONTINGENCIES

In May 2010, the NYS Workers' Compensation Board issued invoices to all collective members of the Trust for an estimated assessment totaling \$62,285,149. Forensic accounting procedures are being completed to determine the actual deficit and allocation of the assessment to each member. These payments are due to the NYS Workers' Compensation Board with interest over a period not to exceed five years.

The Trust provides employer liability insurance to its members. As of September 30, 2010 and 2009, there were six open claims with total reserve for losses of \$1,325,000 that is included in the unpaid losses and loss adjustment expenses.