



STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.

EXHIBIT 1 - ANALYSIS OF ASSETS

	Ledger Assets	Nonledger (include excess of MV over BV)	Asset not Admitted (include excess BV over MV)	Net Admitted Assets	Previous Year End
1. Bonds					
2. Stocks					
a. Preferred stocks					
b. Common stocks					
3. Real estate, less encumbrances					
4. Mortgage loans on real estate					
5. Cash on hand and on deposit					
a. Cash in company's office					
b. Cash on deposit					
6. Other invested assets					
7. Home protection contract fees receivable					
8. Service fees receivable					
9. Receivable from affiliates					
10. Federal income tax recoverable					
11. Electronic data processing equip					
12. Interest, dividends & real estate income due and accrued					
13. Reinsurance recoverable on loss payments					
14. Equip., furniture & supplies					
15. Deferred acquisition cost					
16. Other assets:					
a. <u>Accounts Receivable</u>					
b. <u>Invest in Subsidiaries</u>					
c. _____					
17. Prepaid expenses:					
a. <u>Prepaid Expenses</u>					
b. _____					
c. _____					
18. Totals	5,343,934		1,843,438	3,500,496	3,1092,665

EXHIBIT 2 - ANALYSIS OF NON-ADMITTED ASSETS

	2 End of Previous Year	3 End of Current Year	4 Change increase - decrease + Col. 2-3
19. Company's stock owned			
20. Deposits in suspended depositories, less estimated amount recoverable			
21. Equip., furniture and supplies	162,573	148,518	14,055
22. Prepaid expenses:			
a. <u>Misc. Prepaid</u>	2,1048	2,529	119
b. _____			
c. _____			
23. Other assets not admitted :			
a. <u>EDP Equipment</u>	1,599,630	1,692,391	92,761
b. _____			
c. _____			
24. Total change	XXXXXXXXXX	XXXXXXXXXX	(78,587)

Line 24 to agree with Page 4, line 20.

STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.

## LIABILITIES, SURPLUS AND OTHER FUNDS

	Current Year To Date	Previous Year End
1. Unpaid contract claims in process of settlement	<u>230,320</u>	<u>173,168</u>
2. Statutory reserve (pg. 14, Report 1, line 6, Col (1) + Col (2))	<u>531,601</u>	<u>555,850</u>
3. Unpaid claims adjustment expense		
4. Other expenses (excluding taxes, licenses and fees)	<u>326,952</u>	<u>318,767</u>
5. Taxes, licenses and fees (excluding federal and foreign income taxes)	<u>11,944</u>	<u>16,057</u>
6. Federal and foreign income taxes (Including \$ _____ net deferred tax liability)		
7. Borrowed money		
8. Interest payable		
9. Unearned contract fees		
10. Dividends declared and unpaid		
11. Reinsurance in unauthorized companies		
a. Unearned contract fees		
b. Reinsurance recoverable		
1. paid claims		
2. unpaid claims		
c. Reinsurance recoverable on paid & unpaid claims adjustment expense		
12. Ceded reinsurance balances payable		
13. All other liabilities:		
a. <u>Accounts Payable</u>	<u>373,278</u>	<u>1,658,259</u>
B _____		
C _____		
14. Total liabilities (Items 1 to 13c)	<u>1,474,095</u>	<u>2,716,101</u>
15. a. Common capital stock	<u>1,796,488</u>	<u>1,796,488</u>
b. Preferred capital stock		
16. Gross paid-in and contributed surplus		<u>280,353</u>
17. Unassigned funds (surplus)	<u>.229,911</u>	<u>1,100,275</u>
18. Less treasury stock, at cost		
19. Surplus as regards contractholders (Items 15 to 17 less 18)	<u>2,026,399</u>	<u>974,566</u>
20. Totals (Item 14 plus 19)	<u>3,500,496</u>	<u>3,692,1615</u>

Line 19 to agree with Page 4, line 27.

STATEMENT AS OF September 30, 2002 OF THE HomeSecurity of America, Inc.

## STATEMENT OF INCOME

UNDERWRITING INCOME	Current Year To Date	Previous Year End
1. Contract fees earned	7,900,592	10,194,220
2. Claims incurred	2,816,507	3,521,838
3. Claims adjustment expenses incurred	530,166	796,793
4. Other underwriting expenses incurred	4,771,490	7,171,117
5. _____		
6. Total deductions (Lines 2 to 5)	8,118,163	11,489,748
7. Net underwriting gain or loss (-) (Item 1 less 6)	(217,571)	(1,295,528)
INVESTMENT INCOME		
8. Net investment income earned	5582	8,918
9. Net realized capital gains or losses	0	0
10. Net investment gain or loss	5,582	8,918
OTHER INCOME		
11. Mgt. Fee's & Misc.	463,403	582,243
12. _____	0	0
13. Total other income (Lines 11 + 12)	463,403	582,243
14. Net income before federal income taxes (Lines 7 + 10 + 13)	251,414	(704,367)
15. Federal income taxes incurred	0	(413,603)
16. Net income (Item 14 less 15)	251,414	(290,704)
CAPITAL AND SURPLUS ACCOUNT		
17. Surplus as regards contractholders, Dec. 31 Previous year	976,566	1,762,171
18. Gains (+) and Losses (-) in Surplus	251,414	(290,704)
19. Net income (from item 16)	484,456	
20. Change in non-admitted assets (Exhibit 2)	(78,587)	(1571,021)
21. Capital changes: a. Paid in	1,329,000	280,353
b. Transferred from surplus		
c. Transferred to surplus		
22. Surplus adjustments: a. Paid in	(737,499)	1,182,553
b. Transferred to capital		
c. Transferred from capital		
23. Dividends to stockholders (cash)	(223,000)	
24. Change in treasury stock		
25. Change in Statutory reserve	24,249	(386,786)
26. Change in surplus as regards contractholders	1,049,833	(785,605)
27. Surplus as regards contractholders at statement date	2,026,399	976,566

Line 27 to agree with Page 3, line 19.

Home Security of America, Inc.  
Notes to Financial Statements  
September 30, 2002

Home Security of America, Inc. is a wholly owned subsidiary of Home Security Corporation. Robert J. Lehmann owns 100% of the stock of Home Security Corporation.

On December 31, 2001, Home Security Corporation purchased from CNA Insurance Companies common stock, which represented 90% interest in Home Security of America, Inc. As part of the purchase, Home Security Corporation secured a \$1,862,800 loan from Bank One. At September 30, 2002, no assets were directly pleaded by Home Security of America, Inc. However, as part of the loan agreement the bank has subordinate interest in the assets of Home Security of America, Inc. to those amounts required by the States as Statutory Reserves.

At that time of the purchase of the 90% interest of Home Security of America, Inc. stock, Robert J. Lehmann owned the remaining 10% interest. This 10% interest was subsequently transferred into Home Security Corporation.

Please note Steven P. Dedo has been appointed by the Board of Directors as Chief Financial Officer and Treasurer.

STATEMENT AS OF September 30, 2000: Home Security of America, Inc.

SCHEDULE A - PART 2

5.

Show all Real Estate Acquired by the Company During the Current Period

No.	Location and Description of Property (State if occupied or leased by company, parent, subsidiary, or affiliated)	Date Acquired	Name of Vendor	1	2
				Amount of Encumbrances	Cost to Company
99998	Foreclosed Real Estate Acquired During Current Period Under Contract for Sale	XXX			
99999			Total		

SCHEDULE A - PART 3

Show all Real Estate Sold During the Current Period

No.	Location and Description of Property or Nature of Additions and Improvements	Date Sold	Name of Purchaser	1	2	3	4
				Cost to Company	Book Value At Date of Sale Less Encumbrances	Profit on Sale	Loss on Sale
99999			Total	0	0	0	0

STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.

SCHEDULE A - VERIFICATION

Show all Real Estate Owned

	1 Current Year as of 3/31	2 Current Year as of 6/30	3 Current Year as of 9/30	4 Previous Year Ending 12/31
1. Book value of real estate owned, previous period				
2. Increase, by adjustment				
3. Cost of acquired				
4. Cost of permanent improvements				
5. Profit on sales				
6. TOTAL				
7. Decrease, by adjustment				
8. Received on sales				
9. Loss on sales				
10. Book value of real estate owned, end of period				
11. Properties occupied by the company less encumbrances				
12. Properties acquired in satisfaction of debt less encumbrances				
13. Investment in real estate less encumbrances				

SCHEDULE B

Long - Term Mortgage Loans Held

	1 Current Year as of 3/31	2 Current Year as of 6/31	3 Current Year as of 9/30	4 Previous Year Ending 12/31
1. Book value of mortgages held, previous period				0
2. Loans in cash or granted on disposal of real estate				0
3. Cost of mortgages (insured and other) purchased				0
4. Additional cash loaned on refunded mortgages				0
5. Interest covered by increase in, or refunding of mortgages				0
6. Taxes covered by increase in, or refunding of, mortgages				0
7. Other items covered by increase in, or refunding of, mortgages				0
8. Accrual of discount on mortgages purchased				0
9. Transfers				0
10. Aggregate write - ins for increases				0
11. TOTALS				0
12. Payments on principal including cash on mortgages refunded				0
13. Mortgages foreclosed and transferred to real estate				0
14. Mortgages on properties acquired by deed, in lieu of foreclosure, and transferred to real estate				0
15. Decrease in book value of mortgages refunded or by adjustment in book value of mortgages				0
16. Amortization of premium on mortgages purchased				0
17. Transfers				0
18. Aggregate write - ins for decreases				0
19. Total deductions				0
20. Book value of mortgages owned, end of period				0
DETAILS OF WRITE - INS AGGREGATED AT LINE 10 FOR INCREASES				
1001.				0
1002.				0
1003.				0
1004.				0
1005.				0
1098. Summary of remaining write-ins for line 10 from overflow page	0	0	0	0
1099. Totals (Lines 1001 thru 1005 plus 1098) (Schedules B, Line 10)	0	0	0	0
DETAILS OF WRITE-INS AGGREGATED AT LINE 18 FOR DECREASES				
1801.				0
1802.				0
1803.				0
1804.				0
1805.				0
1898. Summary of remaining write-ins for line 18 from overflow page	0	0	0	0
1899. Totals (lines 1801 thru 1805 plus 1898) (Schedule B, Line 18)	0	0	0	0

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Other Invested Assets Included in Schedule BA

Description	1 Current Year as of 3/31	2 Current Year as of 6/30	3 Current Year as of 9/30	4 Previous Year
1. Book value of other invested assets, beginning period				
2. Cost of acquisitions, current period				
3. Increase by adjustment, current period				
4. Profit on disposition				
5. TOTAL				
6. Deduct consideration on disposition				
7. Reductions in investment, current period				
8. Decrease by adjustment, current period				
9. Loss on disposition				
10. Book value of other invested assets				

STATEMENT AS OF ~~September 30, 2004~~ Home Security of America, Inc.

7.

**SCHEDULE BA - PART 2**

Showing all Long-Term Invested Assets Acquired During the Current Period

1 Number of Units and Description	2 Date Acquired	3 Cost to Company	4 Consideration Paid During Current Year	5 Name of Vendor
129999		0	0	XXX

**SCHEDULE BA - PART 3**

Showing all Long-Term Invested Assets Disposed of During the Current Period

1 Number of Units and Description	2 Date Disposed of	3 Name of Purchaser or Nature of Disposition	4 Consideration	5 Book Value at Date of Sale	6 Profit on Disposal	7 Loss on Disposal

1299999 TOTALS	0	0	0	0
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**SCHEDULE D - PART 1**

*Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Period for all Bonds and Preferred Stock by Rating Class*

		1 Statement Value Beginning of Period		2 Acquisitions		3 Dispositions		4 Non-Trading Activity		5 Statement Value End of First Quarter		6 Statement Value End of Second Quarter		7 Statement Value End of Third Quarter		8 Statement Value End of Previous Year	
<b>BONDS</b>																	
1. Class 1																	
2. Class 2																	
3. Class 3																	
4. Class 4																	
5. Class 5																	
6. Class 6																	
7. Total Bonds																	
<b>PREFERRED STOCK</b>																	
8. Class 1																	
9. Class 2																	
10. Class 3																	
11. Class 4																	
12. Class 5																	
13. Class 6																	
14. Total Preferred Stock																	
15. Total Bonds and Preferred Stock																	

STATEMENT AS OF September 30, 2002 Home Security of America, Inc.

**SCHEDULE D - PART 2**  
*Show All Bonds and Stock Acquired by the Company During the Current Period*

CUSIP	Description (Give complete and accurate description in each case, including the location of the issuing corporation, where necessary for identification, and also in case of serial issues the amount maturing each year)					Date Acquired	Name of Vendor
	1 Number of Shares of Stock	2 Actual Cost (Excluding Accrued Interest and Dividends)	3 Par Value of Bonds	4 Paid for Accrued Interest and Dividends	5 NAIC Designation		
24999999	0	0	0	0			Total

\* For all common stock bearing the NAIC designation "U" provide the number of such issues .....

STATEMENT AS OF September 30, 1949 Home Security of America, Inc.

SCHEDULE D - PART 3

Showing all BONDS and STOCK Sold, Redeemed or Otherwise Disposed of  
by the Company During the Current Period

CUSIP	Description (Give complete and accurate description in each case, also in case of serial issues the amount maturing each year)		Disposal Date	Name of purchaser (If matured or called, so state and give price at which called)	Number of Shares of Stock	Consideration (excluding accrued interest and dividends)	Par Value of bonds	Actual Cost (excluding accrued interest and dividends)	Book Value at Date of Disposal	Profit on Disposal	Loss on Disposal	Interest and Dividends Received	NAIC Designation*
	1	2											
24999999	Total	0	0	0	0	0	0	0	0	0	0	0	XXX

## SCHEDULE N

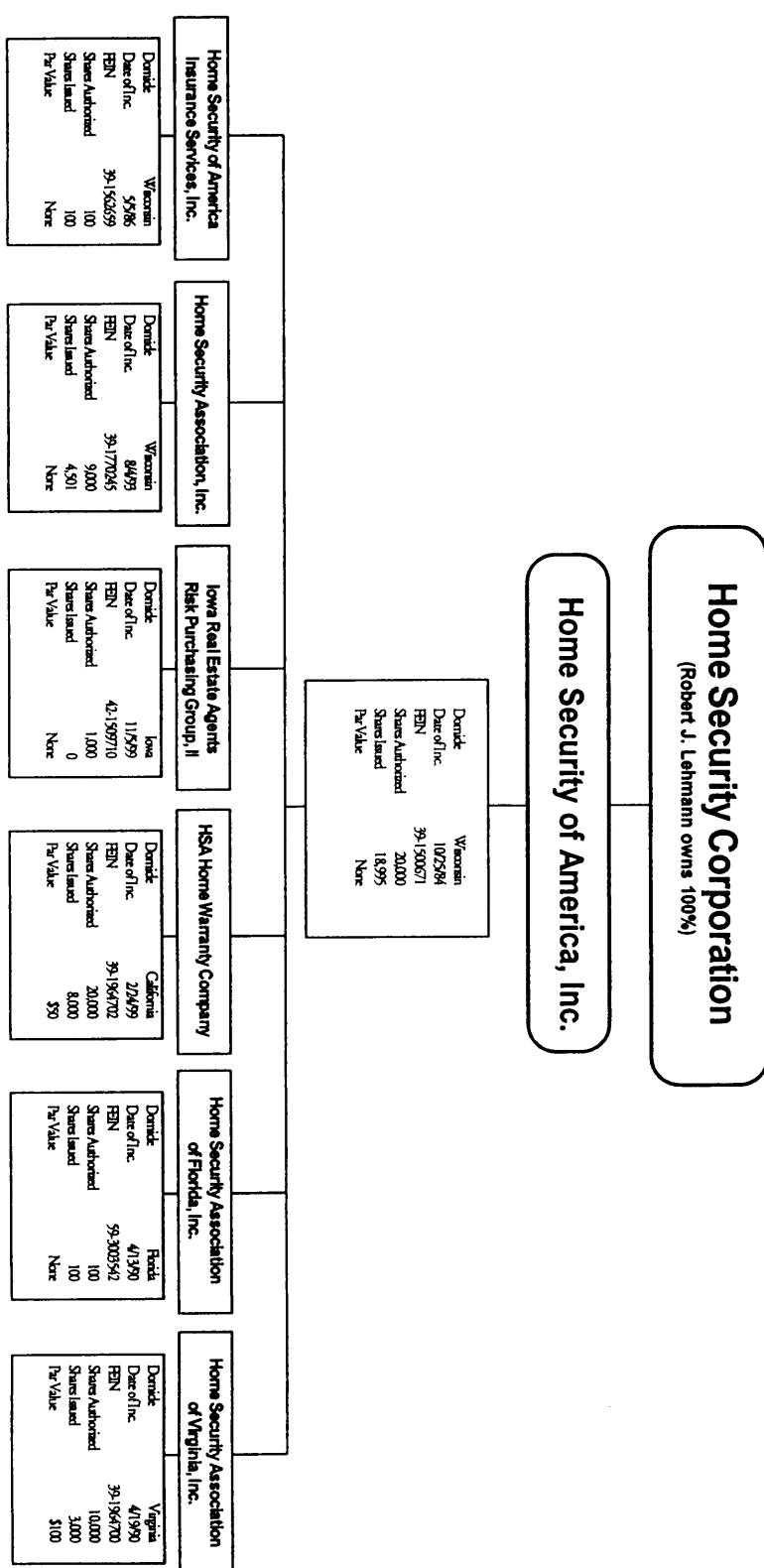
## Month End Depository Balances

1 Depository	2	3	4	Book Balance at end of Each Month During Current Quarter					
				5	6	7			
Give Full Name and Location State if depository is a parent, subsidiary, or affiliate (Show rate of interest and maturity date in the case of certificates of deposit or time deposits.)				Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued During Current Quarter	First Month	Second Month	Third Month
Bank One, WI							183,350	< 53,862	231,797
Citizens Bank							50,218	50,218	50,218
0199998 Deposits in depositories which do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX								
0199999 Total Open Depositories	XXX						233,568	< 3,644	282,015
0299998 Deposits in .... depositories which do not exceed the allowable limit in any one depository (see Instructions) - Suspended Depositories	XXX								
0299999 Total Suspended Depositories	XXX								
0399999 Grand Totals							233,568	< 3,644	282,015

**SCHEDULE Y**

**INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 — ORGANIZATIONAL CHART**



**PART 2 — SUMMARY OF SCHEDULE Y — (Continued)  
THE INSURER'S TRANSACTIONS WITH ANY AFFILIATES**

1 NAIC Company Code	2 Federal 10 Number	3 Names of Insurers and Parent, Subsidiaries or Affiliates	4 Shareholder Dividends	5 Capital Contributions	6 Purchases, Sales or Exchanges of Loss, Securities, Real Estate, Mortgage Loans or Other Investments	7 (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	8 (Disbursements) Incurred Under Management Agreements and Service Contracts	9 (Disbursements) Incurred Under Reinsurance Agreements	10 Any Other Material Activity not in the Ordinary Course of the Insurer's Business	11 Reinsurance Recoverable (Payable on Losses and/or Reserve Credit Taken (Liability)
		39-1770245 Home Security Assoc. Inc.	705,000			334,935			1,039,935	
		59-3008542 Home Security Assoc off L	624,000			57,128.5			681,285	
		39-1300671 Home Security of America	223,000						223,000	
										1,944,220
3999999 CONTROL TOTALS		223,000	1,329,000	392,220	xx					

STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.<sup>4</sup>

## REPORT 1 - RESERVE CALCULATION

	Ohio Business (1)	Non-Ohio Business (2)
1. Contract fees collected - on contracts issued and renewed during the year and all other contracts in force (unexpired) at the end of current period.	<u>\$ 780,946</u>	<u>9,559,350</u> 1.
2. Less: Reinsurance ceded	<u>- 0</u>	<u>8571</u> 2.
3. Net contract fees	<u>780,946</u>	<u>9,550,779</u> 3.
	<u>x .40</u>	<u>.40</u>
4. Sub-total reserve amount	<u>312,378</u>	<u>3,820,312</u> 4.
5. Less: Claims paid during current year and prior years on contract policies issued or renewed during the year and all other contracts still in force (unexpired) at the end of current period.	<u>- 191,419</u>	<u>3,409,1670</u> 5.
6. Current statutory reserve **	<u>\$ 120,959</u>	<u>410,642</u> 6.

\*\* Show line 6 (sum of Col. (1) + Col. (2)) on Page 3, line 2, current period.  
If line six is negative enter 0 (zero) on page 3 line 2, current year.

## REPORT 2 - SURPLUS REQUIREMENT CALCULATION

Calculated company required surplus is based on contracts issued or renewed representing Ohio and Non-Ohio business in the preceding calendar year.

If company is commencing business for the first time, surplus is based on the projected number of contracts to be issued representing Ohio and Non-Ohio business.

	Surplus	Number of Contracts	
	\$ 50,000 minimum	1,000	
	70,000	1,500	
	90,000	2,000	
	110,000	2,500	
	130,000	3,000	
	150,000	3,500	
	170,000	4,000	
	210,000	5,000	
	410,000	10,000	
	610,000	15,000	
		Ohio Business (1)	Non-Ohio Business (2)
1. Total contracts issued or renewed (1996)	1. 1670		21,435
2. Less 1,000 contracts	2. - 1,000	Xxxxxxxxxxxxxxxxxxxxxxx x	
3. Additional contracts	3. 670		21,435
4. Divided by 500	4. / 500	/ 500	
5. Surplus factor (round up; no decimal)	5. 1.34		42.87
6. Multiply by \$20,000	6. x \$20,000	x \$20,000	
7. Additional surplus required	7. 261,800		\$ 857,400
8. Plus \$50,000 minimum	8. + \$50,000		

STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.

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9. Total minimum surplus required - Ohio Business (lines 7 + 8.)	9. <u>\$ 76,800</u>
10. Total surplus required - Non-Ohio business (line 7, Col. 2)	10. <u>\$ 857,400</u>
11. Total (lines 9 + 10)	11. <u>\$ 934,200</u>
12. Enter amount from page 3, line 19	12. <u>\$ 2,006,399</u>
13. Difference (line 12 - line 11)	13. <u>\$ 1,092,199</u>

STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.

**CONTRACT FEES WRITTEN**  
Allocated by States and Territories

1 STATES	2 Number of Contracts Written	3 Direct Fees Written	4 Direct Claims Paid	5 Number of Contracts In Force
1 Alabama	AL	31	11,053	8,319
2 Alaska	AK	492	201,537	58,070
3 Arizona	AZ	204	76,068	24,680
4 Arkansas	AR	16	5,590	1,786
5 California	CA			
6 Colorado	CO	222	85,768	18,913
7 Connecticut	CT	111	46,580	30,617
8 Delaware	DE	16	5,927	773
9 Wash D.C.	DC	2	713	1,348
10 Florida	FL			
11 Georgia	GA	827	342,707	105,325
12 Hawaii	HI			
13 Idaho	ID	14	5,371	855
14 Illinois	IL	406	167,706	55,790
15 Indiana	IN	2,586	972,916	246,495
16 Iowa	IA			
17 Kansas	KS	201	82,275	26,223
18 Kentucky	KY	97	39,313	11,527
19 Louisiana	LA	101	37,085	20,568
20 Maine	ME			
21 Maryland	MD	257	109,524	34,392
22 Massachusetts	MA		1,095	1,852
23 Michigan	MI	327	133,582	46,477
24 Minnesota	MN	53	23,038	12,879
25 Mississippi	MS			
26 Missouri	MO	4,703	1,955,763	787,080
27 Montana	MT	12	4,940	883
28 Nebraska	NE	35	14,300	3,594
29 Nevada	NV	846	346,507	148,389
30 New Hampshire	NH	67	26,905	9,950
31 New Jersey	NJ	309	132,917	54,692
32 New Mexico	NM	77	38,103	11,755
33 New York	NY	687	273,875	109,690
34 North Carolina	NC	207	87,254	22,436
35 North Dakota	ND	86	36,821	10,314
36 Ohio	OH	1,170	492,389	142,706
37 Oklahoma	OK	18	8,116	2,851
38 Oregon	OR			
39 Pennsylvania	PA	3,532	1,529,235	563,243
40 Rhode Island	RI	131	41,874	11,399
41 South Carolina	SC	131	52,372	21,730
42 South Dakota	SD			
43 Tennessee	TN	612	262,790	118,098
44 Texas	TX			
45 Utah	UT			
46 Vermont	VT	4	1,619	513
47 Virginia	VA			
48 Washington	WA	37	17,078	5,547
49 West Virginia	WV	542	228,634	84,710
50 Wisconsin	WI			
51 Wyoming	WY	1	1,253	43
52				
53				
54				
55 Totals		19,170	7,900,592	2,816,507
				24,996

Col 3 - Gross premiums, agree with Part 2A, Col 1

Col 4 agree with Part 3, Col 1