

Consolidated Financial Statements June 30, 2013 (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
Consolidated Balance Sheets	3
Consolidated Statements of Earnings (Unaudited)	4
Consolidated Statements of Comprehensive Income (Unaudited)	5
Consolidated Statements of Stockholders' Equity (Unaudited)	6
Consolidated Statements of Cash Flows (Unaudited)	7
Notes to Consolidated Financial Statements (Unaudited)	8

Consolidated Balance Sheets As of June 30, 2013 and December 31, 2012

	June 30, 2013	December 31,
Assets	(Unaudited)	2012
Investments:		
Fixed maturities (Amortized cost of \$44,839,227 in 2013 and \$48,474,904 in 2012) \$	45,259,941	49,867,005
Equity securities (Historical cost of \$11,432,947 in 2013 and \$14,955,554 in 2012)	11,059,544	14,438,827
Short-term investments, at cost which approximates fair value	7,805,040	2,435,084
Total investments	64,124,525	66,740,916
Cash and cash equivalents	5,796,034	6,784,790
Accrued interest receivable	342,156	411,947
Premiums receivable, net of allowance for doubtful accounts of \$56,520 in 2013 and 2012	126,919	107,918
Other receivables	278,733	277,952
Reinsurance recoverable	1,874,744	1,858,971
Prepaid expenses	356,989	147,808
Income taxes receivable	120,804	-
Deferred income taxes, net	550,637	526,289
Property and equipment, net	5,288,594	5,330,603
Deferred policy acquisition costs	132,224	126,622
Ceded unearned premiums	141,657	130,576
Other assets	1,425,445	1,404,202
Intangibles	1,920,360	1,920,360
Total assets \$ =	82,479,821	85,768,954
Liabilities and Stockholders' Equity		
Reserves for losses and loss adjustment expenses \$	15,425,588	15,417,199
Unearned premiums	971,777	893,373
Collateral held	21,533,893	24,907,307
Reinsurance premiums payable	70,017	60,233
Accounts payable and accrued liabilities	1,281,097	1,606,124
Long-term debt	7,987,500	7,214,286
Total liabilities	47,269,872	50,098,522
Common Stock (No par value; 3,500,000 shares authorized; 358,066 shares issued and outstanding)	358,066	367,306
Class A Stock (No par value; 10,000,000 shares authorized; 794,507 shares issued and outstanding)	794,507	798,647
Retained earnings	34,026,151	33,926,733
Accumulated other comprehensive income	31,225	577,746
Total stockholders' equity	35,209,949	35,670,432
Total liabilities and stockholders' equity \$	82,479,821	85,768,954

Consolidated Statements of Earnings (Unaudited)
For the Three Months and Six Months Ended June 30, 2013 and 2012

		Three Months Ended June 30,			Six Months Ended June 30,			nded
		2013		2012	-	2013		2012
Revenues								
Premiums	\$	493,305		518,133		1,004,402		1,113,238
Net investment income		538,526		680,714		1,098,622		1,358,498
Net realized capital gains		400,213		243,980		765,161		717,869
Fee and other income		112,915		70,018		156,942		158,671
Total revenues		1,544,959		1,512,845		3,025,127		3,348,276
Expenses								
Incurred losses and loss adjustment expenses		49,330		52,605		100,440		112,898
Amortization of deferred acquisition costs		80,289		89,654		163,177		195,045
General and administrative expenses		799,837		965,724		1,697,937		2,051,311
Interest expense		64,442		64,379		120,798		125,313
Total expenses		993,898		1,172,362		2,082,352		2,484,567
Earnings before income taxes		551,061		340,483		942,775		863,709
Provision for income taxes		184,294		64,951		280,957		215,843
Net earnings	\$ 	366,767		275,532		661,818		647,866
Basic earnings per-share	\$	0.32	\$	0.20	\$	0.57	\$	0.48
Diluted earnings per-share	\$	0.31	\$	0.20	\$	0.56	\$	0.46

Consolidated Statements of Comprehensive Income (Unaudited) For the Three Months and Six Months Ended June 30, 2013 and 2012

		Three Months Ended		Six Months	Ended	
		June 3	30,	June 30,		
	_	2013	2012	2013	2012	
Net earnings	\$	366,767	275,532	661,818	647,866	
Change in unrealized gains and losses on investment securities		(1,513,680)	(933,305)	(828,062)	455,455	
Income tax (benefit) expense	_	(514,651)	(317,108)	(281,541)	154,855	
Other comprehensive (loss) income, net of taxes	_	(999,029)	(616,197)	(546,521)	300,600	
Comprehensive (loss) income	\$ _	(632,262)	(340,665)	115,297	948,466	

Consolidated Statements of Stockholders' Equity (Unaudited) For the Six Months Ended June 30, 2013 and 2012

		Common Stock Par value	Class A Stock Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of December 31, 2011	\$	468,546	898,655	39,430,816	(97,534)	40,700,483
Comprehensive income Change in net unrealized gains and losses on investment securities, net of reclassification Net earnings		- -	<u> </u>	- 647,866	300,600	300,600 647,866
Total comprehensive income		<u>-</u>	<u> </u>	647,866	300,600	948,466
Issuance of 88,500 shares of Class A Stock pursuant to stock options		-	88,500	708,000	-	796,500
Acquisition and retirement of 143,508 shares of Class A Stock		<u>-</u>	(143,508)	(3,455,347)		(3,598,855)
Balance as of June 30, 2012	\$	468,546	843,647	37,331,335	203,066	38,846,594
Balance as of December 31, 2012 Comprehensive income Change in net unrealized gains and losses on investment securities, net of reclassification Net earnings	\$	367,306	798,647	33,926,733 - 661,818	577,746 (546,521)	35,670,432 (546,521) 661,818
Total comprehensive income	-	- _		661,818	(546,521)	115,297
Issuance of 25,000 shares of Class A Stock pursuant to stock options			25,000	295,950	(340,321)	320,950
Acquisition and retirement of 9,240 shares of Common Stock		(9,240)	-	(240,240)	-	(249,480)
Acquisition and retirement of 29,140 shares of Class A Stock			(29,140)	(618,110)		(647,250)
Balance as of June 30, 2013	\$	358,066	794,507	34,026,151	31,225	35,209,949

Consolidated Statements of Cash Flows (Unaudited) For the Six Months Ended June 30, 2013 and 2012

Net camings \$ 66,818 647,826 Adjustments to reconcile net earnings to net cash provided by operating activities. 317,484 224,688 Depreciation and amortization 177,489 224,689 Net realized capital gains (765,161) (717,690) Deferred income tax expense 271,73 123,437 Changes:	Cash flows from operating activities	2013	2012
Agisstmens to reconcile net earnings to net cash provided by operating activities: Depreciation and amortization Net realized capital gains Of continued (765,161) Net realized capital gains Deferred income tax expense Continues in: Accrued interest recivable Ac		\$ 661.818	647 866
operating activities: 177,484 224,889 Depreciation and amoritation (765,161) (717,809) Defrored income tax expense 257,000 192,840 Changes in: 89,791 30,34 Changes in: (195,782) 152,728 Recisuance recoverable (195,782) 152,728 Reinsurance recoverable (195,782) 125,728 Reinsurance recoverable (195,782) 125,728 Income taxes receivable (30,008) 126,722 Deferred policy acquisition costs (30,002) 125,728 Deferred policy acquisition costs (30,002) (489,401) Reserves for losses and loss adjustment expenses 8,389 (76,802) Reserves for losses and loss adjustment expenses 3,314 (20,205) Collateral held (3,314,41) (3,374,41) (20,205) Reserves for losses and loss adjustment expenses 3,316 (3,076,40) (3,076,40) (3,076,40) (3,076,40) (3,076,40) (3,076,40) (3,076,40) (3,076,40) (3,076,40) (3,076,40) (3,076,40) <t< td=""><td>·</td><td>Ψ 001,010</td><td>047,000</td></t<>	·	Ψ 001,010	047,000
Depectation and aumoritation 177.484 224.689 Net resultived capital gains (76.15) (71.289) Deferred income tax expense 257.193 192.83 Changes: III. 36.791 3.03.14 Acceused interest receivable (9.782) 152.728 Reinsurance recoverable (15.773) 32.47 Ricinate and the serverivable (15.773) 32.47 Income taxes receivable (3.00,808) 15.752 Deferred policy acquisition costs (5.002) 15.752 Prepaid expense and other assets (3.004.20) (3.783) Reserves for loses and loss adjustment expenses 8,389 (576.859) Uncarned premiums, net (3.373.414) (2.022.529) Reinsurance premiums payable (3.373.414) (2.022.529) Reinsurance premiums payable (3.04.025) (3.04.025) Accounts payable and accentel liabilities (3.04.025) (3.04.025) Net ash used for operating activities 4.073.473 1.089.776 Mattifies and recombinates sold, instured or redeemed: 1.002.002 1.071.002 <tr< td=""><td>· · ·</td><td></td><td></td></tr<>	· · ·		
Net realized capital gains (765, 16) (717,809) Deferred income tax expense 257,00 102,81 Changes in: 257,00 30,14 Receivable (19,78) 152,12 Receivables (19,78) 152,12 Receivables (15,73) 32,47 Income taxes receivable (15,73) 12,42 Income taxes receivable (5,60) 105,72 Income taxes receivable (5,60) 105,72 Propid expenses and other assets (5,60) 105,72 Propid expenses and other assets 8,73 (78,80) Reserves for foses and lines adjustment expenses 8,73 (78,90) Reserves for foses and lines adjustment expenses 9,734 8,20 Collateral held 3,374,41 (20,22) Receives from investments adjustment expenses 9,784 8,30 Accounts payable and accrued liabilities 3,60 3,00 Accounts payable and accrued liabilities 3,60 3,00 Rest and from investments sold, matured or redeemed 4,00 3,00	. •	177 484	224 689
Deferred income tax expense 257,193 192,348 Changes in: 46,0791 30,314 Receivables (19,782) 152,728 Recinstance recoverable (13,088) 126,222 Income taxes receivable (30,082) 15,722 Income taxes receivable (230,424) 16,839 Prepried reporting acquisition costs (230,424) 16,839 Prepried reporting and loss adjustment expenses 8,389 (76,859) Prepried reporting and loss adjustment expenses 8,389 (76,859) Uncarned premiums, net 3,373,414 (2022,539) Collateral held 3,373,419 2,022,539 Accounts payable and accrued liabilities 3,364,203 3,694,309 Net cash used for operating activities 4,073,473 1,089,776 Toxed from investing activities 4,073,473 1,089,776 Musturities and redemptions 4,073,471 1,092,146 Exist from investing activities 4,073,471 1,092,146 Equity securities 4,073,471 1,092,146 Equity securities 3,373,			
Accercal interest receivable 90,791 30,314 Receivables (15,728) 152,728 Reinsurance recoverable (15,763) 32,347 Income taxes receivable (130,688) 126,422 Deferred policy acquisition costs (230,424) (489,340) Prepaid expenses and other assets (230,424) (489,340) Reserves for losses and loss adjustment expenses 67,323 (78,896) Collateral held (373,414) (202,259) Reisurance premiums payable 9,784 8,376 Accounts payable and accrued liabilities 3(35,443) 10,947,25 Accounts payable and accrued liabilities 4,073,473 10,897,27 Acts all used for operating activities 4,073,473 10,897,27 Proceeds from investing activities 4,073,473 10,897,27 Mustifies and redemptions 4,073,473 10,897,27 Mustifies and redemptions 4,073,473 10,897,27 Equity securities 4,749,641 (8,146,58) Equity securities 3,379,693 2,517,380 Equity securities		* *	, , , ,
Accercid interest receivable 90,719 30,314 Receivables (15,72) 152,228 Reinsurance recoverable (15,73) 32,347 Income taxes receivable (130,635) 126,422 Deferred policy acquisition costs (5,600) 15,752 Prepaid expenses and other assets (230,424) (489,340) Reserves for losses and loss adjustment expenses 67,323 (78,896) Collateral held (373,414) (20,225,290) Reisurance premiums payable 7,784 8,376 Accounts payable and accrued liabilities 3,600,200 3,044,137 Net cash used for operating activities 4,073,473 1,089,776 Mexit minutesting activities 4,073,473 1,089,776 Mexit minutesting activities 4,073,473 1,089,776 Mustilies and redemptions 4,073,473 1,089,776 Mustilies and redemptions 4,073,473 1,089,776 Mustilies and redemptions 4,073,473 1,089,776 Equipative scurities 4,174,404,11 (8,416,458) Equipative scurities	Changes in:		
Reinsurance recoverable (13,045) 126,422 Income taxes receivable (130,685) 126,422 Deferred policy acquisition costs (5,602) 15,752 Prepaid expenses and other assets 8,389 157,6859 Reservers for losses and loss adjustment expenses 8,389 157,6859 Uneamed premiums, net 63,373,414 8,378 Collateral held 3,373,414 8,378 Reinsurance premiums payable 9,374 8,378 Accounts payable and accrued liabilities 3,160,4025 1,040,275 Accounts payable and accrued liabilities 3,160,4025 1,040,275 Net cash used for operating activities 3,500,4020 1,040,275 Text and used for operating activities 4,073,473 1,089,776 Maturities and redemptions 4,073,473 1,089,776 Maturities and redemptions 4,073,473 1,719,161 Equity securities 4,470,611 (8,46,458) Equity securities (3,370,480) 1,719,161 Sont-term investments, net (3,369,56) 2,517,380 <td< td=""><td></td><td>69,791</td><td>30,314</td></td<>		69,791	30,314
Reinsurance recoverable (15,73) 32,47 Income taxes receivable (130,685) 126,422 Deferred policy acquisition costs (5,602) 15,752 Prepaid expenses and other assets 230,442 (489,340) Reservers for losses and loss adjustment expenses 8,389 157,6859 Uneamed premiums, net 63,7323 (78,896) Collateral held 9,784 8,375 Reinsurance premiums payable 9,784 8,376 Accounts payable and accrued liabilities 3(3,6420) (3,944,413) Net cash used for operating activities 8 1,089,776 Net cash used for operating activities 4,073,473 1,089,776 Maturities and redemptions 4,073,473 1,089,776 Maturities and redemptions 4,073,473 1,719,161 Equity securities 4,476,0611 (8,46,458) Equity securities (4,740,611 (8,416,458) Equity securities (5,369,56) 2,517,380 Not cash provided by investing activities (5,369,56) 2,517,380 Pull particular particular pa	Receivables	(19,782) 152,728
Deferred policy acquisition costs 15,002 148,340 Prepaid expenses and other assets 230,424 489,340 Reservers for losses and loss adjustment expenses 8.89 676,858 Une aread premiums, et 67,323 (78,996) Collateral held 3,337,414 202,296 Reinsurance premiums payable 9,784 8,376 Accounts payable and accrued liabilities 315,146 10,402,275 Net cash used for operating activities 315,046,205 3,549,413 Townstream investing activities Freceds from investing activities 4,073,473 1,089,776 Muturities sold 4,073,473 1,089,776 Muturities and redemptions 3,559,552 1749,101 Equity securities 4,474,0461 8,614,648 Equity securities 3,373,481 (84,65,820) Short-term investments, net 5,369,955 2,517,380 Capital expenditures 5,369,955 2,517,380 Capital expenditures 1,500,000 1,479,000 Capital expenditures 2,418,01	Reinsurance recoverable	(15,773	32,347
Prepaid expenses and other assets (489,494) Reserves for loses and loss adjustment expenses 6,76,859 Uncarned premiums, net 6,733,231 (8,768,896) Collateral held 3,73,414 (2022,529) Reinsurance premiums payable 9,784 8,376 Accounts payable and accrued liabilities 3(3,644,25) (1,040,257) Net cash used for operating activities 3(3,644,26) (1,040,257) Cash flows from investing activities 3(3,644,26) (1,040,257) Cash flows from investing activities 4,073,473 10,897,76 Madurities sold 4,073,473 11,792,146 Equity securities 4,306,319 11,792,146 Equity securities 4,306,319 11,792,146 Equity securities 4,470,641 (8,416,458) Equity securities 3(3,370,480) (1,896,582) Sequity securities (5,369,565) 2,517,380 Equity securities 2,418,20 (3,309,582) Short cash provided by investing activities 2,418,20 (3,508,585) Cash sort from financing activi	Income taxes receivable	(130,685	126,422
Reserves for losses adjustment expenses 8,389 (576,859) Uncamed premiums, net 67,323 (78,896) Collateral held (3,373,41) (20,225) Reinsurance premiums payable 9,784 8,376 Accounts payable and accrued liabilities (36,040,25) (3,044,10) Net cash used for operating activities 3,504,020 (3,044,10) Total stream investing activities 4,073,473 1,089,776 Muturities sold 4,073,473 1,089,776 Maturities and redemptions 3,569,526 171,910 Equity securities 3,569,526 171,910 Purchases of: 1 1,719,101 Fixed maturities (4,740,641) (8,416,458) Equity securities (31,370,480) (18,965,280) Short-term investments, net (50,226) (50,800,800) Capital expenditures (50,226) (18,000,800) Net cash provided by investing activities 2,418,015 36,35,885 Repayments of long-term debt (20,248,000) (50,328,800) Acquisition and retire	Deferred policy acquisition costs	(5,602) 15,752
Unamed premiums, net 67,323 78,896, Collateral held (3,373,41) 20,225, 25, 25, 25, 25, 25, 25, 25, 25, 25	Prepaid expenses and other assets	(230,424	(489,340)
Collateral held (3,373,414) (2,022,529) Reinsurance premiums payable 9,784 8,376 Accounts payable and accrued liabilities (3,614,00) (3,644,025) Net cash used for operating activities 3,604,205 (3,944,413) Cash flows from investing activities Proceeds from investing sold, matured or redeemed: Fixed maturities sold 4,073,473 1,089,776 Muturities and redemptions 4,306,319 11,792,146 Equity securities 35,569,252 17,410,611 Fixed maturities (4,740,641) 84,16,488 Equity securities (31,370,480) (18,96,580) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures 2,418,015 3,635,838 Net cash provided by investing activities 1,500,000 1,479,300 Repayments of long-term debt (72,646) (73,586) Repayments of long-term debt (249,480) - Acquisition and retirement of common shares (249,480) - Acquisition and retirement of Class A shares (249,480) <td>Reserves for losses and loss adjustment expenses</td> <td>8,389</td> <td>(576,859)</td>	Reserves for losses and loss adjustment expenses	8,389	(576,859)
Reinsurance premiums payable 9,84 8,376 Accounts payable and accrued liabilities (315,146) (100,0257) Net cash used for operating activities 3,604.025 (3,604.025)	Unearned premiums, net	67,323	(78,896)
Accounts payable and accound liabilities (315,146) (1,040,257) Net cash used for operating activities 3,049,413 Cash flows from investing activities Proceeds from investments sold, matured or redeemed: Fixed maturities sold 4,073,473 1,089,776 Maturities and redemptions 4,306,319 11,792,146 Equity securities 35,569,520 174,1961 Prochases of: 4,740,641 (8,416,85) Equity securities (3,137,480) (18,96,820) Short-term investments, net (5,369,950) 2,517,380 Capital expenditures 2,248,015 3,635,838 Net cash provided by investing activities 1,500,000 1,479,001 Repayments of long-term debt 1,500,000 1,479,001 Repayments of long-term debt 1,500,000 9,658,201 Acquisition and retirement of common shares 2,424,801 3,589,201 Repayments of long-term debt 1,500,000 3,598,201 Acquisition and retirement of class A shares 2,424,801 3,598,201 Net cash provided by (used in) financing activities	Collateral held	(3,373,414) (2,022,529)
Net cash used for operating activities (3,694,205) (3,494,413) Cash flows from investing activities Proceeds from investments sold, matured or redeemed:	Reinsurance premiums payable	9,784	8,376
Cash flows from investing activities Proceeds from investinents sold, matured or redeemed:	Accounts payable and accrued liabilities	(315,146	(1,040,257)
Proceeds from investments sold, matured or redeemed: Fixed maturities sold 4,073,473 1,089,776 Maturities and redemptions 4,306,319 11,792,146 Equity securities 35,569,526 17,419,619 Purchases of: *** *** Fixed maturities (4,740,641) (8,416,458) Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities *** 3,635,838 Net cash flows from financing activities 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,580) Acquisition and retirement of common shares (249,480) - Acquisition and retirement of Class A shares (647,220) 3,598,851 Net change in cash and cash equivalents (98,756) 3,598,851 Net change in cash and cash equivalents 9,986,438 4,93,93,222 Supplemental disclosure of cash flows information: \$ 5,796,034 8,093,222	Net cash used for operating activities	(3,604,205	(3,494,413)
Fixed maturities sold 4,073,473 1,089,776 Maturities and redemptions 4,306,319 11,792,146 Equity securities 35,569,526 17,419,619 Purchases of: Fixed maturities (4,740,641) (8,416,458) Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Acquisition and retirement of Class A shares (647,250) 3,598,851 Net cash provided by (used in) financing activities 197,434 2,016,641 Net change in cash and cash equivalents (988,756) 1,875,216 Cash and cash equivalents, beginning of period 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 2,46,000 43,499	Cash flows from investing activities		
Maturities and redemptions 4,306,319 11,792,146 Equity securities 35,569,526 17,419,619 Purchases of: Fixed maturities (4,740,641) (8,416,458) Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Eunds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities (647,250) (3,598,855) Net cash provided by (used in) financing activities (988,756) (1,875,216) Cash and cash equivalents, beginning of period 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 2,517,380	Proceeds from investments sold, matured or redeemed:		
Equity securities 35,569,526 17,419,619 Purchases of: Fixed maturities (4,740,641) (8,416,458) Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) 796,500 Acquisition and retirement of Class A shares (647,250) 35,98,855 Net cash provided by (used in) financing activities 197,434 (2,016,641) Net cash provided by (used in) financing activities 9,968,438 Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 243,490 43,499	Fixed maturities sold	4,073,473	1,089,776
Purchases of: Fixed maturities (4,740,641) (8,416,458) Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (98,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 2,43,499 4,34,499 </td <td>Maturities and redemptions</td> <td>4,306,319</td> <td>11,792,146</td>	Maturities and redemptions	4,306,319	11,792,146
Fixed maturities (4,740,641) (8,416,458) Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 2 43,499	Equity securities	35,569,526	17,419,619
Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 20,000,000,000,000,000,000,000,000,000,	Purchases of:		
Equity securities (31,370,480) (18,965,820) Short-term investments, net (5,369,956) 2,517,380 Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 20,000,000,000,000,000,000,000,000,000,	Fixed maturities	(4,740,641	(8,416,458)
Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 20,000,000,000,000,000,000,000,000,000,	Equity securities	(31,370,480	(18,965,820)
Capital expenditures (50,226) (1,800,805) Net cash provided by investing activities 2,418,015 3,635,838 Cash flows from financing activities Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 20,000,000,000,000,000,000,000,000,000,	Short-term investments, net	(5.369.956	2.517.380
Cash flows from financing activities Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499		* * * * * * * * * * * * * * * * * * * *	
Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 146,304 43,499	Net cash provided by investing activities	2,418,015	
Funds borrowed 1,500,000 1,479,300 Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 146,304 43,499	Cook flows from from ing activities		
Repayments of long-term debt (726,786) (693,586) Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499		1 500 000	1 470 300
Acquisition and retirement of common shares (249,480) - Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: 20,000,000 43,499 Cash paid for income taxes 146,304 43,499		, , ,	
Issuance of Class A shares pursuant to stock options 320,950 796,500 Acquisition and retirement of Class A shares (647,250) (3,598,855) Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents (988,756) (1,875,216) Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499			
Acquisition and retirement of Class A shares Net cash provided by (used in) financing activities Net change in cash and cash equivalents Cash and cash equivalents, beginning of period Cash and cash equivalents, end of period Supplemental disclosure of cash flows information: Cash paid for income taxes (647,250) (3,598,855) (1,875,216	•	* *	,
Net cash provided by (used in) financing activities 197,434 (2,016,641) Net change in cash and cash equivalents Cash and cash equivalents, beginning of period Cash and cash equivalents, end of period Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499			*
Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$5,796,034 8,093,222 Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499			
Cash and cash equivalents, beginning of period 6,784,790 9,968,438 Cash and cash equivalents, end of period \$5,796,034 8,093,222 Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499	Not change in each and each equivalents	(088 756	(1 975 216)
Cash and cash equivalents, end of period \$ 5,796,034 8,093,222 Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499		* *	
Supplemental disclosure of cash flows information: Cash paid for income taxes 146,304 43,499			
Cash paid for income taxes 146,304 43,499	•		
	Supplemental disclosure of cash flows information:		
	Cash paid for income taxes	146,304	43,499
		120,798	

(1) Basis of Presentation and Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of ACMAT Corporation ("ACMAT" or "the Company") and its subsidiaries. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and are unaudited.

The interim financial information contained in this report has been prepared from the books and records of the Company and its subsidiaries and reflects, in the opinion of the management of the Company, all adjustments (consisting of normal and recurring accruals) necessary to fairly present results of operations for the periods indicated. All significant intercompany accounts and transactions have been eliminated in consolidation.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2012.

Adoption of Accounting Standards Updates

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board (FASB) issued updated guidance to improve the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement of income or in the notes, separately for each component of comprehensive income, the current period reclassifications out of accumulated other comprehensive income by the respective line items of net earnings affected by the reclassification. The updated guidance is effective prospectively for reporting periods beginning after December 15, 2012. The Company adopted the updated guidance effective March 31, 2013, and such adoption did not have any effect on the Company's results of operations, financial position or liquidity.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued updated guidance regarding the impairment test applicable to indefinite-lived intangible assets that is similar to the impairment guidance applicable to goodwill. Under the updated guidance, an entity may assess qualitative factors (such as changes in management, key personnel, strategy, key technology or customers) that may impact the fair value of the indefinite-lived intangible asset and lead to the determination that it is more likely than not that the fair value of the asset is less than its carrying value. If an entity determines that it is more likely than not that the fair value of the intangible asset is less than its carrying value, an impairment test must be performed. The impairment test requires an entity to calculate the estimated fair value of the indefinite-lived intangible asset. If the carrying value of the indefinite-lived intangible asset exceeds its estimated fair value, an impairment loss is recognized in an amount equal to the excess. The Company adopted the guidance effective March 31, 2013, and such adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity.

Nature of Operations

ACMAT, through its wholly-owned subsidiary, ACSTAR Insurance Company ("ACSTAR"), provides surety bonds for prime contractors, specialty trade, environmental remediation and asbestos abatement contractors, and miscellaneous surety. ACSTAR is licensed to write business nationwide and is an approved surety by the United States Department of the Treasury.

(2) Investments

The amortized cost and fair value of investments in fixed maturities and equity securities classified as available-for-sale as of June 30, 2013 and December 31, 2012 were as follows:

		Amortized	Gross Uni	realized	Fair
		Cost	Gains	Losses	Value
As of June 30, 2013					
U.S. government and government agencies	\$	4,016,510	1,488	134	4,017,864
States, municipalities and political subdivisions		21,666,390	558,881	358,638	21,866,633
Industrial and miscelaneous		6,279,720	200,487	47,049	6,433,158
Mortage-backed securities		10,010,207	283,190	191,136	10,102,261
Redeemable preferred stock		2,866,400	46,340	72,715	2,840,025
Total fixed maturities		44,839,227	1,090,386	669,672	45,259,941
Perpetual preferred stock		2,117,877	65,023	16,260	2,166,640
Common stock		9,315,070	749,608	1,171,774	8,892,904
Total equities		11,432,947	814,631	1,188,034	11,059,544
Total:	\$	56,272,174	1,905,017	1,857,706	56,319,485
			G - 1		
		Amortized Cost	Gross Uni Gains	_	Fair Value
As of December 31, 2012		Cost	Gains	Losses	varue
	Φ.	4.015.002		110	4 0 1 7 4 0 2
U.S. government and government agencies	\$	4,015,893	1,718	118	4,017,493
States, municipalities and political subdivisions		21,079,689	974,260	78,457	21,975,492
Industrial and miscelaneous		8,596,722	330,213	44,324	8,882,611
Mortage-backed securities Redeemable preferred stock		12,091,200 2,691,400	474,202 82,855	337,418 10,830	12,227,984 2,763,425
Redeemable preferred stock		2,091,400	62,633	10,630	2,703,423
Total fixed maturities	,	48,474,904	1,863,248	471,147	49,867,005
		1 402 055	116.600		1 000 7 -
Perpetual preferred stock		1,692,877	116,689	-	1,809,566
Common stock	,	13,262,677	485,173	1,118,589	12,629,261
Total equities	•	14,955,554	601,862	1,118,589	14,438,827
Total:	\$	63,430,458	2,465,110	1,589,736	64,305,832

The following tables summarize, for all investments in an unrealized loss position at June 30, 2013 and December 31, 2012, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position:

		Less than 12 months		Greater tha	n 12 months	Total		
	•	Fair	Gross Unrealized	Fair	Gross Unrealized	Fair	Gross Unrealized	
		Value	Losses	Value	Losses	Value	Losses	
As of June 30, 2013								
U.S. government	Φ	525,000	104			525,000	124	
and government agencies	\$	525,000	134	-	-	525,000	134	
States, municipalities								
and political subdivisions		6,201,666	358,638	-	-	6,201,666	358,638	
Industrial and miscellaneous		1,682,723	47,049	-	-	1,682,723	47,049	
Mortage-backed securities		2,685,962	167,861	133,921	23,275	2,819,883	191,136	
Redeemable preferred stock	_	2,056,185	72,715			2,056,185	72,715	
Total fixed maturities	-	13,151,536	646,397	133,921	23,275	13,285,457	669,672	
Perpetual preferred stock		953,740	16,260	-	_	953,740	16,260	
Common stock		5,344,800	841,026	1,465,137	330,748	6,809,937	1,171,774	
Total:	\$	19,450,076	1,503,683	1,599,058	354,023	21,049,134	1,857,706	

		Less than 12 months		Greater tha	n 12 months	Total		
			Gross		Gross	•	Gross	
		Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	
	_	Value	Losses	Value	Losses	Value	Losses	
As of December 31, 2012	-							
U.S. government								
and government agencies	\$	800,900	118	-	-	800,900	118	
States, municipalities								
and political subdivisions		2,197,876	38,475	873,800	39,982	3,071,676	78,457	
Industrial and miscellaneous		1,296,823	44,324	-	-	1,296,823	44,324	
Mortage-backed securities		1,185,911	332,470	167,796	4,948	1,353,707	337,418	
Redeemable preferred stock		551,670	10,830			551,670	10,830	
Total fixed maturities		6,033,180	426,217	1,041,596	44,930	7,074,776	471,147	
Common stock		8,244,905	696,289	2,372,400	422,300	10,617,305	1,118,589	
Total:	\$	14,278,085	1,122,506	3,413,996	467,230	17,692,081	1,589,736	

The following table summarizes, for all fixed maturities and equity securities reported at fair value for which fair value is less than 80% of amortized cost at June 30, 2013, the gross unrealized loss by length of time those securities have continuously been in an unrealized loss position in excess of 20% of amortized cost:

	_	Period For Which Fair Value is Less than 80% of Amortized Cost								
		3 Months or Less	Greater than 3 Months, Less than 6 Months	Greater than 6 Months, Less than 12 Months	Greater than 12 Months	Total				
As of June 30, 2013	_									
Common stock	\$ _	454,925		152,237		607,162				
Total:	\$	454,925		152,237	<u> </u>	607,162				

(3) Fair Value Measurement

The Company's estimates of fair value for financial assets and financial liabilities are based on a fair value hierarchy. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets, requiring that observable inputs be used in the valuations when available. The fair value hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The three levels of the hierarchy are as follows:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use.

Valuation of Investments Reported at Fair Value in the Financial Statements

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated willing parties, i.e., not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realized if the security was sold in an immediate sale, e.g., a forced transaction. Additionally, the valuation of fixed maturity investments is more subjective when markets are less liquid due to the lack of market based inputs, which may increase the potential that the estimated fair value (i.e., the carrying amount) of an investment is not reflective of the price at which an actual transaction would occur.

For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Company receives the quoted market prices from a third party nationally recognized pricing service. When quoted market prices are unavailable, the Company utilizes a pricing service to determine an estimate of fair value, which is mainly for its fixed maturity investments. The fair value estimates provided from this pricing service are included in the amount disclosed in Level 2 of the hierarchy. If quoted market prices and an estimate from a pricing service are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3. The Company bases all of its estimates of fair value for assets on the bid price as it represents what a third party market participant would be willing to pay in an arm's length transaction. The following section describes the valuation methods used by the Company for each type of financial instrument it holds that is carried at fair value.

Fixed Maturities

The Company utilizes a pricing service to estimate fair value measurements for all of its fixed maturities. The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Since fixed maturities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing.

The fair value estimates of most fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturities, other than U.S. Treasury securities, provided by the pricing service are included in the amount disclosed in Level 2 of the hierarchy. The estimated fair value of U.S. Treasury securities are included in the amount disclosed in Level 1 as the estimates are based on unadjusted market prices.

Equity Securities

For publicly-traded common stocks, the Company receives prices from a pricing service that are based on observable market transactions and includes these estimates in the amount disclosed in Level 1. Under certain circumstances, current market quotes in active markets are unavailable for certain non-redeemable preferred stocks held by the Company. In these instances, the Company receives an estimate of fair value from the pricing service that provides fair value estimates for the Company's fixed maturities. The service utilizes some of the same methodologies to price the non-redeemable preferred stocks as it does for fixed maturities. The Company includes the estimate in the amount disclosed in Level 2.

Fair Value Hierarchy

The following tables present the level within the fair value hierarchy at which the Company's financial assets are measured on a recurring basis at June 30, 2013 and December 31, 2012.

	_	Level 1	Level 2	Level 3	Total
As of June 30, 2013					
U.S. government and government agencies	\$	4,017,864	-	-	4,017,864
States, municipalities and political subdivisions		-	21,866,633	-	21,866,633
Industrial and miscellaneous		-	6,433,158	-	6,433,158
Mortage-backed securities		-	10,102,261	-	10,102,261
Redeemable preferred stock	_	<u> </u>	2,840,025		2,840,025
Total fixed maturities	_	4,017,864	41,242,077		45,259,941
Perpetual preferred stock		-	2,166,640	-	2,166,640
Common stock	_	8,892,904			8,892,904
Total equities	_	8,892,904	2,166,640		11,059,544
Total:	\$ _	12,910,768	43,408,717		56,319,485

		Level 1	Level 2	Level 3	Total
As of December 31, 2012					
U.S. government and government agencies	\$	4,017,493	-	-	4,017,493
States, municipalities and political subdivisions		_	21,975,492	-	21,975,492
Industrial and miscellaneous		-	8,882,611	-	8,882,611
Mortage-backed securities		-	12,227,984	-	12,227,984
Redeemable preferred stock	_		2,763,425		2,763,425
Total fixed maturities	_	4,017,493	45,849,512		49,867,005
Perpetual preferred stock		-	1,809,566	-	1,809,566
Common stock	_	12,629,261			12,629,261
Total equities	_	12,629,261	1,809,566		14,438,827
Total:	\$ _	16,646,754	47,659,078		64,305,832

There were no significant transfers between Level 1 and 2 or from level 3 in 2013 or 2012.

(4) Earnings Per-Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per-share computations for the three months and six months periods ended June 30, 2013 and 2012:

	_	2013			2012			
		Net Earnings	Average Shares Outstanding	Net Earnings Per-Share	Net Earnings	Average Shares Outstanding	Net Earnings Per-Share	
Three Months Ended June 30,								
Basic earnings per-share	\$	366,767	1,152,573	0.32	275,532	1,353,921	0.20	
Effect of dilutive securities Stock options	_		30,696	(0.01)		49,162		
Diluted earnings per-share	\$ _	366,767	1,183,269	0.31	275,532	1,403,083	0.20	
		-	2013			2012		
		Net Earnings	Average Shares Outstanding	Net Earnings Per-Share	Net Earnings	Average Shares Outstanding	Net Earnings Per-Share	
Six Months Ended June 30.	_							
Basic earnings per-share	\$	661,818	1,153,715	0.57	647,866	1,353,921	0.48	
Effect of dilutive securities Stock options	_		30,632	(0.01)		49,540	(0.02)	
Diluted earnings per-share	\$ _	661,818	1,184,347	0.56	647,866	1,403,461	0.46	

(5) Comprehensive Income

The following table presents the changes in the Company's accumulated other comprehensive income for the three months and six months ended June 30, 2013 and 2012:

	_	20	13	2012			
	-	Net Unrealized Gains and Losses	Total Accumulated Other Comprehensive Income	Net Unrealized Gains and Losses	Total Accumulated Other Comprehensive Income		
Balance as of April 1:	\$	1,030,254	1,030,254	819,263	819,263		
Other comprehensive income before reclassifications to earnings, net Reclassifications, net		(734,888) 264,141	(734,888) 264,141	(455,170) 161,027	(455,170) 161,027		
Reclassifications, net	-	204,141	204,141	101,027	101,027		
Other comprehensive income, net of taxes	-	(999,029)	(999,029)	(616,197)	(616,197)		
Balance as of June 30:	\$ _	31,225	31,225	203,066	203,066		

	_	20	13	2012		
	_	Net Unrealized Gains and Losses	Total Accumulated Other Comprehensive Income	Net Unrealized Gains and Losses	Total Accumulated Other Comprehensive Income	
Balance as of January 1:	\$	577,746	577,746	(97,534)	(97,534)	
Other comprehensive income before reclassifications to earnings, net		(41,515)	(41,515)	774,394	774,394	
Reclassifications, net	_	505,006	505,006	473,794	473,794	
Other comprehensive income, net of taxes	_	(546,521)	(546,521)	300,600	300,600	
Balance as of June 30:	\$_	31,225	31,225	203,066	203,066	

The following table presents the pretax and related income tax expense component of the amounts reclassified from the Company's accumulated other comprehensive income to the Company's consolidated statement of earnings for the three months and six months ended June 30, 2013 and 2012.

Three Months Ended June 30:	-	2013	2012
Net realized capital gains recognized in earnings Income tax expense	\$	400,213 136,072	243,980 82,953
Reclassifications, net	\$	264,141	161,027

Six Months Ended June 30:	_	2013	2012
Net realized capital gains recognized in earnings Income tax expense	\$	765,161 260,155	717,869 244,075
Reclassifications, net	\$	505,006	473,794

The following table presents the pretax components of other comprehensive income and related income tax expense for the three months and six months ended June 30, 2013 and 2012.

Three Months Ended June 30:		2013	2012
Unrealized holding (loss) arising during period, net of income taxes	\$	(734,888)	(455,170)
Less: Reclassification adjustment for gains included in earnings, net of income taxes of \$136,072 and \$82,953 in 2013 and 2012, respectively	_	264,141	161,027
Changes included in comprehensive income:	\$ _	(999,029)	(616,197)
Six Months Ended June 30:	<u>-</u>	2013	2012
Unrealized holding (loss) gain arising during period, net of income taxes	\$	(41,515)	774,394
Less: Reclassification adjustment for gains included in earnings, net of income taxes of \$260,155 and \$244,075 in 2013 and 2012, respectively	_	505,006	473,794
Changes included in comprehensive income:	\$	(546,521)	300,600

(6) Share-Based Compensation

The Company periodically grants non-qualified stock options giving certain individuals the right to purchase restricted shares of the Company's Common Stock and Class A Stock. The majority of the options granted generally vest evenly over a five to ten year period and typically feature a term of 10 years. The exercise price is equal to the fair value at the date of grant. The Company uses a variation of the Black-Scholes option pricing model to value stock options.

As of June 30, 2013 there were 101,500 stock options outstanding of which all were vested. There was no share-based compensation expense incurred in 2013 or 2012. There was no unrecognized compensation cost related to share-based incentive compensation awards as of June 30, 2013 or December 31, 2012.