

Louisiana Safety Association of Timbermen
Self-Insurers Fund
Winnfield, Louisiana

Financial Statements
December 31, 2010

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**Louisiana Safety Association of Timbermen
Self-Insurers Fund
Winnfield, Louisiana**

Exhibit A

Balance Sheet
December 31, 2010

Assets

Cash and cash equivalents	<i>Note 2</i>	\$	1,064,482
Certificates of deposit			500,000
Investments	<i>Note 3</i>		3,162,456
Premium receivables, net	<i>Note 4</i>		3,140,434
Excess and Second Injury Fund recovery receivables			1,548,813
Other receivables, net	<i>Note 5</i>		16,105
Accrued interest receivable			13,716
Prepaid expenses			161,052
Property and equipment, net	<i>Note 6</i>		<u>2,225,470</u>
Total assets			<u><u>\$ 11,832,528</u></u>

Liabilities and Members' Surplus

Liabilities

Claims payable	<i>Note 7</i>	\$	6,167,629
Accounts, fees, notes and assessments payable	<i>Note 8</i>		1,480,630
Notes payable	<i>Note 9</i>		14,968
Refunds due members	<i>Note 10</i>		201,916
Unearned income			804,956
Member security deposits	<i>Note 11</i>		<u>958,601</u>
Total liabilities			<u>9,628,700</u>
Members' surplus			
Members' surplus	<i>Exhibit B</i>		<u>2,203,828</u>
Total members' surplus			<u>2,203,828</u>
Total liabilities and members' surplus			<u><u>\$ 11,832,528</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**Louisiana Safety Association of Timbermen
Self-Insurers Fund
Winnfield, Louisiana**

Exhibit B

Statement of Income and Members' Surplus
for the Year Ended December 31, 2010

	2010
Underwriting income	
Earned premium	\$ 10,530,968
Less discounts granted	(884,564)
Total underwriting income	9,646,404
Administrative fund expenses	
Excess insurance expense	611,083
Administration expense	1,681,895
Bad debt expense	133,913
Commissions	863,602
License and taxes	56,143
Total administrative fund expenses	3,346,636
Available for loss fund	6,299,768
Loss fund expenses	
Claims paid or accrued	4,983,266
Claims service agent fees	331,475
Second Injury Fund assessment	403,168
Office of Workers' Compensation assessment	157,191
Total loss fund expenses	5,875,100
Underwriting income	424,668
Other income	
Other income	28,127
Expense constant	5,034
Investment income	117,497
Total other income	150,658
Net income	575,326
Members' surplus	
Balance, beginning of year	1,628,502
Less dividends declared and paid	-
Balance, end of year	\$ 2,203,828

The accompanying notes to the financial statements are an integral part of these statements.

**Louisiana Safety Association of Timbermen
Self-Insurers Fund
Winnfield, Louisiana**

Exhibit C

Statement of Cash Flows
for the Year Ended December 31, 2010

Cash Flows from Operating Activities	
Net income	\$ 575,326
Adjustments to reconcile net income to net cash provided by (used in) operating activities	
Depreciation	44,337
Accretion of investment securities discounts	(15,748)
Amortization of investment securities premiums	58
Change in Assets and Liabilities	
Decrease (Increase) in	
Premium receivables	(99,795)
Excess recovery receivables	(1,423,268)
Other receivables	326,935
Accrued interest receivable	25,061
Prepaid expenses	25,149
Increase (Decrease) in	
Claims payable	673,300
Accounts payable	(472,464)
Refunds due members	29,074
Unearned income	390,632
Member security deposits	(69,859)
Net cash provided by operating activities	<u>8,738</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	(70,411)
Purchase of held to maturity investment securities	(1,643,948)
Proceeds from paydowns of investment securities	496,913
Net cash used in financing activities	<u>(1,217,446)</u>
Cash Flows from Financing Activities	
Payments on notes payable	(9,838)
Cash Flows used in financing activities	<u>(9,838)</u>
Net decrease in cash and cash equivalents	(1,218,546)
Cash and cash equivalents, beginning of year	<u>2,283,028</u>
Cash and cash equivalents, end of year	<u>\$ 1,064,482</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u>\$ 2,391</u>
Cash paid during the year for income taxes	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of these statements.

Louisiana Safety Association of Timbermen Self-Insurers Fund
Winnfield, Louisiana

Notes to Financial Statements
December 31, 2010

Note 1 Nature of operations and summary of significant accounting policies

Pursuant to Act 648 of the 1979 Regular Session of the Louisiana Legislature, a certificate of authority was granted to the Louisiana Safety Association of Timbermen Self-Insurers Fund (the Fund or LSAT) on October 17, 1991. The Fund was created for the purpose of providing workers' compensation insurance to the members of the Louisiana Safety Association of Timbermen substantially at cost. The Fund is operated as a tax-exempt trust under the laws of the State of Louisiana. For federal income tax purposes, the Fund is treated as a mutual insurance company.

The Fund operates under the provisions of Louisiana state law and rules and regulations promulgated by the Commissioner of Insurance. In this regard, the Fund is not required to maintain a specific level of surplus. Since all policies issued are fully assessable, members can be required to contribute on a pro-rata earned premium basis, money necessary to pay obligations the Fund is unable to pay. In the event that the Fund has a combined deficit and is unable to pay its obligations, the Trustees or the Commissioner of Insurance may assess members.

The Fund prepares its financial statements under accounting principles generally accepted in the United States of America applicable to the industry within which it operates, specifically self-insuring the workers' compensation risks of the members of its affiliated sponsoring association. The significant accounting policies followed by the Fund are summarized as follows:

Premium income - Premium income for policies is reported as earned on a pro-rata basis over the policy term. Earned normal premium equals manual premium multiplied by each member's experience modifier and reduced by any allowable discounts after taking into effect all audit billing adjustments for the year resulting from the redetermination of each member's assessable payroll. Allowable discounts are dependent upon the member's prompt payment.

Premiums collected in excess of final earned normal premium audit billings and premiums collected in advance of the next succeeding fund year are deferred from income recognition and recorded as liabilities on the Fund's balance sheet.

Certificates of insurance acquisition costs - Certificates of insurance are written to be continuous until cancelled. The acquisition costs incurred are annually charged on these policies each fund year beginning January 1st of each year. Therefore, commissions and other costs of acquiring insurance are expensed by December 31st of each year.

Risks and uncertainties - The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Claims incurred and payable - All claim and claim expense payments are chargeable against the Fund. The Fund is also charged with the payment of the annual Louisiana Second Injury Fund and the Louisiana Office of Workers' Compensation assessments. The excess of underwriting income over expenses, if any, and net investment income of the Fund is available for distribution to Fund members.

Claims paid or accrued during the year represent case-based estimates of losses on all reported claims, as well as a reserve for incurred but not reported (IBNR) claims. Management believes that the present value of claims payable, \$6,167,629 (which is net of annuities due to the Fund covering the 1998 claim liability) at December 31, 2010, is adequate to cover the ultimate liability from these reported injuries. However, such estimates may prove to be more or less than the amount ultimately paid when the claims are settled, and such differences may be material. Adjustments to the estimate of claim liability are charged to income or expense in the year the adjustment is made. The present value has been determined by using a discount rate of four (4%) for 2010. It is assumed all claims will be paid by the end of the eighth loss year.

Premium and payroll audit billing receivables - Premium and payroll final audit billing receivables consist of amounts due in the normal course of collection from members located throughout Louisiana, as well as amounts due on payroll audits.

The Fund performs a review of premium receivables from monthly billings, payroll audits and related dues and fees and charges all known bad debts against income when identified. As of December 31, 2010, the Fund had completed its review and determined that all uncollectible accounts have been identified, with the appropriate allowance for potentially uncollectible amounts established and charged to income.

Investments - The classification of securities is generally determined at the date of purchase. Realized gains or losses on the sale of securities are recognized on a specific-identification method.

Investment securities classified as "held to maturity" are stated at cost and adjusted for amortization of premium and accretion of discount, which are recognized as adjustments to interest income. The Fund intends and has the ability to hold such securities until maturity.

Investment securities classified as "available for sale" are stated at fair market value as of the reporting date, with the unrealized holding gains or losses on securities available for sale reported in a separate component of members' surplus, Accumulated Other Comprehensive Income. Gains and losses on the sale of securities available for sale are determined using the specific-identification method. There were no securities classified as "available for sale" as of December 31, 2010.

Property and equipment - Property and equipment are stated at cost. Major additions and betterments are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed in the current year. When property is retired or otherwise disposed of, the cost of the property is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and the difference, after taking into account salvage value, if any, is charged or credited to income.

Depreciation is computed using the straight line method for financial reporting and accelerated methods for tax-reporting purposes, using useful lives of five to forty years.

Income taxes - The Fund is a tax-exempt entity under Louisiana law. For federal income tax purposes, the Fund is treated as a mutual insurance company. Accordingly, the Fund would be subject to tax on the sum of its investment income, plus statutory underwriting gain (which differs from accounting underwriting gain primarily by allowing a deduction for excess revenue available for dividends to members), less the effect of the tax basis of discounting unpaid claims to present value for tax purposes, as opposed to the discount for financial statement purposes.

The Fund has adopted a resolution, under rulings from the Internal Revenue Service, permitting the deduction of excess revenue available for dividends to Fund members when declared, rather than when actually paid to members. Because the Board of Trustees routinely declares all taxable net income, returnable to members at the end of each fund year, the Fund does not have any current net taxable income. The fund has net operating loss carryforwards for federal income tax purposes totaling approximately \$1,179,000 expiring through 2029.

The Fund adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes) on January 1, 2009. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with a tax position taken for tax return purposes when it is more likely than not the position will not be sustained. The implementation of this standard had no impact on the Fund's financial statements. The Fund does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of January 1, 2009, as a result of the adoption of FASB ASC 740-10-25. For the years ended December 31, 2010 and 2009, there were no interest or penalties recorded or included in its financial statements. The last three (3) tax years (2009, 2008 and 2007) are still open and subject to examination.

Recent Accounting Pronouncements - In June 2009, the Financial Accounting Standards Board ("FASB") issued a standard on Generally Accepted Accounting Principles. This standard establishes the FASB Accounting Standards Codification (the "Codification") as the single source of authoritative nongovernmental accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Codification is effective for

interim and annual periods ending after September 15, 2009. The adoption of this standard did not have any impact on the Fund's financial statements.

In September 2009, the FASB issued an update to the standard on income taxes. This update adds to the definition of a tax position of an entity's status, including its status as a pass-through entity, eliminates certain disclosure requirements for non-public entities, and provides application for pass-through entities. The adoption of this standard did not have any impact on the Fund's financial statements.

Fair Value Measurements - FASB ASC 820-10 and subsections (formerly known as SFAS No. 157, Fair Value Measurements), defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. We have not applied the provisions of FASB ASC 820-10 to nonrecurring, nonfinancial assets and liabilities as allowed under FASB ASC 820-10.55 (formerly known as FASB Staff Position (FSP) No. 157-2).

Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, use of the unobservable prices or inputs are used to estimate the current fair value, often using an internal valuation model. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the item being valued.

Beginning January 1, 2008, assets and liabilities recorded at fair value on the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure fair value. Hierarchical levels – defined by FASB ASC 820-10 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities – are as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given both to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The Fund uses Level 1 inputs for the valuation of their investments (see Note 3 which is the most objective of the three levels. The carrying value of these investments is based on amortized cost. All other amounts reported herein for claim liabilities and other assets are at their cost basis which approximates fair value.

Concentration of credit risk - The Fund provides workers' compensation insurance to individuals located within the State of Louisiana, thereby extending credit to members using practices common to the self-insured insurance industry. The Fund requires its members to provide the Fund with security in the form of a deposit (see Note 11) based on the prospective member's credit history or experience with the Fund and approximates ten (10%) percent of the estimated annual premium. This deposit may be used to satisfy unpaid receivables. The Fund does not obtain any other collateral to secure these receivables.

The Fund has engaged the Edward D. Jones Trust Company to hold and manage the investments of the Fund. These investments are generally in federally insured or in direct obligations of the United States or its agencies, as required by state law.

Statement of cash flows - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Pledged assets - The Fund has pledged certificates of deposit in the amount of \$100,000 and \$400,000, which are included in the accompanying financial statements in Certificates of Deposit, to the Commissioner of Insurance in accordance with regulatory provisions.

Advertising - The Fund expenses advertising costs as they are incurred. The Fund incurred \$41,592 for the year ended December 31, 2010.

Subsequent events - The Fund has evaluated all subsequent events through June 19, 2011, the date the financial statements were issued, concluding there were no events requiring disclosure.

Note 2 Cash and cash equivalents

As of December 31, 2010, cash and cash equivalents consisted of the following:

Bank of Winnfield – operating, claims and sweep	\$	-
Edward D. Jones Government Obligation Fund		234,464
Bank of Winnfield AIM Investment cash account		<u>830,018</u>
 Total cash and cash equivalents	 \$	 <u>1,064,482</u>

Cash includes demand deposits at commercial banks. Demand deposit balances, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Unlimited insurance is provided for non-interest bearing accounts under the Dodd-Frank Provision through December 31, 2012. Bank balances held by Bank of Winnfield in excess of the amounts covered by FDIC insurance are collateralized by the bank's pledge of its securities. At December 31, 2010, the Fund's uninsured collected bank balances totaled \$1,408,996. Management is of the opinion that the credit risk of the banks in which the Fund's deposits exceed the insured limit is minimal.

The Edward D. Jones Government Obligation Fund is included in cash equivalents (\$234,464 as of December 31, 2010) above and is considered to be composed of direct obligations of the United States or its agencies, as required by state law.

Note 3 Investments

The Fund reviewed in 2010, the classification of its investments and determined that all investments as of December 31, 2010, are to be classified as "held to maturity". Under this classification, the statement requires the Fund to report these investments at amortized cost. No investment held by the Fund as of December 31, 2010, was considered to be classifiable as "available for sale".

The amortized cost and fair value of "held to maturity" investment securities as of December 31, 2010, are as follows:

Type of Issuer	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U. S. Treasury and Government Securities	\$ 2,183,881	\$ 32,496	(\$ 67,687)	\$ 2,148,690
Corporate Securities	978,000	25,419	(-)	1,003,419
Mortgage-backed securities	<u>575</u>	<u>98</u>	<u>(66)</u>	<u>607</u>
	<u>\$ 3,162,456</u>	<u>\$ 58,013</u>	<u>(\$ 67,753)</u>	<u>\$ 3,152,716</u>

Proceeds from maturities, principal calls and paydowns of investment securities held to maturity during 2010 were \$496,913. The Fund recognized no gains or losses on these paydowns.

The amortized cost and fair values of held to maturity investment securities at December 31, 2010, by contractual maturity, are shown below. 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.

	Amortized Cost	Fair Value
Due in one year or less	\$ -	\$ -
Due after one year through five years	681,000	694,439
Due after five years through ten years	485,387	511,083
Due after ten years	1,995,494	1,946,587
Mortgage-backed securities	575	607
Totals	<u>\$ 3,162,456</u>	<u>\$ 3,152,716</u>

Information pertaining to securities with gross unrealized losses at December 31, 2010, aggregated by investment category and length of time that the individual securities have been in a continuous loss position, follows:

	Less than 12 Months		More than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Held to Maturity:				
U. S. Treasury and Government Securities	\$ -	\$ -	\$ 1,397,908	\$ 67,687
Corporate Securities	-	-	-	-
Mortgage-backed Securities	-	-	607	66
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,398,515</u>	<u>\$ 67,753</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Fund to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2010, there were eleven (11) securities in the investment portfolio that reflect unrealized loss positions. Management has not written down any securities to their estimated realizable value, because in its opinion, the market value of the securities is expected to increase over the long-term.

Note 4 Premium receivables

	Notes:	
Premium and payroll audit receivables	1)	\$ 3,893,805
Legal fees billed to members	2)	310,961
		<u>4,204,766</u>
Less allowance for uncollectible accounts		(1,064,332)
Premium receivables, net		<u>\$ 3,140,434</u>

- 1) Premiums receivable consist of amounts due in the normal course of collection from members located throughout Louisiana, as well as amounts due on payroll audits.
- 2) Legal fees billed to members represents various amounts due the Fund for legal fees associated with the collection of amounts owed the Fund that must be collected.

Following is an aging of receivables by major category as of December 31, 2010:

	Current	30-60 days	61-90 days	Over 90 days	Total
Premium receivables	\$ 1,375,881	\$ 44,787	\$ 41,412	\$ 2,431,726	\$ 3,893,806
Legal fees receivable	4,032	3,578	840	302,510	310,960
Total	<u>\$ 1,379,913</u>	<u>\$ 48,365</u>	<u>\$ 42,252</u>	<u>\$ 2,734,236</u>	<u>\$ 4,204,766</u>

Note 5 Other receivables

	<u>Notes:</u>	
Security deposits receivable		\$ 12,021
Membership dues	a)	-
Safety program	a)	-
Employee receivables		350
Due from sponsoring association		<u>3,734</u>
Other receivables, net		<u>\$ 16,105</u>

a) Membership dues and safety program receivables represent the Fund's billing to members on behalf of the sponsoring association and the Fund's service company for the dues and fees payable related to the members' membership in the sponsoring association and the safety program that works with the Fund members.

Note 6 Property and equipment

Land, buildings, and renovations	\$ 772,940
Furniture and fixtures	136,346
Computer equipment	230,426
Automobiles	48,837
Building renovations in process	<u>1,563,625</u>
Total cost	2,752,174
Less accumulated depreciation	(<u>526,704</u>)
Net book value	<u>\$ 2,225,470</u>

Depreciation expense for 2010 was \$44,337.

Note 7 Claims payable

The following table presents a summary of the Fund's claims as of December 31, 2010:

Loss Year	Estimated Ultimate Incurred Loss	Discount Applied	Cumulative Paid, net of Recoveries	Claims Payable (Recoverable) 12/31/10
2010	\$ 4,738,315	(\$ 243,642)	(\$ 1,047,088)	\$ 3,447,585
2009	4,743,493	(105,697)	(3,006,916)	1,630,880
2008	5,460,614	(43,600)	(4,613,728)	803,286
2007	6,753,123	(26,644)	(6,207,938)	518,541
2006	5,973,403	(6,532)	(5,889,207)	77,664
2005	7,901,919	26,615	(7,412,678)	515,856
2004	8,463,805	10,270	(8,517,448)	(43,373)
2003	8,685,875	23,007	(8,913,568)	(204,686)
2002	3,838,812	(7,554)	(3,831,258)	-
2001	4,071,365	(4,393)	(4,066,972)	-
2000	3,158,703	(4,787)	(3,153,916)	-
1999	5,340,441	(48,160)	(5,398,272)	(105,991)
1998	11,605,811	(132,822)	(11,945,122)	(472,133)
Totals	<u>\$ 80,735,679</u>	<u>(\$ 563,939)</u>	<u>(\$ 74,004,111)</u>	<u>\$ 6,167,629</u>

Activity in estimated unpaid incurred losses during December 31, 2010, is summarized as follows:

Loss Year	Current Year Activity			Claims Payable (recoverable), 12/31/10
	Claims Payable (recoverable), 1/01/10	Incurring and Change in Discount of Claims Payable	Paid, net	
2010	\$ -	\$ 4,494,673	(1,047,088)	\$ 3,447,585
2009	3,572,783	(254,145)	(1,687,758)	1,630,880
2008	1,961,459	(181,651)	(1,339,823)	803,287
2007	1,701,075	(326,842)	(855,693)	518,540
2006	285,407	(118,480)	(326,223)	77,664
2005	631,215	(195,638)	(310,997)	515,856
2004	(1,035,817)	(921,305)	(71,139)	(43,373)
2003	(1,391,838)	(1,216,181)	(29,029)	(204,686)
2002	27,969	(13,536)	(14,433)	-
2001	-	-	-	-
2000	-	600	(600)	-
1999	(112,597)	(8,100)	(14,706)	(105,991)
1998	(145,326)	(1,542,640)	(1,215,833)	(472,133)
Totals	\$ 5,494,330	\$ 4,983,265	(4,309,966)	\$ 6,167,629

Note 8 Accounts, fees, and assessments payable

Trade accounts payable	\$ 368,050
Book overdraft	133,112
Safety fees	101,683
Second Injury Fund assessment payable	670,287
Office of Workers' Compensation assessment payable	207,498
	<u>\$ 1,480,630</u>

Accounts payable are generally considered current as of December 31, 2010, and any amounts older than thirty days are immaterial.

Note 9 Notes payable

The Fund has a note payable at December 31, 2010 payable to GMAC financing, with an outstanding balance as of December 31, 2010 of \$14,968, bearing interest at 8.24% in the original amount of \$30,135, payable in thirty-six (36) monthly installments of principal and interest of \$947. Future principal amounts for the years ending December 31, 2011 and 2012 are \$10,318 and \$4,650, respectively. The note is secured by a pledge of 2009 Tahoe. The Fund incurred interest expense of \$2,391 on notes payable for the year 2010.

Note 10 Refunds due members

Refunds due members, with balances of \$201,916 as of December 31, 2010, represents amounts owed to members due to refunds on payroll audits or overpayments that will be refunded to the member upon termination or close out of all amounts due the Fund.

Note 11 Member security deposits

Member security deposits, \$958,601 as of December 31, 2010, represent approximately 10% of each member's anticipated annual premium at the time they elect to participate in the Fund. Member security deposits are additional funds available to satisfy member obligations to the Fund and are refundable upon the members' termination from the Fund, after all expenses and amounts due from the member are settled.

Note 12 Related party transactions

The Fund is directed by a Board of Trustees who are members of the Louisiana Safety Association of Timbermen (the Fund's sponsoring trade association) and serve as the Association's Board of Directors.

During the year ended December 31, 2010, the Fund was a party to transactions occurring in the normal course of business with individuals and businesses that share common control with the Fund. The businesses include those owned or controlled by the Chairman of the Board of Trustees, as well as other members of the Board. Related party transactions are as follows:

The Fund wrote workers' compensation policies with related companies; the premiums totaled \$86,033 for the year ended December 31, 2010. These companies have receivables related to premiums, including payroll audit billings or adjustments, totaling \$6,993 at December 31, 2010.

The Fund incurred four (4) claims in 2010 and recognized case based incurred charges of \$4,256 during the year ended December 31, 2010, by employees of these companies.

Note 13 Service contracts

The Fund contracted with ASC (Alternative Service Concepts, LLC) beginning January 1, 2004, to manage its claims administration from 2004 until canceled. The cost incurred in 2010 to manage the claims totaled \$331,476.

Note 14 Excess insurance expense

The Fund contracted for excess insurance coverage for January 1, 2010, through December 31, 2010, at a cost of, \$604,490 with a deposit premium of \$582,061 as of December 31, 2010. The coverage extended provides for statutory coverage in excess of \$750,000 and an aggregate coverage limited to \$2,000,000.

The fund year policy premium expense recognized for fiscal years 2010 is \$611,083, which will be adjusted thereafter using the rates above for actual earned premiums.

Note 15 Member indemnification

Under Title 23 of the Louisiana Revised Statutes, members of the Fund are jointly and in solido liable for all obligations of the Fund. Accordingly, any claims or other expenses of the Fund after available excess insurance and reserves have been exhausted shall be the financial responsibility of the members. The accompanying balance sheet does not include any accrual for potential assessments to the members due to any fund year deficits.

Note 16 Commitments and contingencies

Claim losses are case-based estimates of the loss exposure of the Fund from all reported claims and an estimate for incurred but not reported (IBNR) claims attributable to the open fund years. Such estimates are made by the Fund's service agent and an actuarial study prepared by the Fund's independent consulting actuary using comparative payment histories after evaluating the nature of the claimants' injuries. The estimate of the total incurred loss is continually revised as additional information becomes available. Management believes the provision for claims payable at December 31, 2010, is adequate to cover the ultimate liability arising from these reported injuries. However, the amount ultimately paid may prove to be more or less than the current estimates of liability.

The Fund is currently involved in various matters of litigation dealing with representation and settlement of the claims incurred by the Fund. In the opinion of management, none of these matters will materially affect the financial statements. The Fund is also involved in collection efforts of unpaid, past due premiums and payroll audit receivables.

The Fund is also involved in various matters of litigation dealing with issues related to the loss portfolio transfer of claim and related liabilities for the loss years prior to 1998. In the opinion of management, none of these matters will materially affect the financial statements.

Note 17 Reliance claims - Self Insurance Funds ("SIF") provide a vehicle for employers to provide security for their workers compensation obligations. SIFs do this by charging members premiums, by placing the premiums in trust, by investing the premiums and paying claims from the trust account. SIFs are also required to maintain excess coverage for losses from the trust in amounts set by the Department of Insurance.

LSAT in 1998 obtained its specific excess coverage from an AAA rated admitted insurer, Reliance National Indemnity Company. The specific retention was \$200,000 per claim. LSAT sustained several losses due to accidental injuries to workers employed by member employers that exceeded the self insured retention ("SIR") of the specific excess policy issued by Reliance. In October of 2001, the Department of Insurance in and for the State of Pennsylvania declared Reliance and its related companies insolvent. LSAT submitted its claims to the liquidator in Pennsylvania, which initially denied coverage on these claims. In late 2010, the Liquidator in Pennsylvania revised the LSAT claims to a status that provides the Fund will receive payment on a portion of the allowed claims. The Fund therefore expects the total recovery to be received to be sixty (60%) percent of its claims. This estimate could change in the near future and potentially have a material effect on the financial statements if it does.

ROBERTS, CHERRY AND COMPANY

Certified Public Accountants, Consultants

Independent Auditor's Report

The Board of Trustees
Louisiana Safety Association of Timbermen
Self-Insurers Fund
Winnfield, Louisiana

We have audited the accompanying balance sheet of the Louisiana Safety Association of Timbermen Self-Insurers Fund as of December 31, 2010, and the related statements of income and members' surplus, and cash flows for the year ended December 31, 2010. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Safety Association of Timbermen Self-Insurers Fund as of December 31, 2010, and the results of its operations and its cash flows for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, Commitments and Contingencies, the Fund is subject to various loss contingencies relating to claim expense liability. The ultimate outcome of these estimates cannot be presently determined. Accordingly, the accompanying financial statements do not include any adjustments that might result from the outcome of these estimates.

ROBERTS, CHERRY AND COMPANY
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
June 20, 2011