



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2016

OF THE CONDITION AND AFFAIRS OF THE

BANKERS GUARANTEE TITLE & TRUST CO

NAIC Group Code 0000, NAIC Company Code 50164 Employer's ID Number 340083590

Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio

Country of Domicile US

Incorporated/Organized August 11, 1911 Commenced Business August 11, 1911

Statutory Home Office 2872 W Market Street, Fairlawn, Ohio 44333

Main Administrative Office 2872 W Market, Fairlawn, Ohio, US 44333 3308671600

Mail Address N/A

Primary Location of Books and Records N/A

Internet Website Address N/A

Statutory Statement Contact Richard L Pace 330 867 1600

OFFICERS

Richard L Pace (President)  
Patricia K Smith (Vice President)  
Michael Larsen (CFO/Treasurer)  
James C Hunt (CEO)

OTHER OFFICERS

Paul Kopsky, Jr (Exec Mgmt Director)  
Kara Harchuck (Exec Mgmt Dir, Sec, GC)  
James Flynn (Sr. Mnmt Director)  
Mustafa Haque (SVP, Asst GC, Asst Sec)  
David Miller (Vice Pres)  
Tracy Dennis (Vice Pres)  
Michael Becketl (Vice Pres)  
Claudia Ivey# (Sr. Vice Pres)  
Barry Polen# (Vice Pres)

DIRECTORS OR TRUSTEES

James C Hunt  
Paul Kopsky, Jr  
Michael Larsen  
Kara Harchuck  
James Flynn

State of }  
County of } SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions there from for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Richard L Pace President Patricia K Smith Vice President Michael Larsen CFO/Treasurer

Subscribed and sworn to before me this day of 2016

a. Is this an original filing? Yes (X) No ( )

b. If no: 1. State the amendment number 2. Date filed 3. Number of pages attached

ASSETS

|                                                                                                                                                       | Current Statement Date |                    |                                           | 4                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------|-------------------------------------------|--------------------------------------------|
|                                                                                                                                                       | 1                      | 2                  | 3                                         |                                            |
|                                                                                                                                                       | Assets                 | Nonadmitted Assets | Net Admitted Assets (Col. 1 minus Col. 2) | December 31 Prior Year Net Admitted Assets |
| 1. Bonds .....                                                                                                                                        | 8,127,000              |                    | 8,127,000                                 |                                            |
| 2. Stocks:                                                                                                                                            |                        |                    |                                           |                                            |
| 2.1 Preferred stocks .....                                                                                                                            |                        |                    |                                           |                                            |
| 2.2 Common stocks .....                                                                                                                               | 499,263                |                    | 499,263                                   | 355,163                                    |
| 3. Mortgage loans on real estate:                                                                                                                     |                        |                    |                                           |                                            |
| 3.1 First liens .....                                                                                                                                 | 38,427,064             |                    | 38,427,064                                | 7,338,056                                  |
| 3.2 Other than first liens .....                                                                                                                      |                        |                    |                                           |                                            |
| 4. Real estate:                                                                                                                                       |                        |                    |                                           |                                            |
| 4.1 Properties occupied by the company (less \$ ..... encumbrances) .....                                                                             |                        |                    |                                           |                                            |
| 4.2 Properties held for the production of income (less \$ ..... encumbrances) .....                                                                   |                        |                    |                                           |                                            |
| 4.3 Properties held for sale (less \$ ..... encumbrances) .....                                                                                       | 55,299                 |                    | 55,299                                    | 55,299                                     |
| 5. Cash (\$ ..... 10,068,842 ), cash equivalents (\$ ..... ) and short-term investments (\$ ..... ) .....                                             | 10,068,842             |                    | 10,068,842                                | 7,176,912                                  |
| 6. Contract loans (including \$ ..... premium notes) .....                                                                                            |                        |                    |                                           |                                            |
| 7. Derivatives .....                                                                                                                                  |                        |                    |                                           |                                            |
| 8. Other invested assets .....                                                                                                                        | 1,713,054              |                    | 1,713,054                                 | 1,957,329                                  |
| 9. Receivables for securities .....                                                                                                                   |                        |                    |                                           |                                            |
| 10. Securities lending reinvested collateral assets .....                                                                                             |                        |                    |                                           |                                            |
| 11. Aggregate write-ins for invested assets .....                                                                                                     | 175,812                |                    | 175,812                                   | 11,959                                     |
| 12. Subtotals, cash and invested assets (Line 1 through Line 11) .....                                                                                | 59,066,334             |                    | 59,066,334                                | 16,894,718                                 |
| 13. Title plants less \$ ..... charged off (for Title insurers only) .....                                                                            |                        |                    |                                           |                                            |
| 14. Investment income due and accrued .....                                                                                                           |                        |                    |                                           |                                            |
| 15. Premiums and considerations:                                                                                                                      |                        |                    |                                           |                                            |
| 15.1 Uncollected premiums and agents' balances in the course of collection .....                                                                      |                        |                    |                                           |                                            |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) ..... |                        |                    |                                           |                                            |
| 15.3 Accrued retrospective premiums (\$ ..... ) and contracts subject to redetermination (\$ ..... ) .....                                            |                        |                    |                                           |                                            |
| 16. Reinsurance:                                                                                                                                      |                        |                    |                                           |                                            |
| 16.1 Amounts recoverable from reinsurers .....                                                                                                        |                        |                    |                                           |                                            |
| 16.2 Funds held by or deposited with reinsured companies .....                                                                                        |                        |                    |                                           |                                            |
| 16.3 Other amounts receivable under reinsurance contracts .....                                                                                       |                        |                    |                                           |                                            |
| 17. Amounts receivable relating to uninsured plans .....                                                                                              |                        |                    |                                           |                                            |
| 18.1 Current federal and foreign income tax recoverable and interest thereon .....                                                                    |                        |                    |                                           |                                            |
| 18.2 Net deferred tax asset .....                                                                                                                     |                        |                    |                                           |                                            |
| 19. Guaranty funds receivable or on deposit .....                                                                                                     |                        |                    |                                           |                                            |
| 20. Electronic data processing equipment and software .....                                                                                           |                        |                    |                                           |                                            |
| 21. Furniture and equipment , including health care delivery assets (\$ ..... ) .....                                                                 | 45,559                 | 41,588             | 3,971                                     |                                            |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....                                                                      |                        |                    |                                           |                                            |
| 23. Receivables from parent , subsidiaries and affiliates .....                                                                                       |                        |                    |                                           |                                            |
| 24. Health care (\$ ..... ) and other amounts receivable .....                                                                                        |                        |                    |                                           |                                            |
| 25. Aggregate write-ins for other-than-invested assets .....                                                                                          | 6,834,605              | 424,170            | 6,410,435                                 | 6,421,067                                  |
| 26. Total assets excluding Separate Accounts , Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25) .....                             | 65,946,498             | 465,758            | 65,480,740                                | 23,315,785                                 |
| 27. From Separate Accounts , Segregated Accounts and Protected Cell Accounts .....                                                                    |                        |                    |                                           |                                            |
| 28. Totals (Line 26 and Line 27) .....                                                                                                                | 65,946,498             | 465,758            | 65,480,740                                | 23,315,785                                 |
| DETAILS OF WRITE-INS                                                                                                                                  |                        |                    |                                           |                                            |
| 1101. Interest Receivable .....                                                                                                                       | 175,812                |                    | 175,812                                   | 11,959                                     |
| 1102. ....                                                                                                                                            |                        |                    |                                           |                                            |
| 1103. ....                                                                                                                                            |                        |                    |                                           |                                            |
| 1198. Summary of remaining write-ins for Line 11 from overflow page .....                                                                             |                        |                    |                                           |                                            |
| 1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above) .....                                                                       | 175,812                |                    | 175,812                                   | 11,959                                     |
| 2501. Miscellaneous receivables and prepaids other than pension .....                                                                                 | 424,170                | 424,170            |                                           |                                            |
| 2502. Prepaid Pension .....                                                                                                                           |                        |                    |                                           |                                            |
| 2503. Funds Segregated for others .....                                                                                                               | 6,410,435              |                    | 6,410,435                                 | 6,421,067                                  |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....                                                                             |                        |                    |                                           |                                            |
| 2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) .....                                                                       | 6,834,605              | 424,170            | 6,410,435                                 | 6,421,067                                  |

STATEMENT AS OF SEPTEMBER 30 , 2016 OF THE BANKERS GUARANTEE TITLE & TRUST CO

LIABILITIES, SURPLUS AND OTHER FUNDS

|                                                                                                                 | 1<br>Current<br>Statement Date | 2<br>December 31<br>Prior Year |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| 1. Known claim reserve .....                                                                                    |                                |                                |
| 2. Statutory premium reserve .....                                                                              | 136,443                        | 125,327                        |
| 3. Aggregate of other reserves required by law .....                                                            |                                |                                |
| 4. Supplemental reserve .....                                                                                   |                                |                                |
| 5. Commissions , brokerage and other charges due or accrued to attorneys , agents and real estate brokers ..... |                                |                                |
| 6. Other expenses (excluding taxes, licenses and fees) .....                                                    | 257,267                        | 190,614                        |
| 7. Taxes, licenses and fees (excluding federal and foreign income taxes) .....                                  |                                |                                |
| 8.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses) ) .....     |                                | (26,120)                       |
| 8.2 Net deferred tax liability .....                                                                            |                                |                                |
| 9. Borrowed money \$ ..... and interest thereon \$ .....                                                        | 23,518,641                     | 3,415,944                      |
| 10. Dividends declared and unpaid .....                                                                         |                                |                                |
| 11. Premiums and other consideration received in advance .....                                                  |                                |                                |
| 12. Unearned interest and real estate income received in advance .....                                          |                                |                                |
| 13. Funds held by company under reinsurance treaties .....                                                      |                                |                                |
| 14. Amounts withheld or retained by company for account of others .....                                         |                                |                                |
| 15. Provision for unauthorized and certified reinsurance .....                                                  |                                |                                |
| 16. Net adjustment in assets and liabilities due to foreign exchange rates .....                                |                                |                                |
| 17. Drafts outstanding .....                                                                                    |                                |                                |
| 18. Payable to parent , subsidiaries and affiliates .....                                                       |                                |                                |
| 19. Derivativeness .....                                                                                        |                                |                                |
| 20. Payable for securities .....                                                                                |                                |                                |
| 21. Payable for securities lending .....                                                                        |                                |                                |
| 22. Aggregate write-ins for other liabilities .....                                                             | 6,436,747                      | 6,432,526                      |
| 23. Total liabilities (Line 1 through Line 22) .....                                                            | 30,349,098                     | 10,138,291                     |
| 24. Aggregate write-ins for special surplus funds .....                                                         |                                |                                |
| 25. Common capital stock .....                                                                                  | 631,250                        | 631,250                        |
| 26. Preferred capital stock .....                                                                               |                                |                                |
| 27. Aggregate write-ins for other-than-special surplus funds .....                                              |                                |                                |
| 28. Surplus notes .....                                                                                         |                                |                                |
| 29. Gross paid in and contributed surplus .....                                                                 | 29,687,096                     | 8,046,504                      |
| 30. Unassigned funds (surplus) .....                                                                            | 4,813,296                      | 4,499,740                      |
| 31. Less treasury stock, at cost:                                                                               |                                |                                |
| 31.1 ..... shares common (value included in Line 25 \$ ..... ) .....                                            |                                |                                |
| 31.2 ..... shares preferred (value included in Line 26 \$ ..... ) .....                                         |                                |                                |
| 32. Surplus as regards policyholders (Line 24 to Line 30 less Line 31) .....                                    | 35,131,642                     | 13,177,494                     |
| 33. TOTALS (Page 2, Line 28, Col. 3) .....                                                                      | 65,480,740                     | 23,315,785                     |
| DETAILS OF WRITE-INS                                                                                            |                                |                                |
| 0301.....                                                                                                       |                                |                                |
| 0302.....                                                                                                       |                                |                                |
| 0303.....                                                                                                       |                                |                                |
| 0398. Summary of remaining write-ins for Line 3 from overflow page .....                                        |                                |                                |
| 0399. Totals (Line 0301 through Line 0303 plus Line 0398) (Line 3 above) .....                                  |                                |                                |
| 2201. Loan Escrow .....                                                                                         | 26,311                         | 11,462                         |
| 2202. Funds Segregated for others .....                                                                         | 6,410,435                      | 6,421,067                      |
| 2203. Rounding .....                                                                                            | 1                              | (3)                            |
| 2298. Summary of remaining write-ins for Line 22 from overflow page .....                                       |                                |                                |
| 2299. Totals (Line 2201 through Line 2203 plus Line 2298) (Line 22 above) .....                                 | 6,436,747                      | 6,432,526                      |
| 2401.....                                                                                                       |                                |                                |
| 2402.....                                                                                                       |                                |                                |
| 2403.....                                                                                                       |                                |                                |
| 2498. Summary of remaining write-ins for Line 24 from overflow page .....                                       |                                |                                |
| 2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above) .....                                 |                                |                                |
| 2701.....                                                                                                       |                                |                                |
| 2702.....                                                                                                       |                                |                                |
| 2703.....                                                                                                       |                                |                                |
| 2798. Summary of remaining write-ins for Line 27 from overflow page .....                                       |                                |                                |
| 2799. Totals (Line 2701 through Line 2703 plus Line 2798) (Line 27 above) .....                                 |                                |                                |

OPERATIONS AND INVESTMENT EXHIBIT  
STATEMENT OF INCOME

|                                                                                                                      | 1<br>Current Year<br>to Date | 2<br>Prior Year<br>to Date | 3<br>Prior Year Ended<br>December 31 |
|----------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------|--------------------------------------|
| OPERATING INCOME                                                                                                     |                              |                            |                                      |
| 1. Title insurance and related income:                                                                               |                              |                            |                                      |
| 1.1 Title insurance premiums earned                                                                                  | 100,069                      | 45,909                     | 73,947                               |
| 1.2 Escrow and settlement services                                                                                   |                              |                            |                                      |
| 1.3 Other title fees and service charges                                                                             |                              |                            |                                      |
| 2. Aggregate write-ins for other operating income                                                                    | 2,335,633                    | 2,688,373                  | 1,948,981                            |
| 3. Total Operating Income (Line 1 through Line 2)                                                                    | 2,435,702                    | 2,734,282                  | 2,022,928                            |
| EXPENSES:                                                                                                            |                              |                            |                                      |
| 4. Losses and loss adjustment expenses incurred                                                                      |                              |                            |                                      |
| 5. Operating expenses incurred                                                                                       | 80,153                       | 34,300                     | 63,668                               |
| 6. Aggregate write-ins for other operating expenses                                                                  | 2,826,986                    | 3,765,281                  | 3,378,381                            |
| 7. Total Operating Expenses                                                                                          | 2,907,139                    | 3,799,581                  | 3,442,049                            |
| 8. Net operating gain or (loss) (Line 3 minus Line 7)                                                                | (471,437)                    | (1,065,299)                | (1,419,121)                          |
| INVESTMENT INCOME                                                                                                    |                              |                            |                                      |
| 9. Net investment income earned                                                                                      | 417,027                      | 57,892                     | (976,325)                            |
| 10. Net realized capital gains (losses) less capital gains tax of \$                                                 |                              |                            |                                      |
| 11. Net investment gain (loss) (Line 9 plus Line 10)                                                                 | 417,027                      | 57,892                     | (976,325)                            |
| OTHER INCOME                                                                                                         |                              |                            |                                      |
| 12. Aggregate write-ins for miscellaneous income or (loss) or other deductions                                       |                              |                            |                                      |
| 13. Net income, after capital gains tax and before all other federal income taxes (Line 8 plus Line 11 plus Line 12) | (54,410)                     | (1,007,407)                | (2,395,446)                          |
| 14. Federal and foreign income taxes incurred                                                                        |                              | (315,385)                  | (262,881)                            |
| 15. Net income (Line 13 minus Line 14)                                                                               | (54,410)                     | (692,022)                  | (2,132,565)                          |
| CAPITAL AND SURPLUS ACCOUNT                                                                                          |                              |                            |                                      |
| 16. Surplus as regards policyholders, December 31 prior year                                                         | 13,177,494                   | 10,994,189                 | 10,994,189                           |
| 17. Net income (from Line 15)                                                                                        | (54,410)                     | (692,022)                  | (2,132,565)                          |
| 18. Change in net unrealized capital gains or (losses) less capital gains tax of \$                                  |                              |                            |                                      |
| 19. Change in net unrealized foreign exchange capital gain (loss)                                                    |                              |                            |                                      |
| 20. Change in net deferred income taxes                                                                              |                              | (348,157)                  |                                      |
| 21. Change in nonadmitted assets                                                                                     | 367,966                      | 3,129,416                  | 2,655,408                            |
| 22. Change in provision for unauthorized and certified reinsurance                                                   |                              |                            |                                      |
| 23. Change in supplemental reserves                                                                                  |                              |                            |                                      |
| 24. Change in surplus notes                                                                                          |                              |                            |                                      |
| 25. Cumulative effect of changes in accounting principles                                                            |                              |                            |                                      |
| 26. Capital Changes:                                                                                                 |                              |                            |                                      |
| 26.1 Paid in                                                                                                         |                              |                            |                                      |
| 26.2 Transferred from surplus (Stock Dividend)                                                                       |                              |                            |                                      |
| 26.3 Transferred to surplus                                                                                          |                              |                            |                                      |
| 27. Surplus Adjustments:                                                                                             |                              |                            |                                      |
| 27.1 Paid in                                                                                                         | 21,640,592                   | (181,292)                  |                                      |
| 27.2 Transferred to capital (Stock Dividend)                                                                         |                              |                            |                                      |
| 27.3 Transferred from capital                                                                                        |                              |                            |                                      |
| 28. Dividends to stockholders                                                                                        |                              |                            | (3,119,488)                          |
| 29. Change in treasury stock                                                                                         |                              |                            |                                      |
| 30. Aggregate write-ins for gains and losses in surplus                                                              |                              | (30)                       | 4,779,950                            |
| 31. Change in surplus as regards policyholders for the year (Line 17 through Line 30)                                | 21,954,148                   | 1,907,915                  | 2,183,305                            |
| 32. Surplus as regards policyholders as of statement date (Line 16 plus Line 31)                                     | 35,131,642                   | 12,902,104                 | 13,177,494                           |
| DETAILS OF WRITE-INS                                                                                                 |                              |                            |                                      |
| 0201. Mortgage and other                                                                                             | 2,335,633                    | 2,586,332                  | 1,948,981                            |
| 0202. Income before taxes as a result of stock sale                                                                  |                              | 102,041                    |                                      |
| 0203.                                                                                                                |                              |                            |                                      |
| 0298. Summary of remaining write-ins for Line 2 from overflow page                                                   |                              |                            |                                      |
| 0299. Totals (Line 0201 through Line 0203 plus Line 0298) (Line 2 above)                                             | 2,335,633                    | 2,688,373                  | 1,948,981                            |
| 0601. Mortgage and other                                                                                             | 2,826,986                    | 2,511,299                  | 3,378,381                            |
| 0602. Expense before taxes as a result of stock sale                                                                 |                              | 1,253,982                  |                                      |
| 0603.                                                                                                                |                              |                            |                                      |
| 0698. Summary of remaining write-ins for Line 6 from overflow page                                                   |                              |                            |                                      |
| 0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)                                             | 2,826,986                    | 3,765,281                  | 3,378,381                            |
| 1201.                                                                                                                |                              |                            |                                      |
| 1202.                                                                                                                |                              |                            |                                      |
| 1203.                                                                                                                |                              |                            |                                      |
| 1298. Summary of remaining write-ins for Line 12 from overflow page                                                  |                              |                            |                                      |
| 1299. Totals (Line 1201 through Line 1203 plus Line 1298) (Line 12 above)                                            |                              |                            |                                      |
| 3001. Rounding                                                                                                       |                              | (30)                       | (2)                                  |
| 3002. Prior period adjustment - change in accounting method capitalize mortgage servicing rights                     |                              |                            | 2,189,943                            |
| 3003. Prior period adjustment - forgiveness of debt to parent as part of the stock sale 6-30-2015                    |                              |                            | 2,590,009                            |
| 3098. Summary of remaining write-ins for Line 30 from overflow page                                                  |                              |                            |                                      |
| 3099. Totals (Line 3001 through Line 3003 plus Line 3098) (Line 30 above)                                            |                              | (30)                       | 4,779,950                            |

CASH FLOW

|                                                                                                                    | 1                       | 2                     | 3                               |
|--------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------|---------------------------------|
|                                                                                                                    | Current Year<br>To Date | Prior Year<br>To Date | Prior Year Ended<br>December 31 |
| Cash from Operations                                                                                               |                         |                       |                                 |
| 1. Premiums collected net of reinsurance                                                                           | 100,069                 | 45,909                | 73,947                          |
| 2. Net investment income                                                                                           | 417,027                 | 57,892                | (976,325)                       |
| 3. Miscellaneous income                                                                                            | 2,163,977               | 2,688,373             | 1,948,981                       |
| 4. Total (Line 1 through Line 3)                                                                                   | 2,681,073               | 2,792,174             | 1,046,603                       |
| 5. Benefit and loss related payments                                                                               |                         |                       |                                 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts                             |                         |                       |                                 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions                                               | 2,303,575               | 3,799,581             | 3,442,049                       |
| 8. Dividends paid to policyholders                                                                                 |                         |                       |                                 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)                       |                         | (315,385)             | (262,881)                       |
| 10. Total (Line 5 through Line 9)                                                                                  | 2,303,575               | 3,484,196             | 3,179,168                       |
| 11. Net cash from operations (Line 4 minus Line 10)                                                                | 377,498                 | (692,022)             | (2,132,565)                     |
| Cash from Investments                                                                                              |                         |                       |                                 |
| 12. Proceeds from investments sold, matured or repaid:                                                             |                         |                       |                                 |
| 12.1 Bonds                                                                                                         |                         |                       |                                 |
| 12.2 Stocks                                                                                                        |                         |                       |                                 |
| 12.3 Mortgage loans                                                                                                | 40,835,743              | 36,393,079            | 43,853,966                      |
| 12.4 Real estate                                                                                                   |                         |                       |                                 |
| 12.5 Other invested assets                                                                                         |                         | (28,377)              | 34,461                          |
| 12.6 Net gains or (losses) on cash, cash equivalants and short-term investments                                    |                         |                       |                                 |
| 12.7 Miscellaneous proceeds                                                                                        |                         |                       |                                 |
| 12.8 Total investment proceeds (Line 12.1 through Line 12.7)                                                       | 40,835,743              | 36,364,702            | 43,888,427                      |
| 13. Cost of investments acquired (long-term only):                                                                 |                         |                       |                                 |
| 13.1 Bonds                                                                                                         | 8,127,000               |                       |                                 |
| 13.2 Stocks                                                                                                        | 144,100                 |                       |                                 |
| 13.3 Mortgage loans                                                                                                | 71,924,751              | 33,468,312            | 40,955,293                      |
| 13.4 Real estate                                                                                                   |                         |                       |                                 |
| 13.5 Other invested assets                                                                                         | 244,275                 |                       | 1,957,329                       |
| 13.6 Miscellaneous applications                                                                                    |                         |                       |                                 |
| 13.7 Total investments acquired (Line 13.1 through Line 13.6)                                                      | 80,440,126              | 33,468,312            | 42,912,622                      |
| 14. Net increase (or decrease) in contract loans and premium notes                                                 |                         |                       |                                 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)                                              | (39,604,383)            | 2,896,390             | 975,805                         |
| Cash from Financing and Miscellaneous Sources                                                                      |                         |                       |                                 |
| 16. Cash provided (applied):                                                                                       |                         |                       |                                 |
| 16.1 Surplus notes, capital notes                                                                                  |                         |                       |                                 |
| 16.2 Capital and paid in surplus, less treasury stock                                                              | 21,640,592              |                       |                                 |
| 16.3 Borrowed funds                                                                                                | 20,102,697              | (3,193,260)           | (3,232,172)                     |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities                                        |                         |                       |                                 |
| 16.5 Dividends to stockholders                                                                                     |                         |                       | 3,119,488                       |
| 16.6 Other cash provided (applied)                                                                                 | 375,526                 | 2,281,166             | 7,288,458                       |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | 42,118,815              | (912,094)             | 936,798                         |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS                                                |                         |                       |                                 |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)            | 2,891,930               | 1,292,274             | (219,962)                       |
| 19. Cash, cash equivalents and short-term investments:                                                             |                         |                       |                                 |
| 19.1 Beginning of year                                                                                             | 7,176,912               | 7,396,874             | 7,396,874                       |
| 19.2 End of period (Line 18 plus Line 19.1)                                                                        | 10,068,842              | 8,689,148             | 7,176,912                       |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

|         |  |  |  |
|---------|--|--|--|
| 20.0001 |  |  |  |
| 20.0002 |  |  |  |
| 20.0003 |  |  |  |
| 20.0004 |  |  |  |
| 20.0005 |  |  |  |
| 20.0006 |  |  |  |
| 20.0007 |  |  |  |
| 20.0008 |  |  |  |
| 20.0009 |  |  |  |
| 20.0010 |  |  |  |

**NOTES TO FINANCIAL STATEMENTS**

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**1) Summary of Significant Accounting Policies****(a) Basis of Presentation**

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**(b) Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Ohio General Corporation ("OGC"). Immediately prior to the stock purchase by HCH, the Company transferred certain assets to OGC and settled all inter-company loan accounts with the net result being a contribution of \$3,056,550 to OGC's capital account. The Company then distributed all of the stock of OGC to its shareholders in the form of a stock dividend, resulting in a deconsolidation of OGC as of June 30, 2015. All significant inter-company accounts and transactions have been eliminated in consolidation.

**(c) Change in Accounting Principles**

Effective January 1, 2014, the Company elected to change its method of accounting for Mortgage Servicing Rights (note 4) and began recognizing as assets, the rights to service mortgage loans. This change in accounting principle resulted in an increase in total assets and retained earnings of \$2,571,354 as of December 31, 2013. The financial statements as of and for the year ended December 31, 2014 have been restated to reflect this change in accounting principle.

**(d) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosure in the accompanying notes. Significant estimates that require subjective judgments inherent in the preparation of the accompanying financial statements including:

- the determination of fair value for mortgage loans held for sale, mortgage servicing rights ("MSRs"), and any impairment thereon;
- accounting for income taxes, including the potential outcome of uncertain tax positions; and
- accrual for loss contingencies, including the allowance for risk-sharing obligations.

Estimates are based on experience and current market conditions affecting the Company's business. Management actively monitors the market conditions on an ongoing basis and adjusts its estimates used, as necessary. Actual results may differ from these estimates.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks, money market funds, and short-term instruments with a maturity date of three months or less at acquisition.

**(f) Restricted Cash**

Restricted cash represents cash held in a bank account to satisfy Ohio Department of Insurance requirements, of which the Company was in compliance with at December 31, 2015 and 201

NOTES TO FINANCIAL STATEMENTS

(g) Mortgage Loans Held-for-Sale

Mortgage loans held-for-sale are valued, in the aggregate at lower of cost or market. The lower of cost or market is determined by the FNMA bid price for delivery at year end and any buy up or buy down adjustment at December 31. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. The Company does not retain any interest in these loans after sale, except for MSRs. During the period prior to its sale, interest income on a loan held for sale is calculated in accordance with the terms of the individual loan.

(h) Mortgage Servicing Rights, Net

When a mortgage loan is sold, the Company retains the right to service the loan and recognizes the MSR at fair value. The initial fair value represents expected net cash flows from servicing, as well as interest earnings on escrows and interim cash balances, borrower prepayment penalties, delinquency rates, late charges along with ancillary fees that are discounted at a rate that reflects the credit and liquidity risk of the MSR over the estimated life of the underlying loan. After initial recognition, the Company amortizes all MSR's in proportion to, and over the period that approximates when servicing income is recognized. The Company assesses MSR's for impairment based on their estimated fair value compared to carrying values.

(i) Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at cost at the date of foreclosure. Subsequent to foreclosure, any additional costs incurred are capitalized and included in the gain or loss on disposal. Historically, losses, if any, on foreclosure have not been material. In years where expected losses are considered material, an allowance is recorded. Due to existing market conditions as of December 31, 2015 and 2014, the Company established reserves of \$56,365 and \$126,713 respectively for delinquent loans and foreclosed properties. These assets, net of reserves are included in Investor Advances on the balance sheet at year end.

(j) Property and Equipment

Depreciation of leasehold improvements is calculated on a straight line basis over the life of the underlying lease including available extensions. Furniture, fixtures and automobiles are being depreciated using accelerated methods over the estimated useful lives of the assets.

(k) Mortgages Held to Maturity

The Company does maintain a portfolio of loans (notes 5 & 6) which it has chosen to hold until maturity. Historically, these loans have consisted of both commercial and residential real estate loans. The Company reviews each of these loans annually to determine if there is any potential loss in value and records specific loan loss reserves as necessary. Loss reserves of \$938,366 and \$32,632 were recorded as of December 31, 2015 and 2014 respectively.

(l) Title Insurance Reserve

Title insurance reserves at December 31 are comprised of the following:

|                                 | 2015 | 2014 |
|---------------------------------|------|------|
| Reserve for title insurance and |      |      |

NOTES TO FINANCIAL STATEMENTS

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|                                   |            |            |
|-----------------------------------|------------|------------|
| unearned title insurance premiums | \$ 125,327 | \$ 123,010 |
|-----------------------------------|------------|------------|

---

The reserve for unearned title insurance premiums has been established and adjusted annually in accordance with Section 3953.11 and Section 1735.03 of the Ohio Revised Code. There are no known claims pending at December 31, 2015.

(m) **Revenues**

- i. Gains from mortgage banking activities includes the initial fair value of MSRs, loan origination fees and gain on the sale of loans originated.
- ii. Servicing fees are earned for servicing mortgage loans, including all activities related to servicing the loans, and are recognized as services are provided over the life of the related mortgage loan.
- iii. *Warehouse Interest Income and Other Interest Income* – The Company earns interest income on loans funded from the time the loan is closed until the loan is sold pursuant to the loan purchase agreement. Warehouse interest income varies based on the period of time between the loan closing and the sale of the loan to the investor and the size of the average balance of the loans held for sale. The Company also earns interest income on loans held to maturity.



## NOTES TO FINANCIAL STATEMENTS

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### **(n) Income Taxes**

Concurrent with the stock purchase, HCI filed elections to treat its C corporation subsidiaries as qualified subchapter S subsidiaries (“Q-Sub”) and accordingly the Company is not subject to federal income tax, however remains subject to applicable local taxes. Prior to the reorganization, the Company was treated as a C corporation and was included as part of the consolidated group for federal income tax purposes and also filed separate local tax returns. Through June 30, 2015, the Company provided for federal income taxes pursuant to an intercompany tax sharing agreement with NGC and OGC, which was determined as if the Company filed a separate income tax return. As of June 30, 2015, any tax liabilities owed from the Company to NGC were forgiven and reflected as a capital contribution in the accompanying Statements of Stockholders Equity (see Note     ).

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company uses a more likely than not threshold for recognition and derecognition of tax positions taken or to be taken in a tax return. In accordance with the accounting guidance on the accounting for uncertainty in income taxes, the Company assessed its tax positions for all open tax years as of December 31, 2015, and concluded that it has no material uncertain tax positions requiring recognition. If there are interest and penalties on tax positions, the Company’s policy is to classify these as general and administrative expenses.

### **(n) Recently Issued and Adopted Accounting Standards**

The Company adopted the following new accounting pronouncements:

- In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard supersedes a majority of existing revenue recognition guidance under U.S. GAAP, and requires a company to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled. Companies may need to use more judgment and make more estimates while recognizing revenue, which could result in additional disclosures to the financial statements. ASU 2014-09 allows for either a "full retrospective" adoption or a "modified retrospective" adoption. The standard is effective for public companies for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. For all other entities, it is effective for annual reporting periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. A nonpublic entity may elect to apply the guidance in this ASU early with certain restrictions. The Company is currently evaluating the revenue recognition impact this guidance will have on its Financial Statements.

**NOTES TO FINANCIAL STATEMENTS**

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**2) Accounting Changes and Corrections of Errors**

Effective January 1, 2014, the Company elected to change its method of accounting for Mortgage Servicing Rights (note 4) and began recognizing as assets, the rights to service mortgage loans. This change in accounting principle resulted in an increase in total assets and retained earnings of \$2,571,354 as of December 31, 2013. The financial statements as of and for the year ended December 31, 2014 have been restated to reflect this change in accounting principle.

**3) Business Combinations and Goodwill**

The company was subject to a 100% stock purchase of its ownership as of June 30, 2015. The Company only writes title insurance in the State of Ohio and details of the change-in-control can be found in its March 2015 Form A filing with the Ohio Department of Insurance.

**4) Discontinued Operations**

None

**5) Investments**

The Company as a course of business lends money for real estate lending and does not participate in other investments.

**6) Joint Ventures, Partnerships and Limited Liability Companies**

None

**7) Investment Income**

Any investment income is derived from its real estate lending business.

**8) Derivative Instruments**

None

**9) Income Taxes**

Concurrent with the stock purchase, HCI filed elections to treat its C corporation subsidiaries as qualified subchapter S subsidiaries ("Q-Sub") and accordingly the Company is not subject to federal income tax, however remains subject to applicable local taxes. Prior to the reorganization, the Company was treated as a C corporation and was included as part of the consolidated group for federal income tax purposes and also filed separate local tax returns. Through June 30, 2015, the Company provided for federal income taxes pursuant to an intercompany tax sharing agreement with NGC and OGC, which was determined as if the Company filed a separate income tax return. As of June 30, 2015, any tax liabilities owed from the Company to NGC were forgiven and reflected as a capital contribution.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NOTES TO FINANCIAL STATEMENTS

The Company uses a more likely than not threshold for recognition and derecognition of tax positions taken or to be taken in a tax return. In accordance with the accounting guidance on the accounting for uncertainty in income taxes, the Company assessed its tax positions for all open tax years as of December 31, 2015, and concluded that it has no material uncertain tax positions requiring recognition. If there are interest and penalties on tax positions, the Company’s policy is to classify these as general and administrative expenses.

For the years ended December 31, 2015 and 2014, the income tax provision consisted of the following components:

|                                | 2015                | 2014              |
|--------------------------------|---------------------|-------------------|
| Federal income tax             |                     |                   |
| Current tax expense (benefit)  | \$ (13,901)         | \$ 43,125         |
| Deferred tax expense (benefit) | (555,370)           | 87,602            |
|                                | <u>\$ (569,271)</u> | <u>\$ 130,727</u> |

The major differences between applying the federal statutory tax rate and effective tax rate are due to the separate accounting methods for excess service fees, defined benefit pension plan costs and certain valuation allowances.

The components of the deferred tax assets and liabilities at December 31, 2015 and 2014 are as follows:

|                              | 2015          | 2014              |
|------------------------------|---------------|-------------------|
| Deferred tax assets:         |               |                   |
| Valuation allowance          | \$ -0-        | \$ 54,177         |
| Net deferred tax assets      | <u>\$ -0-</u> | <u>\$ 54,177</u>  |
| Deferred tax liabilities:    |               |                   |
| Prepaid pension costs        | \$ -0-        | \$ 419,333        |
| Mortgage servicing rights    |               | (119,922)         |
| Net deferred tax liabilities | <u>\$ -0-</u> | <u>\$ 299,511</u> |

The Company is required to assess the recoverability of deferred tax assets and if we determine that deferred tax assets may not be recoverable, we record a valuation allowance as appropriate. Significant judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns as well as the recoverability of amounts we record. In evaluating the need for a valuation allowance the Company considers many factors, such as the nature and character of the deferred tax assets and liabilities, carryback availability, projected taxable income, tax planning strategies and other factors, as applicable. Management has determined that it is more likely than not that its deferred tax assets will be realized, and therefore no valuation allowance has been established.

## NOTES TO FINANCIAL STATEMENTS

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Prior to June 30, 2015, the Company was included in the NGC and Subsidiaries consolidated group for U.S. federal income tax purposes.

On June 30, 2015, HCI completed its acquisition of 100 percent of the stock of NGC and the Company. Effective July 1, 2015, HCI, an S corporation, filed an election to treat the Company as a Q-Sub. While Q-Subs are generally not subject to entity level income based taxes because all items of income and deductions will be treated as that of Hunt's, there are certain local jurisdictions that impose an entity level tax. The major tax jurisdiction where the Company files income tax returns on a separate basis is the City of Fairlawn, Ohio. The statute of limitations is open for such jurisdictions for the tax years 2012 through 2014 and expires in 2015 through 2018. Interest and penalties with respect to uncertain tax positions would be recorded through income tax expense when accrued. The Company does not have a reserve for uncertain tax positions and does not anticipate a change in its current position in the next 12 months.

### 10) Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

The Company is a wholly owned subsidiary of Nevada General Corporation ("NGC" or the "Parent"), which is wholly owned by HCH Holdings, LLC ("HCH"), which in turn, is wholly owned by Hunt Companies, Inc. ("HCI" or "Hunt").

On June 30, 2015, HCH a majority owned subsidiary of HCI, purchased all of the outstanding shares of NGC and the Company.

#### (a) Expense Allocations

Certain expenses of the Company are paid by HCBS. These expenses included (i) the actual costs to the Parent Company of goods, materials and services used for and obtained by the Company from unaffiliated parties, and (ii) the costs of certain personnel employed by the Parent Company and directly involved in the organization and business of the Company and for legal, accounting, administration, data processing, duplication and other miscellaneous costs or services performed by employees or officers of the Parent Company.

For the period July 1, 2015 through December 31, 2015, these costs amounted to \$22,715 and are recorded as "General and administrative" costs on the Statements of Operations. Any amounts outstanding as of December 31, 2015 are reflected in "Due to Affiliates" on the Balance Sheets.

#### (b) Transactions With Parent Company

Prior to June 30, 2015, NGC owned 98.42% of the capital stock of the Company. Effective June 30, 2015, NGC became the sole shareholder in the Company. Periodically, NGC advanced and/or borrowed funds to or from the Company for operational needs. Those advances bear interest. There were interest charges paid to NGC of \$10,645 and \$25,804 during 2015 and 2014, respectively, and there was \$-0- and \$2,559,000 owed to Nevada General Corporation at December 31, 2015 and 2014.

In connection with the stock sale by HCH on June 30, 2015, NGC forgave advances outstanding to the Company totaling \$2,590,009 as a contribution to capital.

### 11) Debt

#### Short-Term Borrowings Under Warehouse Facilities

The Company had a \$10,000,000 warehouse facility available to fund loan originations. The facility bears interest at LIBOR plus a margin and is secured by promissory notes and mortgage deeds of un-sold

NOTES TO FINANCIAL STATEMENTS

loans. The facility expired on May 31, 2015 and was not renewed. There were no borrowings on the facility as of December 31, 2014 or 2015.

Long-Term Obligations

For the years ended December 31, 2015 and 2014, long-term obligations consisted of the following:

|                                                                                                                    | 2015        | 2014        |
|--------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Advances payable over 120 months including principal and interest with rates ranging from 2.70% to 4.08%           | \$ 194,069  | \$ 264,988  |
| Advance payable in monthly installments of \$11,859 at 1.75% and a balloon payment of \$1,885,366 due April, 2019. | 2,221,875   | 2,324,328   |
| Advance with interest only payable monthly at 4.07% callable quarterly after one year and due December, 2016       | 1,000,000   | 1,000,000   |
|                                                                                                                    | 3,415,944   | 3,589,316   |
| Less: current maturities                                                                                           | (1,167,694) | (173,371)   |
|                                                                                                                    | \$2,248,250 | \$3,415,495 |

Long-term debt maturing in succeeding years is:

|              |      |             |
|--------------|------|-------------|
| December 31, | 2016 | 1,167,694   |
|              | 2017 | 162,809     |
|              | 2018 | 158,636     |
|              | 2019 | 1,926,805   |
|              |      | \$3,415,944 |

12) Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensation Absences and Other

The Company has a non-contributory defined benefit pension plan covering all full-time employees. The Company funds the pension plan by payment to an employee pension trust. Due to the over-funded status of the plan, no contributions were made in 2015 or 2014.

## NOTES TO FINANCIAL STATEMENTS

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On December 29, 2014, the Board of Directors approved an amendment to the Plan to cease the accrual of benefits and freeze the Plan effective December 31, 2014. The Board of Directors then authorized the Company to proceed with terminating the Plan, and the Plan was terminated effective March 31, 2015.

In accordance with the plan of termination, the assets of the plan were distributed for the benefit of the plan participants and the Company wrote off the prepaid pension cost resulting in an expense of \$2,232,358, a deferred tax benefit of \$310,036 and other comprehensive income of \$688,989.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 715, *Compensation – Retirement Benefits*, net (cost) earnings due to net periodic (expense) benefits were \$9,430 for the year ended December 31, 2014. ASC 715 does not recognize unrecognized investment gains or losses as a component of current earnings, but requires these gains and losses to be recorded as part of comprehensive income. Unrecognized gains (losses) net of tax, included in comprehensive income, were \$63,478 for 2014.

### 13) Capital and Surplus, Dividend Restrictions and Quasi-Reorganization

Commitments for the origination and subsequent sale and delivery of loans to GSEs represent those mortgage transactions where the borrower has locked an interest rate and scheduled closing and the Company has entered into a mandatory delivery commitment to sell the loan to the GSEs. At December 31, 2015, the Company had \$4,210,586 of these commitments, of which \$1,584,569 have already been funded. These loans are recorded at fair value and are included in “Mortgage loans held-for-sale” on the Balance Sheets.

### 14) Liabilities, Contingencies and Assessments

#### (a) Lease Obligations

The Company is party to one noncancelable lease contract as of December 31, 2015 for office space. The lease requires monthly rental payments of \$4,494 and expires in December, 2016. The lease has one five year renewal option available and the Company has the right to cancel the lease by providing a six month notice.

The annual minimum rental commitment is approximately \$26,964, subject to the Company’s six month termination notice clause.

#### (b) GSE Related Commitments

Commitments for the origination and subsequent sale and delivery of loans to GSEs represent those mortgage transactions where the borrower has locked an interest rate and scheduled closing and the Company has entered into a mandatory delivery commitment to sell the loan to the GSEs. At December 31, 2015, the Company had \$4,210,586 of these commitments, of which \$1,584,569 have already been funded. These loans are recorded at fair value and are included in “Mortgage loans held-for-sale” on the Balance Sheets.

#### (c) Other

Due to the nature of the Company’s mortgage banking activities, the Company is subject to supervision by certain GSEs. Among other things, these agencies require the Company to meet certain minimum net worth requirements, as defined. The Company met these requirements for all agencies, as applicable, with the highest net worth requirement being \$3.035 million and \$3.044 million, as of December 31, 2015 and 2014, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### 15) Leases

The Company is party to one noncancelable lease contract as of December 31, 2015 for office space. The lease requires monthly rental payments of \$4,494 and expires in December, 2016. The lease has one five year renewal option available and the Company has the right to cancel the lease by providing a six month notice.

The annual minimum rental commitment is approximately \$26,964, subject to the Company's six month termination notice clause.

### 16) Information about Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments with Concentrations of Credit Risk

None

### 17) Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

None

### 18) Gain or Loss to the Reporting Entity from Uninsured Portion of Partially Insured Plans

None

### 19) Direct Premium Written/Produced by Managing General Agents/Third Parties

None

### 20) Fair Value Measurements

The Company uses valuation techniques that are consistent with the market approach, the income approach and/or the cost approach to measure assets and liabilities that are measured at fair value. Inputs to valuation techniques are based on assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, those that reflect the assumptions market participants would use in valuing the asset or liability based on market data obtained from independent sources, or unobservable, those that reflect the assumptions about the valuation techniques and inputs market participants would use in valuing the asset or liability based on the best information available in the circumstances. In that regard, accounting standards establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1*—Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- *Level 2*—Financial assets and liabilities whose values are based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for *similar* assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- *Level 3*—Financial assets and liabilities whose values are based on inputs that are both unobservable and significant to the overall valuation.

NOTES TO FINANCIAL STATEMENTS

Where inputs used to measure fair value may fall into different levels of the fair value hierarchy, the Company categorizes such financial asset or liability based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability that a market participant would use.

*Assets and Liabilities Not Measured at Fair Value*

For cash and cash equivalents, restricted cash, accounts receivables, short-term borrowings and allowance for risk- sharing obligations, recorded values approximate fair value due to their terms, or their liquid or short-term nature.

MSRs are carried at the lower of amortized cost or estimated fair value. When the carrying value of MSRs exceeds fair value, the Company recognizes impairment charges through earnings; fair value in excess of the amount capitalized is not recognized. The Company's MSRs do not trade in an active, open market with readily observable prices. Accordingly, the Company estimates the fair value based on market information with the assistance of third- party valuation specialists. To determine impairment, the mortgage servicing portfolio is stratified by the risk characteristics of the underlying mortgage loans, and the Company compares the estimated fair value of each stratum to its carrying value (see Note 4). Management has determined that the predominant risk characteristics of the Company’s servicing portfolio is interest rate and type of loan. As of December 31, 2015 and 2014, the fair value of each stratum of our MSR portfolio exceeded the amortized cost. The following table presents information about the Company’s MSRs:

|                |              |              |
|----------------|--------------|--------------|
| MSRs           | 2015         | 2014         |
| Carrying value | \$ 1,957,329 | \$ 2,189,943 |
| Fair value     | \$ 2,220,825 | \$ 2,304,353 |

Mortgage loans held-for-sale are valued, in the aggregate at lower of cost or market. The lower of cost or market is determined by the FNMA bid price for delivery at year end and any buy up or buy down adjustment at December 31. The carrying values of loans held for sale as of December 31, 2015 and 2014 were \$1,626,830 and \$723,313 respectively. These amounts also approximated the aggregate fair values at December 31, 2015 and 2014.

Mortgages held to maturity consists of both commercial and residential real estate loans. The Company reviews each of these loans annually to determine if there is any potential loss in value and records specific loan loss reserves as necessary. The following table presents information about the Company’s loans held to maturity:

|                            |              |              |
|----------------------------|--------------|--------------|
| Mortgages held to maturity | 2015         | 2014         |
| Carrying value             | \$ 6,705,956 | \$ 9,788,438 |
| Fair value                 | \$ 5,767,590 | \$ 9,755,806 |

21) Other Items

None



**NOTES TO FINANCIAL STATEMENTS**

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**22) Subsequent Events**

None

**23) Reinsurance**

None

**24) Retrospectively Rated Contract & Contacts Subject to Redetermination**

None

**25) Change in Incurred Losses and Loss Adjustment Expenses**

None

**26) Intercompany Pooling Arrangements**

None

**27) Structured Settlements**

None

**28) Supplemental Reserves**

None

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile , as required by the Model Act?

Yes ( ) No (X)
- 1.2

If yes , has the report been filed with the domiciliary state?

Yes ( ) No (X)
- 2.1

Has any change been made during the year of this statement in the charter , by-laws , articles of incorporation , or deed of settlement of the reporting entity?

Yes ( ) No (X)
- 2.2

If yes , date of change:

.....
- 3.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons , one or more of which is an insurer?

Yes (X) No ( )

If yes , complete Schedule Y , Parts 1 and 1A .
- 3.2

Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes ( ) No (X)
- 3.3

If the response to 3.2 is yes , provide a brief description of those changes .  
.....
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ( ) No (X)
- 4.2

If the response to 4. 1 is yes , provide the name of entity , NAIC Company Code , and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation .

| <div>1</div> <div>Name of Entity</div> | <div>2</div> <div>NAIC Company Code</div> | <div>3</div> <div>State of Domicile</div> |
|----------------------------------------|-------------------------------------------|-------------------------------------------|
|----------------------------------------|-------------------------------------------|-------------------------------------------|

5.

If the reporting entity is subject to a management agreement , including third-party administrator (s) , managing general agent (s) , attorney-in-fact , or similar agreement , have there been any significant changes regarding the terms of the agreement or principals involved?

Yes ( ) No ( ) N/A (X)
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made .

03/01/2013
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity . This date should be the date of the examined balance sheet and not the date the report was completed or released .

12/31/2012
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity . This is the release date or completion date of the examination report and not the date of the examination (balance sheet date) .

05/31/2013
- 6.4

By what department or departments?  
  
Ohio Department of Insurance
- 6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ( ) No ( ) N/A (X)
- 6.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ( ) No ( ) N/A (X)
- 7.1

Has this reporting entity had any Certificates of Authority , licenses or registrations (including corporate registration , if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ( ) No (X)
- 7.2

If yes , give full information  
  
.....
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ( ) No (X)
- 8.2

If response to 8. 1 is yes , please identify the name of the bank holding company .  
  
.....
- 8.3

Is the company affiliated with one or more banks , thrifts or securities firms?

Yes ( ) No (X)
- 8.4

If response to 8.3 is yes , please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i. e. the Federal Reserve Board (FRB) , the Office of the Comptroller of the Currency (OCC) , the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator .

| <div>1</div> <div>Affiliate Name</div> | <div>2</div> <div>Location (City , State)</div> | <div>3</div> <div>FRB</div> | <div>4</div> <div>OCC</div> | <div>5</div> <div>FDIC</div> | <div>6</div> <div>SEC</div> |
|----------------------------------------|-------------------------------------------------|-----------------------------|-----------------------------|------------------------------|-----------------------------|
|----------------------------------------|-------------------------------------------------|-----------------------------|-----------------------------|------------------------------|-----------------------------|

- 9.1

Are the senior officers (principal executive officer , principal financial officer , principal accounting officer or controller , or persons performing similar functions) of the reporting entity subject to a code of ethics , which includes the following standards?  
(a) Honest and ethical conduct , including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
(b) Full , fair , accurate , timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
(c) Compliance with applicable governmental laws , rules and regulations;  
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
(e) Accountability for adherence to the code .

Yes (X) No ( )
- 9.11

If the response to 9. 1 is No , please explain:  
  
.....  
.....
- 9.2

Has the code of ethics for senior managers been amended?

Yes ( ) No (X)
- 9.21

If the response to 9.2 is Yes , provide information related to amendment (s) .  
  
.....  
.....
- 9.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes ( ) No (X)
- 9.31

If the response to 9.3 is Yes , provide the nature of any waiver (s) .  
  
.....  
.....

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent , subsidiaries or affiliates on Page 2 of this statement?
- Yes ( ) No (X)
- 10.2 If yes , indicate the amounts receivable from parent included in the Page 2 amount:
- \$ .....

INVESTMENT

- 11.1 Were any of the stocks , bonds , or other assets of the reporting entity loaned , placed under option agreement , or otherwise made available for use by another person?  
(Exclude securities under securities lending agreements . )
- Yes ( ) No (X)
- 11.2 If yes , give full and complete information relating thereto:
- .....
- .....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA:
- \$ .....
13. Amount of real estate and mortgages held in short-term investments:
- \$ .....

- 14.1 Does the reporting entity have any investments in parent , subsidiaries and affiliates?
- Yes ( ) No (X)
- 14.2 If yes , please complete the following:

|                                                                                                          | <sup>1</sup><br>Prior Year-End Book/<br>Adjusted Carrying Value | <sup>2</sup><br>Current Quarter Book/<br>Adjusted Carrying Value |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------|
| 14.21 Bonds .....                                                                                        | \$ .....                                                        | \$ .....                                                         |
| 14.22 Preferred Stock .....                                                                              | \$ .....                                                        | \$ .....                                                         |
| 14.23 Common Stock .....                                                                                 | \$ .....                                                        | \$ .....                                                         |
| 14.24 Short-Term Investments .....                                                                       | \$ .....                                                        | \$ .....                                                         |
| 14.25 Mortgage Loans or Real Estate .....                                                                | \$ .....                                                        | \$ .....                                                         |
| 14.26 All Other .....                                                                                    | \$ .....                                                        | \$ .....                                                         |
| 14.27 Total Investment in Parent , Subsidiaries and Affiliates (Subtotal Line 14.21 to Line 14.26) ..... | \$ .....                                                        | \$ .....                                                         |
| 14.28 Total Investment in Parent included in Line 14.21 to Line 14.26 above .....                        | \$ .....                                                        | \$ .....                                                         |

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?
- Yes ( ) No (X)
- 15.2 If yes , has a comprehensive description of the hedging program been made available to the domiciliary state?
- Yes ( ) No ( )
- If no , attach a description with this statement.

16. For the reporting entity's security lending program , state the amount of the following as of current statement date:
- 16.1 Total fair value of reinvested collateral assets reported on Schedule DL , Parts 1 and 2
- \$ .....
- 16.2 Total book adusted /carrying value of reinvested collateral assets reported on Schedule DL , Parts 1 and 2
- \$ .....
- 16.3 Total payable for securities lending reported on the liability page
- \$ .....

17. Excluding items in Schedule E - Part 3 - Special Deposits , real estate , mortgage loans and investments held physically in the reporting entity's offices , vaults or safety deposit boxes , were all stocks , bonds and other securities , owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1 , III - General Examination Considerations , F. Outsourcing of Critical Functions , Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?
- Yes (X) No ( )

- 17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook , complete the following:

| <sup>1</sup><br>Name of Custodian (s) | <sup>2</sup><br>Custodian Address |
|---------------------------------------|-----------------------------------|
|---------------------------------------|-----------------------------------|

Wells Fargo ..... Columbia, MD .....  
Federal Home Loan Bank Cincinnati ..... Cincinnati, OH .....

- 17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook , provide the name , location and a complete explanation:

| <sup>1</sup><br>Name(s) | <sup>2</sup><br>Location (s) | <sup>3</sup><br>Complete Explanation(s) |
|-------------------------|------------------------------|-----------------------------------------|
|-------------------------|------------------------------|-----------------------------------------|

- 17.3 Have there been any changes , including name changes , in the custodian (s) identified in 17.1 during the current quarter?
- Yes ( ) No (X)

- 17.4 If yes , give full and complete information relating thereto:

| <sup>1</sup><br>Old Custodian | <sup>2</sup><br>New Custodian | <sup>3</sup><br>Date of Change | <sup>4</sup><br>Reason |
|-------------------------------|-------------------------------|--------------------------------|------------------------|
|-------------------------------|-------------------------------|--------------------------------|------------------------|

- 17.5 Identify all investment advisors , broker /dealers or individuals acting on behalf of broker /dealers that have access to the investment accounts , handle securities and have authority to make investments on behalf of the reporting entity:

| <sup>1</sup><br>Central Registration<br>Depository | <sup>2</sup><br>Name (s) | <sup>3</sup><br>Address |
|----------------------------------------------------|--------------------------|-------------------------|
|----------------------------------------------------|--------------------------|-------------------------|

- 18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed?
- Yes ( ) No (X)

- 18.2 If no , list exceptions:
- .....

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE BANKERS GUARANTEE TITLE & TRUST CO

GENERAL INTERROGATORIES

PART 2 - TITLE INTERROGATORIES

1.

If the reporting entity is a member of a pooling arrangement, did the agreement of the reporting entity's participation change?  
If yes, attach an explanation.

Yes ( ) No ( ) N/A (X)

2.

Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?

Yes ( ) No (X)

3.1

Have any of the reporting entity's primary reinsurance contracts been canceled?

Yes ( ) No (X)

3.2

If yes, give full and complete information thereto  
.....

4.1

Are any of the liabilities for unpaid losses and loss adjustment expenses discounted to present value at a rate of interest greater than zero?

Yes ( ) No (X)

4.2

If yes, complete the following schedule:

| 1                | 2                | 3             | Total Discount |            |      |       | Discount Taken During Period |            |      |       |
|------------------|------------------|---------------|----------------|------------|------|-------|------------------------------|------------|------|-------|
| Line of Business | Maximum Interest | Discount Rate | 4              | 5          | 6    | 7     | 8                            | 9          | 10   | 11    |
|                  |                  |               | Unpaid Losses  | Unpaid LAE | IBNR | TOTAL | Unpaid Losses                | Unpaid LAE | IBNR | TOTAL |

5.1

Reporting entity assets listed on Page 2 include the following segregated assets of the Statutory Premium Reserve or other similar statutory reserves:

5.11

Bonds

\$ .....

5.12

Short-term investments

\$ ..... 125,522

5.13

Mortgages

\$ .....

5.14

Cash

\$ .....

5.15

Other admissible invested assets

\$ .....

5.16

Total

\$ ..... 125,522

5.2

List below segregated funds held for others by the reporting entity, set apart in special accounts and excluded from entity assets and liabilities.  
(These funds are also included in Schedule E - Part 1 and the "From Separate Accounts, Segregated Accounts and Protected Cell Accounts" line on Page 2 except for escrow funds held by Title insurers)

5.21

Custodial funds not included in this statement were held pursuant to the governing agreements of custody in the amount of:  
These funds consist of:

\$ .....

5.22

In cash on deposit

\$ .....

5.23

Other forms of security

\$ .....

8

**Page 9**

Schedule F - Ceded Reinsurance

**NONE**

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - By States and Territories

| States, etc.                                                                        | 1<br><br>Active<br>Status | Direct Premiums Written      |                            | Direct Losses Paid<br>(Deducting Salvage) |                            | Direct Known Claim Reserve   |                            |
|-------------------------------------------------------------------------------------|---------------------------|------------------------------|----------------------------|-------------------------------------------|----------------------------|------------------------------|----------------------------|
|                                                                                     |                           | 2<br>Current Year<br>To Date | 3<br>Prior Year<br>To Date | 4<br>Current Year<br>To Date              | 5<br>Prior Year<br>To Date | 6<br>Current Year<br>To Date | 7<br>Prior Year<br>To Date |
| 1. Alabama .....                                                                    | AL                        | N                            |                            |                                           |                            |                              |                            |
| 2. Alaska .....                                                                     | AK                        | N                            |                            |                                           |                            |                              |                            |
| 3. Arizona .....                                                                    | AZ                        | N                            |                            |                                           |                            |                              |                            |
| 4. Arkansas .....                                                                   | AR                        | N                            |                            |                                           |                            |                              |                            |
| 5. California .....                                                                 | CA                        | N                            |                            |                                           |                            |                              |                            |
| 6. Colorado .....                                                                   | CO                        | N                            |                            |                                           |                            |                              |                            |
| 7. Connecticut .....                                                                | CT                        | N                            |                            |                                           |                            |                              |                            |
| 8. Delaware .....                                                                   | DE                        | N                            |                            |                                           |                            |                              |                            |
| 9. District of Columbia .....                                                       | DC                        | N                            |                            |                                           |                            |                              |                            |
| 10. Florida .....                                                                   | FL                        | N                            |                            |                                           |                            |                              |                            |
| 11. Georgia .....                                                                   | GA                        | N                            |                            |                                           |                            |                              |                            |
| 12. Hawaii .....                                                                    | HI                        | N                            |                            |                                           |                            |                              |                            |
| 13. Idaho .....                                                                     | ID                        | N                            |                            |                                           |                            |                              |                            |
| 14. Illinois .....                                                                  | IL                        | N                            |                            |                                           |                            |                              |                            |
| 15. Indiana .....                                                                   | IN                        | N                            |                            |                                           |                            |                              |                            |
| 16. Iowa .....                                                                      | IA                        | N                            |                            |                                           |                            |                              |                            |
| 17. Kansas .....                                                                    | KS                        | N                            |                            |                                           |                            |                              |                            |
| 18. Kentucky .....                                                                  | KY                        | N                            |                            |                                           |                            |                              |                            |
| 19. Louisiana .....                                                                 | LA                        | N                            |                            |                                           |                            |                              |                            |
| 20. Maine .....                                                                     | ME                        | N                            |                            |                                           |                            |                              |                            |
| 21. Maryland .....                                                                  | MD                        | N                            |                            |                                           |                            |                              |                            |
| 22. Massachusetts .....                                                             | MA                        | N                            |                            |                                           |                            |                              |                            |
| 23. Michigan .....                                                                  | MI                        | N                            |                            |                                           |                            |                              |                            |
| 24. Minnesota .....                                                                 | MN                        | N                            |                            |                                           |                            |                              |                            |
| 25. Mississippi .....                                                               | MS                        | N                            |                            |                                           |                            |                              |                            |
| 26. Missouri .....                                                                  | MO                        | N                            |                            |                                           |                            |                              |                            |
| 27. Montana .....                                                                   | MT                        | N                            |                            |                                           |                            |                              |                            |
| 28. Nebraska .....                                                                  | NE                        | N                            |                            |                                           |                            |                              |                            |
| 29. Nevada .....                                                                    | NV                        | N                            |                            |                                           |                            |                              |                            |
| 30. New Hampshire .....                                                             | NH                        | N                            |                            |                                           |                            |                              |                            |
| 31. New Jersey .....                                                                | NJ                        | N                            |                            |                                           |                            |                              |                            |
| 32. New Mexico .....                                                                | NM                        | N                            |                            |                                           |                            |                              |                            |
| 33. New York .....                                                                  | NY                        | N                            |                            |                                           |                            |                              |                            |
| 34. North Carolina .....                                                            | NC                        | N                            |                            |                                           |                            |                              |                            |
| 35. North Dakota .....                                                              | ND                        | N                            |                            |                                           |                            |                              |                            |
| 36. Ohio .....                                                                      | OH                        | L                            | 100,069                    | 45,909                                    |                            |                              |                            |
| 37. Oklahoma .....                                                                  | OK                        | N                            |                            |                                           |                            |                              |                            |
| 38. Oregon .....                                                                    | OR                        | N                            |                            |                                           |                            |                              |                            |
| 39. Pennsylvania .....                                                              | PA                        | N                            |                            |                                           |                            |                              |                            |
| 40. Rhode Island .....                                                              | RI                        | N                            |                            |                                           |                            |                              |                            |
| 41. South Carolina .....                                                            | SC                        | N                            |                            |                                           |                            |                              |                            |
| 42. South Dakota .....                                                              | SD                        | N                            |                            |                                           |                            |                              |                            |
| 43. Tennessee .....                                                                 | TN                        | N                            |                            |                                           |                            |                              |                            |
| 44. Texas .....                                                                     | TX                        | N                            |                            |                                           |                            |                              |                            |
| 45. Utah .....                                                                      | UT                        | N                            |                            |                                           |                            |                              |                            |
| 46. Vermont .....                                                                   | VT                        | N                            |                            |                                           |                            |                              |                            |
| 47. Virginia .....                                                                  | VA                        | N                            |                            |                                           |                            |                              |                            |
| 48. Washington .....                                                                | WA                        | N                            |                            |                                           |                            |                              |                            |
| 49. West Virginia .....                                                             | WV                        | N                            |                            |                                           |                            |                              |                            |
| 50. Wisconsin .....                                                                 | WI                        | N                            |                            |                                           |                            |                              |                            |
| 51. Wyoming .....                                                                   | WY                        | N                            |                            |                                           |                            |                              |                            |
| 52. American Samoa .....                                                            | AS                        | N                            |                            |                                           |                            |                              |                            |
| 53. Guam .....                                                                      | GU                        | N                            |                            |                                           |                            |                              |                            |
| 54. Puerto Rico .....                                                               | PR                        | N                            |                            |                                           |                            |                              |                            |
| 55. U. S. Virgin Islands .....                                                      | VI                        | N                            |                            |                                           |                            |                              |                            |
| 56. Northern Mariana Islands .....                                                  | MP                        | N                            |                            |                                           |                            |                              |                            |
| 57. Canada .....                                                                    | CAN                       | N                            |                            |                                           |                            |                              |                            |
| 58. Aggregate Other Alien .....                                                     | OT                        | X X X                        |                            |                                           |                            |                              |                            |
| 59. Totals .....                                                                    | (a) 1                     | 100,069                      | 45,909                     |                                           |                            |                              |                            |
| DETAILS OF WRITE-INS                                                                |                           |                              |                            |                                           |                            |                              |                            |
| 58001. ....                                                                         | X X X                     |                              |                            |                                           |                            |                              |                            |
| 58002. ....                                                                         | X X X                     |                              |                            |                                           |                            |                              |                            |
| 58003. ....                                                                         | X X X                     |                              |                            |                                           |                            |                              |                            |
| 58998. Summary of remaining write-ins for Line 58 from overflow page .....          | X X X                     |                              |                            |                                           |                            |                              |                            |
| 58999. TOTALS (Line 58001 through Line 58003 plus Line 58998) (Line 58 above) ..... | X X X                     |                              |                            |                                           |                            |                              |                            |

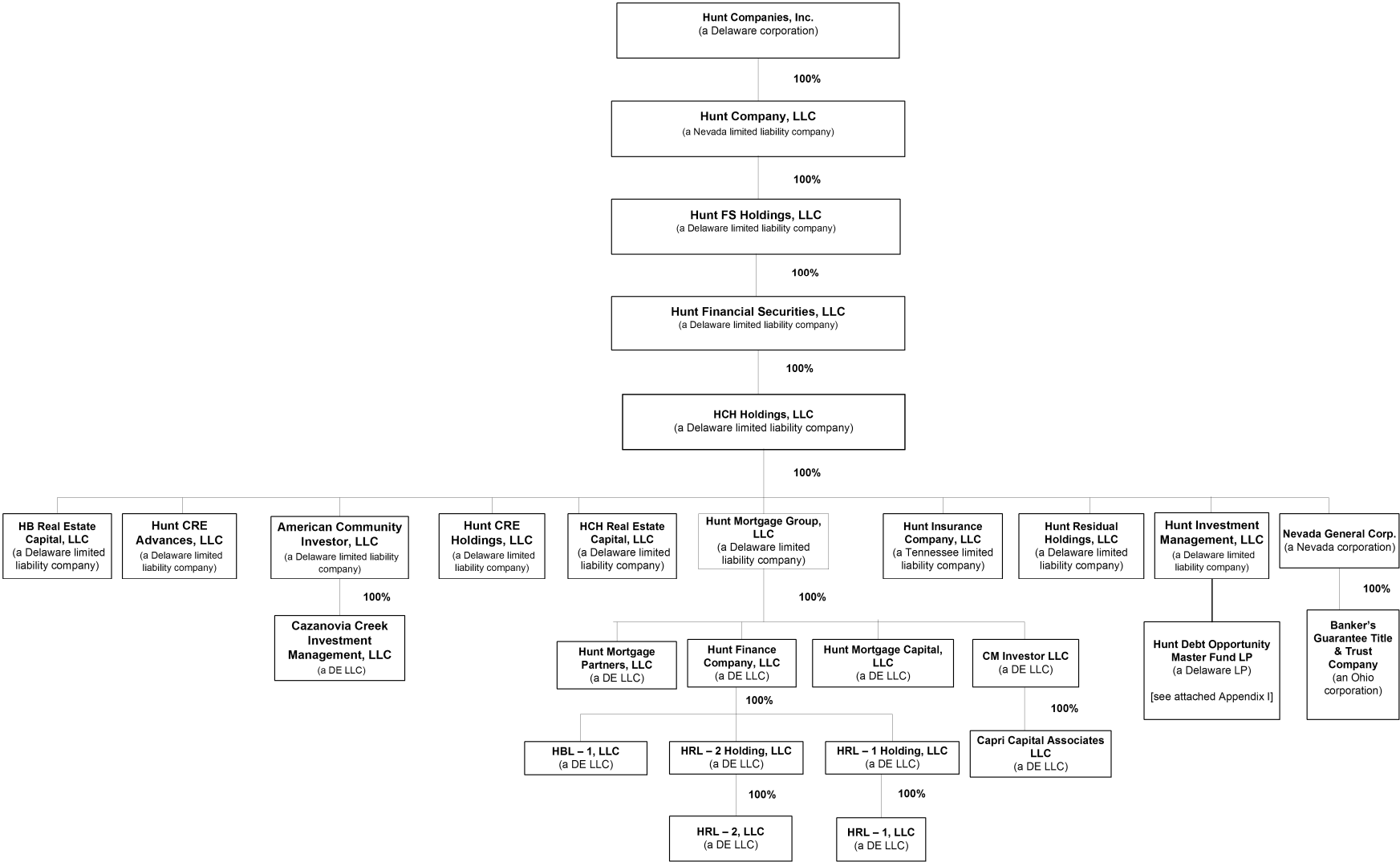
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer;  
(E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of "L" responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES  
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

HCH HOLDINGS, LLC AND AFFILIATES



**Page 12**  
Schedule Y, Part 1A  
**NONE**

Schedule Y, Part 1A, Explanation  
**NONE**



PART 1 - LOSS EXPERIENCE

|                                            | Current Year to Date                |                                                                              |                                    |                                                                              | 5<br><br>Prior Year to Date<br>Direct Loss<br>Percentage |
|--------------------------------------------|-------------------------------------|------------------------------------------------------------------------------|------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------|
|                                            | 1<br><br>Direct Premiums<br>Written | 2<br><br>Other Income<br>(Page 4 , Line 1.2<br>plus Line 1.3<br>plus Line 2) | 3<br><br>Direct<br>Losses Incurred | 4<br><br>Direct Loss<br>Percentage<br>Column 3 / (Column 1<br>plus Column 2) |                                                          |
| • 1. Direct operations .....               |                                     |                                                                              |                                    |                                                                              |                                                          |
| • 2. Agency operations:                    |                                     |                                                                              |                                    |                                                                              |                                                          |
| 2.1 Non-affiliated agency operations ..... | 100,069                             | 2,335,633                                                                    |                                    |                                                                              |                                                          |
| 2.2 Affiliated agency operations .....     |                                     |                                                                              |                                    |                                                                              |                                                          |
| 3. Totals .....                            | 100,069                             | 2,335,633                                                                    |                                    |                                                                              |                                                          |

PART 2 - DIRECT PREMIUMS WRITTEN

|                                            | 1<br><br>Current<br>Quarter | 2<br><br>Current<br>Year to Date | 3<br><br>Prior Year<br>Year to Date |
|--------------------------------------------|-----------------------------|----------------------------------|-------------------------------------|
| • 1. Direct operations .....               |                             |                                  |                                     |
| • 2. Agency operations:                    |                             |                                  |                                     |
| 2.1 Non-affiliated agency operations ..... | 16,431                      | 100,069                          | 45,909                              |
| 2.2 Affiliated agency operations .....     |                             |                                  |                                     |
| 3. Totals .....                            | 16,431                      | 100,069                          | 45,909                              |

SCHEDULE A - VERIFICATION

Real Estate

|                                                                                                                                                                   | 1<br>Year To Date | 2<br>Prior Year Ended<br>December 31 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year .....                                                                                                  | 55,299            | 55,299                               |
| 2. Cost of acquired:                                                                                                                                              |                   |                                      |
| 2.1 Actual cost at time of acquisition .....                                                                                                                      |                   |                                      |
| 2.2 Additional investment made after acquisition .....                                                                                                            |                   |                                      |
| 3. Current year change in encumbrances .....                                                                                                                      |                   |                                      |
| 4. Total gain (loss) on disposals .....                                                                                                                           |                   |                                      |
| 5. Deduct amounts received on disposals .....                                                                                                                     |                   |                                      |
| 6. Total foreign exchange change in book/adjusted carrying value .....                                                                                            |                   |                                      |
| 7. Deduct current year's other-than-temporary impairment recognized .....                                                                                         |                   |                                      |
| 8. Deduct current year's depreciation .....                                                                                                                       |                   |                                      |
| 9. Book/adjusted carrying value at end of current period (Line 1 plus Line 2 plus Line 3 plus Line 4 minus<br>Line 5 plus Line 6 minus Line 7 minus Line 8) ..... | 55,299            | 55,299                               |
| 10. Deduct total nonadmitted amounts .....                                                                                                                        |                   |                                      |
| 11. Statement value at end of current period (Line 9 minus Line 10) .....                                                                                         | 55,299            | 55,299                               |

SCHEDULE B - VERIFICATION

Mortgage Loans

|                                                                                                                                                                                                                          | 1<br>Year To Date | 2<br>Prior Year Ended<br>December 31 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------|
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year .....                                                                                                                            | 7,338,056         | 10,236,729                           |
| 2. Cost of acquired:                                                                                                                                                                                                     |                   |                                      |
| 2.1 Actual cost at time of acquisition .....                                                                                                                                                                             | 30,664,532        | 40,955,293                           |
| 2.2 Additional investment made after acquisition .....                                                                                                                                                                   | 33,922,161        |                                      |
| 3. Capitalized deferred interest and other .....                                                                                                                                                                         |                   |                                      |
| 4. Accrual of discount .....                                                                                                                                                                                             |                   |                                      |
| 5. Unrealized valuation increase (decrease) .....                                                                                                                                                                        | (343,871)         | (952,469)                            |
| 6. Total gain (loss) on disposals .....                                                                                                                                                                                  | 3,557             | (58,115)                             |
| 7. Deduct amounts received on disposals .....                                                                                                                                                                            | 33,157,371        | 42,843,382                           |
| 8. Deduct amortization of premium and mortgage interest points and commitment fees .....                                                                                                                                 |                   |                                      |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest .....                                                                                                                      |                   |                                      |
| 10. Deduct current year's other-than-temporary impairment recognized .....                                                                                                                                               |                   |                                      |
| 11. Book value/recorded investment excluding accrued interest at end of current period (Line 1 plus Line 2 plus<br>Line 3 plus Line 4 plus Line 5 plus Line 6 minus Line 7 minus Line 8 plus Line 9 minus Line 10) ..... | 38,427,064        | 7,338,056                            |
| 12. Total Valuation Allowance .....                                                                                                                                                                                      |                   |                                      |
| 13. Subtotal (Line 11 plus Line 12) .....                                                                                                                                                                                | 38,427,064        | 7,338,056                            |
| 14. Deduct total nonadmitted amounts .....                                                                                                                                                                               |                   |                                      |
| 15. Statement value at end of current period (Line 13 minus Line 14) .....                                                                                                                                               | 38,427,064        | 7,338,056                            |

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

|                                                                                                                                                                                             | 1<br>Year To Date | 2<br>Prior Year Ended<br>December 31 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year .....                                                                                                                            | 1,957,329         |                                      |
| 2. Cost of acquired:                                                                                                                                                                        |                   |                                      |
| 2.1 Actual cost at time of acquisition .....                                                                                                                                                |                   | 2,452,476                            |
| 2.2 Additional investment made after acquisition .....                                                                                                                                      |                   |                                      |
| 3. Capitalized deferred interest and other .....                                                                                                                                            |                   |                                      |
| 4. Accrual of discount .....                                                                                                                                                                |                   |                                      |
| 5. Unrealized valuation increase (decrease) .....                                                                                                                                           | 148,333           |                                      |
| 6. Total gain (loss) on disposals .....                                                                                                                                                     | (392,608)         |                                      |
| 7. Deduct amounts received on disposals .....                                                                                                                                               |                   |                                      |
| 8. Deduct amortization of premium and depreciation .....                                                                                                                                    |                   | 495,147                              |
| 9. Total foreign exchange change in book/adjusted carrying value .....                                                                                                                      |                   |                                      |
| 10. Deduct current year's other-than-temporary impairment recognized .....                                                                                                                  |                   |                                      |
| 11. Book/adjusted carrying value at end of current period (Line 1 plus Line 2 plus Line 3 plus Line 4 plus<br>Line 5 plus Line 6 minus Line 7 minus Line 8 plus Line 9 minus Line 10) ..... | 1,713,054         | 1,957,329                            |
| 12. Deduct total nonadmitted amounts .....                                                                                                                                                  |                   |                                      |
| 13. Statement value at end of current period (Line 11 minus Line 12) .....                                                                                                                  | 1,713,054         | 1,957,329                            |

SCHEDULE D - VERIFICATION

Bonds and Stocks

|                                                                                                                                                                                | 1<br>Year To Date | 2<br>Prior Year Ended<br>December 31 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....                                                                                           | 355,163           | 420,163                              |
| 2. Cost of bonds and stocks acquired .....                                                                                                                                     | 8,268,100         |                                      |
| 3. Accrual of discount .....                                                                                                                                                   |                   |                                      |
| 4. Unrealized valuation increase (decrease) .....                                                                                                                              | 3,000             |                                      |
| 5. Total gain (loss) on disposals .....                                                                                                                                        |                   |                                      |
| 6. Deduct consideration for bonds and stocks disposed of .....                                                                                                                 |                   | 65,000                               |
| 7. Deduct amortization of premium .....                                                                                                                                        |                   |                                      |
| 8. Total foreign exchange change in book/adjusted carrying value .....                                                                                                         |                   |                                      |
| 9. Deduct current year's other-than-temporary impairment recognized .....                                                                                                      |                   |                                      |
| 10. Book/adjusted carrying value at end of current period (Line 1 plus Line 2 plus Line 3 plus Line 4 plus<br>Line 5 minus Line 6 minus Line 7 plus Line 8 minus Line 9) ..... | 8,626,263         | 355,163                              |
| 11. Deduct total nonadmitted amounts .....                                                                                                                                     |                   |                                      |
| 12. Statement value at end of current period (Line 10 minus Line 11) .....                                                                                                     | 8,626,263         | 355,163                              |

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

| NAIC Designation                          | 1<br>Book/Adjusted<br>Carrying Value<br>Beginning of<br>Current Quarter | 2<br>Acquisitions<br>During<br>Current Quarter | 3<br>Dispositions<br>During<br>Current Quarter | 4<br>Non-Trading<br>Activity During<br>Current Quarter | 5<br>Book/Adjusted<br>Carrying Value<br>End of<br>First Quarter | 6<br>Book/Adjusted<br>Carrying Value<br>End of<br>Second Quarter | 7<br>Book/Adjusted<br>Carrying Value<br>End of<br>Third Quarter | 8<br>Book/Adjusted<br>Carrying Value<br>December 31<br>Prior Year |
|-------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|
| BONDS                                     |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 1. NAIC 1 (a) .....                       |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 2. NAIC 2 (a) .....                       |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 3. NAIC 3 (a) .....                       |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 4. NAIC 4 (a) .....                       |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 5. NAIC 5 (a) .....                       |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 6. NAIC 6 (a) .....                       |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 7. Total Bonds .....                      |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| PREFERRED STOCK                           |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 8. NAIC 1 .....                           |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 9. NAIC 2 .....                           |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 10. NAIC 3 .....                          |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 11. NAIC 4 .....                          |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 12. NAIC 5 .....                          |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 13. NAIC 6 .....                          |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 14. Total Preferred Stock .....           |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |
| 15. Total Bonds and Preferred Stock ..... |                                                                         |                                                |                                                |                                                        |                                                                 |                                                                  |                                                                 |                                                                   |

NONE

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation:  
NAIC 1 \$.....; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....

SCHEDULE DA - PART 1

Short-Term Investments

|               | 1                               | 2         | 3              | 4                                     | 5                                            |
|---------------|---------------------------------|-----------|----------------|---------------------------------------|----------------------------------------------|
|               | Book/Adjusted<br>Carrying Value | Par Value | Actual<br>Cost | Interest<br>Collected<br>Year To Date | Paid for Accrued<br>Interest<br>Year To Date |
| 9199999 ..... | NONE                            |           | .....          | .....                                 | .....                                        |

SCHEDULE DA - VERIFICATION

Short-Term Investments

|                                                                                                                                                     | 1            | 2                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------------------|
|                                                                                                                                                     | Year To Date | Prior Year Ended<br>December 31 |
| 1. Book / adjusted carrying value, December 31 of prior year .....                                                                                  | .....        | .....                           |
| 2. Cost of short-term investments acquired .....                                                                                                    | 6,179,674    | .....                           |
| 3. Accrual of discount .....                                                                                                                        | .....        | .....                           |
| 4. Unrealized valuation increase (decrease) .....                                                                                                   | .....        | .....                           |
| 5. Total gain (loss) on disposals .....                                                                                                             | 40,552       | .....                           |
| 6. Deduct consideration received on disposals .....                                                                                                 | 6,220,226    | .....                           |
| 7. Deduct amortization of premium .....                                                                                                             | .....        | .....                           |
| 8. Total foreign exchange change in book/adjusted carrying value .....                                                                              | .....        | .....                           |
| 9. Deduct current year's other-than-temporary impairment recognized .....                                                                           | .....        | .....                           |
| 10. Book/adjusted carrying value at end of current period (Line 1 + Line 2 +<br>Line 3 + Line 4 + Line 5 - Line 6 - Line 7 + Line 8 - Line 9) ..... | .....        | .....                           |
| 11. Deduct total nonadmitted amounts .....                                                                                                          | .....        | .....                           |
| 12. Statement value at end of current period (Line 10 minus Line 11) .....                                                                          | .....        | .....                           |

**Page SI04**

Schedule DB, Part A, Verification  
**NONE**

Schedule DB, Part B, Verification  
**NONE**

**Page SI05**

Schedule DB, Pt. C, Section 1, Replicated (Synthetic Assets) Open  
**NONE**

**Page SI06**

Sch DB, Pt C, Sn 2, Replication (Syn Assets) Transactions Open  
**NONE**

**Page SI07**

Schedule DB, Verification  
**NONE**

**Page SI08**

Schedule E, Verification (Cash Equivalents)  
**NONE**

**Page E01**

Sch. A, Pt. 2, Real Estate Acquired  
**NONE**

Sch. A, Pt. 3, Real Estate Disposed  
**NONE**

**Page E02**

Schedule B, Part 2, Mortgage Loans Acquired  
**NONE**

Schedule B, Part 3, Mortgage Loans Disposed  
**NONE**

**Page E03**

Sch. BA, Pt. 2, Other Long-Term Invested Assets Acquired  
**NONE**

Sch. BA, Pt. 3, Other Long-Term Invested Assets Disposed  
**NONE**

**Page E04**

Schedule D, Part 3, Long-Term Bonds and Stocks Acquired  
**NONE**

**Page E05**

Schedule D, Part 4, Long-Term Bonds and Stocks Disposed Of  
**NONE**

**Page E06**

Schedule DB, Part A, Section 1  
**NONE**

Description of Hedged Risk(s)  
**NONE**

Financial or Economic Impact of the Hedge  
**NONE**

**Page E07**

Schedule DB, Part B, Section 1  
**NONE**

Schedule DB, Part B, Section 1, Broker Name  
**NONE**

Schedule DB, Part B, Description of Hedged Risk (s)  
**NONE**

Schedule DB, Part B, Financial or Economic Impact of the Hedge  
**NONE**

**Page E08**

Schedule DB, Part D, Section 1  
**NONE**

**Page E09**

Schedule DB, Part D, Section 2, By Reporting Entity  
**NONE**

Schedule DB, Part D, Section 2, To Reporting Entity  
**NONE**

**Page E10**

Schedule DL, Part 1  
**NONE**

**Page E11**

Schedule DL, Part 2  
**NONE**

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

| 1<br>Depository                                                           |                                       | 2    | 3                   | 4                                                           | 5                                                             | Book Balance at End of Each<br>Month During Current Quarter |              |             | 9 |
|---------------------------------------------------------------------------|---------------------------------------|------|---------------------|-------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------|--------------|-------------|---|
|                                                                           |                                       |      |                     | Amount of<br>Interest<br>Received During<br>Current Quarter | Amount of<br>Interest Accrued<br>at Current<br>Statement Date | 6                                                           | 7            | 8           | * |
| Name                                                                      | Location and Supplemental Information | Code | Rate of<br>Interest |                                                             |                                                               | First Month                                                 | Second Month | Third Month |   |
| Open Depositories -- Section (B) -- General Funds                         |                                       |      |                     |                                                             |                                                               |                                                             |              |             |   |
| JP Morgan Chase .....                                                     |                                       |      |                     |                                                             |                                                               | 8,463,036                                                   | 10,059,083   | 10,068,842  |   |
| Fairlawn, OH .....                                                        |                                       |      |                     |                                                             |                                                               |                                                             |              |             |   |
| 0299999 - TOTAL - Open Depositories -- Section (B) -- General Funds ..... |                                       |      |                     |                                                             |                                                               | 8,463,036                                                   | 10,059,083   | 10,068,842  |   |
|                                                                           |                                       |      |                     |                                                             |                                                               |                                                             |              |             |   |
| 0499999 - TOTAL - Open Depositories .....                                 |                                       |      |                     |                                                             |                                                               | 8,463,036                                                   | 10,059,083   | 10,068,842  |   |
|                                                                           |                                       |      |                     |                                                             |                                                               |                                                             |              |             |   |
| 0999999 - TOTAL Cash on Deposit .....                                     |                                       |      |                     |                                                             |                                                               | 8,463,036                                                   | 10,059,083   | 10,068,842  |   |
|                                                                           |                                       |      |                     |                                                             |                                                               |                                                             |              |             |   |
| 1199999 - TOTAL Cash .....                                                |                                       |      |                     |                                                             |                                                               | 8,463,036                                                   | 10,059,083   | 10,068,842  |   |

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Schedule E, Part 2, Cash Equivalents

**NONE**