

IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO

MARY JO HUDSON
Superintendent of Insurance
Ohio Department of Insurance
50 West Town Street, Suite 300
Columbus, Ohio 43215,

Plaintiff,

vs.

The Guarantee Title and Trust Company:
5370 West 95th Street
Prairie Village Kansas, 66207,

Defendant

CASE NO. 08 CVH 07 10725
JUDGE

FILED
COMMON PLEAS COURT
FRANKLIN CO., OHIO
2008 JUL 29 AM 9:11
CLERK OF COURTS

COMPLAINT FOR REHABILITATION

1. Plaintiff, Mary Jo Hudson, Superintendent of the Ohio Department of Insurance (hereinafter Plaintiff or Department) files this Complaint pursuant to R.C. 3903.12 seeking an order authorizing her to rehabilitate Defendant The Guarantee Title and Trust Company (Defendant Guarantee) and to obtain other relief to protect Defendant Guarantee's policyholders, creditors and the public.

2. Defendant Guarantee is an "insurer" as that term is defined in R.C. 3903.01(L) and referenced in R.C. 3953.03 and R.C. Chapter 1735.

3. Plaintiff is the duly appointed Superintendent of Insurance for the State of Ohio and is charged with the responsibility for executing and enforcing the insurance laws of this State pursuant to R.C. 3901.011.

4. Defendant Guarantee is an Ohio domiciled title insurance company headquartered in Prairie Village, Kansas. Specifically, Defendant is a title guarantee and trust company, organized in 1899, and brought under the jurisdiction of the Ohio Department of Insurance, effective December 12, 1967, pursuant to Senate Bill No. 224, enacted by the 107th General Assembly.

5. This Court has jurisdiction over this matter pursuant to R.C. 3903.04(E).

6. Defendant Guarantee is a wholly owned subsidiary of Reliant Holding Company, Inc.

7. Reliant Holding Company, Inc. is in turn wholly owned by Christopher M. Likens who is in "control" of the Defendant Guarantee as that term is defined in R.C. 3901.32.

8. On March 18, 2008 the Department entered an order placing Defendant Guarantee into supervision.

9. As more fully discussed below, and in the attached affidavits of Frederic E. Lehr, Interim Assistant Director, Office of Risk Assessment and David A. Cook, Assistant Chief Examiner, Office of Risk Assessment (incorporated herein as Exhibits A & B), Defendant Guarantee is in such condition that the further transaction of business would be hazardous financially to its policyholders, creditors or the public, as described in R.C.3903.12(A),(F) and (K) and Ohio Administrative Code 3901-3-04.

STATEMENT OF FACTS

10. Defendant Guarantee is licensed by and writes title insurance on real property in Ohio and thirteen (13) other states.

11. Defendant Guarantee was originally incorporated in 1899.

12. Defendant Guarantee is incorporated under Chapter 1735 of the Ohio Revised Code and is subject to R.C. Chapter 3953 and R.C. Chapter 3903.

13. On January 23, 2004 Defendant Guarantee was acquired by Reliant Holding Company, Inc..

14. Reliant Holding Company, Inc. is a holding company and the parent of Guarantee and owns 100% of the outstanding shares of Defendant Guarantee.

15. On November 30, 2007, the Department issued, pursuant to Ohio Administrative Code 3901-1-50(C), an accelerated audit letter to Defendant Guarantee demanding the submission of Defendant Guarantee's 2007 audited financial statements no later than May 1, 2008.

16. In February 2008, three of Defendant Guarantee's Board of Directors resigned.

17. Subsequent to the Department's accelerated audit letter, the Department was informed that Defendant Guarantee's independent auditors would not issue a 2007 audit report opining on the financial condition of Defendant Guarantee.

18. By letter dated April 17, 2008, the Department renewed its demand for 2007 audited financial statements no later than May 1, 2008.

19. At the filing of this complaint, Defendant Guarantee has failed to file audited financial statements as demanded by the Department pursuant to Ohio Administrative Code 3901 -1 -50(C).

20. Based upon the Department's questions concerning Defendant Guarantee's financial condition, and in light of Defendant Guarantee's filing of the December 31, 2007 unaudited financial statement (monthly financial statements filed with the Department on or about January 22, 2008) evidencing a \$1.2 million net loss, the Department began a limited scope examination of Defendant Guarantee pursuant to R.C. 3901.07.

21. The last financial statements filed by Defendant Guarantee were for the period ended March 31, 2008. These statements were unaudited and showed that Defendant Guarantee had One Million Nine Hundred Sixty Two Thousand Two Hundred Thirty Two Dollars (\$1,962,232.00), in operating losses for the preceding twelve (12) month period.

22. The Department has yet to issue a final examination report but has made preliminary findings based upon its examination.

23. The Department's examination reveals that Defendant Guarantee's surplus, reported by the company as a positive Five Hundred Nineteen Thousand Dollars (\$519,000.00) as of March 31, 2008 is actually a negative Five Million Five Hundred Thirteen Thousand Dollars (\$5,513,000.00).

24. During the Department's examination, Defendant Guarantee was unable to provide adequate support for the balance of receivables from affiliates carried by Defendant Guarantee as an asset and refused to provide financial statements to determine if the receivables were collectable.

25. Contemporaneous, with the Department's limited scope examination, the Department also engaged the services of the certified public accounting firm of Skoda Minotti & Co. which utilized the services of the law firm of Ranallo and Aveni, LLC., in order to determine if reasonable and necessary reserves against losses were recorded by Defendant Guarantee and to determine if the process used by Defendant Guarantee to establish reserves was adequate and compliant with Ohio statutes including the NAIC Accounting Practices and Procedures Manual.

26. Based upon its examination, investigation and analysis, consisting in part of interviews of Defendant Guarantee's claims attorneys, Ranallo and Aveni concluded that Defendant Guarantee was in violation of R.C. 3953.12 because reserves were inadequately set, if at all, and that there was no process in place to set loss reserves, making compliance with R.C. 3953.12 virtually impossible. A copy of the Ranallo and Aveni report is attached as Exhibit C and incorporated herein as if completely rewritten.

27. Defendant Guarantee's total capital and surplus, as found by the Department examination, is negative Five Million Five Hundred Thirteen Thousand Dollars (\$5,513,000.00). R.C. 1735.02 requires an Ohio Domiciled

Title and Trust Company to maintain minimum capital and surplus of at least One Hundred Thousand Dollars (\$100,000.00).

28. Consequently, with a negative surplus of over \$5,500,000.00, losses in the last twelve month period totaling almost \$2,000,000.00, a pattern of failure to establish reserves for future claims and the lack of processes to do so in the future and the failure to file audited financial statements for the period ending December 31, 2007 despite the Department's repeated demands for such a filing, Defendant Guarantee is in hazardous financial condition and may experience cash flow or liquidity problems and may be unable to meet its financial obligations and pay future policyholder claims as they come due.

29. On June 6, 2008, a duly authorized representative of Defendant Guarantee executed a Waiver of Certain Procedural Rights as to Complaint for Order of Rehabilitation, a copy of which is attached as Exhibit D and incorporated herein as if completely rewritten.

30. By the Waiver Defendant Guarantee consented to the issuance of an Order of Rehabilitation and agreed to waive any rights to defend against such Order including but not limited to the right to service of process and the right to appear at a hearing to contest the issuance of an Order of Rehabilitation.

31. Therefore, Defendant Guarantee presents a risk to policyholders, creditors and the general public.

COUNT ONE

(R.C. 3903.12(B))
(O.A.C. 3901-3-04(C)(1)(f))
Operating Losses in the Past 12 Month Period

32. The Department realleges and incorporates the preceding paragraphs as if fully set forth herein. Additionally, the Department incorporates by reference herein any and all additional facts in support of this Count that may be proven at trial.

33. Pursuant to R.C. 3903.12(A) the Superintendent may seek an order of Rehabilitation if "the insurer is in such condition that the further transaction of business would be hazardous, financially, to its policyholders, creditors, or the public."

34. Ohio Administrative Code 3901-3-04 sets forth standards that may be considered by the Superintendent when determining if a company is in hazardous financial condition.

35. Ohio Administrative Code 3901-3-04(f) provides that an insurer is in hazardous financial condition if the insurer has experienced operating losses in the preceding 12 month period in excess of fifty percent of the insurer's remaining surplus.

36. Defendant Guarantee has admitted in financial filings made with the department that it has operating losses in the last twelve (12) month period of \$1,962,232.00.

37. Defendant Guarantee, by its own admission has surplus of no more than \$519,000.00, an amount which the department has alleged above is grossly overstated.

38. Consequently, Defendant Guarantee is in such condition that the further transaction of business would be hazardous financially to its policyholders, creditors and for the public.

COUNT TWO
(R.C. 3903.12(A))
(R.C. 1735.02)
Failure to Maintain Minimum Surplus

39. The Department realleges and incorporates the preceding paragraphs as if fully set forth herein. Additionally, the Department incorporates by reference herein any and all additional facts in support of this Count that may be proven at trial.

40. R.C. 3953.05 requires all title insurance companies incorporated after 1967 to maintain minimum capital and surplus of Three Hundred Thousand Dollars (\$300,000.00).

41. Because Defendant Guarantee was incorporated before 1967 it is required to maintain One Hundred Thousand dollars (\$100,000.00) in minimum capital and surplus pursuant to R.C. 1735.02.

42. Defendant Guarantee's capital and surplus, as more fully described in the David A. Cook affidavit attached as Exhibit B, is a negative Five Million Five Hundred Thousand dollars (\$5,500,000.00).

43. Accordingly, Defendant Guarantee has failed to maintain the minimum capital and surplus required by Ohio law and therefore, is in such condition that the further transaction of business would be hazardous financially to its policyholders, creditors and for the public.

COUNT THREE

(Ohio Administrative Code, 3901-1-50)
Failure to File Required Financial Statements

44. The Department realleges and incorporates the preceding paragraphs as if fully set forth herein. Additionally, the Department incorporates by reference herein any and all additional facts in support of this Count that may be proven at trial.

45. Defendant Guarantee has failed to file its annual 2007 audited financial statements required by statute within the time required by law.

COUNT FOUR

(R.C. 3953.12)

Failure to Maintain Adequate Reserves

46. The Department realleges and incorporates the preceding paragraphs as if fully set forth herein. Additionally, the Department incorporates by reference herein any and all additional facts in support of this Count that may be proven at trial.

47. R.C. 3953.12(A) requires all title insurance companies licensed to do business in the State of Ohio, including Defendant Guarantee, to maintain adequate reserves against losses and loss expenses.

48. R.C. 3953.12(B) requires all title insurance companies licensed to do business in the State of Ohio, including Defendant Guarantee, to revise reserve calculations as required and to redetermine all reserves at least once each year.

49. As more fully set forth in the attached Frederic E. Lehr Affidavit attached as Exhibit A and the report of Ranallo and Aveni, attached as Exhibit C and incorporated as if completely rewritten herein, Defendant Guarantee has failed to comply with the requirements of R.C. 3953.12 by failing to establish adequate loss reserves and by totally failing to establish any procedures or systems that would allow the company to redetermine or revise loss reserves at any point.

50. Moreover, Defendant Guarantee has failed to adequately and accurately report reserves on its financial statements filed with the Department of Insurance.

51. Accordingly, Defendant Guarantee's failure to adequately reserve for losses places Defendant Guarantee in such condition that the further transaction of business would be hazardous financially to its policyholders, creditors and for the public.

COUNT FIVE
(R.C. 3903.12(L))
CONSENT

52. The Department realleges and incorporates the preceding paragraphs as if fully set forth herein. Additionally, the Department incorporates by reference herein any and all additional facts in support of this Count that may be proven at trial.

53. Pursuant to R.C. 3903.12(L) an Order of Rehabilitation may be issued if the Board of Directors of the company consents to an Order of Rehabilitation.

54. On June 6, 2008, a duly authorized representative of Defendant Guarantee executed a Waiver of Certain Procedural Rights as to Complaint for Order of Rehabilitation, a copy of which is attached as Exhibit D and incorporated herein as if completely rewritten.

55. By the Waiver Defendant Guarantee consented to the issuance of an Order of Rehabilitation and agreed to waive any rights to defend against such Order including but not limited to the right to service of process and the right to appear at a hearing to contest the issuance of an Order of Rehabilitation.

56. Accordingly, an Order of Rehabilitation may be issued by agreement and consent of Defendant Guarantee.

RELIEF REQUESTED

WHEREFORE, Plaintiff, pursuant to the provisions of R.C. 3903.12 prays for the following relief:

1. A Finding that sufficient cause exists for the rehabilitation of Defendant Guarantee;

2. An Order of Rehabilitation against Defendant Guarantee, appointing Mary Jo Hudson, Superintendent of Insurance for the State of Ohio as Rehabilitator of Defendant Guarantee, and directing her to take possession of and secure all assets, property, business, books, records, accounts and other documents of Defendant Guarantee;

3. An Order appointing Anne Thomson, as Chief Deputy Rehabilitator of Defendant Guarantee, and vesting her with all power and authority delegated to her by Mary Jo Hudson as Rehabilitator.

4. An Order vesting the Department as Rehabilitator (the Department hereinafter referred to as Rehabilitator) with the title to all property, contracts and rights of action of Defendant Guarantee and directing that the Rehabilitator shall have all the powers of the directors, officers and managers of Defendant Guarantee, including but not limited to, the power to sell Defendant Guarantee's charter(s) and business license(s);

5. An Order that the Rehabilitator shall forthwith take and secure possession of all assets and property of Defendant Guarantee, including but not limited to, all property, contracts, deposits, securities, rights of action,

accounts, safe deposit boxes and books and records of Defendant Guarantee, wherever located, and administer them under the general supervision of this Court;

6. An Order requiring, as soon as practical after the Entry of an Order of Rehabilitation, the Rehabilitator to prepare an inventory of all property of Defendant Guarantee and to submit an accounting to this Court at such intervals as ordered by the Court;

7 An Order authorizing the Rehabilitator to take such action as he considers necessary or appropriate to reform and revitalize Defendant Guarantee, including, but not limited to, the following:

(a) Vesting the Rehabilitator with all the powers of the directors, officers, and managers of Defendant Guarantee, whose authorities are hereby suspended, except those powers as are specifically redelegated by the Rehabilitator;

(b) Vesting the Rehabilitator with full power to direct and manage, to hire and discharge employees subject to any contract rights they may have, and to deal with the property and business of Defendant Guarantee;

(c) Requiring the Rehabilitator to collect all claims, accounts receivable, agents balances, reinsurance proceeds and other amounts owing to Defendant Guarantee, and to bring such actions as are necessary, in his discretion, to collect the same and to settle and compromise any of such claims, or other amounts owing to Defendant Guarantee whenever he shall deem it advisable to do so, upon such terms and conditions as appear to him to be justifiable. The Rehabilitator should be authorized to compromise any obligation of Defendant Guarantee where it appears appropriate or necessary;

(d) Authorizing the Rehabilitator to make transfers and sales of any assets or property of Defendant Guarantee, enter into contracts, affirm, void or continue existing contracts, incur and discharge obligations and make expenditures from the income and receipts of the

business of Defendant Guarantee for labor, insurance, equipment, inventory and supplies required, and to do any and every other act necessary to enable him to perform the duties imposed upon him by this Order;

(e) Requiring the Rehabilitator to take all steps necessary to place all bank accounts, stock certificates, securities and certificates of deposit and other financial instruments of Defendant Guarantee into his own name, except to the extent that, in his discretion, the transfer of those accounts would compromise the ability to pay outstanding debts properly recognized by the Rehabilitator and to use any accounts of Defendant Guarantee as an operating fund for the business of the rehabilitation of Defendant Guarantee, and to keep a true and correct account of any and all receipts or expenditures which he shall make as Rehabilitator in the course of the operation of said business;

(f) Authorizing the Rehabilitator to, in his discretion, withhold or discontinue the payment of any pending claims against or involving Defendant Guarantee until such time as the Rehabilitator has sufficient time to evaluate the claims and the overall financial condition of the Defendant Guarantee.

8. An Order authorizing the Rehabilitator, if it appears to him that there has been criminal or tortious conduct, or breach of any contractual or fiduciary obligation detrimental to Defendant Guarantee by any officer, manager, agent, director, trustee, broker, employee of Defendant Guarantee or other person, to pursue all appropriate legal remedies on behalf of Defendant Guarantee ;

9. An Order authorizing the Rehabilitator, if he determines that reorganization, consolidation, conversion, reinsurance, merger or other transformation of Defendant Guarantee is appropriate, to prepare a plan to effect such changes which the Court may either approve or disapprove or modify and approve it as modified. If the plan is approved, an order authorizing the Rehabilitator to carry out the plan;

10. An Order vesting the Rehabilitator with the power and authority under Sections 3903.26 and 3903.27 of the Revised Code to avoid fraudulent or preferential transfers. Under this order the Rehabilitator shall review all transactions, agreements, contracts, transfers of property or other actions agreed upon, entered into, made or incurred by Defendant Guarantee within one year immediately prior to the filing of the complaint for rehabilitation under this order. The Rehabilitator shall be authorized to withhold or suspend any payments on any such transaction, agreement, contract, transfer of property or any other obligation of Defendant Guarantee that may be due or owing for a period of ninety days or until such time as is necessary for the Rehabilitator to properly review such debt or claim. Also under this order no legal action should be taken or filed by a creditor or other person for any such amounts due against Defendant Guarantee on any such transaction, agreement, contract, transfer of property or other action incurred or made within one year of the filing of the complaint for rehabilitation, and no delivery of or furnishing of services required thereby should be suspended, discontinued or terminated by such creditors or other persons during the ninety-day period of time that the Rehabilitator is reviewing such debt or claim, without further order of this Court;

11. An Order vesting the Rehabilitator with all powers and authority under any and all statutes and under the common laws of this state authorizing the appointment of Rehabilitators, and particularly, granting all

powers and authority contained in R.C. Chapter 3903, including, without limitation, those enumerated herein.

12. An Order requiring that all officers, directors, trustees, employees or agents of Defendant Guarantee , or any other person, firm, association, partnership, parent corporation, holding company, corporation or other entity in charge of any aspect of Defendant Guarantee's affairs, including, but not limited to, banks, savings and loan associations, financial or lending institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or affiliated corporation or any other representative acting in concert with Defendant Guarantee shall cooperate with the Rehabilitator in the performance of his duties. The definition of to cooperate(s) shall include, but not be limited to, a duty to do both of the following:

(a) Reply promptly in writing to any inquiry from the Rehabilitator requesting such a reply; and

(b) Make available and turn over to the Rehabilitator any books, accounts, documents, records, information or property of, or pertaining to, Defendant Guarantee in his possession, custody or control.

13. An Order requiring that no member, officer, director, employee, partner, agent, representative of Defendant Guarantee, or any other person acting in concert with Defendant Guarantee, including partners, parent corporations, holding companies or employees, independent contractors, or any other representative of Defendant Guarantee, obstruct or interfere with the Rehabilitator in the conduct of his duties as Rehabilitator, and restraining these persons, except under the express authorization of the Rehabilitator or

by the further order of this Court, from doing, operating and conducting the business of insurance of, or representing, Defendant Guarantee under any charter, permit, license, power or privilege, belonging to or heretofore issued by or to said Defendant Guarantee, and from in any manner conducting, doing or engaging in the business of insurance; from disposing of, using, transferring, selling, assigning, canceling, hypothecating or concealing in any manner or in any way, any books, records, equipment, money, accounts receivable, stocks (including the stock of Defendant Guarantee), bonds, assets, notes, funds or any other property or other assets of Defendant Guarantee, whether real, personal or mixed or of any kind or nature, wherever situated, including any claims or cause of actions that Defendant Guarantee might have against any person, firm associations or corporation, belonging to, owned by, in the possession of, or claimed by Defendant Guarantee ; and disposing of any account, debt, deposit, share account, trust account, or any other asset owned, owed to, or held for the benefit of Defendant Guarantee or under any other name;

14. An Order requiring all officers, directors, employees, agents, servants, representatives of Defendant Guarantee and those acting in concert with Defendant Guarantee by sworn written statement, inform the Rehabilitator of the nature, description and location of all assets or other property of Defendant Guarantee not located on the premises of Defendant Guarantee, including, but not limited to, all bonds, certificates of deposit,

cash, security or any other property, real, personal or mixed, and these persons are concealing in any manner or in any way any of the assets, books, property, records or reports of Defendant Guarantee, except under the express authorization of the Rehabilitator or by the further order of this Court;

15. An Order requiring all banks, savings and loan association, trust companies, or any other persons, firms, corporations, associations, Depositories, employers, unions, welfare trusts, or other legal entities, to be restrained as follows:

(a) from disposing of, using, releasing, transferring, withdrawing, allowing to be withdrawn, segregating or concealing in any manner or in any way the property or assets of Defendant Guarantee, of any kind or nature whatsoever, wherever situated, or from disposing of any account, or any other asset owned, owed to or held for the benefit of Defendant Guarantee, or any account, debt, share account, trust account, or other assets owned or held for such Defendant Guarantee, or under any other name, except under the express written authorization of the Rehabilitator or by the further order of this Court;

(b) from doing anything, directly or indirectly, to prevent the Rehabilitator from gaining access to, acquiring, examining or investigating any books, documents or records, pertaining to or concerning Defendant Guarantee or its affairs, under whatever name such books, documents or records may be filed or found or wheresoever such books, documents or records may be found or situated;

(c) from interfering in any way with the lawful acts of the Rehabilitator who has been appointed or from disposing of, converting, dissipating, or concealing in any manner or in any way any of the assets, books, property, records, or reports of Defendant Guarantee.

16. An Order requiring any action or proceeding pending in any Court in which Defendant Guarantee is a party or is obligated to defend a party, is hereby stayed for a period of ninety days and such additional time as is

necessary for the Rehabilitator to obtain proper representation and prepare for further proceedings. This Order should authorize the Rehabilitator to take such action respecting such pending litigation as he considers necessary in the interests of justice and for the protection of policyholders, creditors and the public. This Order should authorize the Rehabilitator to immediately consider all litigation pending outside this state and to petition the Courts having jurisdiction over such litigation for stays wherever necessary to protect the estate of Defendant Guarantee pursuant to R.C. 3903.15;

17. An Order charging all third parties dealing with interests in real property or other property of Defendant Guarantee with notice of this order as provided in R.C. 3903.13.

18. An Order authorizing the Rehabilitator to appoint one or more special deputies, who shall have the powers and responsibilities of the Rehabilitator granted under this order, and may employ such clerks and assistants or security personnel as he considers necessary, such persons serving at the pleasure of the Rehabilitator;

19. An Order authorizing the Rehabilitator to fix the compensation of the Chief Deputy Rehabilitator, the Deputy Rehabilitators and any other special deputies, clerks, and assistants and all expenses of taking and securing possession of the property and affairs of Defendant Guarantee and of conducting the rehabilitation of Defendant Guarantee with the approval of this Court and to be paid out of the funds or assets of Defendant Guarantee. This order should include that in the event that the property of Defendant

Guarantee does not contain sufficient cash or liquid assets to defray the costs so incurred, the Superintendent of Insurance may advance the costs so incurred out of any appropriation for the maintenance of the Department of Insurance. Any amounts so advanced for expenses of administration shall be repaid to the Superintendent for the use of the Department out of the first available money of Defendant Guarantee;

20. An Order granting immediate statutory relief sought by Plaintiff in this matter;

21. Any and other relief deemed necessary by the Court including an award of Plaintiff's attorney's fees, costs and expenses incurred in this matter.

Respectfully submitted,

NANCY H. ROGERS (0002375)
Attorney General of Ohio

A handwritten signature in black ink, appearing to read "Scott Myers", with a long horizontal flourish extending to the right.

SCOTT MYERS (0040686)
Assistant Attorney General
Health and Human Services Section
30 East Broad Street, 26th Floor
Columbus, Ohio 43215-3400
(614) 466-8600
Fax: (614) 466-6090

A

AFFIDAVIT OF FREDERIC E. LEHR
IN THE MATTER OF: THE GUARANTEE TITLE & TRUST COMPANY

STATE OF OHIO

COUNTY OF FRANKLIN

NOW COMES Frederic E. Lehr, having been duly cautioned and sworn, deposes and says that:

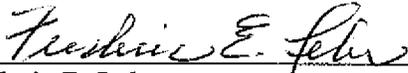
1. I am Interim Assistant Director of the Office of Risk Assessment, Ohio Department of Insurance ("Department"), and have served in this position since February 1, 2008. I served as Chief of Regulatory Action from 2003 to January 31, 2008. I have personal knowledge of the matters contained in this affidavit and I am otherwise competent to testify.
2. Among my duties under the authority of the Superintendent of the Department is responsibility for the fiscal oversight and the financial examination and surveillance of all insurance companies licensed in the State of Ohio, including The Guarantee Title & Trust Company ("GTT").
3. In my capacity as Interim Assistant Director, I am familiar with the financial condition of GTT which is a domestic "insurer" as defined in Section 3903.01(L) Ohio Revised Code ("R.C."). GTT is subject to the proceedings authorized by R.C. 3903.01 through 3903.59, known as the "Insurer's Supervision, Rehabilitation and Liquidation Act."
4. In my capacity as Interim Assistant Director, I am likewise familiar with the minimum statutory capital and surplus requirements imposed upon title insurers by R.C. 1735.02. The minimum statutory capital and surplus requirement imposed upon GTT is one hundred thousand (\$100,000).
5. GTT is a wholly owned subsidiary of Reliant Holding Company, Inc.
6. Reliant Holding Company is in turn wholly owned by Christopher M. Likens who exercises ultimate "control" of GTT as that term is defined in Ohio Revised Code 3901.32.



7. Based upon the Department's questions concerning GTT's financial condition, and in light of GTT's admission that it has lost almost one million two hundred thousand dollars (\$1,200,000) for the year ended December 31, 2007 (monthly financial statements filed on or about January 22, 2008), on February 11, 2008, the Department began its own limited scope examination of GTT pursuant to R.C. 3901.07.
8. On March 18, 2008 the Department entered an order placing GTT into supervision.
9. Contemporaneous with the Department's examination, the Department also engaged Scoda Minotti, an independent Certified Public Accounting firm, in order to determine if reasonable and necessary reserves against losses were recorded by GTT. Based upon Scoda Minotti's investigation and analysis, it was determined that GTT was in violation of R.C. 3953.12 due to inadequate reserves and processes in place.
10. GTT has failed to file audited financial statements as demanded by the Department pursuant to Ohio Administrative Code 3901 -1 -50(C) on November 30, 2007 and April 17, 2008.
11. The last financial statements filed by GTT were for the period ended March 31, 2008. These statements were unaudited and showed that Defendant GTT had One Million Nine Hundred Sixty Two Thousand Two Hundred Thirty Two Dollars (\$1,962,232.00), in operating losses for the preceding twelve (12) month period.
12. GTT's insolvent condition, along with the inability of management to raise sufficient capital for GTT, lead me to conclude that GTT is in hazardous financial condition as described in R.C. 3903.12(A), and the further transaction of business would be hazardous, financially, to its policyholders, creditors and the public.
13. There exists grounds that justify an order of formal delinquency proceedings, specifically rehabilitation, against GTT.

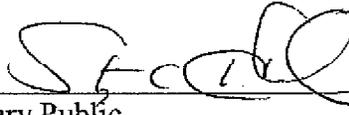
14. The interests of GTT's policyholders, creditors, and the public will be endangered by any delay.
15. I have reviewed the contents of the proposed order accompanying the complaint being filed pursuant to R.C. 3903.12 by the Department in this matter, and believe that its terms are necessary to protect the interest of GTT's policyholders, creditors, and the public.

FURTHER AFFIANT SAYETH NAUGHT.



Frederic E. Lehr
Interim Assistant Director
Office of Risk Assessment
Ohio Department of Insurance

Personally appeared before me, the aforesaid Frederic E. Lehr, who swore to the truth of the foregoing Affidavit on the 16th day of June, 2008.



Notary Public

STEPHEN C. HOMBACH, Attorney-At-Law
NOTARY PUBLIC, STATE OF OHIO
My commission has no expiration date.
Section 147.03 R. C.

B

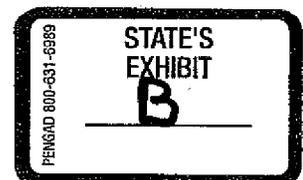
AFFIDAVIT OF DAVID A. COOK
IN THE MATTER OF: GUARANTEE TITLE AND TRUST COMPANY

STATE OF OHIO

COUNTY OF FRANKLIN

NOW COMES David A. Cook, having been duly cautioned and sworn, deposes and says that:

- 1) I am an Assistant Chief in the office of Risk Assessment, Ohio Department of Insurance ("Department"), and have served in this position since March 13, 2000. I have personal knowledge of the matters contained in this affidavit and am otherwise competent to testify.
- 2) Among my duties under the authority of the Superintendent of the Department is responsibility for the examination of title insurance companies licensed in the State of Ohio, including The Guarantee Title and Trust ("GTT").
- 3) In my capacity as Assistant Chief, I am familiar with the financial condition of GTT which is a domestic "insurer" as defined in Section 3903.01(L) Ohio Revised Code ("R.C."). GTT is subject to the proceedings authorized by R.C. 3903.01 through 3903.59, known as the "Insurer's Supervision, Rehabilitation and Liquidation Act."
- 4) In my capacity as Assistant Chief, I am likewise familiar with the minimum statutory capital and surplus requirements imposed upon domestic title and trust companies by R.C. 1735.02. The minimum statutory capital and surplus requirement imposed upon GTT is one-hundred thousand (\$100,000).
- 5) On or about February 11, 2008, the Department commenced an examination of GTT. As a result of this examination, GTT was found to have statutory surplus of negative five million five hundred thirteen thousand dollars (\$5,513,000) as of March 31, 2008. In filings made with the Department, GTT reported five hundred nineteen thousand dollars (\$519,000) in statutory surplus as of March 31, 2008. Based upon the Department's



examination, statutory surplus is six million thirty-two thousand dollars (\$6,032,000) overstated.

6) The six million thirty two thousand dollar (\$6,032,000) difference is made up of the following examination adjustments:

a) Known claims reserves – GTT established a liability in the amount of \$82,000 for this liability. The Department retained the services of Skoda Minotti, CPAs which determined GTT's known claims reserves were inadequate by four million four hundred twenty seven thousand dollars (\$4,427,000). Skoda Minotti determined that GTT did not have a process in place to set appropriate reserves as required by R.C. 3953.12

b) Receivables from parent, subsidiaries and affiliates – GTT reported a value of six-hundred forty five thousand dollars (\$645,000) for this asset. The examiners determined the value of this asset is zero (\$0). This represents a decrease of six-hundred forty five thousand dollars (\$645,000). GTT was not able to provide adequate documentation to support this balance and refused to provide the financial statements of the affiliates to determine if these amounts are collectable.

c) Other than invested assets – GTT reported a value of five-hundred eighty thousand (\$580,000) for this asset. The examiners determined the value of this asset is zero (\$0). This represents a decrease of five-hundred eighty thousand dollars (\$580,000) to the amount reported by GTT. This asset primarily represents recoupments from non-affiliated tile agents and other parties. Statutory accounting requires recoupments to be offset against the unknown claim reserves which would not have any financial impact to GTT. The majority of these recoupments are in litigation.

d) Accounts payable and accrued expenses – GTT reported a value of sixty-three thousand (\$63,000) for this liability. The examiners estimate this liability to be two-hundred thirteen thousand dollars (\$213,000) an increase of one-hundred fifty thousand (\$150,000). This increase represents the deductible amounts for two agent

defalcations. GTT's agents removed approximately two million three hundred thousand dollars (\$2,300,000) from two escrow accounts. Since closing protection letters were issued by these agents, GTT is responsible for the checks that were issued against these escrow accounts. GTT is attempting to collect the money from its crime policy, however, the crime policy has a deductible for each occurrence of seventy-five thousand (\$75,000) which GTT is responsible for.

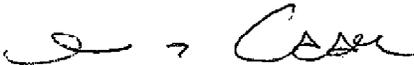
e) Net deferred tax asset – GTT reported a value of one-hundred six thousand dollars (\$106,000) for this asset. The examiners determined that this asset has no value (\$0). This represents a decrease of one-hundred six thousand (\$106,000) to the amount reported by GTT. Statutory accounting requires the gross deferred tax asset be utilized within one year or to be offset against other federal income taxes that have been paid. Neither one of these items exists; therefore the asset has no value according to statutory accounting.

f) Title plant – GTT reported a value of two hundred seventy four thousand (\$274,000) for this asset. The examiners determined the value of this asset to be one-hundred seventy nine thousand (\$179,000) a decrease of ninety five thousand (\$95,000) to the amount reported by GTT. GTT obtained an appraisal of three title plants that were located in Texas which indicated these plants were worth approximately 33% of the value reported by GTT. After discussions with GTT, it was determined that it was appropriate to apply the same percentage to the remaining title plants. Statutory accounting requires title plants to be maintained and kept up to date, neither one of which GTT has been doing.

g) Other invested assets – GTT reported a value of seventy-five thousand (\$75,000) for this asset. The examiners determine the appropriate value was forty-six thousand (\$46,000) a difference of twenty-nine thousand (\$29,000) to the amount reported by GTT. GTT was not able to provide supporting documentation for twenty-nine thousand dollars (\$29,000) included in this asset and the description of these assets would not be an admitted asset according to statutory accounting principles.

- 7) GTT's insolvent condition, along with the inability of management to raise sufficient capital for GTT, lead me to conclude that GTT is in hazardous financial condition, and the further transaction of business would be hazardous, financially, to its policyholders, creditors and the public.
- 8) There exist grounds that justify an order of formal delinquency proceedings, specifically rehabilitation, against GTT.
- 9) The interests of GTT's policyholders, creditors, and the public will be endangered by any delay.
- 10) I have reviewed the contents of the proposed order accompanying the complaint being filed pursuant to R.C. 3903.12 by the Department in this matter, and believe that its terms are necessary to protect the interest of GTT's policyholders, creditors, and the public.

FURTHER AFFIANT SAYETH NAUGHT.



 David A. Cook
 Assistant Chief Examiner
 Office of Risk Assessment
 Ohio Department of Insurance

Personally appeared before me, the aforesaid David A. Cook, who swore to the truth of the foregoing Affidavit on the 16th day of June, 2008.



 Notary Public

STEPHEN C. HOMBACH, Attorney-At-Law
 NOTARY PUBLIC, STATE OF OHIO
 My commission has no expiration date.
 Section 147.03 R. C.

C



SKODA MINOTTI

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

June 4, 2008

Frederic E. Lehr, FLMI
Interim Assistant Director
Office of Risk Assessment
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215

Dear Mr. Lehr:

On March 13, 2008, Skoda Minotti & Co. was engaged by the Ohio Department of Insurance ("ODI") to assist in an Examination of Guaranteed Title & Trust Company ("GTT"). The undersigned was the primary contact for Skoda, Minotti & Co. for this engagement.

At the onset of this engagement the role of Skoda, Minotti & Co. was to assist the ODI Examiners in ODI's pending examination of GTT. We were informed by ODI that GTT had not submitted complete financial records for 2007 to ODI, as required.

Skoda, Minotti & Co. is a full service CPA and financial advisory business with specific knowledge of accounting practices and guidelines applicable to title companies. We have assisted ODI on title company examination issues on prior occasions. At the time of engagement, we agreed to consult with the ODI Examiners who had recently initiated an on-site examination at the GTT Corporate Headquarters in Prairie Village, Kansas. On March 13, 2008 we received and reviewed the following documents from ODI Examiner David Cook:

- (1) A 23 page report identifying by claim number a list of GTT's open title claims.

Between March 13 and March 17, 2008, the undersigned participated in several conversations with Mr. Cook and ODI Assistant Director, Fred Lehr, concerning the general accounting issues related to the subject examination. As a result of such discussions, it became apparent to Skoda Minotti & Co. that a primary issue in the pending GTT Examination pertained to the "Reserves" of GTT for its "Active Claims". While Skoda, Minotti & Co. could and did assist the ODI Examiners in examining the accounting of the GTT Reserves, one of the primary issues raised during the GTT Examination was whether or not the Reserves being established by GTT on its Active Claims were in compliance with the requirements of the Ohio Revised Code. Since this issue required a legal interpretation outside the scope of customary account/audit services of Skoda, Minotti & Co., we brought into the project, James V. Aveni, Esq. of

Frederic E. Lehr
June 4, 2008
Page 2

Ranallo & Aveni LLC. Mr. Aveni is an "in house" attorney for Skoda Minotti & Co. but also maintains a private practice with a specialization in real estate and title law.

On March 17, 2008 I traveled with Mr. Aveni to GTT's corporate offices in Kansas. On March 18 and March 19, 2008. I met with ODI Examiner Nick Kostoff and assisted Mr. Kostoff in the pending GTT accounting Examination.

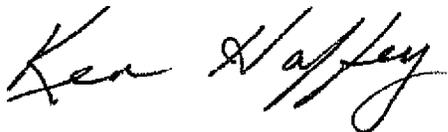
On March 17, 2008 I participated in an interview of GTT's claims attorneys Bob Kennedy and Stephani Hepford. On March 19, 2008 I participated in an interview with GTT President, Hiram Blomquist. Mr. Aveni and ODI Examiner, Nick Kostoff also participated in these interviews.

Attached hereto is a separate report generated by Mr. Aveni (the "Aveni Report"). This Report describes in greater detail the facts and data we were able to ascertain from GTT during our interviews and document review. I believe that the facts and data as summarized in the Aveni Report are accurate based upon my independent review of same and are therefore incorporated herein by reference. Skoda, Minotti & Co. is not a law firm and neither the undersigned nor the Company offer any opinion concerning the "Analysis" portion of the Aveni Report.

Attached to the Aveni Report as Exhibit A is a "Reserve Summary Chart". Skoda, Minotti & Co has verified that the "Accounting Department Reserve" as identified therein is accurate based on the information and data reviews in our scope of work. Skoda, Minotti & Co. has no opinion pertaining to the other portions of this Exhibit.

Skoda, Minotti & Co. has received invoices from Ranallo & Aveni LLC for the services of Mr. Aveni. These invoices have been incorporated into the Skoda, Minotti & Co. invoices issued to ODI, as it was Skoda, Minotti & Co which has been issued the Purchase Order from ODI for this engagement. Nothing therein is intended or should be interpreted to suggest that Skoda, Minotti & Co. has performed any legal services for this engagement.

Skoda, Minotti & Co.



Kenneth M. Haffey, CPA, CVA

June 4, 2008

Frederic E. Lehr, FLMI
Interim Assistant Director
Office of Risk Assessment
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215

Re: Guaranteed Title & Trust Company-Loss Reserves

Dear Mr. Lehr:

Pursuant to your request, this letter shall summarize this firm's investigation and conclusions pertaining to the above-referenced matter.

Our involvement in this matter began when we were requested by Skoda, Minotti & Co. to participate in an examination being conducted by the Ohio Department of Insurance ("ODI") of Guaranteed Title & Trust ("GTT"), a company domiciled in the State of Ohio. Specifically, we were requested to investigate GTT's title insurance claim reserves through 2007 to determine whether or not GTT is in compliance with Ohio law. We were further asked to reasonably estimate the necessary reserves of GTT based on its pending open claims through 2007.

QUALIFICATIONS

The qualifications of Ranallo & Aveni LLC for the requested work stem from this firm's current law practice and the background of the personnel assigned to this project. The undersigned was principally responsible for the analysis summarized in this letter.

I have been licensed to practice and have practiced law in Ohio continuously since 1993. My license is in good standing and I have never been subject to any disciplinary action. The focus of my law practice is real estate. My law practice encompasses both real estate transactional work and litigation. I represent multiple title companies in various matters in my law practice. I represent parties in making and resolving title claims and have litigated cases involving title disputes. In my transactional practice, I customarily review title commitments, resolve title issues and coordinate escrow closings. For the last fifteen years I have prepared deeds and provided other

necessary closing documentation for multiple title agencies in the Cleveland area. Since its inception in 2003, Ranallo & Aveni LLC, under my supervision, has prepared at least a thousand deeds or related closing instruments on behalf of our title agent clients.

In conjunction with our law practice, my law partner and I serve as "in house" counsel to Skoda, Minotti & Co and manage the Company's Litigation Support Practice. We further own and operate RA Land Title Agency LLC. This company issues title policies as a local agent for Old Republic National Title Insurance Company and EnTitle Insurance Company (formerly "Guardian National Title Insurance Company"). RA Land Title has three licensed title agents in Ohio, including myself.

Prior to beginning my law practice and as a law student, I was employed as a title examiner by Midland Title and Commonwealth Land Title.

SCOPE OF WORK

Upon being engaged, on March 13, 2008, our office received from Skoda, Minotti & Co. a 23 page report identifying by claim number a list of GTT's open title claims. The report is dated March 14, 2008 and contains no title or heading. The bottom right side of each page of this report reads "Copy of GTT Active Claim Files-GTT". The report appears to be an internal record of GTT. The last page of this March 14, 2008 report identifies 350 "Total Active Claims". 231 of the Total Active Claims have claim numbers indicating the claim was opened sometime prior to the end of 2007. For each claim number the report contains a brief "Claim Description", a reference to a "Notes File", a brief description of the current status and an indication of who at GTT is responsible for the claim. The report dated March 14, 2008 does not identify (by category) if a reserve has been established for each claim or the amount of any reserve. Nor is there sufficient information contained in this report to evaluate the nature and current status of each claim.

On March 17, 2008, I traveled with Ken Haffey of Skoda, Minotti & Co. to GTT's administrative offices in Prairie Village, Kansas. I worked on site with ODI's Examiners in an effort to more fully evaluate the nature of GTT's open claims, reserve setting protocol and to verify reserves set by GTT for its Active Claims. To this end, on March 17th and 18th I met with the two GTT claims attorneys primarily responsible for managing the Active Claims. On March 18th, I met with GTT President Hiram Blomquist to discuss the Company's reserve protocol and claims management processes. Ken Haffey from Skoda, Minotti & Co. and ODI Examiner Nick Kostoff, also attended the March 17th and March 18th interviews.

During our initial interview with claims attorneys Stefani Hepford and Bob Kennedy, we were advised that the most practical method to evaluate GTT's Active Claims was to review the "File Notes" which the GTT Claims Department maintains for each Active Claim. We were further advised that the Claims Department did not maintain a separate database for Active Claims where a reserve has been set by GTT. Thus, in order to confirm whether or not a reserve has been set for a particular Claim, as well as the amount of any such reserve, the File Notes for each claim number would need to be reviewed. At this time, at the instruction of ODI, I requested and was provided from GTT copies of File Notes for only the Active Claims opened in 2007. Initially, ODI requested that I review 50% of the 2007 Active Claims. My objective was to either confirm the amount set by GTT as a reserve for each Active Claim, confirm no reserve was necessary, or estimate a reasonable reserve where none had been set by GTT, despite the likelihood of a loss or indemnification/cure related expenses.

On March 17th and 18th I began reviewing the File Notes for half of the 2007 Active Claims. On March 18th, I was requested by ODI to expand my review to include 25% of the pre-2007 Active Claims. I randomly selected 25% of the pre-2007 Active Claims and requested the GTT File Notes for same. On March 18th, 2008 I was also provided from GTT an updated Active Claims Report, identical in format to the previously mentioned report, but dated March 17, 2008. This updated report identifies 209 Active Claims through 2007. Thus, between March 14th and March 17th, approximately 23 Active Claims were transferred to inactive status by GTT. I did not review the File Notes for any Active Claim which was transferred to inactive prior to March 17th, 2008. The March 17, 2008 report identifies an additional 104 Active Claims opened in 2008 which have not been reviewed.

Upon review of the initial sampling of both the 2007 and pre-2007 File Notes, I concluded that for approximately half of the Active Claims reviewed, there was not sufficient information in the File Notes for me to perform the task requested by ODI.

After providing ODI with my preliminary findings following my interview with GTT personnel and my review of a sampling of the Active Claims File Notes, ODI requested that I expand my work to include all of GTT's Active Claims through 2007.

I returned to the GTT Administrative Offices on April 2-4, 2008. Prior to my return, I was provided from ODI the remaining File Notes for the GTT Pre-2007 Active Claims. On April 3, 2008, I met with GTT Claims Attorney Stefani Hepford. On April 4th, 2008, I met with GTT Claims Attorney Bob Kennedy. The purpose for each meeting was to attempt to obtain additional information for those 2007 Active Claims where there was not sufficient information in the File Notes for me to evaluate the claim status or the

necessity for a reserve. While on site, I also continued to review the File Notes for those Active Claims which I had not previously reviewed.

Having reviewed 100% of the 2007 and prior Active Claims, as identified by GTT in the March 17th, 2008 report, together with the File Notes for each Active Claim, our firm has prepared the Reserve Summary Chart which is attached hereto as Exhibit A. This Reserve Summary Chart identifies those Active Claims for which a reserve has been set by the GTT Claims and/or Accounting Departments. The Chart further identifies Active Claims where no reserve has been set by GTT, but for which we propose a reserve which we estimate to be reasonable based upon our limited investigation. Those reserves marked with an asterisk reflect those Active Claims where we believe it is necessary to further review the claim with GTT in order to finalize a reserve, each of which may be modified based on the additional information provided. Where additional information was obtained outside of the File Notes on Active Claims involving a set or proposed reserve, the nature or source of such information is also provided.

SUMMARY OF GTT RESERVE SETTING PROTOCOL

During the interviews with GTT personnel on March 17th, 18th, April 3rd and April 4th, I requested an explanation of GTT's protocol for establishing reserves. This issue was discussed with Stefani Hepford, Bob Kennedy and Hiram Blomquist.

Based on the interviews, it is our understanding that GTT has no written policy or protocol concerning reserves. If a reserve is set on an Active Claim, it typically occurs in one of two ways: First, the managing claims attorney has the authority to independently determine if a reserve should be set on any Active Claim; Second, if the claims attorney managing the claim is unsure whether or not to set a reserve, or at what amount, the protocol appears to be to discuss the issue with Hiram Blomquist for a determination.

GTT's Claims Department does not perform an annual review of its reserves. In fact, the Claims Department does not have a database in which reserves are tracked.

GTT's claims attorneys expressed frustration with the lack of an adequate software management system to track claims. Such a system would enable GTT to set, track and periodically review reserves. There is no way to verify which Active Claims have a reserve or to review the adequacy of any such reserve without reviewing the File Notes for each Active Claim. As a result, there is no retrievable data base available to the Claims Department which would make a periodic review of reserves a manageable task.

GTT's philosophy on setting reserves is principally to wait until a settlement of a claim is imminent and then set a reserve for the settlement amount at the same time

payment on the claim is being processed. In rare instances, a reserve will be set earlier in the claims process. GTT justifies this philosophy by citing its history of successfully resolving claims based on the experience of its claims attorneys and its utilization of seasoned outside counsel to handle litigation.

The mechanics utilized by GTT to establish reserves is notable. If a claims attorney deems it appropriate to set a reserve on an Active Claim, with or without the direction of Hiram Blomquist, a notation of such is made in the File Notes. However, by doing so, no funds are actually "reserved". Rather, the claims attorney must provide the pertinent information to a paralegal in the Claims Department, who is supposed to both log the reserve in the Claims Department data base and provide the reserve information to the GTT Accounting Department. The claims attorneys do not receive any verification from the Accounting Department that the scheduled reserve has in fact been set. Bob Kennedy explained that when he determines a reserve is necessary, after noting the reserve in the File Notes, he writes himself a reminder to provide the reserve information to the Claims Department paralegal for further processing. Mr. Kennedy acknowledged that at times he has neglected to provide the reserve information to his Claims Department paralegal for further processing. Mr. Kennedy further admitted that he has no idea what happens with the reserve after he provides the paralegal with the information. No further communication with the Accounting Department occurs as a matter of protocol.

The reserve setting protocol of GTT has apparently caused or contributed to a significant discrepancy between the reserves purportedly established through the Claims Department and the reserves actually documented by the Accounting Department.

ODI Obtained from GTT, and provided for our review, an accounting report dated 3/17/08. This accounting report identifies only four claims where an open reserve appears to be recognized in GTT accounting. In only one claim is the accounting reserve consistent with the Claims Department reserve (04-3567). The remaining three claims identified in the accounting report are not included in the March 17, 2008 Active Claims report provided by the GTT Claims Department. In addition, the File Notes reviewed identify eleven claims for which a reserve was purportedly set by the claims attorneys, yet those eleven reserves do not appear on the March 17, 2008 accounting report. The specific claim numbers and reserve amounts documenting the discrepancy between the Claims and Account Departments are identified in Exhibit A.

ANALYSIS

GTT is a corporation domiciled in Ohio. As such, GTT is obligated to comply with Ohio law. For purposes of setting reserves against claims, GTT is obligated to comply with Ohio Revised Code §3953.12, which states:

“3953.12 Other reserves.

(A) Each title insurance company shall at all times establish and maintain, in addition to other reserves, a reserve:

(1) Against unpaid losses;

(2) Against loss expense, and shall calculate such reserves by making a careful estimate in each case of the loss expense likely to be incurred, by reason of every claim presented, pursuant to notice from or on behalf of the insured, of a title defect in or lien or adverse claim against the title insured, that may result in a loss or cause expense to be incurred for the proper disposition of the claim. The sums of the items so estimated shall be the total amount of the reserves against unpaid losses and loss expenses of such title insurance company.

(B) The amount so estimated may be revised from time to time as circumstances warrant, but shall be redetermined at least once each year.

(C) The amounts set aside in such reserves in any year shall be treated as an expense in determining the net profits for such year of any title insurance company.

Effective Date: 12-12-1967”

Based upon our investigation of the status of reserves by GTT and its reserve setting protocol, as summarized in the preceding sections, it is our opinion that GTT is not in compliance with the requirements of ORC §3953.12 for the Active Claims reviewed.

GTT has no policy in place which attempts to comply with the requirements of Ohio law. The claims attorneys have no discernable guidance from GTT for when and how to set reserves. In rare instances where a reserve is set prior to the settlement of a claim, GTT has no protocol in place to assure the reserves are processed from the Claims Department to Accounting. The reserves are not reviewed periodically, or at a minimum

once a year. Such a task would be daunting because the GTT claims attorneys who manage the Active Claims have no retrievable database of reserved claims to review.

GTT's philosophy in setting reserves further contradicts the requirements of ORC §3953.12. GTT's pattern in setting reserves, based upon the comments of the parties interviewed and our review of the Active Claim File Notes, is to set a reserve as claims are settled. While estimating a reserve can not typically occur immediately upon notice of a claim, the standard set forth in ORC §3953.12 clearly contemplates a careful estimating effort which is to be preliminary to payment of claims and periodically monitored on a claim by claim basis. Based on the information provided, for GTT to have loss reserves set up for only four (per Accounting; three of which may be closed) or eleven (per Claims Department) out of the two hundred nine 2007 and prior Active Claims reviewed, suggests a blatant disregard for the mandates of ORC §3953.12, as well as our understanding of industry custom.

While Ohio law does not mandate a specific protocol for a title company to set reserves, it is our understanding that most title companies operating in Ohio establish a formal policy for setting reserves, and train their claims personnel on such policy. This allows the title company to manage, track and adjust reserves and to provide oversight to its claims personnel.

Even where there may be no paid loss resulting from a claim, ORC §3953.12 requires the title company to estimate and reserve anticipated expenses to dispose of claims. Realistically, it is rare for a title company to be able to reasonably estimate a reserve immediately upon the filing of a claim. The claims personnel need time to gather information and evaluate the claim against coverage requirements. For this reason, title company policy typically sets an outside date from claim origination when a reserve determination should be made. Any such reserve determination can be adjusted as the claim progresses. In addition, if it is the title company's protocol to only set reserves where an unpaid loss is anticipated, the company must account for claim disposition related expenses in some other fashion. It is our understanding that other title companies operating in Ohio establish a "general reserve" for estimated claim disposition expenses by reviewing expenses incurred in the preceding 3-5 year period.

Again, while there is not one right way to satisfy the mandates of ORC §3953.12, it is our opinion that the GTT reserve setting protocol does not reasonably or timely estimate claims paid or expenses incurred in disposing GTT's claims.

Pursuant to the request of ODI, Exhibit A hereto identifies GTT's Active Claims for which we believe either reserve should be set, together with our proposed amount, or GTT should provide ODI a detailed explanation to verify why no reserve is necessary.

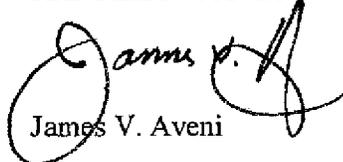
Mr. Frederic E. Lehr
June 4, 2008
Page 8 of 8

Please recognize that the opinions contained herein are necessarily limited by the extent and accuracy of the information we have been provided, whether by verbal statements or documents, and is further limited by the scope of work assigned.

We have no present financial interest in the Ohio Department of Insurance. Our fees for this analysis are based upon our normal hourly billing rates, and are in no way contingent upon the results of our findings. We have no responsibility to update our analysis for events or circumstances occurring subsequent to the dates referenced herein.

We assume no responsibility to update this analysis for events or circumstances occurring on or after the date hereof. In addition, we reserve the right to modify this analysis to the extent that new or additional facts are provided.

RANALLO & AVENI LLC



James V. Aveni

EXHIBIT A
Guaranteed Title & Trust
Reserve Summary Chart

Claim Number	Claims Dept. Reserve	Accounting Dept. Reserve	JVA Preliminary Reserve	Additional Info Provided
02-2919			41,000.00	
03-2973			36,000.00	
03-3342			29,000.00	
04-3453	10,000.00		10,000.00	
04-3567	52,000.00	52,000.00	52,000.00	Discussed with Claims Dept.
05-3833			*180,000.00	
05-3896			*157,500.00	
05-3897	25,000.00			Settled for \$1,000 per ODI
05-3941			60,000.00	
05-4026	1,750.00		45,000.00	
05-4078	40,000.00		40,000.00	
05-4112	10,000.00		10,000.00	
05-4118	10,000.00		10,000.00	
05-4130		54,000.00	Closed?	Settled for \$76,500/ Discussed
05-4152			*380,000.00	
06-4220			*78,000.00	
06-4288	24,099.00	24,099.00	24,099.00	
06-4413			*50% Policy Limit	
06-4503			42,000.00	
06-4508			45,880.00	
06-4534			*128,500.00	
06-4535			*130,000.00	
06-4554	20,000.00		Closed?	
06-4634		38,000.00	Closed?	Discussed with Claims Dept.
06-4654			65,000.00	
07-4694			28,000.00	
07-4722			39,000.00	
07-4727			27,000.00	
07-4740			40,000.00	Paid?
07-4748			75,000.00	
07-4752			42,000.00	
07-4760			53,000.00	
07-4763			10,000.00	
07-4767			27,000.00	
07-4783			45,200.00	Discussed with Claims Dept.
07-4792			6,500.00	

EXHIBIT A
Guaranteed Title & Trust
Reserve Summary Chart

07-4804			*159,000.00	
07-4811	62,500.00		62,500.00	
07-4812	34,518.00		34,518.00	
07-4813			*50% of Policy Limit	
07-4825			50,000.00	
07-4827			21,000.00	
074833			50,000.00	
07-4850	18,000.00		18,000.00	
074852			10,000.00	
07-4855			*81,000.00	
07-4861			*101,700.00	
07-4866			8,500.00	
07-4872			*86,000.00	
07-4879			16,000.00	
07-4905			10,000.00	
07-4919			76,500.00	Discussed with Claims Dept.
07-4921			47,000.00	
07-4937			*28,000.00	
074938			*80,000.00	
07-4941			*345,000.00	
07-4949			*31,000.00	
07-4972			*156,000.00	
07-4992	1,747.78		Closed?	Discussed with Claims Dept.
07-5002			25,000.00	
07-5021			*13,000.00	
07-5024			*175,000.00	
07-5026			*170,000.00	
07-5030			*200,000.00	
07-5031			*155,000.00	
07-5050			*159,000.00	
07-5061			40,000.00	Discussed with Claims Dept.
07-5064			4,500.00	
07-5068			30,000.00	
07-5070			7,600.00	
07-5078			15,200.00	
07-5087			59,000.00	
07-5089			5,600.00	

EXHIBIT A
Guaranteed Title & Trust
Reserve Summary Chart

07-5097		50,000.00	
07-5103	1,594.75		Settled for \$1,594.35
Column Subtotal	309,461.75	145,747.78	4,537,297.00

D

CERTIFIED RESOLUTION
OF THE
BOARD OF DIRECTORS
OF
THE GUARANTEE TITLE
AND TRUST COMPANY

I, the undersigned, being the President of The Guarantee Title and Trust Company (the "Company"), duly organized and existing under the laws of the State of Ohio, do hereby certify that the following is a true and correct copy of a resolution duly passed by the Board of Directors of the Company:

Resolved that the appropriate officer of the Company hereby is, authorized and empowered to execute the Consent to Rehabilitation attached hereto as Exhibit "A".

In witness whereof, I have set my hand as of this 9th day of June, 2008.

Howard E. Blong, President

Sworn to and subscribed before me this 9th day of June, 2008.

Stephen V. Heyford, Secretary

Seal



**WAIVER OF CERTAIN PROCEDURAL RIGHTS
AS TO COMPLAINT FOR ORDER OF REHABILITATION**

WHEREAS, The Guarantee Title and Trust Company (the "Company"), is an Insurance Company organized and incorporated under the law of the State of Ohio and domiciled in the State of Ohio; and

WHEREAS, the Company is an insurer as defined in Section 3903.01(L) of the Ohio Revised Code; and

WHEREAS, pursuant to Ohio Revised Code Section 3903.03, the Company is subject to proceedings authorized in Sections 3903.12, *et seq.*, of the ORC; and

WHEREAS, pursuant to Ohio Revised Code Section 3903.12; the Company, through it's Board of Directors, has a right to participate and defend against any complaint for rehabilitation filed by the Department.

NOW THEREFORE, the Company hereby acknowledges and agrees to the following:

1. The Company, being fully informed of its rights pursuant to Ohio Revised Code Section 3903.12, does hereby consent to be placed into rehabilitation by the Ohio Department of Insurance subject to the terms of an Order and Agreed Entry executed contemporaneously with the waiver.
2. The Company hereby waives any right to participate and defend against a complaint for rehabilitation filed by the Department including but not limited to, any right to receive service of process and any right to a formal hearing in connection with the entry of an order of rehabilitation.
3. The Company acknowledges that its Board waives any right to contest the complaint filed by the Superintendent of Insurance requesting that the Company be placed into rehabilitation.
4. The Company agrees to take all actions, produce all books, records and other documents, and to cooperate fully in any other manner with the Department regarding the complaint for rehabilitation.
5. This waiver shall not prejudice the authority of the Superintendent of Insurance to exercise any right under ORC Chapter 3903 or the Order of Rehabilitation entered hereafter.

IN WITNESS WHEREOF, the undersigned executes and acknowledges this
Waiver this 9th day of June, 2008.

Guarantee Title and Trust Company

By :

William E. Stanger, President