THE SECURITY TITLE GUARANTEE CORPORATION *of* BALTIMORE

ANNUAL REPORT 2016

Continuing to Build the Foundation of Our Success

REPORT TO STAKEHOLDERS

2016 Operating Results

2016 represented another successful year for your company with net income, after federal income taxes, of $942,197 leading to an increase in the Company's policyholder surplus to $4,422,598, and representing the fifth consecutive year of growth in surplus, rising from $2,329,583 as of December 31, 2011.

In-line with the industry average for the year, title insurance premiums earned increased 9% over 2015 to a total of $44,505,275. Gains in 2016 were mixed, with approximately half our markets remaining flat or posting small declines while almost all of our major markets (defined as those where at least $1,000,000 of premium is written) posted gains, led by the State of Louisiana which increased 38%, followed by continued growth in Mississippi, up 19%. The Company's mid-Atlantic markets generally improved as well, with Premiums earned growing 11% in Pennsylvania; 8% in Maryland and 6% in New York despite an overall industry decline in that state of 3.7%. The only major market to post a decline in 2016 was New Jersey, off 22% to $810,465. With a plan to refocus on growing the New Jersey market, we expect to reverse that result in 2017 and beyond.

At the same time that operating income grew 9%, losses and loss adjustment expenses increased 23% from $1,470,335 in 2015 to $1,815,119 at the end of 2016 due primarily to court decisions in a handful of claims that were contrary to the Company's expected result. Management does not anticipate this representing a long-term trend. Indeed, reserves for known claims reduced 11% during the same time period, to $1,944,764, reflecting the expectation for reduced claim losses in 2017.

Operating expenses increased 8% over 2015 due mostly to increased agency commission expense. The Company operates exclusively through independent agents who perform many of the functions the Company would otherwise have to provide if it operated on a direct basis. Compensation to its agents is in the form of commissions on the gross title insurance premium they generate. As a result, as premium revenue increases, so, too, does commission expense. With an improved real estate market, it is expected there will be some upward pressure on commissions but the Company is determined to manage this expense to the extent possible in order to maintain profitability in future years.

Net investment gain in 2016 totaled $201,027 compared to $161,615 in 2015. Net investment income earned declined 26% due mostly to the Company's wholly owned subsidiary, Secure Title Solutions (STS), contributing only $12,069 compared with $97,071 in 2015. This resulted from a decline in

"Another successful year for your company."

demand for its core consulting service, assessments of compliance with title industry Best Practices, as a result of slackening demand from lenders for independent verification of compliance. This decrease was offset by unrealized capital gains of $20,398 compared to a loss of ($83,216) in 2015, which was caused by a $120,000 loss on the sale of real estate.

Growth in policyholder surplus was negatively affected as a result of the exercise of put rights by a few of the Company's Series B Preferred shareholders, causing a reduction in capital of $1,391, a reduction in paid-in surplus of $68,159.00 and a reduction in net profit of $10,432.50 for a total of $79,982.50. With the put right period for all shares of Preferred stock now expired, it will have no further effect on capital and surplus in future years.

2017 and beyond

Despite some uncertainty over how the White House's plans for tax reform may affect the ability of homeowners to deduct their mortgage interest expense as well as uncertainty over the rate and degree by which the Federal Reserve may raise interest rates, should the economy or inflation begin to heat up, 2017 is expected to be another robust year for real estate sales, with the National Association of Realtors projecting a 1.9% increase in existing home sales and a 10% increase in new home sales. In addition, home prices are predicted to grow 3.9% due to continued lack of inventory.

At the same time that home sales are projected to continue their upward trend, mortgage volume is expected to decline as a result of rising interest rates causing a reduction in mortgage refinance activity of 47% though this will be offset, in part by an anticipated 11% increase in purchase money mortgage originations. Due to the generally higher title insurance rates charged on home sales as opposed to refinance transactions, Security Title expects only a small decline in title insurance premium revenue for full year, 2017.

Efforts by the current White House Administration to reduce regulation of the lending industry could have a negative effect on the long-term prospects of our subsidiary, Secure Title Solutions but 2017 is expected to be another successful year for that company as previously Best Practices assessed agents elect to undergo a required biennial update to their compliance assessment.

2017 represents 65 years since Security Title's founding in Baltimore, Maryland by William C. Rogers, Sr., his son, William C. Rogers, Jr. and other local business leaders. In the intervening years, Security Title has weathered many economic downturns and societal upheavals. To ensure we remain a viable company for many years to come, beginning in 2017, we will be refocusing and reenergizing efforts to expand our agency network and the number of markets in which we operate. Our goal is to continue growing premium revenue in order to minimize the effect of the next downturn when it occurs. Although the real estate and lending markets are expected to remain healthy for at least the next two years, macro-economic factors create uncertainty and cyclicality that, in the long-term will almost certainly lead to decreases in title industry revenues. We believe that, by taking the necessary steps now to position the Company for growth, we will be ready to weather future economic downturns as they occur.

Thank you, as always, for your confidence in our efforts to grow your Company and maintain Security Title's position as a regional market leader.

Sincerely,

Theodore C. Rogers
President

GSG Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
The Security Title Guarantee Corporation of Baltimore, Baltimore, Maryland

We have audited the accompanying financial statements of The Security Title Guarantee Corporation of Baltimore, which comprise the statements of admitted assets, liabilities, capital and surplus – statutory basis as of December 31, 2016 and 2015, and the related statements of operations – statutory basis, changes in capital and surplus – statutory basis, and cash flows – statutory basis for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the National Association of Insurance Commissioners (NAIC) and permitted by the Maryland Insurance Administration (MIA). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As described in Note 1 of the financial statements, the financial statements prepared by The Security Title Guarantee Corporation of Baltimore on the basis of the financial reporting provisions of the NAIC and permitted by the MIA, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the NAIC and permitted by the MIA. The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the statements of admitted assets, liabilities, capital and surplus – statutory basis of The Security Title Guarantee Corporation of Baltimore as of December 31, 2016 and 2015, or the results of its operations or its cash flows for the years then ended.

OPINION ON REGULATORY BASIS OF ACCOUNTING

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of The Security Title Guarantee Corporation of Baltimore as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended, in accordance with the financial reporting provisions of the NAIC and permitted by the MIA as described in Note 1.

Gorfine, Schiller & Gardyn, PA

March 22, 2017
Owings Mills, Maryland

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, CAPITAL & SURPLUS – STATUTORY BASIS

December 31, 2016 and 2015

	2016	2015
ADMITTED ASSETS		
Investments:		
Debt securities	$ 4,803,978	$ 4,922,738
Common stock	1,794,216	1,362,173
Preferred stock	45,000	45,000
Other investments	242,665	261,235
Cash and short-term investments	8,343,058	7,769,705
Receivable, other	21,481	–
Title insurance premiums and fees receivable	896,318	792,298
Property and equipment, net	215,874	279,582
Accrued interest receivable	29,892	30,826
Cash value of life insurance	83,720	82,723
Deferred income tax asset	87,000	189,000
TOTAL ADMITTED ASSETS	**$16,563,202**	**$ 15,735,280**
LIABILITIES, CAPITAL AND SURPLUS		
Statutory premium reserve	$ 9,727,479	$ 9,372,586
Known claims reserve	1,944,764	2,193,913
Taxes, licenses and fees	116,739	156,685
Premiums received in advance	9,616	8,311
Other accrued expenses	342,006	337,945
TOTAL LIABILITIES	**$12,140,604**	**$ 12,069,440**
Common stock	935,432	935,432
Preferred stock	19,052	20,443
Gross paid in and contributed surplus	1,671,059	1,739,218
Retained surplus	1,797,055	970,747
TOTAL CAPITAL AND SURPLUS	**$ 4,422,598**	**$ 3,665,840**
TOTAL LIABILITIES, CAPITAL AND SURPLUS	**$16,563,202**	**$ 15,735,280**

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

STATEMENTS OF OPERATIONS – STATUTORY BASIS

For the years ended December 31, 2016 and 2015

	2016	2015
OPERATING INCOME		
Title insurance premiums earned	$ 44,505,275	$ 40,809,115
Service charges	814,250	682,142
TOTAL OPERATING INCOME	**45,319,525**	**41,491,257**
EXPENSES		
Losses and loss adjustment expenses incurred	$ 1,815,119	$ 1,470,335
Operating expenses incurred	42,749,653	39,297,382
TOTAL EXPENSES	**44,564,772**	**40,767,717**
NET OPERATING INCOME	754,753	723,540
NET INVESTMENT GAIN	201,027	161,615
MISCELLANEOUS INCOME	997	958
Net income before federal income tax	956,777	886,113
PROVISION FOR INCOME TAXES	(14,580)	–
NET INCOME	**$ 942,197**	**$ 886,113**

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

STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS – STATUTORY BASIS

For the years ended December 31, 2016 and 2015

	2016	2015
CAPITAL STOCK		
Common stock	$ 935,432	$ 935,432
Preferred stock	19,052	20,443
Total capital stock	$ 954,484	$ 955,875
GROSS PAID IN AND CONTRIBUTED SURPLUS	**$ 1,671,059**	**$ 1,739,218**
RETAINED SURPLUS		
Balance, beginning of year	$ 970,747	$ 305,793
Deferred income taxes	(34,000)	(122,000)
Net income	942,197	886,113
Dividends paid	(107,802)	(114,064)
Net unrealized capital gain (loss)	132,769	(55,704)
(Increase) decrease in non-admitted assets	(106,856)	70,609
BALANCE, END OF YEAR	$ 1,797,055	$ 970,747

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

STATEMENTS OF CASH FLOWS – STATUTORY BASIS

For the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums and other charges collected	$ 44,190,445	$ 40,727,343
Loss and loss adjustment expenses paid	(1,709,375)	(907,934)
Operating expenses paid	(42,594,292)	(38,975,013)
Net investment income	180,089	251,232
Other income received	814,250	683,100
Federal taxes	(14,580)	–
Cash provided by operating activities	866,537	1,778,728
CASH FLOWS FROM INVESTMENT PROCEEDS AND ACQUISITIONS		
Proceeds from investments sold, matured or repaid	413,222	2,330,512
Cost of investments acquired	(496,025)	(2,599,583)
Cash used in investment proceeds and acquisitions	(82,803)	(269,071)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(107,802)	(114,064)
Capital and paid in surplus	(132,500)	–
Other cash sources and (applications) – net	29,921	(86,161)
Cash used in financing activities	(210,381)	(200,225)
Net increase in cash and short-term investments	573,353	1,309,432
CASH AND SHORT-TERM INVESTMENTS		
Beginning of year	7,769,705	6,460,273
CASH AND SHORT-TERM INVESTMENTS		
End of year	$ 8,343,058	$ 7,769,705

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

A. Accounting Practices

The financial statements of The Security Title Guarantee Corporation of Baltimore (the Company) are presented on the basis of accounting practices prescribed or permitted by the Maryland Insurance Administration.

The Maryland Insurance Administration recognizes only statutory accounting practices prescribed or permitted by the State of Maryland for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual,* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Maryland. The State has adopted certain prescribed accounting practices that differ from those found in NAIC SAP, however none of these differences affect the Company.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Maryland is shown below:

		F/S	F/S	2016	2015
NET INCOME	SSAP #	Page	Line #		
01. The Security Title Guarantee Corporation of Baltimore state basis	X X X	X X X	X X X	$ 942,197	$ 886,113
02. State Prescribed Practices that increase/(decrease) NAIC SAP:				–	–
03. State Permitted Practices that increase/(decrease) NAIC SAP:				–	–
04. NAIC SAP	X X X	X X X	X X X	$ 942,197	$ 886,113
SURPLUS					
05. State Basis	X X X	X X X	X X X	$4,422,598	$3,665,840
06. State Prescribed Practices that increase/(decrease) NAIC SAP:				–	–
07. State Permitted Practices that increase/(decrease) NAIC SAP:				–	–
08. NAIC SAP	X X X	X X X	X X X	$4,422,598	$3,665,840

B. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are earned when collected at the time of settlement whereby the insurance liability is established. Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

(1) Short-term investments are stated at amortized cost.

(2) Bonds not backed by other loans are stated at amortized cost using the interest method.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN – Continued

(3) Common stocks are stated at market value, except the shares owned of Title Reinsurance Company, which represent less than 10% of the outstanding shares of that company, are carried on the equity basis.

(4) Preferred stocks are stated in accordance with the guidance provided in SSAP No. 32.

(5) Mortgage loans on real estate are stated at the aggregate carrying value less accrued interest.

(6) Not Applicable

(7) On July 18, 2016, the Company established Secure Property Acquisitions, Inc. for the purpose of acquiring, managing and disposing of real and personal assets. The Company transferred its 100% interest in 131-18 135th Place, LLC to Secure Property Acquisitions, Inc. The interest in this affiliate is carried at GAAP equity.

The Company owns 100% of two limited liability companies: Secure 1031 Exchange Services, LLC was established by the Company to act as a marketing company for Citibank 1031 Exchange Services, a Qualified Intermediary under Section 1031 of the Internal Revenue Code (IRC), and Secure Title Solutions, LLC, was established by the Company to provide consulting services to title insurers and agents, including on-site agent reviews, monthly account reconciliations and compliance assessments with Title Industry Best Practices. The interests in these companies are carried at GAAP equity.

(8) Not Applicable

(9) Not Applicable

(10) Not Applicable

(11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on the assumptions and estimates, and while management believes the amount is adequate, the ultimate liabilities may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

(12) The Company has not modified its capitalization policy from the prior period.

(13) Not Applicable

D. Not Applicable

2. Not Applicable

3. Not Applicable

4. Not Applicable

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

5. INVESTMENTS

A. Not Applicable

B. Not Applicable

C. Not Applicable

D. Not Applicable

E. Not Applicable

F. Not Applicable

G. Not Applicable

H. (1) Restricted Assets (Including Pledged)

	1	2	3	4	5	6
RESTRICTED ASSET CATEGORY	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase / (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Percentage Gross Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	$ –	$ –	$ –	$ –	%	%
b. Collateral held under security lending agreements	–	–	–	–	–	–
c. Subject to repurchase agreements	–	–	–	–	–	–
d. Subject to reverse repurchase agreements	–	–	–	–	–	–
e. Subject to dollar repurchase agreements	–	–	–	–	–	–
f. Subject to dollar reverse repurchase agreements	–	–	–	–	–	–
g. Placed under option contracts	–	–	–	–	–	–
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock	–	–	–	–	–	–
i. FHLB capital stock	–	–	–	–	–	–
j. On deposit with states	$ 1 ,848,313	$ 2 ,072,086	(223,773)	$ 1,848,313	10.30%	11.16%
k. On deposit with other regulatory bodies	–	–	–	–	–	–
l. Pledged as collateral to FHLB (including assets backing funding agreements)	–	–	–	–	–	–
m. Pledged as collateral not captured in other categories	–	–	–	–	–	–
n. Other restricted Assets	–	–	–	–	–	–
o. Total Restricted Assets	$ 1 ,848,313	$ 2,072,086	(223,773)	$ 1 ,848,313	10.30%	11.16%

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

5. INVESTMENTS – Continued

(2) Not Applicable

(3) Not Applicable

(4) Not Applicable

I. Not Applicable

J. Not Applicable

K. Not Applicable

L. Not Applicable

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A. The Company had no investments in Joint Ventures, Partnerships and Limited Liability Companies that exceeded 10% of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. INVESTMENT INCOME

A. Due and accrued income was excluded from surplus on the following basis:
All investment income due and accrued with amounts that are over 90 days past due.

B. The total amount excluded was $-0-.

8. Not Applicable

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

9. INCOME TAXES

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.	12/31/2016			12/31/2015			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a. Gross deferred tax assets	$ 279,000	–	279,000	313,000	–	313,000	(34,000)	–	(34,000)
b. Statutory valuation allowance adjustments	$ –	–	–	–	–	–	–	–	–
c. Adjusted gross deferred tax assets (1a – 1b)	$ 279,000	–	279,000	313,000	–	313,000	(34,000)	–	(34,000)
d. Deferred tax assets nonadmitted	$ –	–	–	–	–	–	–	–	–
e. Subtotal net admitted deferred tax asset (1c – 1d)	$ 279,000	–	279,000	313,000	–	313,000	(34,000)	–	(34,000)
f. Deferred tax liabilities	$ –	192,000	192,000	–	124,000	124,000	–	68,000	68,000
g. Net admitted deferred tax assets/ (net deferred tax liability) (1e – 1f)	$ 279,000	(192,000)	87,000	313,000	(124,000)	189,000	(34,000)	(68,000)	(102,000)

2.	12/31/2016			12/31/2015			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Admission calculation components SSAP No. 101									
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ –	–	–	–	–	–	–	–	–
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below)	$ –	–	–	–	–	–	–	–	–
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	$ –	–	–	–	–	–	–	–	–
2. Adjusted Gross Deferred Tax Assets Allowed Per Limitation Threshold	$ XXX	XXX	–	XXX	XXX	–	XXX	XXX	–
c. Adjusted Gross Deferred Tax Assets (Excluding the Amount of Deferred Tax Assets From 2(a) and 2(b) Above) Offset by Gross Deferred Tax Liabilities	$ –	–	–	–	–	–	–	–	–
d. Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	$ –	–	–	–	–	–	–	–	–
3. Not applicable									

4.	12/31/2016		12/31/2015		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
					(Col 1-4)	(Col 2-4)
IMPACT OF TAX PLANNING STRATEGIES	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted gross DTAs amount from note 9A1(c)	$ 279,000		313,000		(34,000)	
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies						
3. Net admitted adjusted gross dtas amount from note 9A1(e) c	$ 279,000		313,000		(34,000)	
4. Percentage of net admitted adjusted gross dtas by tax character admitted because of the impact of tax-planning strategies						

Does the company's tax-planning strategies include the use of reinsurance? Yes No X

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

9. INCOME TAXES – Continued

B. Not Applicable

C. Current income taxes incurred consist of the following major components:

		(1)	(2)	(3)
				(Col 1-2)
		12/31/16	12/31/15	Change
1. CURRENT INCOME TAX				
a. Federal	$	–	–	–
b. Foreign	$	–	–	–
c. Subtotal	$	–	–	–
d. Federal Income Tax on Net Capital Gains	$	–	–	–
e. Utilization of Capital Loss Carry-forwards	$	–	–	–
f. Other	$	–	–	–
g. Federal and Foreign income taxes incurred	$	–	–	–
2. DEFERRED TAX ASSETS:				
a. Ordinary				
(1) Discounting of unpaid losses	$	–	–	–
(2) Unearned premium reserve	$	–	–	–
(3) Policyholder reserves	$	–	–	–
(4) Investments	$	–	–	–
(5) Deferred acquisition costs	$	–	–	–
(6) Policyholder dividends accrual	$	–	–	–
(7) Fixed assets	$	158,000	150,000	8,000
(8) Compensation and benefits accrual	$	–	–	–
(9) Pension accrual	$	–	–	–
(10) Receivables - nonadmitted	$	121,000	104,000	17,000
(11) Net operating loss carry-forward	$		59,000	(59,000)
(12) Tax credit carry-forward	$	–	–	–
(13) Other (including items <5% of total ordinary tax assets)	$	–	–	–
(99) Subtotal	$	279,000	313,000	(34,000)
b. Statutory valuation allowance adjustment	$	–	–	–
c. Nonadmitted	$	–	–	–
d. Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	$	279,000	313,000	(34,000)
e. Capital:				
(1) Investments	$	–	–	–
(2) Net capital loss carry-forward	$	–	–	–
(3) Real estate	$	–	–	–
(4) Other (including items <5% of total capital tax assets)	$	–	–	–
(99) Subtotal	$	–	–	–
f. Statutory valuation allowance adjustment	$	–	–	–
g. Nonadmitted	$	–	–	–
h. Admitted capital deferred tax assets (2e99 – 2f – 2g)	$	–	–	–
i. Admitted deferred tax assets (2d + 2h)	$	279,000	313,000	(34,000)
3. DEFERRED TAX LIABILITIES:				
a. Ordinary				
(1) Investments	$	–	–	–
(2) Fixed assets	$	–	–	–
(3) Deferred and uncollected premium	$	–	–	–
(4) Policyholder reserves	$	–	–	–
(5) Other (including items <5% of total ordinary tax liabilities)	$	–	–	–
(99) Subtotal	$	–	–	–
b. Capital:				
(1) Investments	$	192,000	124,000	68,000
(2) Real Estate	$	–	–	–
(3) Other (including items <5% of total capital tax liabilities	$	–	–	–
(99) Subtotal	$	192,000	124,000	68,000
c. Deferred tax liabilities (3a99 + 3b99)	$	192,000	124,000	68,000
4. NET DEFERRED TAX ASSETS/LIABILITIES (2i – 3c)	$	87,000	189,000	(102,000)

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

9. INCOME TAXES – Continued

D. The provision for Federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	December 31, 2016	Effective Tax Rate
Benefit computed at statutory rate	$ 325,000	34.0 %
Tax exempt income deduction	(25,000)	(2.6)
Dividends received deduction	(12,000)	(1.3)
Nondeductible expenses	21,000	2.2
Change in net deferred income taxes	(102,000)	(10.7)
Utilization of NOL Carryforward and minimum tax credits	(313,000)	(32.7)
Other amounts	4,000	0.4
Total	$ (102,000)	(10.7) %
Federal and foreign income taxes incurred	$ –	– %
Change in net deferred income taxes	(102,000)	(10.7)
Total	$ (102,000)	(10.7) %

E. (1) As of December 31, 2016, the Company had a net capital loss carry forwards of approximately $62,000 which expires in 2020.

(2) The Company does not have any Federal income taxes available for recoupment in the event of future net losses.

(3) The aggregate amount of deposits reported as admitted assets under Section 6603 of the Internal Revenue Service (IRS) Code was $–0– as of December 31, 2016.

F. (1) Not Applicable

(2) Not Applicable

G. Not Applicable

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

A. (1) (1) The Company has a 100% ownership interest in an affiliate, Secure Property Acquisitions, Inc., which was established July 18, 2016 by the Company for the purpose of holding title to properties. The Company is the sole shareholder of this affiliate and all profits, if any, will be paid to the Company in the form of dividends. Secure Property Acquisitions, Inc. acquired 100% of the membership interests of 131–18 135th Place, LLC from the Company.

(2) The Company also has a 100% ownership in Secure 1031 Exchange Services, LLC, established by the Company to act as a marketing company for Citibank 1031 Exchange Services, a Qualified Intermediary under Section 1031 of the IRC. The Company is the sole member of the LLC and all profits and losses from the LLC will pass through directly to the Company. In the fourth quarter of 2014, Citibank announced its intention to close its 1031 exchange service. As a result, Secure 1031 Exchange Services, LLC is inactive at this time.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES – Continued

(3) The Company also has a 100% ownership in Secure Title Solutions, LLC, which was established on August 20, 2014 to provide consulting services, such as on-site agent reviews and compliance assessments with title industry Best Practices, on a fee basis. These services will be offered to the Company's agents, other title insurers, agents for other title insurers and lenders.

The Company is the sole member of the LLC and all profits and losses from the LLC will pass through directly to the Company.

(4) The Company is affiliated with Maryland Mortgage Company (Maryland Mortgage) by virtue of one stockholder who owns more than 10% of both the Company's and Maryland Mortgage's stock.

B. C. & D. On December 31, 2016, the Company sold $80,000 of non-admitted premiums receivable to its affiliate Maryland Mortgage, in accordance with the Purchase Sale Agreement between the two entities. The transaction, net of discount, resulted in an increase to the Company's surplus of $79,720. Since Maryland Mortgage has no recourse under the terms of the Agreement, the amount to be collected and paid to Maryland Mortgage in the first quarter of 2017 may be less than $80,000.

E. Not Applicable

F. (1) Under the terms of a Management Agreement, effective July 18, 2016, between the Company and its affiliate Secure Property Acquisitions, Inc., the Company will provide management and operating personnel to ensure the offices of Secure Property Acquisitions, Inc. are adequately staffed and operated to service its customers. Secure Property Acquisitions, Inc. is responsible for all expenses associated with the provision of its services.

(2) Under the terms of a Management Agreement between the Company and its affiliate Secure Title Solutions, LLC, the Company will provide management, employees, equipment and infrastructure for utilization by the affiliate. Secure Title Solutions, LLC is ultimately responsible for all expenses associated with the provision of its services.

G. Not Applicable

H. Not Applicable

I. Not Applicable

J. Not Applicable

K. Not Applicable

L. Not Applicable

M. Not Applicable

N. Not Applicable

11. Not Applicable

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A. Not Applicable

B. Not Applicable

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS – Continued

C. Not Applicable

D. Not Applicable

E. Defined Contribution Plan

Employees are covered by a qualified 401(k) profit sharing plan sponsored by the Company. The Board of Directors approves contributions to the plan. For 2016 and 2015, the plan allowed employee contributions up to 75% of compensation. Employer matching began as of January 1, 2016 with the Company matching dollar for dollar up to 2% of an employee's pay. At December 31, 2016 and 2015, the fair value of plan assets was $3,561,765 and $3,038,633, respectively.

F. Not Applicable

G. Not Applicable

H. Not Applicable

I. Not Applicable

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

(1) The Company has 40,000 shares of Class A Common Stock authorized and 36,773 shares issued and outstanding with a par value of $24. Additionally, the Company has 32,000 shares of Class B Common Stock authorized and 6,610 shares issued and outstanding with a par value of $8. Of the 32,000 shares, authorized shares of class B Common Stock up to 25,000 will be reserved for future conversion of 25,000 shares of Preferred Stock into Common Stock as explained in the following paragraph. Additionally, the Company has 90,000 shares of Class C Common Stock authorized at a par value of $8, with no shares issued and outstanding.

(2) The Company had 12,000 shares of Series A Preferred Stock (Series A) issued and outstanding as of December 31, 2015. Effective June 30, 2016, the Company's 12,000 shares of Series A were converted to Series C Preferred stock on a one-for-one basis. The Company also had 10,000 shares of Series B Preferred Stock (Series B) authorized, of which 8,443 were outstanding with a par value of $1. Series B carries an 8% cumulative dividend (or $4 per share) payable annually on July 1 of each year commencing July 1, 2010. As of December 31, 2016, holders of 1,391 Series B shares elected to exercise their put option. Subsequent to year end 2016, approval of the exercise of the put option was granted by the Maryland Insurance Administration, as described in Note #22-Events Subsequent. Another 4,464 shares were elected by shareholders to be converted on a one-for-one basis to Class C Preferred stock, effective June 30, 2017. The remaining 2,588 shares are still available for either conversion by shareholders to Class C Preferred stock or, by default, to Class B Common stock on June 30, 2017.

Additionally, the Company has 45,000 shares of Series C Preferred Stock (Series C) authorized with a par value of $1, with 12,000 shares issued and outstanding as of December 31, 2016. Series C carries an 8% cumulative dividend (or $4 per share) payable annually on July 1 of each year, commencing July 1, 2016. Series C may be called for redemption and redeemed at the option of the Company by action of the Board of Directors, in whole at any time or in part from time to time after July 1, 2018, at a price of $57.50 per share. Series C has a conversion feature, whereby on or after July 1, 2020, each Series C shareholder shall have the option to convert each of their shares into one (1) share of Class C Common Stock.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS – Continued

(3) Dividends are reviewed by the Maryland Insurance Commissioner prior to distribution. The common stock dividend rate is not limited and dividends are not cumulative. Dividends on preferred shares are cumulative.

(4) A dividend to Series C Preferred shareholders in the amount of $48,000 and a dividend to Series B Preferred shareholders in the amount of $33,772 were paid on July 22, 2016. A dividend to Class A Common shareholders in the amount of $22,064 and a dividend to Class B Common shareholders in the amount of $3,966 were paid on December 19, 2016.

(5) Within the limitations of (3) above, there are no restrictions placed on the portion of the Company profits that may be paid as ordinary dividends to shareholders.

(6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

(7) Not Applicable

(8) Not Applicable

(9) Not Applicable

(10) The portion of surplus represented (reduced) by unrealized gains and losses was $564,008.

(11) Not Applicable

(12) Not Applicable

(13) Not Applicable

14. LIABILITIES, CONTINGENCIES AND ASSESSMENTS

A. Not Applicable

B. Not Applicable

C. Not Applicable

D. Claims Related Extra Contractual Obligation (ECO) and Bad Faith Losses Stemming from Lawsuits:

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$ 211,904

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a)	(b)	(c)	(d)	(e)
0–25 Claims	26–50 Claims	51–100 Claims	101–500 Claims	More than 500 Claims
X				

Indicate whether claim count information is disclosed per claim or per claimant.

(f) Per Claim [X] (g) Per Claimant [ ]

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

14. LIABILITIES, CONTINGENCIES AND ASSESSMENTS – Continued

E. Not Applicable

F. Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no assets that it considers to be impaired.

15. LEASES

A. Lessee Operating Lease

(1) The Company leases office space from Security Holding, Inc., a real estate holding company, on a month-to-month lease at a current monthly cost of $18,920.

The Company leases office equipment under various noncancelable operating lease agreements that are in effect through April 2017.

Rental expense for 2016 and 2015 was $340,845, and $348,575, respectively.

The Company leases two automobiles on leases that expire in 2017. The total monthly cost is currently $1,218.

(2) At January 1, 2017, the minimum aggregate rental commitments are as follows:

	Year Ending December 31,	Operating Leases
1.	2017	$ 25,009
2.	2018	–
3.	2019	–
4.	2020	–
5.	2021	–
6.	Total	$ 25,009

(3) The Company is not involved in any material sales-leaseback transactions.

B. Not Applicable

16. Not Applicable

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

A. Transfers of Receivables Reported as Sales

(1) In accordance with SSAP No. 42, in the year ending December 31, 2016, the Company sold without recourse $390,000 of non-admitted premium receivables to its affiliate Maryland Mortgage and received $388,635 in cash, net of a discount given to Maryland Mortgage and a servicing fee charged by the Company. Of the $390,000 in premiums receivable purchased in 2016 by Maryland Mortgage, $310,000 in receivables was collected and paid by the Company to Maryland Mortgage in 2016, leaving a balance of $80,000 as of December 31, 2016.

(2) The Company realized a loss of $1,365 as a result of the sales.

B. Not Applicable

C. Not Applicable

18. Not Applicable

19. Not Applicable

20. FAIR VALUE MEASUREMENTS

A.

(1) Fair Value Measurements at Reporting Date

Description for Each Class of Asset or Liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
01. Common Stock	$ 1,794,215	$ –	$ –	$ 1,794,215
03. Collateral Loans - Unaffiliated	–	–	120,143	120,143
04. Any Other Class of Assets – Unaffiliated	–	–	8,421	8,421
05. Investment in LLC - Affiliated	–	–	109,141	109,141
Total assets at fair value	$ 1,794,215	$ –	$ 237,705	$ 2,031,920
b. Liabilities at fair value				
Total liabilities at fair value	$ –	$ –	$ –	$ –

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

20. FAIR VALUE MEASUREMENTS – Continued

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Description	Beginning Balance at 01/01/2016	Transfers into Level 3	Transfers out of Level 3	Total gains and (looses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2016
01. Collateral Loans – Unaffiliated	$ 152,203	$ –	$ –	$ –	$ –	$ –	$ –	(32,060)	$ –	120,143
02. Any Other Class of Assets – Unaffiliated	7,000	–	–	–	–	9,000	–	(7,579)	–	8,421
03. Investment in LLC – Affiliated	97,072	–	–	12,069	–	–	–	–	–	109,141
Total	$ 256,275	$ –	$ –	$ 12,069	$ –	$ 9,000	$ –	$ (39,639)	$ –	$ 237,705

(3) Not Applicable

(4) Not Applicable

(5) Not Applicable

B. Not Applicable

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Common Stock	$ 1,794,215	$ 1,794,215	$ 1,794,215	$ –	$ –	$ –
Collateral Loans – Unaffiliated	120,143	120,143	–	–	120,143	–
Any Other Class of Assets – Unaffiliated	8,421	8,421	–	–	8,421	–
Investment in LLC – Affiliated	109,141	109,141	–	–	109,141	–
Total	$ 2,031,920	$ 2,031,920	$ 1,794,215	$ –	$ 237,705	–

D. Not Applicable

21. OTHER ITEMS

A. Not Applicable

B. Not Applicable

C. Assets in the amount of $1,848,313 and $2,072,086 at December 31, 2016 and 2015, respectively, were on deposit with government authorities or trustees as required by law.

D. Not Applicable

E. Not Applicable

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

21. OTHER ITEMS – Continued

F. Not Applicable

G. Not Applicable

22. EVENTS SUBSEQUENT

Subsequent events have been considered through February 22, 2017 for the statutory statement to be issued by March 1, 2017.

As referenced in Note #13 (2) the exercise of the Series B Preferred stock put option was retroactively approved by the MIA on February 17, 2017, resulting in a $1,391 decrease in capital; a $68,159 decrease in gross paid in and contributed surplus on the statements of admitted assets, liabilities, capital and surplus – statutory basis; and a $10,433 decrease to net income on the 2016 statements of operations – statutory basis.

23. REINSURANCE

A. Unsecured Reinsurance Recoverables

The Company does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.

B. Not Applicable

C. Not Applicable

D. Not Applicable

E. Not Applicable

F. Not Applicable

G. Not Applicable

H. Not Applicable

24. Not Applicable

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves as of December 31, 2015 were $2,193,913. As of December 31, 2016, $1,718,572 has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now $1,944,764. Therefore, there has been a $1,469,423 increase in prior year reserves from December 31, 2015 to December 31, 2016. The increase is due to new claims filed in 2016 for prior years as well as a result of re-estimation of unpaid claims and claims adjustment expenses on existing claims. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Not Applicable

27. Not Applicable

28. Not Applicable

DIRECTORS

Victor Frenkil, Jr.
President and Chairman of the Board
Jarvis Steel and Lumber Co., Inc.

Joseph Haskins, Jr.
Chairman and Chief Executive Officer
Harbor Bank of Marylan

Theresa K. Kozel
Vice President and Treasurer
The Security Title Guarantee Corporation of Baltimore

Lynn T. Krause, Esquire
Partner
Krause & Ferris, Attorneys at Law

Benjamin F. Mason
Business Development Consultant
Self Employed

Paul J. Ostrye
Certified Public Accountant
Self Employed

Roy J. Perilloux, Esquire
Vice President
The Security Title Guarantee Corporation of Baltimore

Brian N. Rogers, Esquire
Senior Vice President and Assistant Secretary
The Security Title Guarantee Corporation of Baltimore

Theodore C. Rogers
President and Chief Executive Officer
The Security Title Guarantee Corporation of Baltimore

William C. Rogers, Jr., Esquire
Chairman of the Board
The Security Title Guarantee Corporation of Baltimore

W. Charles Rogers, III, Esquire
Vice Chairman of the Board
The Security Title Guarantee Corporation of Baltimore

Elizabeth R. Seuferling
Owner
Rogers Abstract

OFFICERS

William C. Rogers, Jr.
Chairman of the Board

W. Charles Rogers, III
Vice-Chairman of the Board

Theodore C. Rogers
President and Chief Executive Officer

Theresa K. Kozel
Vice President and Treasurer
Manager-Accounting and Human Resources

Kathleen J. Henry
Senior Vice President – Risk Management

John Kosogof
Vice President and Underwriting Counsel, Assistant Secretary

Robert F. Musser
Vice President and Regional Counsel

John M. Martinico
Vice President and Regional Counsel

Roy J. Perilloux
Vice President

Marlene R. McGraw
Assistant Vice President and Corporate Secretary

Bridget L. Spence
Assistant Treasurer and Assistant Secretary,
Manager-Agency Operations

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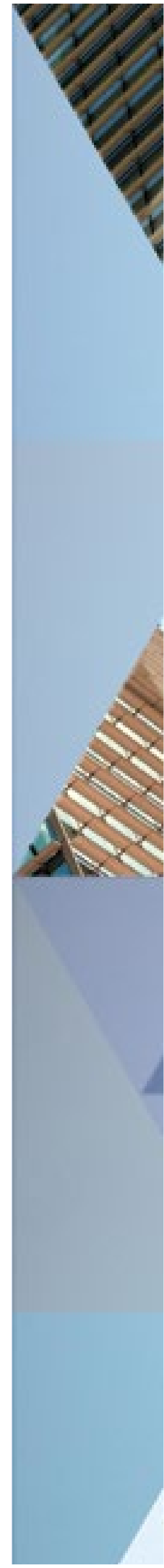

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