EXHIBIT 1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 08-cv-00911-WYD-CBS

MERCURY COMPANIES, INC., AMERICAN HERITAGE TITLE AGENCY, INC. D/B/A FIRST AMERICAN HERITAGE TITLE COMPANY OF DENVER, SECURITY TITLE GUARANTY CO., TITLE AMERICA, INC., and UNITED TITLE COMPANY, INC.

Plaintiffs,

v.

THE FIRST AMERICAN CORPORATION and FIRST AMERICAN TITLE INSURANCE COMPANY

Defendants.

THE FIRST AMERICAN CORPORATION and FIRST AMERICAN TITLE INSURANCE COMPANY,

Counterclaimants,

v.

MERCURY COMPANIES, INC.

Counterdefendant

DECLARATION OF JERROLD HAUPTMAN

I, Jerrold Hauptman, state and declare as follows:

1. I am the Chairman and Chief Executive Officer of Mercury Companies, Inc. ("Mercury"). I also hold common stock in Mercury. In Colorado, Mercury owns several subsidiaries through which a title closing business is conducted: Heritage Companies, Inc., Security Title Guaranty Co, Title America, Inc. (the "Title Subsidiaries") and USA Digital

Solutions, Inc. ("DSI") (collectively, the "Colorado Subsidiaries"). In addition, until recently, title closing business was conducted through other Mercury subsidiaries in the states of California, Texas, and Arizona. The title closing business facilitates real estate transactions. The relevant Mercury subsidiaries act as the physical location for the closing of many residential and commercial real estate sales. We would help prepare settlement statements, collect escrows, and remit escrow funds to the appropriate parties upon closing of the transaction. In addition, we act as agent for the issuance of title insurance. We do not issue the insurance policy itself (that is left to an insurance underwriter like the Defendant First American Title Insurance ("First American")) but instead act as agent. In Colorado, a collective market share of the Colorado Subsidiaries is approximately 30%. In other words, at any given time, approximately 30% of all real estate transactions pending in this state are closed through the offices of one of the Colorado Subsidiaries.

Mercury's Financial Distress

2. Mercury is the borrower under a line of credit held by a syndication of banks, with Comerica Bank N.A. as agent. As of July 24, 2008, there was approximately $40 million outstanding on the Comerica line. Although Mercury was not in default of any obligations of principal or interest on the Comerica line, Mercury was unable to provide a timely audited financial statement to Comerica as required by the credit agreement. Mercury's inability to provide such audited financial statement stems from the dispute before the Court in this case, in particular, whether First American is entitled to repayment of a $15 million Promissory Note and whether First American was obligated to pay $15 million for common stock.

3. Based upon claimed breaches of covenants in the credit agreement (entered upon Mercury's dispute with First American), on or about July 24 or 25, 2008, Comerica unexpectedly declared the entire $40 million immediately due and payable. Worse, without warning, Comerica swept approximately $40 million that Mercury had held in various accounts, including $27 million held in the operating account Mercury used for itself and all of its subsidiaries. As a result, on Friday, July 25, 2008, Mercury found itself without its expected working capital, numerous checks and wire transfers bounced, and Mercury did not know how it would meet its obligations or conduct business in the immediate term. (Funds held in escrow accounts for the benefit of buyers and sellers of real estate transactions (and their lenders) have always remained segregated and properly accounted for, and were not affected by Comerica's action.)

4. Mercury began an immediate effort to look at options and save Mercury's businesses in light of its loss of working capital. I personally contacted First American's Chairman and CEO, Parker Kennedy, to inform him of the disastrous turn of events. Mr. Kennedy and I have known each other for years; our companies have done business with each other for decades; the Colorado Subsidiaries have been First American's agent in Colorado; and Mr. Kennedy has, in the past, served on Mercury's Board of Directors.

5. Mercury's subsidiaries in California, Texas and Arizona could no longer be operated. After first exploring and then concluding that an orderly shut down was not possible, mainly because we could not ask employees to work when we had no means to pay them, we immediately informed all relevant parties, including employees, regulators and First American that 161 locations in California, Arizona and Texas would be immediately shut down. The sudden shut down of these locations created a chaotic situation for all involved. Although funds

held in escrow at all times remained completely safe, the physical means to conduct closings had gone away and customers had to pull their files and use their services of other title closing companies in order to conclude their real estate transactions.

6. The Colorado Subsidiaries presented a different issue. Operations in California, Texas and Arizona had been losing money in light of the dismal housing market in those states. In contrast, the Colorado Subsidiaries continued to be sound and remained profitable even in adverse market conditions. However, the reputation and confidence in the Colorado Subsidiaries was badly shaken as a result of the sudden and chaotic shut downs of operations in the other states. Banks and other lenders that finance real estate transactions nationwide, who had deals disrupted in those states, started pulling business from the Colorado Subsidiaries more quickly than the Colorado Subsidiaries could process their requests. Lenders, realtors, and other customers became concerned that their escrows would be safe and that their closings would not be timely funded. Some of this concern was fermented by competitors. In addition, the Colorado Department of Insurance contacted the Colorado Subsidiaries about their financial solvency and ability to continue to conduct business.

7. Mercury, with its advisors, worked feverishly during the last week to stabilize the finances and operations of the Colorado Subsidiaries. At the end of the day on Thursday, July 31, 2008, it had become apparent that the Colorado Subsidiaries had lost confidence in the marketplace. Because of their association with Mercury and the shut down in the other states, on Thursday alone, the Colorado Subsidiaries were informed by no less than 27 lending organizations that they had suspended doing business with the Colorado Subsidiaries. The circumstances were analogous to a "run on the bank."

8. In addition, each of the Colorado Subsidiaries received a letter from the Department of Insurance requesting certain detailed information by close of Monday, August 4, 2008. Although not stated in the letter, from the context it was apparent that absent positive developments by the close of business August 4, 2008, the Colorado Department of Insurance may have, in the exercise of its power, ordered the Colorado Subsidiaries to cease and desist doing title business.

9. I quickly concluded that Mercury needed to conduct an immediate sale of the Colorado Subsidiaries, in order to put them into the hands of a financially stable owner and restore confidence in the marketplace. An immediate sale would be absolutely necessary to preserve the value of these businesses.

10. I think it is important to note that I attempted a sale of these businesses not motivated by personal financial gain but in my capacity as a fiduciary for the stakeholders of Mercury and the Colorado Subsidiaries. Given the uncertain and unfavorable financial condition of the entities involved, it is questionable whether I or other Mercury management have a financial state in the selection of one buyer over another or, even whether a sale of the Colorado Subsidiaries could have been affected at all.[1] I have simply tried my best to perform as a fiduciary.

First American's Agreement That the Companies Must be Sold and Subsequent Negotiations with First American as Potential Buyer

Initial Conversations

[1] Pursuant to the sale with Fidelity, I have executed a consulting and non-competition agreement providing financial compensation to me for the next five years in exchange for services and my agreement not to compete. In negotiations with First American described later in my Declaration, First American had requested that I execute an agreement with virtually identical terms.

11. Having made the decision to pursue a sale, the first party I contacted was First American, thorough Mr. Kennedy. Aware of the acute distress and believing that a sale must be concluded by Monday, August 4, I offered to sell the Mercury shares in the Colorado Subsidiaries to First American for a purchase price of $1 million. Such a purchase price was at a discount to the value of the Colorado Subsidiaries in a normalized market. As noted, the Colorado Subsidiaries have been profitable. Year 2007 profits before interest, depreciations, taxes and amortization (known by the accounting term EBIDTA) was $10 million. Nevertheless, a sale of the stock would protect customers, creditors of the Colorado Subsidiaries by putting them in the hands of a financially stable party. Although Mercury would have received relatively little compensation in return, the $1 million is at least more than would have been received if operations were shut down.

12. On Friday afternoon, August 1, 2008, Mr. Kennedy agreed to pursue a transaction along these lines and immediately contacted other First American senior management and outside counsel. Discussions regarding the terms of such a sale commenced on Friday.

13. Immediately, First American's other management and advisors backed away from Mr. Kennedy's expressed willingness to purchase the stock of the Colorado Subsidiaries. Instead, First American commenced negotiation whereby it would acquire the assets of the Colorado Subsidiaries. This is an entirely different legal structure in that the liabilities of the Colorado Subsidiaries would have to be satisfied from either the purchase price or First American's promise to assume those liabilities to the purchase contract. Nevertheless, the fundamental economic terms of the transaction could be effected through an asset purchase of the parties were willing to do so.

First American's Predatory Negotiations Over the Weekend

14. On Saturday, the parties on conference call and in communications through legal counsel, discussed extensively the mechanics and description of assets to be acquired and liabilities to be assumed. For instance, in an asset purchase, First American would need to take an assignment of each individual lease for a location to where one of the Colorado Subsidiaries operates. These discussions continued Saturday afternoon and into the evening with little or no discussion of a price term. I was under the impression on Saturday that First American intended to honor the basic economics discussed by Mr. Kennedy and myself the day before, albeit it with a different legal structure.

15. On Sunday, August 3, 2008, it became apparent that First American had no intention of performing on the economic terms discussed between Mr. Kennedy and myself on Friday. Instead, over the course of the day, First American became continually more restrictive in the scope of assets it was wiling to acquire, the liabilities it was willing to assume and the consideration it was willing to pay. These discussion reached nadir in a conference among many parties around 6:00 p.m. on Sunday, August 3. On that conference call, First American announced its desire to acquire the assets of only two of the four subsidiaries, leaving the other two without any ability to conduct operations or realize on their value as businesses. First American then sought Mercury's assistance in eliciting key employees of those two subsidiaries to retain them and bring their customer relationships with them to the remaining Colorado Subsidiaries that would be acquired. All of this was to be done without compensation of any kind to the creditors of the subsidiaries that would have been closed down, much less to their employees or customers. Moreover, for the two subsidiaries whose businesses would be

acquired, First American refused to pay cash or make any other provision available to pay the majority of the debts of those subsidiaries, including trade payables, leases on offices that have been closed, and the like. In response to a specific question from Mercury seeking clarification of the terms discussed, First American stated that it would be unwilling to pay the vendor who supplied paper to the subsidiaries offices upon which title documents were printed for paper that had been delivered.

16. Mercury representatives expressed a disinclination to accept such an offer, which I believe to be predatory and grossly unfair to creditors of the Colorado Subsidiaries. At this point, I had concerns about the exercise of my fiduciary duties in accepting such an offer. Upon hearing this, First American responded forcefully. Ken Degiorgio, General Counsel for First American Corporation, stated emphatically that he was "flabbergasted" that we might continue looking for other options into the business day on Monday rather than take this offer. Mr. Degiorgio stated specifically and emphatically, "you have no choices."

Discussions with Fidelity Commenced

17. Prior to this time, all of our attention and effort had been focused on concluding an immediate transaction with First American because we recognized the circumstances did not allow for an orderly sale or exploration of the market. Nevertheless, Fidelity National Title Company had also expressed preliminary interest in acquiring the businesses of the Colorado Subsidiaries. Minutes after receipt of First American's predatory offer, we called a Fidelity representative, for the purpose of exploring preliminary interest in acquiring the Colorado businesses. As of Sunday evening, this conversation was as far as discussions with Fidelity had gone, and Fidelity was not sure how to complete a potential transaction.

18. In follow up to Sunday evening's call, over the course of the day on Monday, relatively little discussion with Fidelity ensued. We provided copies of some audited financial statements but virtually nothing else. In the meantime, we continued working with First American to negotiate their proposed Asset Purchase Agreement.

19. Over the course of the day on Monday, August 4, 2008, Fidelity's interest in the transaction increased. In the afternoon, Fidelity informed us that they were "interested." Later, Fidelity stated that it was "very interested" and were immediately sending due diligence and transaction teams to Denver to commence due diligence and discussion first thing Tuesday morning. Fidelity requested an opportunity to conduct due diligence over the course of a week or so, but I informed them that there was no time. We had obtained an extension of our Monday deadline with the Colorado insurance regulators but it was to expire close of business on Tuesday. Moreover, payroll checks are to be given to employees this week. In the ordinary course of business, that payroll would have needed to be funded August 5, 2008. We were able to buy an extra day by circumventing normal payroll procedures but it still needed to be funded on Wednesday morning, August 6, 2008. There was, unfortunately, no time for due diligence or haggling.

First American Makes Threats

20. On Monday evening, we informed First American that Fidelity had expressed interest in the Colorado Subsidiaries and that we would be meeting with them Tuesday morning, before Mercury's Board of Directors considered any offers. I personally informed Mr. Kennedy of that fact on Monday evening. Mr. Kennedy responded that such a transaction would be a "disaster" and we continued to proceed with discussions with the First American proposed asset

purchase. Discussions with First American on their proposed asset purchase went past 1:00 or 2:00 a.m. Monday night. By that time, First American had improved its terms somewhat but the parties had not yet settled on a price. First American pushed to have the Asset Purchase Agreement signed by 8:00 a.m. on Tuesday. We refused to do so based on our discussions with Fidelity. Moreover, Mr. Kennedy and others from First American were scheduled to come to Denver on Tuesday to meet with the presidents of the Colorado Subsidiaries. I suggested that they delay the trip by a day because our deal was not completed. Mr. Kennedy stated he would come to Colorado but wait to meet with the Colorado presidents until Mercury and First American concluded their sale, if in fact there was to be a sale to First American. Only later did I learn that contrary to our agreement, Mr. Kennedy met with the Colorado presidents without informing me.

21. At the conclusion of Monday night's conference calls, First American contacted Mercury, through counsel, and informed Mercury that First American was extremely upset about Mercury's discussions with Fidelity and claimed that a transaction with Fidelity would violate First American's legal rights.

22. Unbeknownst to me at the time, while we were conducting discussions with Fidelity, Mr. Kennedy and other members of the First American organization arrived at the offices of the Colorado Subsidiaries, introduced themselves to the general management and staff as the all but completed purchasers and had the very discussions Mr. Kennedy had agreed not to have on the call the night before. Moreover, a First American representative said to the president of one of the Colorado Subsidiaries, Ms. Virginia Johnson, that if Mercury attempts a sale to

Fidelity, First American will go to court to block it and that, as a result, of Mercury's inability to complete a transaction, the Colorado Subsidiaries will miss their payroll this week.

Board Consideration of Competing Offers

23. On Tuesday afternoon, in the exercise of its fiduciary duties, Mercury's Board of Directors considered the competing offers from First American. The Board selected the Fidelity offer because it was deemed financially superior. First, because the Fidelity offer is structured as stock sale, the rights of creditors of the Colorado Subsidiaries are unaffected. In contrast, the First American proposal, structured as an asset sale, would have left the subsidiaries with no means at all to satisfy millions of dollars of unpaid debt of the subsidiaries. Second, Mercury would receive $5 million cash in the Fidelity transaction, which it will be able to use to try to satisfy it obligations. Under the First American transaction, Mercury would receive no cash.

Mercury's Other Assets

24. In addition to its interest in the California, Texas and Arizona subsidiaries, and the Colorado Subsidiaries, Mercury has other assets. In particular, Mercury owns an interest in a home developer and "land bank." The appraised value of the land held by this subsidiary is $20 million more than the debt against that property. Accordingly, Mercury's interest in that subsidiary may be worth well in excess of $10 million. Second, Mercury owns an aircraft worth approximately $3 million. In addition, Mercury holds substantial cash that because of its nature, it did not try to use as working capital. In particular, Mercury hold $13 million in a nonqualified deferred compensation plan (which is property of Mercury). It has also overfunded its health and benefits plan by approximately $4 million.

This Declaration is made under penalty of perjury this 6th day of August, 2008.

Jerrold Hauptman