BlumShapiro

To the Board of Directors
CATIC Financial, Inc.

We have audited the accompanying consolidated balance sheets of CATIC Financial, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations and stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CATIC Financial, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

April 21, 2009

CONSOLIDATED BALANCE SHEETS
CATIC Financial, Inc. and Subsidiaries
AS OF DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
Cash and Cash Equivalents	$5,693,298	$5,442,018
Accounts, Notes and Other Receivables, Net	774,812	1,017,966
Investments		
Debt securities held-to-maturity, at amortized cost	27,431,555	28,190,275
Debt securities available-for-sale, at fair value	24,547,522	26,526,619
Equity securities and mutual funds, at fair value	4,265,016	6,808,094
Total investments	56,244,093	61,524,988
Premises and Equipment, Net	1,861,130	2,112,547
Other Assets		
Net deferred income tax asset	3,286,565	1,978,473
Federal income tax recoverable	1,103,611	260,588
Accrued interest	550,567	585,626
Prepaid expenses	325,733	256,303
Title Plants	810,376	810,376
Intangible assets, net	–	247,233
Other assets	158,849	203,348
Total other assets	6,235,701	4,341,947
Total Assets	$70,809,034	$74,439,466

LIABILITIES AND STOCKHOLDERS' EQUITY

	2008	2007
Liabilities		
Notes payable	$4,005,970	$4,112,592
Accounts payable and accrued expenses	1,438,174	1,807,959
Policy claims and claim adjustment expenses	22,133,000	20,718,161
Deferred revenue	154,670	462,071
Total liabilities	27,731,814	27,100,783
Stockholders' Equity (Deficit)		
Common stock	970,700	975,650
Additional paid-in capital	2,000,000	2,000,000
Retained earnings	41,485,099	43,539,095
Accumulated other comprehensive income (loss)	(1,378,579)	823,938
Total stockholders' equity	43,077,220	47,338,683
Total Liabilities and Stockholders' Equity	$70,809,034	$74,439,466

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

CONSOLIDATED STATEMENTS OF INCOME & STOCKHOLDERS' EQUITY

CATIC Financial, Inc. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	2008	2007
Revenue		
Title insurance premiums	$55,121,167	$67,392,964
Title and other service fees	2,366,357	3,476,458
Interest and dividend income	2,767,849	3,225,262
Net realized gain on investments	157,712	214,890
Other revenue	563,300	841,708
Total revenue	60,976,385	75,151,282
Expenses		
Title insurance commissions	38,271,660	46,259,544
Compensation and benefits	11,942,624	12,656,708
Provision for policy claims and claim adjustment expenses	6,917,644	6,671,583
Other general and administrative expenses	5,328,058	7,313,610
Premium taxes	854,272	1,092,018
Depreciation and amortization	644,860	740,372
Interest	223,043	234,016
Total expenses	64,182,161	74,967,851
Income (Loss) from Continuing Operations Before Income Taxes	(3,205,776)	183,431
Income Tax Benefit	(1,160,563)	(347,571)
Income (Loss) from Continuing Operations	(2,045,213)	531,002
Loss from Discontinued Operation	(8,783)	(233,025)
Net Income (Loss)	(2,053,996)	297,977
Other comprehensive income (Loss)		
Gains (losses) on available-for-sale securities	(2,982,221)	511,193
Less: Net realized gains on investments	157,712	214,890
Unrealized gains (losses) on investments	(3,139,933)	296,303
Change in deferred benefit liability	(197,214)	
Income taxes expense (benefit)	(1,134,630)	100,743
Net other comprehensive income (loss)	(2,202,517)	195,560
Comprehensive Income (Loss)	(4,256,513)	493,537
Net Repurchases of Common Stock	(4,950)	(15,250)
Increase (Decrease) in Stockholders' Equity	(4,261,463)	478,287
Stockholders' equity - Beginning of Year	47,338,683	46,860,396
Stockholders' equity - End of the Year	$43,077,220	$47,338,683

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

CATIC Financial, Inc. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	2008	2007
Cash Flows from Operating Activities		
Premiums Received	$55,462,563	$70,480,004
Other operating receipts	2,290,081	3,922,929
Interest and dividends received	3,237,665	3,096,693
Commissions paid	(38,271,660)	(46,259,544)
Salaries and benefits paid	(11,522,340)	(13,014,048)
Policy claims and claims adjustment expenses paid	(5,502,805)	(4,954,477)
Interest expense paid	(190,120)	(196,516)
Other expenses paid	(7,318,871)	(10,666,117)
Income taxes received (paid)	136,065	(290,000)
Net cash provided by (used in) operating activities	(1,679,422)	2,118,924
Cash Flows from Investing Activities		
Proceeds from sale and maturity of investment securities	27,096,613	19,838,527
Purchases of premises and equipment	(102,095)	(97,557)
Purchase of investment securities	(24,952,245)	(24,151,983)
Net cash provided by (used in) investing activities	2,042,273	(4,411,013)
Cash Flows from Financing Activities		
Net repurchases of common stock	(4,950)	(15,250)
Payments on notes payable	(106,621)	(398,593)
Net cash used in financing activities	(111,571)	(413,843)
Net Increase (Decrease) in Cash and Cash Equivalents	251,280	(2,705,932)
Cash and Cash Equivalents - Beginning of Year	5,442,018	8,147,950
Cash and Cash Equivalents - End of Year	$5,693,298	$5,442,018
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Net income (loss)	$(2,053,996)	$297,977
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activites:		
Depreciation and amortization	644,860	740,372
Amortization of bond premium	143,215	73,645
Deferred income tax benefit	(162,375)	(515,348)
Net realized gains on investments	(157,712)	(214,890)
Bad debt expense (recovery)	(51,000)	18,000
(Increase) decrease in operating assets:		
Accounts, notes and other receivables	294,154	88,609
Federal income tax recoverable	(843,023)	–
Accrued interest	35,014	59,351
Prepaid expenses	(69,430)	(25,086)
Property held for sale	–	360,000
Other assets	432	51,143
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(566,999)	(319,275)
Policy claims and claim adjustment expenses	1,414,839	1,717,106
Deferred revenue	(307,401)	(212,680)
Net Cash Provided by (Used in) Operating Activities	$(1,679,422)	$2,118,924

Note 1 - Summary of Significant Accounting Policies:

Nature of Business – The Company's principal business is providing title insurance on residential and commercial properties in New England, New Jersey, New York and Pennsylvania. In the normal course of business, the Company provides credit to customers under standard terms without collateral.

Principles of Consolidation – CATIC Financial, Inc. (Financial) has four wholly owned operating subsidiaries: Connecticut Attorneys Title Insurance Company (CATIC) and New Jersey Title Insurance Company, Inc. (NJTIC) provide title insurance and title insurance services; Eastern Attorneys Services, Inc. (EASI) provides title insurance services; and CATIC Exchange Solutions, Inc. (CESI) facilitates tax deferred property exchanges and is a licensed property-casualty insurance agency.

In addition, the Company includes CATIC Acquired Properties, LLC (CAP), a wholly owned subsidiary of CATIC, which was formed to hold and dispose of properties acquired in connection with claim settlements. CATIC Exchange Facilitator, Inc. (CEFI) is a wholly owned subsidiary of CESI, which was formed to facilitate tax deferred reverse property exchanges.

As detailed in Note 14, on August 31, 2007, Vested Technologies, Inc. (Vested) sold most of its operating assets to an independent, third-party provider of the same type of services. As such, Vested exited such business, and the net loss generated by Vested is shown as net loss from discontinued operations in the consolidated statements of operations and stockholders' equity for the years ended December 31, 2008 and 2007. The net loss for the year ended December 31, 2008 represents the wind-up activity of Vested.

The consolidated financial statements include the accounts of Financial and its wholly owned subsidiaries, CATIC, EASI, CESI, Vested, and NJTIC, and their wholly owned subsidiaries, CAP and CEFI (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in the consolidation.

Cash and Cash Equivalents – The Company deposits substantial funds in financial institutions, maintaining its cash and short-term cash investments in bank deposit or brokerage accounts that, at times, may exceed federally insured limits. These funds include amounts owned by third parties, such as escrow deposits. Should one or more of the financial institutions at which the Company maintains deposits fail, there is no guarantee that the Company would recover the funds it has deposited, whether through Federal Deposit Insurance Corporation coverage or otherwise. In the event of such failure, the Company also could be held liable for the funds owned by third parties. Such events could be disruptive to the Company's business and could adversely affect the Company's liquidity, results of operations and financial condition. The Company has not experienced any losses in such cash accounts or instruments.

Cash investments include money market accounts, temporary clearing accounts, and short-term U.S. Treasury obligations having original maturities of three months or less. Cash investments do not include any preferred rate auction securities.

Investments – Debt securities are classified either as held-to-maturity and are carried at cost, net of amortization, or as available-for-sale and are carried at fair value. Debt securities are classified at the date of purchase. Equities and mutual funds are classified as available-for-sale and are carried at fair value. Unrealized gains and losses for the available-for-sale portfolios, net of income taxes, are included as a separate component of stockholders' equity in accumulated other comprehensive income (loss).

Premises and Equipment – Premises and equipment are carried at cost, less accumulated depreciation. Furniture and equipment purchases of $1,000 or greater and major owned real estate renewals and betterments are charged to the premises and equipment accounts, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets are expensed currently.

The Company follows the policy of providing for depreciation and amortization of premises and equipment by charging against earnings amounts sufficient to amortize the costs of properties over their estimated useful lives as follows:

Building and improvements	30-40 years
Furniture and equipment	3-5 years

Depreciation and amortization are computed on the straight-line method.

Property Held for Sale – The Company takes possession of certain real properties periodically as a result of claims and records them at appraised value. Such properties are subrogated as a means to mitigate the provision for policy claims and claim adjustment expenses. There were no properties held for sale at December 31, 2008 and 2007.

Other Assets – The Company includes deposits and deferred lease costs in other assets. Deferred lease costs are being amortized using the straight-line method over the term of the leases. Amortization expense for the years ended December 31, 2008 and 2007, was $43,207 and $52,402, respectively. The remaining costs of $93,457 are being amortized at $42,280 per year.

Policy Claims and Claim Adjustment Expenses – The Company provides for title insurance losses based upon its historical experience by a charge to expense when the related premium revenue is recognized. The reserve for known and incurred but not reported (IBNR) claims reflects management's best estimate of the total costs required to settle all claims reported to the Company and IBNR claims. The process of assessing the IBNR reserve involves evaluation of the results of an independent actuarial study. Current economic and business trends are also reviewed and used in the reserve analysis. These include real estate and mortgage market conditions, changes in residential and commercial real estate values, and changes in the levels of defaults and foreclosures that may affect claims levels and patterns of emergence, as well as company-specific factors that may be relevant to past and future claims experience. Results from the analysis include, but are not limited to, a range of IBNR reserve estimates and a single point estimate for the IBNR as of the consolidated balance sheet date. The third-party actuary's analysis uses generally accepted actuarial methods and is used to validate the accuracy of the total of the known claims reserves. The Company uses the point estimate of the projected IBNR from the third-party actuary's analysis, considering it to be the best estimate of the total amount required for the IBNR reserve. It is reasonably possible that a change in the estimate will occur in future years.

Escrow Funds – In the normal course of business, the Company receives and holds escrow funds for certain transactions or disputes with title. The Company holds these funds as an agent and does not consider them as assets or liabilities of the Company. The amounts are disclosed in Note 12 and are not included in the consolidated balance sheets. See also: Cash and Cash Equivalents.

Deferred Revenue – Deferred revenue results from CATIC recognizing fee revenue in the period in which the related service is performed. Accordingly, service fees received are deferred until actual services are performed.

Accounts Receivable and Revenue Recognition – Accounts receivable is recorded at its estimated realizable value, net of an allowance for uncollectible amounts. The Company extends credit to agents without requiring collateral. Receivables are written off after all efforts to collect them have been exhausted. The allowance for uncollectible amounts as of December 31, 2008 and 2007, was $239,000 and $303,000, respectively.

Title insurance premiums are recognized as policies and premiums from agents are received by the Company. Revenue is reported based on 40% of the actual amount of the gross, ratings-approved premiums remitted by Connecticut agents, but negotiated elsewhere.

Leases – Rentals that convey merely the right to use property are charged to income as incurred.

Advertising – The Company expenses production costs of advertising the first time the advertising takes place. Advertising expense for the years ended December 31, 2008 and 2007, was $369,869 and $978,651, respectively.

401(k) Savings and Profit-Sharing Plan – The Company has a 401(k) savings and profit-sharing plan that covers substantially all employees subject to age and service requirements. The Company matches a portion of each employee's contributions to the plan and also provides for additional, discretionary profit-sharing contributions at the sole judgment of the Board of Directors. Company contributions to the 401(k) plan for the years ended December 31, 2008 and 2007, totaled $352,021 and $645,788, respectively, with the greater amount in 2007 primarily caused by discretionary contributions authorized by the Board of Directors.

Income and Premium Taxes –- Income tax expense includes federal and state income taxes currently payable and deferred federal income taxes. The Company provides for deferred taxes on temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes. These differences relate primarily to different depreciation, unrealized loss on investments, and loss reserve methods used for financial reporting and income tax purposes, and the recognition of net operating loss carryforwards. There are no deferred state income taxes.

CATIC and NJTIC compute state premium taxes based on premiums written. There are no temporary differences related to premium taxes, and, therefore, there are no state deferred taxes related to CATIC or NJTIC in 2008 and 2007. The other subsidiaries continue to be taxed on their respective state income.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant estimates are made by management with regard to the valuation of accounts, notes and other receivables, and the reserve for policy claims and claim adjustment expenses. Actual results may differ from those estimates, and those differences may be material.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Note 2 - Investments:

Details on carrying value and alternate value of the Company's debt, equity securities, mutual funds and related gross and net unrealized gains and losses at December 31, 2008 and 2007, follow. Carrying value is amortized cost for held-to-maturity debt securities and fair value for available-for-sale debt securities, equity securities, and mutual funds. Alternate values are fair value and cost, respectively.

	2008		2007	
	Carrying Value	Alternate Value	Carrying Value	Alternate Value
Held-to-maturity debt securites	$27,431,555	$28,160,250	$28,190,275	$28,361,386
Available-for-sale debt securities	24,547,522	24,671,809	26,526,619	26,320,481
Mutual funds	1,921,569	3,198,730	3,253,969	3,170,780
Equity securities	2,343,447	2,833,553	3,554,125	2,595,064
	$56,244,093	$58,864,342	$61,524,988	$60,447,711

	2008		2007	
	Gains	Losses	Gains	Losses
Held-to-maturity debt securites	$ 934,122	$ (205,427)	$ 259,961	$ (88,850)
Available-for-sale debt securities	$ 582,868	$ (707,155)	$ 422,313	$ (216,175)
Mutual funds	-	(1,277,161)	134,743	(51,554)
Equity securities	182,121	(672,218)	960,007	(946)
Gross unrealized gains (losses) on available-for-sale securites	$ 764,989	$ (2,656,534)	$ 1,517,063	$ (268,675)
Net unrealized gains (losses) on available-for-sale securites	$ (1,891,545)		$ 1,248,388	
Applicable deferred income taxes (benefit)	(643,127)		424,450	
Net unrealized gains (losses) included in accumulated other comprehensive income (loss)	$ (1,248,418)		$ 823,938	

At December 31, 2008, the maturities of investments in debt securities to be held to maturity are as follows:

	Maturity			
	Within 1 Year	1-5 Years	5-10 Years	After 10 Years
Tax-exempt securities		$3,528,228	$1,629,985	
Government bonds		5,588,962	4,278,810	2,999,671
Corporate bonds	$2,198,688	3,641,498	3,075,768	489,945
	$2,198,688	$12,758,688	$8,984,563	$3,489,616

At December 31, 2008, the maturities of investments in debt securities available for sale are as follows:

	Maturity			
	Within 1 Year	1-5 Years	5-10 Years	After 10 Years
Tax-exempt securities		$ 1,649,310	$4,133,789	$ 980,615
Government bonds		2,047,926	2,242,992	1,389,415
Corporate bonds	515,680	7,528,680	2,150,238	1,908,877
	$515,680	$11,225,916	$8,527,019	$4,278,907

For the year ended December 31, 2008, gross proceeds from the sale and maturities of securities totaled $27,096,613, resulting in gross realized gains of $616,689 and gross realized losses of $458,978.

For the year ended December 31, 2007, gross proceeds from the sale and maturities of securities totaled $19,838,257, resulting in gross realized gains of $444,908 and gross realized losses of $230,018.

At December 31, 2008 and 2007, government and municipal bonds with an amortized cost of $558,936 and $531,637, respectively, were pledged as collateral to conduct business in four states.

The table below includes only those securities in an unrealized loss position as of December 31, 2008:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale	$ 6,139,968	$ (516,435)	$ 512,580	$(190,720)	$ 6,652,548	$ (707,155)
Held to maturity	4,445,421	(187,089)	288,360	(18,338)	4,733,781	(205,427)
Equity securities	1,499,450	(653,090)	28,391	(19,128)	1,527,841	(672,218)
Mutual funds	1,145,291	(694,862)	776,274	(582,299)	1,921,565	(1,277,161)
Total Portfolio	$13,230,130	$(2,051,476)	$1,605,605	$(810,485)	$14,835,735	$(2,861,961)

Available-for-sale securities include a portion of the Company's fixed-income securities, and all of its preferred and common stocks and mutual fund holdings. All of these securities are carried in the balance sheet at fair value. Held-to-maturity securities include the other segment of the Company's fixed-income securities. Unrealized losses in the Company's portfolios have been primarily caused by current economic circumstances in the United States and globally. The loss positions of the securities were not viewed to be due to credit-related issues resulting from financial difficulty of the issuers. As of December 31, 2008, the average fixed-income rating of the portfolio was AA for CATIC and AA+ for NJTIC. The Company has no history of selling similar underwater securities before recovery. For the most part, except for certain tax driven reasons, the Company employs a buy and hold philosophy for its portfolios. Further, the Company believes it has the financial strength and the clear ability to hold securities in an unrealized loss position until their value is recovered. There are no regulatory obligations that would require the sale of these positions. Although the current real estate market and the resulting need for title insurance transactions is less than robust, management does not see these adverse business conditions as forcing the Company to sell investments to meet working capital requirements. Management has concluded that there was sufficient cash to support operations and that the Company has the ability to hold the securities it owns.

The fair values of all investments are determined using quoted prices in active markets for identical assets (Level 1, as defined in Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*).

The fair values of investments as of December 31, 2008 and 2007, consisted of the following:

	2008	2007
Equity securities	$ 4,265,016	$ 6,808,094
Debt securities	52,707,772	57,144,256
Total Investments	$56,972,788	$63,952,350

Note 3 – Premises, Equipment and Leases:

Premises and equipment at December 31, 2008 and 2007, are summarized by major classification as follows:

	2008	2007
Land	$ 392,032	$ 392,032
Building and improvements	3,925,508	3,895,685
Furniture and equipment	4,297,404	4,927,611
	8,614,944	9,215,328
Less accumulated depreciation	6,753,814	7,102,781
Premises and Equipment, Net	$1,861,130	$2,112,547

Depreciation of premises and equipment was $354,420 and $447,537 for 2008 and 2007, respectively.

The Company is obligated under leases for office space and computer equipment through March 2014. The leases also require the Company to pay its pro-rata share of operating expense increases. Total rent expense under the operating leases totaled $519,593 and $473,513 in 2008 and 2007, respectively, and is recorded in general and administrative expenses in the consolidated statements of operations and stockholders' equity.

At December 31, 2008, three third-party tenants are obligated to the Company for real estate leases through 2012. Total rental income under these leases was $199,604 and $172,861 for 2008 and 2007, respectively, and is netted against general and administrative expenses in the consolidated statements of operations and stockholders' equity.

Future minimum lease payments and rental income are as follows:

Year Ending December 31	Lease Expense	Rental Income	Net
2009	$ 615,462	$204,702	$(410,760)
2010	391,991	183,810	(208,181)
2011	364,998	96,918	(268,080)
2012	258,655	24,517	(234,138)
2013	158,810	-	(158,810)
Thereafter	105,430	-	(105,430)
Total	$1,895,346	$509,947	$(1,385,399)

Note 4 – Title Plant and Other Intangible Assets:

Title plants are carried at original cost. The costs of maintaining (updating) the title plants are charged to expense as incurred. Because properly maintained title plants have indefinite lives and do not diminish in value with the passage of time, no provision has been made for depreciation or amortization. The Company continually analyzes its title plant for impairment and has determined that fair value exceeds the carrying value. This analysis includes, but is not limited to, the effects of obsolescence, duplication, demand and other economic factors. No impairment losses on intangible assets and title plants were recognized in 2008 and 2007.

The Company acquired agent contracts representing exclusive relationships with agents for NJTIC. The values of the contracts were based on the discounted cash flow expected to be generated from these contracts. The carrying amount of the intangible assets was reviewed on an annual basis for impairment. The intangible assets were amortized using the straight-line method over the life of the exclusive contracts, which expired December 31, 2008. The amortization expense was $247,233 and $240,433 for the years ended December 31, 2008 and 2007, respectively.

Note 5 – Notes Payable:

The following notes are included in notes payable at December 21, 2008 and 2007:

	2008	2007
Mortgage note payable in monthly installments of $21,222 including interest at 5.68%, through April 2013	$2,505,970	$2,612,592
Surplus notes payable in semi-annual interest-only installments at 5%, with a balloon principal payment on December 31, 2008	1,500,000	1,500,000
Total Notes Payable	$4,005,970	$4,112,592

The mortgage note is payable by Financial and is collateralized by the Company's home office land and building in Rocky Hill, Connecticut. The mortgage contains an annually calculated financial covenant with which Financial was not in compliance with at December 31, 2008. Financial has obtained a one-time waiver of that covenant as of December 31, 2008.

Surplus notes payable by NJTIC to its former owner were due in full on December 31, 2008 at 5% fixed interest payable annually. Neither interest nor any principal payments can be paid by NJTIC without the express written permission of the New Jersey Department of Banking and Insurance. Because of its special redemption features, NJTIC is allowed to account for the notes as part of its admitted statutory surplus. Through the purchase agreement with its former owner, the actual payment of the surplus notes does not have to be made until 120 days after the due date, but payment on the notes is guaranteed by Financial. As of December 31, 2008 and 2007, accrued interest totaled $75,000.

Expected maturities of the notes payable are as follows:

Year Ending December 31	
2009	$1,615,485
2010	122,218
2011	129,344
2012	136,885
2013	2,002,038
Total	$4,005,970

CATIC has a $1,500,000 line of credit with a national commercial bank with interest to be charged at LIBOR plus 100 basis points or at the bank's prime rate, whichever rate the Company chooses at drawdown. The drawdown period under this agreement expired February 1, 2009, but was extended for an additional year since there was no event of default. The line is uncollateralized and was issued under the general credit of the Company. The line contains various financial and other covenants as are customary in commercial arrangements of this type. There was no outstanding balance at December 31, 2008 and 2007. As of February 1, 2010, the line will not automatically renew and the Company will have to reapply if it desires to maintain the line. Such reapplication will involve an additional placement fee.

Note 6 – Defined Benefit Plan:

NJTIC maintains a noncontributory defined benefit retirement plan. Effective July 31, 1993, NJTIC froze the plan with no further accrual of future benefits and no additional participants entering the plan. The Company's funding policy is to contribute annually an amount within the permitted ranges as determined by the plan's independent, third-party actuary. As of December 31, 2008 and 2007, the assets of the plan are generally invested in two group pension contracts with a domestic life insurance company and various mutual fund investments.

The following table sets forth the funded status of the Company's benefit plan as of December 31, 2008 and 2007:

	2008	2007
Benefit obligation	$ (1,410,266)	$ (1,427,252)
Fair value of plan assets	1,280,271	1,454,824
Funded Status	$ (129,995)	$ 27,572

The following table sets forth the amounts recognized in accumulated other comprehensive income (loss) and amounts not yet recognized as a component of net periodic benefit cost at December 31, 2008 and 2007:

	2008	2007
Unrecognized net loss	$ (253,591)	$ (87,832)
Initial net asset	56,377	60,504
Amount recognized in accumulated other comprehensive loss	(197,214)	(27,328)
Cumulative employer contributions in excess of net periodic benefit cost	67,219	54,900
Net Asset (Liability) Recognized in the Balance Sheet	$(129,995)	$27,572

For the years ended December 31, 2008 and 2007, the Company contributions totaled $5,979 and $11,273 and net periodic pension cost totaled $(6,340) and $(13,898), respectively.

Benefits paid from the plan for the years ended December 31, 2008 and 2007, were $142,116 and $141,155, respectively.

The percentages of the fair value of total plan assets held as of December 31, 2008 and 2007, by asset category are as follows:

	2008	2007
Guaranteed investment contract	41%	40%
Mutual funds	20	26
Cash and cash equivalents	39	34

For the years ended December 31, 2008 and 2007, the Company used a discount rate of 7.5% in calculating the projected benefit obligation and the expected long-term rate of return on assets. No benefit obligation is necessary for nonvested employees. All participants are vested.

The following benefit payments are expected to be paid by the Company's benefit plan:

Year Ending December 31	
2009	$ 143,155
2010	138,094
2011	138,920
2012	135,779
2013	133,285
2014 - 2018	$ 592,646

The Company does not expect to make any contributions to the plan in 2009. Measurement dates of December 31, 2008 and 2007, were used to determine the amounts above.

Note 7 – Income Taxes:

The Company's deferred tax assets and liabilities arising from temporary differences between accounting income and taxable income consisted of the following at December 31, 2008 and 2007:

	2008	2007
Policy claims and claim adjustment expenses	$1,786,167	$1,756,859
Net operating loss carryforwards	573,345	618,932
Investments	795,011	25,970
Other	402,610	215,509
Gross deferred income tax assets	3,557,133	2,617,270
Depreciation on premises and equipment	74,300	125,840
Investments	39,913	448,790
Other	156,355	64,167
Gross deferred income tax liabilities	270,568	638,797
Net Deferred Income Tax Assets	$3,286,565	$1,978,473

No valuation allowance was deemed necessary as of December 31, 2008 or 2007. The Company has net operating loss carryforwards of $2,116,881 to be carried forward and available into the 2020 tax year.

The provision for income taxes charged to net income and other comprehensive income for the years ended December 31, 2008 and 2007, is summarized below:

	2008	2007
Current income taxes:		
Federal	$ (987,062)	$128,689
State	(39)	39,088
	(987,101)	167,777
Deferred federal income tax benefit	(173,462)	(515,348)
Income tax benefit provision applicable to income from continuing operations	$(1,160,563)	(347,571)
Income tax (benefit) applicable to discontinued operations	1,100	(120,351)
Charged to other comprehensive income:		
Federal income tax (benefit) deferred	(1,134,630)	100,743
Total Income Tax Expense (Benefit) Charged to Comprehensive Income	$(2,294,093)	$(367,179)

The income tax provisions are less than the amounts that would be obtained by applying statutory income tax rates to income before income taxes due to tax-exempt interest and tax-advantaged dividend income earned. State taxes for 2008 are less than 2007 primarily due to EASI and CESI state tax benefits.

Note 8 – Common Stock:

Common stock consists of 50,000 shares authorized ($50 par value) and 4,414 and 4,513 shares issued and outstanding at December 31, 2008 and 2007, respectively. Common stock also includes $750,000 of capitalized retained earnings. Share ownership in the corporation is limited to individuals who are licensed to practice law and to partnerships and professional corporations comprised of individuals who are licensed to practice law. Shares are repurchased by the corporation at par value if the stockholder surrenders the stock, ceases to be qualified as a stockholder, or owns more than the maximum number of shares allowed by the bylaws. No stockholder is allowed to receive any dividends.

Note 9 – Related Parties:

Certain agents of CATIC are also stockholders of Financial. Agents received title insurance commissions in the ordinary course of business. During the periods covered by these statements, no agent received commissions of more than 1% of these amounts. There were no amounts loaned to any directors, officers or stockholders during the two years covered by these financial statements.

Note 10 – Policy Claims and Claim Adjustment Expenses:

Activity in policy claims and claim adjustment expenses for the years ended December 31, 2008 and 2007, is summarized as follows:

	2008	2007
Provision for policy claims and claim adjustment expenses:		
Current year policies	$4,905,497	$3,997,047
Prior year development	2,012,147	2,674,536
	6,917,644	6,671,583
Payments for policy claims and claim adjustment expenses	(5,502,805)	(4,954,477)
Increase in liability	1,414,839	1,717,106
Liability - beginning of year	20,718,161	19,001,055
Liability - end of year	$22,133,000	$20,718,161

Concerning prior year development of $2,012,147 and $2,674,536 for 2008 and 2007, respectively, the nature of title insurance makes its claims experience particularly sensitive to economic events such as changes in interest rates or declines in home sales. The downturn in the real estate market, and problems related to defaults on mortgage payments, foreclosures, etc., have resulted in substantial unexpected claim activity from lenders, which dramatically increase title insurers' claim liabilities. Events such as mortgage fraud and agent defalcations have been on the rise, and if this trend continues, they can substantially and unexpectedly cause increases in estimates of losses. The largest amount retained on any policy by the Company is currently $12.9 million. These risk factors, coupled with the variability that is inherent in any unpaid claim estimate, could result in a material deviation from the net unpaid claim amounts in the balance sheets.

Note 11 – Reinsurance:

CATIC and NJTIC have separate treaties covering their respective reinsurance needs.

CATIC cedes and assumes title policy risks to and from other insurance companies in order to limit and diversify its risk. CATIC retains, without reinsurance, the first $5 million of liability risk on any policy. If there is an excess of $5 million of liability up to $21.7 million, CATIC retains an additional 30%. Thus, the maximum retention of liability on any one risk for CATIC is $10 million. If the liability exceeds $21.7 million, CATIC cedes 100% of the risk in excess of that amount.

NJTIC currently assumes no reinsurance risks and cedes title policy risks to CATIC and to a third-party title insurance company in order to limit its risk. NJTIC retains, without reinsurance, the first $3 million of liability risk on any policy. If there is an excess of $3 million of liability, up to $36 million, CATIC assumes 30% of the $33 million excess of $3 million and the third-party title insurance company assumes the remaining 70% of the $33 million excess of $3 million. In addition, NJTIC has an extended facility with the third-party title insurance company to take 100% of the risk of $14 million in excess of $36 million, thus giving NJTIC the capacity to write business on exposures of up to $50 million. But the maximum retention of liability on any one risk for NJTIC is $3.0 million. If the liability exceeds $3 million, NJTIC cedes 100% of the risk in excess of that amount.

Due to statutory regulatory restraints the companies are restricted to purchasing reinsurance from other title insurance companies. Consequently, CATIC purchases significantly all its title insurance from one third-party title insurance company, and NJTIC purchases significantly all its title insurance either from CATIC or from the same third-party title insurance company. CATIC and NJTIC are both using the same reinsuring title insurance company, which has a Fitch Ratings rating of A+ and an AM Best rating of A, ratings indicative of the highest quality to meet its obligations. The companies remain liable to the extent that the reinsuring company cannot meet its obligations under reinsurance agreements.

Neither company has paid or recovered any reinsurance losses during the years ended December 31, 2008 and 2007. The total amount of premiums for assumed and ceded risks was less than 1% of title premiums.

Note 12 – Escrow and Reverse Like-Kind Exchange Transactions:

The Company administers escrow and trust deposits representing undisbursed amounts received for indemnities against specific title risks.

Through CESI, the Company facilitates tax-deferred property exchanges for customers pursuant to Section 1031 of the Internal Revenue Code. Acting as a qualified intermediary, CESI holds the proceeds from sales transactions until a qualifying acquisition occurs, thereby assisting its customers in deferring the recognition of taxable income.

The amount of escrow assets and corresponding liabilities being held at December 31, 2008 and 2007, was $3,296,229 and $8,480,680, respectively. The proceeds are not considered assets of the Company and are, therefore, excluded from the accompanying consolidated balance sheets.

Through CEFI, the Company also facilitates tax-deferred property exchanges for customers pursuant to Revenue Procedure 2000-37, so-called "reverse exchanges." These reverse exchanges require the Company to take title to the customer's property until a qualifying disposition occurs. Through these reverse exchanges, the Company acquires property on behalf of customers using funds provided by the customers or from non-recourse loans arranged by the customer. The property is triple-net leased to the customer, and the customer fully indemnifies the Company against all risks associated with ownership of the property. The total purchase price of property held under these arrangements was approximately $1,109,000 and $2,560,000 at December 31, 2008 and 2007, respectively. These properties are not considered assets of the Company and are, therefore, excluded from the accompanying consolidated balance sheets.

Note 13 – Litigation:

In the ordinary course of business, claims have been made against the Company. Certain of the claims are insured but subject to varying deductibles and certain claims may be uninsured. The amount of liability, if any, from these claims cannot be estimated at this time, but management is of the opinion that the outcome of the claims will not have a material effect on the Company's financial position or operations.

Note 14 – Discontinued Operations:

As discussed in Note 1, Vested discontinued operations as of August 31, 2007. The details of the loss from discontinued operations are as follows:

Summarized financial information of Vested as of December 31, 2008 and 2007, and for the years then ended is as follows:

	2008	2007
Assets	$47,952	$ 117,953
Liabilities	2,952	58,265
Net Assets	45,000	59,688

	2008	2007
Revenue	9,069	333,657
Expenses	16,752	687,033
Loss before income taxes	(7,683)	(353,376)
Income tax (benefit)	1,100	(120,351)
Net Loss from Discontinued Operations	$(8,783)	$(233,025)

Note 15 – Subsequent Event:

Effective February 18, 2009, CATIC borrowed $2.6 million from the Federal Home Loan Bank of Boston, for 10-years at a fixed rate of 4.58% interest-only monthly payments. The proceeds of the loan were part of a $3,950,000 dividend paid by CATIC to Financial on March 2, 2009. On the same day, these funds were part of a $4.0 million surplus notes purchase by Financial from NJTIC. On April 29, 2009, NJTIC will use $1.5 million of the cash received to redeem the same amount of surplus notes outstanding to the former owner of NJTIC. The remaining $2.5 million will be used by NJTIC as working capital and as additions to its fixed-income securities portfolio.