

NO. D-1-GV-08-000050

| | | |
|---------------------------|---|--------------------------|
| STATE OF TEXAS, | § | IN THE DISTRICT COURT OF |
| Plaintiff | § | |
| VS. | § | TRAVIS COUNTY, TEXAS |
| | § | |
| WEBB COUNTY TITLE | § | |
| & ABSTRACT COMPANY, INC., | § | 201st JUDICIAL DISTRICT |
| Defendant | | |

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(JUNE 1, 2010 THROUGH AUGUST 31, 2010)**

TO THE HONORABLE DISTRICT COURT:

CANTILO & BENNETT, L.L.P., solely in its capacity as the Special Deputy Receiver of Webb County Title & Abstract Company, Inc. (the “SDR” and “Webb County” respectively), files this Financial Report and Summary Statement of Expenses of the receivership estate for the period of June 1, 2010 to August 31, 2010. The attached report is filed pursuant to TEX. INS. CODE ANN. § 443.015(2)(g) and § 443.016(a) and the Court’s Order Approving the SDR’s Application for Approval of Fees and Expenses, entered on July 22, 2008 and the Court’s Order Approving the SDR’s Second Amended Application for Approval of Fees and Expenses, entered on July 29, 2009.

The Special Deputy Receiver has served this Quarterly Financial Report to all known parties at interest, as shown in the certificate of service.

Respectfully submitted,

By: /s/ Christopher Fuller
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Attorney for CANTILO & BENNETT, L.L.P.,

solely in its capacity as the Special Deputy Receiver of Webb County Title & Abstract Company, Inc.

And

/s/ Jo Ann Howard

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Special Deputy Receiver of Webb County Title &
Abstract Company, Inc.

CERTIFICATE OF SERVICE

I certify that on September 15, 2010, a true and correct copy of this Report was served pursuant to the Order of Reference, the Texas Rules of Civil Procedure, and the Court's order on electronic service on the following:

/s/ Christopher Fuller

Christopher Fuller

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Webb Title Quarterly Report

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Webb Title Quarterly Report

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WEBB COUNTY TITLE & ABSTRACT CO.,INC
Statement of Expenses

For Period Ending
08/31/10

| | | Total June | Total July | Total Aug | Total Quarter |
|---------------------------------------|-----------------------------------|-----------------|-----------------|------------------|------------------|
| SDR | | | | | |
| Cantilo & Bennett, L.L.P. | | | | | |
| | Partner- | 5,355.00 | 7,800.00 | 10,290.00 | 23,445.00 |
| | Partner - Travel | | | 600.00 | 600.00 |
| | Partner- | | | | 0.00 |
| | Associate- | | | 156.25 | 156.25 |
| | Associate - Travel | | | | 0.00 |
| | Associate | 112.50 | 275.00 | 37.50 | 425.00 |
| | Associate | | | | 0.00 |
| | Associate - Travel | | | | 0.00 |
| | Receivership Specialist- | 207.00 | 81.00 | 846.00 | 1,134.00 |
| | Receivership Specialist- | | | 864.00 | 864.00 |
| | Receivership Specialist- Travel | | | 360.00 | 360.00 |
| | Clerical | | | | 0.00 |
| | Expenses | 9.99 | 36.50 | 19.85 | 66.34 |
| | Total SDR Billing | 5,684.49 | 8,192.50 | 13,173.60 | 27,050.59 |
| SDR Subcontractors - Legal | | | | | |
| Legal JoAnn Howard & Associates, Inc. | | | | | |
| | Attorney- | | 647.50 | 2,520.00 | 3,167.50 |
| | Attorney - Travel | | | | 0.00 |
| | Attorney- | | | | 0.00 |
| | Attorney - Travel | | | | 0.00 |
| | Attorney- | | | | 0.00 |
| | Attorney | | | | 0.00 |
| | Legal Assistant | 81.00 | | | 81.00 |
| | Legal Assistant - Travel | | | | 0.00 |
| | Assistant | | | | 0.00 |
| | Administrative Assistant | | | | 0.00 |
| | Expenses | 6.31 | | | 6.31 |
| | Total Billing | 87.31 | 647.50 | 2,520.00 | 3,254.81 |
| | Total Legal Subcontractors | 87.31 | 647.50 | 2,520.00 | 3,254.81 |
| SDR Subcontractors - Other | | | | | |
| EmKay Associates, Inc. | | | | | |
| | Claims Manager- | 34.00 | 17.00 | 161.50 | 212.50 |
| | Claims Manager - Travel | | | | 0.00 |
| | Claims Representative | | | | 0.00 |
| | Claims Representative | | | | 0.00 |
| | Claims Representative- | 67.50 | 7.50 | 13.00 | 88.00 |
| | Claims Representative - Travel | | | | 0.00 |
| | Claims Representative | 292.50 | 330.00 | 127.50 | 750.00 |
| | Claims Representative - Travel | | | | 0.00 |
| | Claims Representative- | 243.00 | 157.50 | 859.50 | 1,260.00 |
| | Claims Representative - Travel | 40.50 | 81.00 | 81.00 | 202.50 |
| | Claims Representative | 40.00 | 25.00 | 32.50 | 97.50 |
| | Expenses | | | | 0.00 |
| | Total Billing | 717.50 | 618.00 | 1,275.00 | 2,610.50 |
| Abaci, Inc. | | | | | |
| | Project Manager | | | | 0.00 |
| | Project Manager - Travel | | | | 0.00 |
| | Technical Analyst | | | 152.00 | 152.00 |
| | Technical Analyst - Travel | | | | 0.00 |
| | Expenses | | | | 0.00 |
| | Total Billing | 0.00 | 0.00 | 152.00 | 152.00 |
| Petrosewicz & Company, Inc | | | | | |

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WEBB COUNTY TITLE & ABSTRACT CO.,INC
Statement of Expenses

For Period Ending
08/31/10

| | Total June | Total July | Total Aug | Total Quarter |
|---|------------------|------------------|------------------|------------------|
| Accountant-Principal - | 405.00 | 255.00 | 510.00 | 1,170.00 |
| Accountant-Principal Travel | | | | 0.00 |
| Senior Accountant | | | | 0.00 |
| Senior Accountant-Travel | | | | 0.00 |
| Accountant/Claims Specialist | | | | 0.00 |
| Accountant/Claims Specialist-Travel | | | | 0.00 |
| Accountant- | 1,368.00 | 1,260.00 | 1,368.00 | 3,996.00 |
| Clericala | | | | 0.00 |
| Expenses | 29.56 | 27.15 | 23.12 | 79.83 |
| | 1,802.56 | 1,542.15 | 1,901.12 | 5,245.83 |
| Total Other SDR Subcontractors | 2,520.06 | 2,160.15 | 3,328.12 | 8,008.33 |
| Receivership Service Providers | | | | |
| Graciela Velazquez | | | | |
| Contract Labor | 1,920.00 | 2,400.00 | 1,920.00 | 6,240.00 |
| Expenses | | | | 0.00 |
| AT&T | 362.44 | 418.31 | 469.86 | 1,250.61 |
| City of Laredo Utilities | 117.61 | 121.95 | 138.08 | 377.64 |
| Edgar Cepeda | 400.00 | 500.00 | 400.00 | 1,300.00 |
| Eben Luna | 0.00 | 875.00 | 250.00 | 1,125.00 |
| Reliant Energy | 1,262.48 | 987.39 | 1,192.17 | 3,442.04 |
| Safesite, Inc. | 1,020.50 | 1,020.50 | 1,020.50 | 3,061.50 |
| Southern Sanitation | 101.92 | 101.92 | 101.92 | 305.76 |
| The Hartford (Liability Ins) | 459.40 | 459.40 | 459.40 | 1,378.20 |
| Westel Telephone Services | 73.67 | 78.41 | 84.68 | 236.76 |
| Frost National Bank (SDR Operating) | 47.00 | 28.50 | 55.00 | 130.50 |
| Texas Treasury | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Other | 5,765.02 | 6,991.38 | 6,091.61 | 18,848.01 |
| Liquidation Oversight Allocation | | | | |
| RLO Allocation | 1,278.02 | 1,134.44 | 1,470.09 | 3,882.55 |
| Special Master's Fees | 867.88 | 0.00 | 42.49 | 910.37 |
| Total RLO & SM Expense | 2,145.90 | 1,134.44 | 1,512.58 | 4,792.92 |
| Total Expenses | 16,202.78 | 19,125.97 | 26,625.91 | 61,954.66 |

WEBB COUNTY TITLE & ABSTRACT CO.,INC
Statement of Net Assets

For the Period Ending
08/31/10

| Line | | 08/31/10 |
|--------------------------|--|-----------|
| Cash | | |
| 1 | Cash - Unrestricted | 14,086 |
| Investments | | |
| 2 | Short-Term Investments | |
| 3 | Bonds, Preferred Stocks & Common Stocks | |
| 4 | Investments in Subsidiaries, Controlled or Affiliated Entities | |
| 5 | Mortgage Loans | |
| 6 | Real Estate | 1,010,870 |
| 7 | Policy Loans | |
| 8 | Other Invested Assets | |
| Reinsurance | | |
| 9.1 | Reinsurance Recoverables on Paid Losses & LAE | |
| 9.1A | Allowance for Reinsurance on Paid Losses & LAE | |
| 9.2 | Reinsurance Recoverables on Unpaid Losses & LAE | |
| 9.2A | Allowance for Reinsurance on Unpaid Losses & LAE | |
| 9.3 | Reinsurance Recoverables on UEP & Contingent Commissions | |
| Receivables | | |
| 10 | Salvage & Subrogation Recoveries | |
| 11 | Premiums Due & Accrued from Agents & Policyholders | |
| 12 | Receivable from Parents, Subsidiaries & Affiliates | |
| 13 | Accrued Investment Income | |
| 14 | Receivable from Guaranty Associations - Early Access Payments | |
| Other Assets | | |
| 15.1 | FF&E | |
| 15.2 | Prepaid Expenses | |
| 16 | Other Assets | |
| Restricted Assets | | |
| 17.1 | Restricted - Statutory Deposits | |
| 17.2 | Restricted - Funds held by or deposited with Reinsured Companies | |
| 17.3 | Restricted - Separate Accounts & Protected Cell Accounts | |
| 17.4 | Restricted - Other | 65,022 |
| 18 | Total Unrestricted Assets | 1,024,956 |
| 19 | Total Restricted Assets | 65,022 |
| 19A | Net Assets not Categorized | |
| 20 | Total Assets | 1,089,978 |

NOTES

Ref No.

Represents building and land that has been adjusted in value to the outstanding loan balance. The loan holder has a secured lien on the building and land. See corresponding amount on the Statement of Liabilities as a Secured Claim.

17.4 Represents initial proceeds from the sale of title plant (\$65,000) deposited into a restricted Texas Treasury account pursuant to the sale agreement. Amount includes adjustment for interest earned and management fees charged to the account since inception.

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WEBB COUNTY TITLE & ABSTRACT CO.,INC
Changes in Net Assets

For Period Ending
08/31/10

| Line | | Qtr Ending 05/31/10 | Qtr Ending 08/31/10 | Change |
|--------------------------|--|------------------------|------------------------|---------|
| Cash | | | | |
| 1 | Cash - Unrestricted | 24,039 | 14,086 | (9,953) |
| Investments | | | | |
| 2 | Short-Tem Investments | 0 | 0 | 0 |
| 3 | Bonds, Preferred Stocks & Common Stocks | 0 | 0 | 0 |
| 4 | Investments in Subsidiaries, Controlled or Affiliated Entities | 0 | 0 | 0 |
| 5 | Mortgage Loans | 0 | 0 | 0 |
| 6 | Real Estate | 1,010,870 | 1,010,870 | 0 |
| 7 | Policy Loans | 0 | 0 | 0 |
| 8 | Other Invested Assets | 0 | 0 | 0 |
| Reinsurance | | | | |
| 9.1 | Reinsurance Recoverables on Paid Losses & LAE | 0 | 0 | 0 |
| 9.1A | Allowance for Reinsurance on Paid Losses & LAE | 0 | 0 | 0 |
| 9.2 | Reinsurance Recoverables on Unpaid Losses & LAE | 0 | 0 | 0 |
| 9.2A | Allowance for Reinsurance on Unpaid Losses & LAE | 0 | 0 | 0 |
| 9.3 | Reinsurance Recoverables on UEP & Contingent Commissions | 0 | 0 | 0 |
| Receivables | | | | |
| 10 | Salvage & Subrogation Recoveries | 0 | 0 | 0 |
| 11 | Premiums Due & Accrued from Agents & Policyholders | 0 | 0 | 0 |
| 12 | Receivable from Parents, Subsidiaries & Affiliates | 0 | 0 | 0 |
| 13 | Accrued Investment Income | 0 | 0 | 0 |
| 14 | Receivable from Guaranty Associations - Early Access Payments | 0 | 0 | 0 |
| Other Assets | | | | |
| 15.1 | FF&E | 0 | 0 | 0 |
| 15.2 | Prepaid Expenses | 0 | 0 | 0 |
| 16 | Other Assets | 0 | 0 | 0 |
| Restricted Assets | | | | |
| 17.1 | Restricted - Statutory Deposits | 0 | 0 | 0 |
| 17.2 | Restricted - Funds held by or deposited with Reinsured Companies | 0 | 0 | 0 |
| 17.3 | Restricted - Separate Accounts & Protected Cell Accounts | 0 | 0 | 0 |
| 17.4 | Restricted - Other | 65,013 | 65,022 | 9 |
| 18 | Total Unrestricted Assets | 1,034,909 | 1,024,956 | (9,953) |
| 19 | Total Restricted Assets | 65,013 | 65,022 | 9 |
| 19A | Net Assets not Categorized | 0 | 0 | 0 |
| 20 | Total Assets | 1,099,922 | 1,089,978 | (9,944) |

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WEBB COUNTY TITLE & ABSTRACT CO.,INC
Statement of Net Liabilities

For Period Ending
08/31/10

| Line | | Class | 08/31/10 |
|------------------------|---|--------------|-----------------|
| 1 | Secured Claims | 1 | 1,075,891 |
| 2 | Special Deposit Claims | 1 | |
| Administrative | | | |
| 3 | Administrative Claims - State/Receiver | | |
| | Special Deputy Receiver, Subcontractors Fees & Expenses | 1 | 30,022 |
| | Liquidation Oversight & Special Master's Fees | 1 | 2,647 |
| | Unsecured Loans | 1 | 551,200 |
| 4 | Administrative Claims - Guaranty Assns | 1 | |
| | Claims Paid | | 83,776 |
| | Reserves | | |
| 5 | LAE - Guaranty Assns | 1 | |
| | Claims Paid | | |
| | Reserves | | |
| Loss Claims | | | |
| 6 | Loss Claims - Guaranty Assns | 2 | |
| | Loss Claims Paid | | 466,922 |
| | Reserves | | |
| 7 | Loss Claims - Other | 2 | |
| | Loss Claims Paid | | |
| | Reserves | | |
| 8 | LAE - Other | 2 | |
| 9 | Unearned & Advance Premium Claims (Non Assessable Policies) - GA | 2 | |
| 10 | Unearned & Advance Premium Claims (Non Assessable Policies) - Other | 2 | |
| 18 | Unearned Premium Claims (Assessable Policies) - GA | 2 | |
| Other Creditors | | | |
| 11 | Federal Government Claims | 3 | 276,137 |
| 12 | Employee Claims | 4 | |
| 13 | General Unsecured Creditor Claims (Other than Reinsurance Related) | 5 | 297,743 |
| 14 | Ceded Reinsurance Related Unsecured Claims | 5 | |
| 14.1 | Assumed Reinsurance Related Unsecured Claims | 5 | |
| 15 | State & Local Government Claims | | |
| | State & Local Governments/Attorneys | 6 | 128,156 |
| | State & Local Governments - Penalties | 7 | |
| 16 | Late Filed Claims - Unexcused | 8 | |
| 17 | Surplus Notes | 9 | |
| 19 | Unearned Premium Claims (Assessable Policies) - Other | 9 | |
| 20 | Shareholder Claims | 11 | |
| 21 | Other Liabilities | | |
| | Interest | 10 | |
| | Other | | |
| 22 | Total Liabilities | | 2,912,494 |
| 23 | Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities | | (1,822,516) |
| | Total Liabilities & Equity | | 1,089,978 |

NOTES

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

WEBB COUNTY TITLE & ABSTRACT CO.,INC
Statement of Net Liabilities

For Period Ending
08/31/10

Represents outstanding loan balance secured by building and land in the amount of \$1,010,870.

¹ See corresponding amount for building on Statement of Assets. Also includes proceeds from the sale of title plant received in April 2010 that were deposited into a restricted Texas Treasury account pursuant to the agreement. Interest earned on this account is included in the amount.

³ Unsecured Loan in the amount of \$551,200 from Commissioner's Abandoned

⁴ Reflects TTIGA administrative fees since inception of receivership

⁶ Reflects amounts provided by TTIGA for claims adjudicated through August 31, 2010.

¹¹ Payroll Taxes Payable

¹³ General Creditors' Claims (Unsecured) per SDR's Preliminary Analyses of Outstanding Payables

¹⁵ City Taxes Payable of \$28,474, County taxes payable of \$33,022, and Laredo ISD taxes payable of \$66,660.

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WEBB COUNTY TITLE & ABSTRACT CO.,INC
Changes in Net Liabilities

For Period Ending
08/31/10

| Line | | Qtr Ending 05/31/10 | Qtr Ending 08/31/10 | Change |
|------------------------|---|------------------------|------------------------|-----------------|
| 1 | Secured Claims | 1,075,883 | 1,075,891 | 8 |
| 2 | Special Deposit Claims | 0 | 0 | 0 |
| Administrative | | | | |
| 3 | Administrative Claims - State/Receiver | 0 | 0 | 0 |
| | Special Deputy Receiver, Subcontractors Fees & Expenses | 11,730 | 30,022 | 18,292 |
| | Liquidation Oversight & Special Master's Fees | 1,943 | 2,647 | 704 |
| | Unsecured Loans | 551,200 | 551,200 | 0 |
| 4 | Administrative Claims - Guaranty Assns | 0 | 0 | 0 |
| | Claims Paid | 83,776 | 83,776 | 0 |
| | Reserves | 0 | 0 | 0 |
| 5 | LAE - Guaranty Assns | 0 | 0 | 0 |
| | Claims Paid | 0 | 0 | 0 |
| | Reserves | 0 | 0 | 0 |
| Loss Claims | | | | |
| 6 | Loss Claims - Guaranty Assns | 0 | 0 | 0 |
| | Loss Claims Paid | 465,922 | 466,922 | 1,000 |
| | Reserves | 0 | 0 | 0 |
| 7 | Loss Claims - Other | 0 | 0 | 0 |
| | Loss Claims Paid | 0 | 0 | 0 |
| | Reserves | 0 | 0 | 0 |
| 8 | LAE - Other | 0 | 0 | 0 |
| 9 | Unearned & Advance Premium Claims (Non Assessable Policies) - GA | 0 | 0 | 0 |
| 10 | Unearned & Advance Premium Claims (Non Assessable Policies) - Other | 0 | 0 | 0 |
| 18 | Unearned Premium Claims (Assessable Policies) - GA | 0 | 0 | 0 |
| Other Creditors | | | | |
| 11 | Federal Government Claims | 276,137 | 276,137 | 0 |
| 12 | Employee Claims | 0 | 0 | 0 |
| 13 | General Unsecured Creditor Claims (Other than Reinsurance Related) | 297,743 | 297,743 | 0 |
| 14 | Ceded Reinsurance Related Unsecured Claims | 0 | 0 | 0 |
| 14.1 | Assumed Reinsurance Related Unsecured Claims | 0 | 0 | 0 |
| 15 | State & Local Government Claims | 0 | 0 | 0 |
| | State & Local Governments/Attorneys | 128,156 | 128,156 | 0 |
| | State & Local Governments - Penalties | 0 | 0 | 0 |
| 16 | Late Filed Claims - Unexcused | 0 | 0 | 0 |
| 17 | Surplus Notes | 0 | 0 | 0 |
| 19 | Unearned Premium Claims (Assessable Policies) - Other | 0 | 0 | 0 |
| 20 | Shareholder Claims | 0 | 0 | 0 |
| 21 | Other Liabilities | 0 | 0 | 0 |
| | Interest | 0 | 0 | 0 |
| | Other | 0 | 0 | 0 |
| 22 | Total Liabilities | 2,892,490 | 2,912,494 | 20,004 |
| 23 | Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities | (1,792,568) | (1,822,516) | (29,948) |
| | Total Liabilities & Equity | 1,099,922 | 1,089,978 | (9,944) |

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WEBB COUNTY TITLE & ABSTRACT CO.,INC
Sources & Uses of Cash

For Period Ending
08/31/10

| Line | | Qtr Ending Aug-10 |
|-----------------------------|---|----------------------|
| Income | | |
| 1 | Premium Receipts | 0 |
| 2 | Settlements | 0 |
| 3 | Policy Loan Receipts | 0 |
| 4 | Proceeds from Sale of Real or Personal Property | 1,700 |
| 5 | Reinsurance Recoveries | 0 |
| 6 | Salvage & Subrogation Recoveries | 0 |
| 7 | Agents' Balances Received | 0 |
| 8 | Collection of Affiliate Receivables | 0 |
| 9 | Recovery of Taxes Previously Paid | 0 |
| 10 | Other Receipts | 31,305 |
| 11 | Total Operational Receipts | 33,005 |
| 12 | Interest & Dividend Receipts | 0 |
| 13 | Net Cash Provided by Investment Activities | 0 |
| 14 | Total Cash Receipts from Investment Activities | 0 |
| 15 | Total Cash Receipts | 33,005 |
| Operational Expenses | | |
| 16 | Deputy Receiver & Consulting Fees & Expenses | 15,181 |
| 17 | Employee Salaries, P/R Taxes & Employee Benefits | 7,790 |
| 18 | Rent, Office & Other Facility Expenses | 9,549 |
| 19 | Legal Fees & Expenses | 867 |
| 20 | Accounting & Auditing Fees & Expenses | 3,974 |
| 21 | SGA - Administration Expenses other than LAE | 1,508 |
| 22 | Ancillary Administration Expenses | 4,089 |
| 23 | Other Disbursements | 0 |
| 24 | Total Operational Disbursements | 42,958 |
| Investment Expenses | | |
| 25 | Investment Expenses | 0 |
| 26 | Purchase of Invested Assets | 0 |
| 27 | Total Disbursements for Investment Activities | 0 |
| Claims Paid | | |
| 28.1 | Losses/Benefit Payments - SGA | 0 |
| 28.2 | Losses/Benefit Payments - Non SGA | 0 |
| 28.3 | Losses/Benefit & LAE Payments - Special Deposits | 0 |
| 29.1 | LAE Payments - SGA | 0 |
| 29.2 | LAE Payments - non SGA | 0 |
| 30 | Early Access Payments | 0 |
| 31 | Reinsurance Payments | 0 |
| 32 | Total Cash Distributions | 0 |
| 33 | Total Cash Disbursements & Distributions | 42,958 |
| 34 | Net Increase(Decrease) in Cash | (9,953) |
| 35 | Cash at Beginning of Period | 24,039 |
| 36 | Cash at End of Period | 14,086 |

Line

10 Represents reimbursement of storage fees from Land Title USA of \$1,021 and reimbursement of claims expenses from TTIGA in the amount of \$15,838.