

NO. D-1-GV-08-001478

THE STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
Guardian Fidelity Title Company, Ltd.,	§	TRAVIS COUNTY, TEXAS
Guardian Fidelity Title CLR, LLP,	§	
Guardian Fidelity Title NWR, LLP,	§	
Guardian Fidelity Title KTB, Ltd.,	§	
Guardian Fidelity Title SB Ltd., and	§	
Guardian Fidelity Title DFT, Ltd.	§	
	§	
Defendants.	§	419th JUDICIAL DISTRICT

**APPLICATION FOR APPROVAL OF FIRST CLAIMS REPORT  
[ESCROW ACCOUNTS] AND DISTRIBUTION OF ESCROW FUNDS TO APPROVED  
ESCROW CLAIMANTS**

**TO THE HONORABLE DISTRICT COURT:**

CANTILO & BENNETT, L.L.P., solely in its capacity as the Special Deputy Receiver of Guardian Fidelity Title Company, Ltd., *et al.*,<sup>1</sup> (the “SDR” and “Guardian” respectively), files this *Application for Approval of First Claims Report [Escrow Accounts] and Distribution of Escrow Funds to Approved Escrow Claimants* (the “Application”).

**I. INTRODUCTION**

1.1 The SDR presents for approval its First Report on the determination of certain escrow account claims pursuant to TEX. INS. CODE ANN. § 443.258. The First Report, listing the claimants, the amount approved, the proof of claim (“POC”) number and the Guardian guaranty file (“GF”)

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<sup>1</sup> Guardian Fidelity Title Company, Ltd., Guardian Fidelity Title CLR, LLP, Guardian Fidelity Title NWR, LLP, Guardian Fidelity Title KTB, Ltd., Guardian Fidelity Title SB Ltd., and Guardian Fidelity Title DFT, Ltd., each and collectively in liquidation.

number is attached as Exhibit 1. This Application does not seek any relief relating to any escrow claim not listed on Exhibit 1 and any unsecured claims filed with the estate.

1.2 The SDR is authorized to file this Application pursuant to TEX. INS. CODE ANN. § 443.151, which provides that the SDR is to conduct the business of the estate. The subject matter of this application has been referred to the Special Master appointed in this proceeding in accordance with Paragraph III of the *Order of Reference to Master* entered on August 22, 2008.

## II. BACKGROUND

2.1 Guardian was placed in receivership in this proceeding on July 11, 2008. The Court entered an *Agreed Order Appointing Liquidator and Permanent Injunction* (“Receivership Order”) on July 11, 2008, appointing the Commissioner of Insurance for the State of Texas as Liquidator and Permanent Receiver (“Receiver”). The Receiver designated CANTILO & BENNETT, L.L.P., as SDR of Guardian through a *Notice of Designation of Special Deputy Receiver* filed on October 2, 2008, and made effective as of September 15, 2008.

2.2 Guardian, as defined herein, consists of six entities in receivership, all of which operated as title insurance agents, as that term is defined in TEX. INS. CODE ANN. § 2501.003(13), with offices in Webster, Houston, Spring, Katy, Friendswood, and Sugar Land, Texas. Guardian acted as an agent for several solvent title insurance companies; Southern Title Insurance Company (“Southern”) wrote the predominant share of these policies. The relevant title insurance companies continue to process and pay claims on title insurance policies issued by Guardian. As title insurance agents, the Guardian entities were not required to and did not maintain reserves or reinsurance. Initial administration of the receivership estate was financed through an operating account, which has been depleted. Further administration of the estate has been financed by loans by the Texas

Department of Insurance from the Abandoned Property Fund in accordance with TEX. INS. CODE ANN. § 443.304(c).

2.3 Guardian, as a title agent, maintained a number of escrow accounts (the “Escrow Accounts”). The SDR believes that the Escrow Accounts are intact and correspond to an audit conducted by the Texas Department of Insurance prior to receivership and Guardian’s financial records. The SDR has confirmed the existence of the funds in the Escrow Accounts and safeguarded the accounts by notifying the financial institutions of the liquidation and freezing all such assets. The Escrow Accounts are not general assets of the estate under TEX. INS. CODE ANN. § 443.004(9)(a)(i).

2.4 On July 6, 2009, this Court entered its *ORDER GRANTING THE SPECIAL DEPUTY RECEIVER’S APPLICATION TO PROVIDE NOTICE OF LIQUIDATION, SET CLAIMS FILING DEADLINE, RESOLVE ESCROW ACCOUNTS AND ESTABLISH A CLAIMS PROCESSING PROCEDURE* (the “POC Order”) establishing August 31, 2009, as the deadline to file all claims, including Escrow Account claims, and a deadline of September 30, 2009, for filing any late claims and for all contingent or unliquidated claims under TEX. INS. CODE ANN. § 443.255(c) to become final.

2.5 The POC Order required claimants to funds held in the Escrow Accounts to file claims with the SDR. The SDR holds approximately 650 escrow accounts, which ranged in size from over \$200,000 to \$.01 (One Cent). There were over 1300 known potential claimants to the escrow accounts. The Guardian estate lacked sufficient financial resources and business records to make any independent determination regarding the actual ownership of or right to possess the Escrow Funds. Accordingly, the SDR was authorized to require claimants to the escrow funds to file a claim establishing an entitlement to funds held in an Escrow Account and further authority to

process claims to the escrow accounts to efficiently conclude the administration of the receivership estate.

2.6 As of the date of this Application, the SDR has not identified any Escrow Account shortages.. The Texas Title Insurance Guaranty Association has not been designated as an impaired agent under TEX. INS. CODE § 443.003 and no obligations under Chapter 2602 of the Code have been triggered.

2.7 A total of 160 Escrow Account proofs of claims (“Escrow Account POCs”) were filed in the Guardian estate by the claims filing deadline. The SDR has reviewed the thirty-seven (37) Escrow Account POCs identified in Exhibit 1 to this Application, and notified those claimants in writing of its determination of the amount and classification of their claims pursuant to TEX. INS. CODE ANN. § 443.253, and all deadlines to appeal the SDR’s determination of these Escrow Account POCs have expired.

2.8 This Application seeks relief only as to those Escrow Account POCs described in the attached Exhibit 1 and seeks no relief relating to any other POC, including, but not limited to, any non-Escrow Account POC.

### **III. RELIEF SOUGHT**

#### **A. Approval of First Claims Reports**

3.1 Section 443.258 of the Code requires the SDR to file reports with the Court regarding claims that have been settled or determined under TEX. INS. CODE ANN. § 443.253, and states as follows:

LIQUIDATOR’S RECOMMENDATIONS TO RECEIVERSHIP COURT. The liquidator shall present to the receivership court, for approval, reports of claims settled or determined by the liquidator under section 443.253. The reports must be presented from time to time as determined by the liquidator and must include information identifying the claim and the amount and priority class of the claim.

Section 443.258 applies to claims processed under TEX. INS. CODE ANN. § 443.253. The POC Order authorized the SDR to process escrow accounts claims pursuant to the provisions governing the processing of unsecured claims.

3.2 The SDR submits its First Report of Claims [Escrow Accounts] reflecting the SDR's determination of the Escrow Account POCs, Exhibit 1, and requests that the Receivership Court approve the report.

3.3 The relief sought in this Application does not include all claims filed for escrow accounts. The POC Order provided that, in the event of conflicting claims to the escrow funds and a failure of the claimants to agree to alternate arrangements, the SDR was authorized to interplead them into the registry of the Receivership Court. The SDR has filed one such interpleader action to date and reserves the right to file future such applications.

**B. Application to Distribute Funds to Approved Escrow Claimants**

3.4 The SDR requests authority from the Receivership Court to distribute escrow funds to approved escrow account claimants who are identified on Exhibit 1 in the amounts reflected on the exhibit. Distribution is authorized pursuant to TEX. INS. CODE ANN. §§ 443.260 and 303. Distribution of the funds will reduce the costs to administer the estate.

**IV. NO IMPAIRMENT AND NO WAIVER**

4.1 Although Guardian is insolvent, no covered claims have been identified as of the date of this application and Texas Title Insurance Guaranty Association ("TTIGA") has not been triggered. The SDR does not want to inadvertently trigger any obligation of TTIGA by the relief sought in this Application. The SDR requests that the Court order that, in the event any action by the

SDR and/or Receivership Court results in a shortage to an escrow account, the shortage shall not be considered a covered claim as that term is defined in TEX. INS. CODE ANN. § 2602.252.

4.2 Nothing in this Application or any related proceeding or filing shall affect, in any way, the Receiver's or the SDR's immunities from suit and shall not give rise to any right to sue or create any causes of action against the Receiver or the SDR. The relief sought herein shall not affect, in any way, the Receiver's or the SDR's immunities from suit and shall not give rise to any right to sue or create any causes of action against the Receiver or the SDR. The automatic stay and the provisions of the Receivership Order remain in effect unless expressly modified herein.

## **V. NOTICE**

5.1 Pursuant to TEX. INS. CODE ANN. § 443.007(d), this Application has been served on the entire service list for this proceeding and the Texas Title Insurance Guaranty Association in the manner shown on the Certificate of Service. SDR has posted all notices, claims filing information, POC forms and other relevant information relating to the POC process, including this Application, on the SDR's web site at [www.guardianfidelitysdr.com](http://www.guardianfidelitysdr.com). The SDR reserves the right to issue additional notice if, in its sole discretion with approval from the Receiver, it finds there is need for additional notice.

## **VI. OFFER OF PROOF AND VERIFICATION**

6.1 This Application has been verified as required by the Texas Rules of Civil Procedure by the affidavit and certification pursuant to TEX. INS. CODE ANN. § 443.017(b) by Michael P. Marcin, Partner in CANTILO & BENNETT, L.L.P., solely in its capacity as the Special Deputy Receiver.

## VII. NOTICE OF ELECTRONIC SERVICE REQUIREMENT

7.1 Pursuant to the *Order Granting SDR's Application to Use Electronic Service of Pleadings and Notices* entered on November 24, 2008, all pleadings filed in response to this Application or in regards to this estate shall be served by e-mail on the undersigned counsel and all parties shown in the attached Certificate of Service.

### PRAYER

WHEREFORE, PREMISES CONSIDERED, CANTILO & BENNETT, L.L.P., solely in its capacity as the Special Deputy Receiver of Guardian Fidelity Title Company, Ltd., Guardian Fidelity Title Company CLR, LLP, Guardian Fidelity Title Company NWR, LLP, Guardian Fidelity Title Company KTB, Ltd., Guardian Fidelity Title Company SB, Ltd., and Guardian Fidelity Title Company DFT, Ltd. respectfully requests that this Court:

1. Grant this Application;
2. Approve the SDR's First Report of Claims [Escrow Accounts];
3. Authorize the SDR to distribute the funds held in escrow to each claimant whose claim is approved by the Receivership Court;
4. Discharge and release the Receiver, the SDR, and the receivership estate from any and all liability regarding the distributed Escrow Accounts and the approved paid Escrow Account claims following distribution;
5. In the event that any action by the SDR and/or Receivership Court results in a shortage to an escrow account, the shortage shall not be considered a covered claim as that term is defined in TEX. INS. CODE ANN. § 2602.252;
6. Rule that approval of this Application constitutes a final judgment fully resolving all issues relating to the Application, provided that this Court shall retain jurisdiction to

- issue further orders pursuant to TEX. INS. CODE Chapter 443 and further ruling that the Court's Order shall not affect, in any way, the Receiver's or the SDR's immunities from suit and shall not give rise to any right to sue or create any causes of action against the Receiver or the SDR;
7. Rule that the automatic stay and the provisions of the Receivership Order remain in effect unless expressly modified herein and further rule that the Order does not amend, modify, or in any manner change or affect the terms and provisions of the POC Order except as expressly set out herein; and
  8. grant the SDR such other and further relief to which it may be justly entitled.

Respectfully submitted,

By: Christopher Fuller

Christopher Fuller  
Texas Bar No. 07515500  
4612 Ridge Oak Drive  
Austin, Texas 78731  
(512) 470-9544  
(512) 374-0957 Fax  
[cfuller@fullerlaw.org](mailto:cfuller@fullerlaw.org)  
Attorney for CANTILO & BENNETT, L.L.P.,  
Solely in its Capacity as the Special Deputy Receiver  
of Guardian Fidelity Title Company, Ltd., *et al.*

**CERTIFICATE OF SERVICE**

I certify that on March 20, 2010, a true and correct copy of this Application was served pursuant to the Order of Reference, the Court's order on e-service, the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. SEC. 443.007(d) on the following by electronic mail, except as specifically noted.

Christopher Fuller

Christopher Fuller

Tom Collins, Special Master  
c/o Ms. Jean Sustaita  
P.O. Box 149104  
Mail Code 305-1D  
Austin, TX 78701  
Jean.Sustaita@tdi.state.tx.us

Burnie Burner  
Texas Title Insurance Guaranty Association  
Mitchell, Williams, Selig, Gates & Woodyard, PLLC  
P.O. Box 2212  
106 E. Sixth Street, Suite 300  
Austin, TX 78768-2212  
bburner@mws gw.com

Bruce McCandless III  
Texas Title Insurance Guaranty Association  
Mitchell, Williams, Selig, Gates & Woodyard, PLLC  
P.O. Box 2212  
106 E. Sixth Street, Suite 300  
Austin, TX 78768-2212  
bmccandless@mws gw.com

Robert A. Kouts  
Attorney for Southern Title Insurance Co.  
Scheinthal & Kouts, LLP  
4635 Southwest Fwy., Ste. 720  
Houston TX 77027  
(713) 871-8040  
(713) 871-8642 Fax  
rkouts@sk-llp.com

Brian D. Womac  
Attorney for Keppel Houston Group, LLC  
Womac & Associates  
Two Memorial City Plaza  
820 Gessner, Suite 1540  
Houston, TX 77024  
(713) 751-9200  
(713) 751-0808 Fax

Joshua Godbey  
Assistant Attorney General  
Financial Litigation Division  
P.O. Box 12548  
Austin, TX 78711-2548  
(512) 477-2348 Fax  
[joshua.godbey@oag.state.tx.us](mailto:joshua.godbey@oag.state.tx.us)

William T. Green  
11 Greenway Plaza, Ste. 2820  
Houston, TX 77046  
(713) 961-0883 Fax  
[uncbill@msn.com](mailto:uncbill@msn.com)

Mark D. Humphrey, Houston Area President  
Prosperity Bank  
100 Medical Center Blvd.  
Webster, TX 77598  
(281) 338-1885 Fax

Ron Opper  
Opper & Gambrell, PLLC  
8582 Katy Freeway, Ste. 200  
Houston, TX 77024  
(713) 468-6111  
(713) 468-6101 Fax

Gerald S. Siegmyer  
Siegmyer, Oshman & Bissinger, LLP  
2777 Allen Parkway, Tenth Floor  
Houston, TX 77019  
(713) 524-4102 Fax  
[gsiegmyer@bizlawhouston.com](mailto:gsiegmyer@bizlawhouston.com)

William H. Rearick  
Vice President/Lending Officer  
Moody National Bank of Friendswood  
408 West Parkwood  
Friendswood, TX 77546  
(281) 992-7776 x.6690  
[wrearick@moodybank.com](mailto:wrearick@moodybank.com)

David M. Scott  
Zimmerman, Axelrad, Meyer, Stern & Wise, PC  
3040 Post Oak Blvd., Ste. 1300  
Houston, TX 77056-6560  
(713) 552-1234  
(713) 963-0859 Fax  
[dscott@zimmerlaw.com](mailto:dscott@zimmerlaw.com)

Michael J. Smith  
Chernosky, Smith, Ressler & Smith, PLLC  
4646 Wild Indigo, Ste. 110  
Houston, TX 77027  
(713) 800-8608  
(713) 800-8609 Fax  
[msmith@csrslaw.com](mailto:msmith@csrslaw.com)

Ryan Colburn, President  
Regions Bank Houston  
5005 Woodway, Ste. 350  
Houston, TX 77056  
[ryan.colburn@regions.com](mailto:ryan.colburn@regions.com)

Kenneth Green  
Snow Fogel Spence, LLP  
2929 Allen Parkway, Ste. 4100  
Houston, TX 77019  
(713) 335-4830  
(713) 335-4930 Fax  
[kennethgreen@snowfogel.com](mailto:kennethgreen@snowfogel.com)

Peter A. Nolan  
Winstead PC  
401 Congress Ave., Suite 2100  
Austin, TX 78701  
(512) 370-2800  
(512) 370-2850 Fax  
[pnolan@winstead.com](mailto:pnolan@winstead.com)

Gary Zausmer  
Winstead PC  
401 Congress Ave., Suite 2100  
Austin, TX 78701  
(512) 370-2800  
(512) 370-2850 Fax  
[gzausmer@winstead.com](mailto:gzausmer@winstead.com)

Texas Workforce Commission  
Regulatory Enforcement Division  
101 E. 15<sup>th</sup> Street  
Austin, TX 78778-0001

Internal Revenue Service  
Special Procedures Branch  
P.O. Box 250  
300 East 8<sup>th</sup> St., Ste. 352, Mail Stop 5022A  
Austin, TX 78701

Angel Garrett  
Texas Department of Insurance  
Financial/Rehabilitation & Liquidation Oversight Division  
333 Guadalupe, Mail Code 305-1D  
Austin, TX 78701  
[Angel.Garrett@tdi.state.tx.us](mailto:Angel.Garrett@tdi.state.tx.us)

Rachel Giani  
Texas Department of Insurance  
Financial/Rehabilitation & Liquidation Oversight Division  
333 Guadalupe Mail, Code 305-1D  
Austin, TX 78701  
[Rachel.Giani@tdi.state.tx.us](mailto:Rachel.Giani@tdi.state.tx.us)

Leanne Layne  
Texas Department of Insurance  
Financial/Rehabilitation & Liquidation Oversight Division  
333 Guadalupe, Mail Code 305-1D  
Austin, TX 78701  
[Leanne.Layne@tdi.state.tx.us](mailto:Leanne.Layne@tdi.state.tx.us)

John Walker  
Texas Department of Insurance  
Financial/Rehabilitation & Liquidation Oversight Division  
333 Guadalupe, Mail Code 305-1D  
Austin, TX 78701  
[John.Walker@tdi.state.tx.us](mailto:John.Walker@tdi.state.tx.us)

Jemie Russell  
Texas Department of Insurance  
Financial/Rehabilitation & Liquidation Oversight Division  
333 Guadalupe, Mail Code 305-1D  
Austin, TX 78701  
[Jemie.Russell@tdi.state.tx.us](mailto:Jemie.Russell@tdi.state.tx.us)

Michael P. Marcin, Esq.  
CANTILLO & BENNETT, L.L.P.  
Special Deputy Receiver  
11401 Century Oaks Terrace, Ste. 300  
Austin, TX 78758  
[mpmarcin@cb-firm.com](mailto:mpmarcin@cb-firm.com)

## APPLICANT'S AMENDED NOTICE OF SUBMISSION

Pursuant to the terms of the Order of Reference to Master entered by the District Court in this cause, the SDR's *Application for Approval of First Claims Report [Escrow Accounts] and Distribution of Escrow Funds to Approved Escrow Claimants* (the "Application") is hereby set for written submission before the Special Master, Tom Collins, on **April 5, 2010**.

The Special Master has asked that the following rules be provided you:

1. Any objection must be filed with the Travis County District Clerk at least three (3) calendar days before the submission date.
2. A copy of any objection shall be served **by email** by such date on:
  - (a) The Special Master's Docket Clerk, Ms. Jean Sustaita at [Jean.Sustaita@tdi.state.tx.us](mailto:Jean.Sustaita@tdi.state.tx.us);
  - (b) The undersigned counsel, Christopher Fuller at [cfuller@fullerlaw.org](mailto:cfuller@fullerlaw.org);  
and
  - (c) All interested parties, including those listed on the Applicant's Certificate of Service.
3. The written objection must specifically list all reasons for objection with supporting references to and discussion of statutory and case authorities. Reasons not stated in writing will not be considered orally.
4. If a matter is set for submission, an objecting party shall expeditiously coordinate with Applicant's counsel and the master's docket clerk [(512) 463-6450] to obtain an oral hearing, unless the master determines that an oral hearing is not necessary. The objecting party shall serve a Notice of Oral Hearing on applicant's counsel and all interested parties, including those listed on the Applicant's Certificate of Service.
5. Failure to file timely a written objection before the Special Master constitutes a waiver of the right to object to the Special Master's recommendation to the District Court.
6. Any Acknowledgment of Notice and Waiver to be filed by the Guaranty Association or other interested party should be filed at least three (3) calendar days before the submission or hearing date.

/s/ Christopher Fuller  
Christopher Fuller

THE STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
Guardian Fidelity Title Company, Ltd.,	§	TRAVIS COUNTY, TEXAS
Guardian Fidelity Title CLR, LLP,	§	
Guardian Fidelity Title NWR, LLP,	§	
Guardian Fidelity Title KTB, Ltd.,	§	
Guardian Fidelity Title SB Ltd., and	§	
Guardian Fidelity Title DFT, Ltd.	§	
	§	
Defendants.	§	419th JUDICIAL DISTRICT

**ORDER GRANTING SPECIAL DEPUTY RECEIVER’S APPLICATION FOR APPROVAL OF FIRST CLAIMS REPORT [ESCROW ACCOUNTS] AND DISTRIBUTION OF ESCROW FUNDS TO APPROVED ESCROW CLAIMANTS**

On the undersigned date, the Court considered the SDR’s *Application for Approval of First Claims Report [Escrow Accounts] and Distribution of Escrow Funds to Approved Escrow Claimants* (the “Application”). Having considered the Application, the Court finds as follows:

1. The *Order of Reference to Master* (“Order of Reference”) entered by this Court on August 22, 2008, provides that applications filed pursuant to TEX. INS. CODE ANN. § 443.007 are referred to the Special Master appointed in this proceeding;
2. The Application was submitted to the Special Master in accordance with the Order of Reference;
3. Notice of the Application was provided in accordance with TEX. INS. CODE ANN. § 443.007(d) and the Order of Reference, and no objections to the Application were filed;

4. The Special Master has issued a recommendation that the Application should be granted pursuant to Rule 171 of the Texas Rules of Civil Procedure;

5. The Court has jurisdiction over the Application, and the parties affected hereunder;  
and

6. The Application should be GRANTED in all respects.

IT IS ORDERED, ADJUDGED, AND DECREED that the Application is GRANTED.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Court, as follows:

1. Approves the SDR's First Report of Claims [Escrow Accounts];
2. Authorizes the SDR to distribute the funds held in escrow to each claimant whose claim is approved by the Receivership Court;
3. Discharges and releases the Receiver, the SDR, and the receivership estate from any and all liability regarding the distributed Escrow Accounts;
4. In the event that any action by the SDR and/or Receivership Court results in a shortage to an escrow account, the shortage shall not be considered a covered claim as that term is defined in TEX. INS. CODE ANN. § 2602.252;
5. This Order constitutes a final judgment fully resolving all issues relating to the Application, provided that this Court shall retain jurisdiction to issue further orders pursuant to TEX. INS. CODE ANN. Chapter 443. This Order shall not affect, in any way, the Receiver's or the SDR's immunities from suit and shall not give rise to any right to sue or create any causes of action against the Receiver or the SDR. The automatic stay and the provisions of the Receivership Order remain in affect unless expressly modified herein. This Order does not amend, modify, or in any manner

change or affect the terms and provisions of the *Agreed Order Appointing Liquidator and Permanent Injunction* and the POC Order except as expressly set out herein.

Signed on \_\_\_\_\_.

By: \_\_\_\_\_  
JUDGE PRESIDING

**SPECIAL DEPUTY RECEIVER'S CERTIFICATION  
PURSUANT TO TEXAS INSURANCE CODE ANNOTATED SECTION 443.017(b)  
AFFIDAVIT OF MICHAEL P. MARCIN**

State of Texas

County of Travis

BEFORE ME, the undersigned authority, appeared Michael P. Marcin, who after being by me duly sworn, stated the following under oath:


1. "My name is Michael P Marcin. I am competent to make this affidavit. The statements of fact set forth herein are true and correct, and are within my personal knowledge.

2. "I am a partner in CANTILO & BENNETT, L.L.P., Special Deputy Receiver of Guardian Fidelity Title Company, Ltd., *et al.*,<sup>1</sup> (the "SDR" and "Guardian" respectively). I am duly authorized to make this Certification and Affidavit on behalf of the SDR.

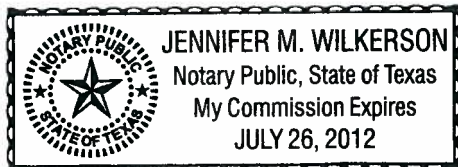
3. "I certify that the exhibits, books, accounts, records, papers, correspondence, and/or other records and documents attached hereto were produced pursuant to TEX. INS. CODE ANN. § 443.017(b), are true and correct copies of records created by and filed with the Receiver's office in connection with the receivership of this delinquent insurer, and are held by the Special Deputy Receiver in its official capacity.

4. "I further state that I have read the statements contained in the attached Application and that they are true and correct based on my personal knowledge, my review of estate records, and my consultation with my staff and subcontractors.

5. "Further affiant sayeth not."

By:   
Michael P. Marcin

**SUBSCRIBED AND SWORN TO BEFORE ME** on March 12, 2010, by Michael P. Marcin, on behalf of CANTILO & BENNETT, L.L.P., Special Deputy Receiver of Guardian.



  
Notary Public

<sup>1</sup> Guardian Fidelity Title Company, Ltd., Guardian Fidelity Title CLR, LLP, Guardian Fidelity Title NWR, LLP, Guardian Fidelity Title KTB, Ltd., Guardian Fidelity Title SB Ltd., and Guardian Fidelity Title DFT, Ltd., each and collectively in liquidation.

EXHIBIT 1—FIRST CLAIMS REPORT

**FIRST CLAIMS REPORT—APPROVED ESCROW ACCOUNT CLAIMS  
SECURED CLAIMS—TEXAS INSURANCE CODE ANNOTATED SECTION 443.260**

<b>CLAIMANT NAME</b>	<b>AMOUNT APPROVED</b>	<b>POC ID/GF NUMBER</b>
1. Survey 1, Inc.	\$378.88	GUARD0014/E022007107337
2. Larry and Stella Vasquez	\$1,642.30	GUARD0018/F022008051535
3. Rose Bennett	\$500.00	GUARD0032/2007024970RRR
4. John Eppright	\$2,306.28	GUARD0035/T200402112RR
5. Melinda E. Frazee	\$500.00	GUARD0037/2007035157RRR
6. Lazaro Hernandez	\$200.00	GUARD0040/2008010192
7. Integrity Interior and Exterior, Inc.	\$500.00	GUARD0043/2008030924
8. John and Mary Hart	\$266.24	GUARD0051/2005021933RR
9. Wanda Johnson	\$500.00	GUARD0052/2007065974
10. Lewis, Lazenberry and Hurst, LLC	\$25,000.00	GUARD0058/2008020501
11. Spencer G. Markle	\$1,000.00	GUARD0069/2008061570
12. Alfonso Maldonado	\$500.00	GUARD0070/2008030752
13. Oceanious Brooks	\$500.00	GUARD0077/BDC2007024826
14. Elisa Gutierrez	\$500.00	GUARD0078/2008030815
15. Clint Powell	\$350.00	GUARD0079/2008051430
16. Michael Brett Butler or Lisa Butler	\$1,000.00	GUARD0082/DFT2008051452
17. Alan Church	\$1,000.00	GUARD0090/DFT2008061555
18. Carlos J. Armendariz	\$1,000.00	GUARD0102/DFT2008061544
19. Superior Street Partners, LLC	\$10,000.00	GUARD0073/2007076615
20. Superior Street Partners, LLC	\$10,000.00	GUARD0074/2007076612
21. RE/MAX Professional Group	\$4,170.00	GUARD0094/2008041249
22. Charles K. Dean	\$1,250.00	GUARD0096/2008030787
23. Francisco J. Gonzalez	\$2,400.00	GUARD0104/2005032187
24. Forest Financial Services, Ltd.	\$12,000.00	GUARD0111/F022007128039
25. Alpha Tech International, Inc.	\$2,000.00	GUARD0114/F022007076499
26. Scott Goldstein	\$10,941.24	GUARD0123/2007107460
27. Joann LaCognata	\$500.00	GUARD0061/2006031853RR
28. Grand Parkway Katy Village, L.P.& DBSI Discovery Real Estate Services, L.L.C.	\$205,627.06	GUARD0085/2006114079
29. Robert S. Ewell, Jr.	\$1,000.00	GUARD0126/2007117608
30. Theodore Roberts	\$153.29	GUARD0131/2004121517R
31. Anthony R. Rembowski	\$500.00	GUARD0137/2006124171RR
32. Jeanne A. Paz, MD/Maria Patron	\$1,500.00	GUARD0139/2008061620
33. Joe C. Sanchez / Lupe L. Sanchez	\$1,000.00	GUARD0142/2006062657
34. Olga Calidonio	\$14,051.45	GUARD0143/2008051504
35. Fatolla Shahan	\$1,000.00	GUARD0093/2008010214
36. Greg Sanders	\$2,000.00	GUARD0107/E032007128053
37. Greg Sanders	\$500.00	GUARD0108/E032007128052