

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 SPECIAL DEPUTY RECEIVER’S PROPOSED
TREATMENT OF CLAIM [NO. GUARD0140-REGIONS BANK]**

**DOCKET CALL SET FOR APRIL 11, 2011 AT 1:00 P.M. AT
333 GUADALUPE, HOBBY TOWER III, ROOM 100, AUSTIN, TEXAS.**

TO THE HONORABLE DISTRICT COURT:

CANTILO & BENNETT, L.L.P., solely in its capacity as the Special Deputy Receiver (“SDR”) of Guardian Fidelity Title Company, Ltd., *et al.*¹ (“Guardian”), files this Application for Approval of Special Deputy Receiver’s Proposed Treatment of Claim [No. GUARD0140-Regions Bank] (the “Application”).

I. INTRODUCTION

1.1 The SDR files this Application pursuant to Section 443.257 of the Texas Insurance Code (the “Code”). The SDR requests that the Court approve, over the claimants’ objections, its

¹ 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.

determination of Claim No. GUARD0140. This Application does not seek any relief relating to any other claims.

1.2 The SDR is authorized to file this Application pursuant to Texas Insurance Code section 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. JURISDICTION AND VENUE

2.1 This Court has jurisdiction over the subject matter of this Application and of the parties affected herein pursuant to Texas Insurance Code section 443.005.

2.2 The Court has exclusive jurisdiction over the estate pursuant to Texas Insurance Code section 443.005(c)(i), and personal jurisdiction over all parties affected herein because this is a civil proceeding arising under and related to a delinquency proceeding under Chapter 443 of the Code, the transactions and occurrences which form the basis for the Application occurred, in whole or in part, in this state, because some of the parties affected herein reside and/or conduct business in this state that is directly related to the subject matter of this proceeding, and because the parties affected herein fall under the Court's statutory personal jurisdiction set out in Texas Insurance Code section 443.005(d) and Texas Civil Practice and Remedies Code Chapter 17. The exercise of jurisdiction over any non-resident parties affected herein comport to customary standards of fair play and substantial justice and complies with the protections of the Constitutions of the United States of America and the State of Texas.

2.3 Travis County is the mandatory, sole, and exclusive venue for this proceeding. TEX. INS. CODE § 443.005.

III. THE PARTIES

3.1 Applicant is the duly appointed SDR designated by the Commissioner of Insurance for the State of Texas in his capacity as Liquidator and Permanent Receiver (the “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., Guardian Fidelity Title Company DFT, Ltd. The SDR is authorized to file this Application.

3.2 Regions Bank is a financial institution doing business in the State of Texas, which has appeared in this delinquency proceeding by filing a proof of claim (“POC”) and objecting to the SDR’s determination of the claim, and which may be served pursuant to this Court’s *Order Granting SDR’s Application to Use Electronic Service of Pleadings and Notices* entered on November 24, 2008, by service to its counsel, Michael J. Smith, Chernosky Smith Ressler & Smith PLLC, 4646 Wild Indigo, Suite 110, Houston, Texas 77027, at msmith@csrslaw.com.

IV. CONDITIONS PRECEDENT

4.1 All conditions precedent have occurred or been complied with; alternatively, conditions precedent have been waived. The SDR served the Respondent with a notice of claim determination in accordance with Texas Insurance Code section 443.253(b), the Respondent timely filed a written objection pursuant to Texas Insurance Code section 443.253(c), and the SDR did not alter its determination as a result of the objection.

V. BACKGROUND

5.1 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. 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.

5.2 Guardian, as defined herein, consists of six entities in receivership, all of which operated as title insurance agents, as that term is defined in Texas Insurance Code section 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 Texas Insurance Code section 443.304(c), and by funds paid to the estate pursuant to a Consent Order between Southern and the Commissioner of Insurance.

5.3 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 Texas Insurance Code Annotated section 443.004(9)(a)(i).

5.4 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 Texas Insurance Code section 443.255(c) to become final.

5.5 The POC Order required parties claiming funds held in Guardian's Escrow Accounts to file claims with the SDR. On the date that Guardian was placed into receivership, the SDR held approximately 650 escrow accounts, which ranged from \$.01 (one cent) to over \$1,000,000. Over 2000 notices were sent to potential claimants of Guardian's Escrow Accounts. The Guardian estate lacked sufficient financial resources and business records to make an independent determination regarding the actual ownership of, or right to possess, the escrow funds in each and every account. 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 account to efficiently conclude the administration of the receivership estate. The POC Order authorized the SDR to process escrow account claims pursuant to the provisions governing the processing of unsecured claims.

5.6 As of the date of this Application, the SDR has not identified any Escrow Account shortages. Guardian, a title insurance agent, was declared insolvent pursuant to Texas Insurance Code Annotated section 443.057(2). However, it has not been designated an impaired agent

pursuant to Texas Title Insurance Guaranty Act section 2602.003(5)(B), and no covered claims have been identified pursuant to section 2602.252. TEX. INS. CODE § 2601, *et seq.*

5.7 A total of 164 POCs, including 114 claims explicitly seeking Escrow Account funds (“Escrow Account POCs”) were filed in the Guardian estate. All but five claims were postmarked prior to the claims filing deadline. Late filed Escrow Account POCs will be considered timely if no other claim has been received for the specific escrow account funds sought.

5.8 The POC Order also required that non-escrow claimants file a claim with the SDR by the above-described deadlines. The order further provided that the SDR “is not required to process claims for any class until it appears reasonably likely that property will be available for a distribution to that class” pursuant to Texas Insurance Code section 443.253(k). At this time, the SDR anticipates that there will be no distribution to non-escrow claimants classified as below Class 1.

5.9 Respondent Regions Bank filed a claim, identified as GUARD0140 (“Claim No. GUARD0140”) pursuant to the POC Order. The SDR served Regions Bank with a notice of determination in accordance with Texas Insurance Code section 443.253(b), the bank timely filed a written objection pursuant to Texas Insurance Code section 443.253(c), and the SDR did not alter its determination as a result of the objections.

5.10 This Application seeks relief only as to Claim No. GUARD0140 and seeks no relief relating to any other POC.

VI. REGIONS’ PROOF OF CLAIM

6.1 The SDR requests the Court to approve its proposed treatment of Claim No. GUARD0140 filed by Regions Bank on August 26, 2009. The bank contends that it is a secured creditor and demands an accounting of its collateral. The bank claims a secured interest in, among

other items, accounts receivable and furniture, fixtures, and equipment (“FF&E”).

6.2 The SDR reviewed both the POC, including its attachments, and the UCC Financing Statement filed by the bank with the Secretary of State for “Guardian Fidelity Title Company Ltd.” This entity is one out of six companies that constitute the Guardian receivership. The entities have not been substantively consolidated. The SDR was appointed as of September 15, 2008. At that time, all of the Guardian entities were defunct, its locations were closed, and the furniture and office equipment located in the various offices were moved into storage to facilitate the abandonment of the office leases. No pre-receivership inventories or title documents identifying which of the six Guardian entities actually owned the FF&E in the various offices were located. Further, no other business records were discovered that identify the FF&E, or which Guardian entity paid for and/or claimed to own the FF&E.

6.3 Pursuant to the Liquidation Order and the provisions of the *Insurer Receivership Act*, the SDR marshaled the assets. The FF&E that was found on site at the various locations was inventoried, placed into storage, and an auction was arranged for its disposal. A small number of individual items, primarily the storage shelves at the Guardian Ellington Field storage facility, were sold on location after receipt of individual bids, and various pieces of office furniture deemed to be in too poor of a condition to justify moving and storage for subsequent auction were sold directly to a used furniture wholesaler. The auction was held by Worstell Auction Company on June 13, 2009, after a public notice was placed in the local newspapers, and Guardian realized \$13,244.25 from the sales. The auction proceeds, along with the \$2,356.00 received from the on-site sales, yielded a total recovery of \$15,600.25. Against this amount, the SDR offset the costs and expenses expended by the estate to preserve and dispose of the FF&E. *See* TEX. INS. CODE § 443.260 (i). The expenses

specifically included \$9,040.00 in direct storage and moving fees, and \$9,435.00 in personnel fees for activities directly related to arranging the auction of the furniture and office equipment. Although other expenses are properly chargeable to the preservation and disposition of the FF&E, it was unnecessary to further segregate specific expenses as the \$18,475 exceeded the amount realized from the sales. No funds were left for distribution to secured creditors after all proper offsets were taken into account. A spreadsheet reflecting the analysis of the preservation and disposition of Guardian's FF&E is attached as Exhibit 1.

6.4 The SDR found no evidence of any accounts receivable. Given the nature of Guardian's business, the SDR did not anticipate finding any such assets. The SDR did not find any other assets that would appear to be covered under the bank's security interest. The SDR does not dispute the existence of a pre-receivership debt and filed security interest. However, there are no receivership estate assets securing the debt. Accordingly, the claim was determined to be unsecured with a priority lower than Class 1 under Texas Insurance Code section 443.301. *See also* TEX. INS. CODE § 443.260 (h).

VII. RELIEF SOUGHT

7.1 Section 443.257 of the Code requires the SDR to "ask the receivership court for a hearing" after a claimant objects to the proposed treatment of a claim and the SDR does not alter the determination, and states as follows:

DISPUTED CLAIMS (a) When objections to the liquidator's proposed treatment of a claim are filed and the liquidator does not alter the determination of the claim as a result of the objections, the liquidator shall ask the receivership court for a hearing pursuant to Section 443.007.

(b) The provisions of this section are not applicable to disputes with respect to coverage determinations by a guaranty association as part of the association's statutory obligations.

(c) The final disposition by the receivership court of a disputed claim is deemed a final judgment for purposes of appeal.

Priority Lower than Class 1

7.2 Regions Bank objects to the classification of its claim as not being a secured claim or as otherwise falling below Class 1. Section 443.301(a) sets out the requirements of a Class 1 claim. Generally, claims arising out of the "costs and expenses of administration expressly approved or ratified by the liquidator" and similar costs and expenses of a guaranty association are classified as Class 1. TEX. INS. CODE § 443.301(a)(1).

7.3 Claim No. GUARD0140 does not claim Class 1 status, rather Respondent asserts it is a secured creditor and objects to the SDR's determination that there is no effective value to its security, and that the claim is therefore unsecured and has a priority of less than Class 1.

7.4 Any portion of a secured creditor's claim due in excess of the value of the security "must be treated as an unsecured claim." TEX. INS. CODE § 443.260 (h). As discussed above, the value of the FF&E which secured Respondent's claim was less than the reasonable and necessary costs and expenses expended in preserving and disposing of the property. Therefore, the SDR determined that the entire amount sought in proof of claim GUARD0140 must be treated as an unsecured claim.

7.5 The POC Order provided that the SDR "is not required to process claims for any class until it appears reasonably likely that property will be available for a distribution to that class,"

pursuant to Texas Insurance Code section 443.253(k). At this time, the SDR anticipates that there

will be no distribution to non-escrow claimants classified as below Class 1.

Approval of the SDR's Proposed Treatment

7.6 The SDR requests that the Court approve its determination of Claim No. GUARD0140 as an unsecured claim with a priority of less than Class 1.

VIII. NO WAIVER

8.1 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.

IX. NOTICE

9.1 Pursuant to Texas Insurance Code section 443.007(d), this Application has been served on the Respondent to this Application and on the entire service list for this proceeding in the manner shown on the Certificate of Service. The 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. 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.

X. OFFER OF PROOF AND VERIFICATION

10.1 This Application has been verified as required by the Texas Rules of Civil Procedure by the affidavit and certification pursuant to Texas Insurance Code section 443.017(b) by Michael P.

Marcin, Partner in CANTILO & BENNETT, L.L.P., solely in its capacity as the SDR.

XI. NOTICE OF ELECTRONIC SERVICE REQUIREMENT

11.1 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 SDR 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. Approve this Application for Approval of Special Deputy Receiver's Proposed Treatment of Claim No. GUARD0140;
2. Approve the SDR's proposed treatment of Claim No. GUARD0140 and rule that the claim is not a secured claim, in whole or in part, and that it has a lower priority than Class 1, and that the SDR is not obligated to take further action on the claim unless and until it appears reasonably likely that property will be available for a distribution to classes below Class 1;
3. Discharge and release the Receiver, the SDR, and the receivership estate from any and all liability regarding Claim No. GUARD0140 unless and until it appears reasonably likely that property will be available for a distribution to classes below Class 1;
4. Rule that, pursuant to Texas Insurance Code section 443.257(c), approval of this

Application constitutes a final judgment for purposes of appeal and fully resolving all issues relating to the Application, provided that this Court shall retain jurisdiction to issue further orders pursuant to Texas Insurance Code Annotated 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;

5. 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

6. Grant the SDR such other and further relief to which it may be justly entitled.

Respectfully submitted,

By: Christopher Fuller
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Counsel 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 22, 2011, a true and correct copy of this Application for Approval of Special Deputy Receiver's Proposed Treatment of Claim [No. GUARD0140-Regions Bank] was served pursuant to the Order of Reference, the Court's order on e-service, the Texas Rules of Civil Procedure, and Texas Insurance Code section 443.007(d) on the following by electronic mail, except as specifically noted.

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Christopher Fuller

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NOTICE OF DOCKET CALL

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 Special Deputy Receiver's Proposed Treatment of Claim [No. GUARD140-Regions Bank] is hereby set for Docket Call before the Special Master, Tom Collins, on April 11, 2011 at 1:00 p.m., at 333 Guadalupe, Hobby Tower III., Room 100, Austin, Texas.

Christopher Fuller

Christopher Fuller

R-540 Guardian Fidelity Title Company, Ltd., et al., in Receivership

Analysis of Preservation and Disposition of Furniture Fixtures and Equipment

PROCEEDS	Amount	Check No.	Balance
Virtue Systems		1338	-
Glasses	-	Good Will	-
G&H Business Solutions - Rental Equip.	-	Rental Return	-
Minks Furniture Outlet:	825.00	3869558	825.00
Office First	1,500.00	3160	2,325.00
Office First (returned check and fee)	(1,504.00)	3160	821.00
Office First (Replacement Check)	1,535.00	659580104	2,356.00
3 personal printers	-	Good Will	2,356.00
Worstell Auction Company Net Proceeds of sale	13,244.25	3639	15,600.25

EXPENSES			
PERSONNEL (Derrick Massey):			
	1/31/2009	2,925.00	2,925.00
	2/28/2009	1,185.00	4,110.00
	3/31/2009	592.50	4,702.50
	4/30/2009	382.50	5,085.00
	5/31/2009	1,155.00	6,240.00
	6/30/2009	1,777.50	8,017.50
	7/31/2009	645.00	8,662.50
	8/31/2009	367.50	9,030.00
	9/30/2009	285.00	9,315.00
	10/31/2009	120.00	9,435.00

STORAGE			
	10/31/2008	1,400.00	1,400.00
Austin Knights Moving & Storage	12/3/2008	350.00	1,750.00
Austin Knights Moving & Storage	12/12/2008	2,090.00	3,840.00
Victor Denenburg Storage Unit Rent	1/13/2009	1,200.00	5,040.00
Austin Knights Moving & Storage	3/18/2009	1,000.00	6,040.00
Austin Knights Moving & Storage	3/31/2009	1,000.00	7,040.00
Austin Knights Moving & Storage	5/18/2009	2,000.00	9,040.00
TOTAL EXPENSES		18,475.00	18,475.00

INCOME (LOSS) FROM SALE OF FF&E	
Revenue	15,600.25
Expenses	18,475.00
Net Income (Loss)	(2,874.75)


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

State of Texas

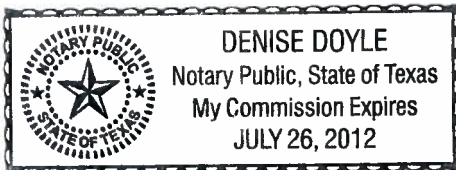
County of Travis

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.*¹ (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 to and filed with the Application were produced pursuant to Texas Insurance Code Section 443.017(b), are true and correct copies of records created by or filed with the Special Deputy 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 sub-contractors.
5. Further affiant sayeth not.

By: 
Michael P. Marcin

SUBSCRIBED AND SWORN TO BEFORE ME on March 17, 2011, by Michael P. Marcin, on behalf of CANTILO & BENNETT, L.L.P., Special Deputy Receiver for Guardian Fidelity Title Company, Ltd., *et al.*, in receivership.




Notary Public

¹ 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.

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

**ORDER GRANTING APPLICATION FOR APPROVAL OF SPECIAL DEPUTY
RECEIVER’S PROPOSED TREATMENT OF CLAIM [NO. GUARD0140-
REGIONS BANK]**

On the undersigned date, the Court considered the SDR’s Application for Approval of Special Deputy Receiver’s Proposed Treatment of Claim [No. GUARD0140-Regions Bank] (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 §§ 443.007 and 443.257 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 §443.007 (d) and the Order of Reference;
4. The Special Master held a docket call on April 11, 2011 pursuant to the Order of Reference. When called for hearing, the SDR appeared in person and by

counsel. Regions Bank, although having been provided proper notice of the Application and docket call, did not appear. Following the hearing, the Special Master 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. Grants the SDR's Application for Approval of Special Deputy Receiver's Proposed Treatment of Claims [No. GUARD0140]
2. Approves the SDR's proposed treatment of GUARD0140 and rules that the claim is not a secured claim, not an Escrow Claim and that it is a lower priority than Class 1, and that the SDR is not obligated to take further action on the claim unless and until it appears reasonably likely that property will be available for a distribution to classes below Class 1;
3. Discharges and releases the Receiver, the SDR and the receivership estate from any and all liability regarding POC numbers GUARD0140 unless and until it appears reasonably likely that property will be available for a distribution to classes below Class 1;
4. 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 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 effect 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