

Special Master's Status Letter Update

July 21, 2011

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

Background

- Date of Permanent Injunction: 07/11/2008
- Name/Date of Appointment of SDR: CANTILO & BENNETT, L.L.P. 09/15/2008
(Notice of Appt. Received on 10/02/2008)
- Claims Filing Deadline: 08/31/2009
- Guaranty Association: Texas Title Insurance Guaranty Assoc.
("TTIGA")
- Guaranty Assoc. Trigger Date: Coverage not triggered as of this date
- Date and Amount of Last Early Access: N/A

Statements of Assets and Liabilities

- \$ 23,333 - Cash Assets Unrestricted
- \$ 272,923 - Total Restricted Assets
- \$ 0 - Other Assets Non-Cash
- \$ 296,256 - Total Assets
- \$ 3,680,671 - Total Liabilities
- (\$ 3,384,415) - Equity

Status and Activity Since Last Status Conference

- **Asset Recoveries**

No additional assets were recovered by Guardian Fidelity Title Company, Ltd., *et al.* ("Guardian") during this quarter.

- **Claims**

Current claim determination status is as follows:

Approved	55
Approved in part	20
Withdrawn and paid per settlement	2
Withdrawn and not paid	2
Denied	16
Denied as escrow claim (remainder reclassified < Class 1)	18
General creditor priority determination (< Class 1)	50
Proof of Claim ("POC") declared moot by court order	<u>2</u>
Total	<u>165</u>

All claim determinations except one has been approved by the District Court. The remaining claim has been approved by the SDR and will be submitted to the court for approval on the closing application. There are no additional POCs.

SDR staff continues to respond to calls and e-mails from individuals requesting file information, or assistance with completion of an ongoing transaction. Claims are being forwarded to the appropriate title insurance underwriter to the extent possible.

- **General Legal Activities**

Southern Title Insurance Company (“Southern Title”)

The tolling agreement entered into between Guardian and Southern Title is still in effect. Guardian has not been contacted during this past quarter by Southern Title and no action is anticipated.

Prosperity Bank

Guardian’s counsel reviewed the claims of Prosperity Bank and determined that they do not represent claims in which Guardian asserts ownership and therefore does not consider the stay applicable to that litigation. Prosperity’s suit against a number of former officers and managers of Guardian has been set for trial.

IRS Matters

The SDR has received various notices from the IRS relating to tax matters. Estate counsel and financial advisors have resolved most of the issues. No matters or hearings are pending at this time.

Law Enforcement Investigations

No new activity during the past quarter.

Texas Department of Insurance (“TDI”) Enforcement Matters

The SDR received notices from TDI that it was commencing enforcement actions against Guardian due to its pre-receivership activities. An application was filed by the SDR to abandon the licenses to engage in title work held by the various Guardian entities.

- **Administration**

The records storage inventory has been completed and files have been moved for archiving or disposal purposes. An application will be submitted with the closing application to approve the file dispositions.

Conclusion

- Estate Team Goals to Achieve Prior to Next Status Conference

File the closing application and obtain approval of the remaining claim determination;

Obtain approval to file disposition request and prepare files for long term storage;

Resolve any IRS issues; and

Obtain Federal Release of estate and receiver.

- Estimated Closing Date of Receivership: August 2011

- Identification of Factors Affecting Closing Date and Final Distribution

Resolution of and objections and/or appeals of final application to approve claim determinations.

Resolution of tax issues.