

NO. D-1-GV-09-000007

THE STATE OF TEXAS,
Plaintiff

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IN THE DISTRICT COURT OF

VS.

TRAVIS COUNTY, TEXAS

SOUTHERN STAR TITLE
COMPANY, LLC,
Defendant

53RD JUDICIAL DISTRICT

REPORT REGARDING EARLY ACCESS

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW, Jennifer Ramsey, PC, Special Deputy Receiver of Southern Star Title Company, LLC (“SDR” and “Southern Star,” respectively) and pursuant to TEX. INS. CODE ANN. § 443.303, makes this *Report Regarding Early Access* (“Report”) for Southern Star, and respectfully shows the Court the following:

I. BACKGROUND AND AUTHORITY

1. On January 8, 2009, the Court entered an *Agreed Order Appointing Liquidator and Permanent Injunction* placing Southern Star into receivership and appointing the Texas Commissioner of Insurance as Permanent Receiver.

2. On January 8, 2009, the Texas Commissioner of Insurance designated Southern Star an “impaired agent”. As of that date, the Texas Title Insurance Guaranty Association (“TTIGA”) became responsible for the payments of “covered claims” as defined by TEX. INS. CODE ANN. § 2602.251.

3. On March 9, 2009, this Court entered its order granting TTIGA's application for the transfer of Southern Star escrow funds to TTIGA and setting October 14, 2009 as the deadline for filing claims with TTIGA.

4. The Receiver designated Jennifer Ramsey, PC, SDR of Southern Star on March 26, 2009.

5. Southern Star was a title insurance agency with its offices in Edinburg and McAllen, Texas. Its insolvency is directly related to the misappropriation of trust and other funds. Southern Star is not an insurance company. Southern Star was a title agent for several solvent title insurance companies including Commonwealth Land Title Insurance Company and United General Title Company f/k/a First American Title Insurance Company. As an agency, Southern Star did not have any reserves for claims or any significant assets. Pursuant to this court's order of March 29, 2009, all escrow funds were transferred to TTIGA. The quarterly Statement of Assets of August 31, 2009 filed with this Court reflects \$87,561 in Cash-Unrestricted assets, a copy of which is attached hereto as Exhibit A to the SDR's affidavit. Administration of the estate has been financed by loans from the Texas Department of Insurance with funds obtained from the Abandoned Property Fund in accordance with TEX. INS. CODE ANN. § 443.304(c). The loans total \$178,000.00 and the August 31, 2009 Cash-Unrestricted assets represents the loan proceeds remaining at that date.

6. The subject matter of this Report has been referred to the Special Master appointed in this proceeding in accordance with Section III, Paragraph 25 of the *Order of Reference* to Master entered on January 26, 2009.

7. The SDR is required to file this Report pursuant to TEX. INS. CODE ANN. § 443.303.

II. REQUIREMENTS FOR EARLY ACCESS

8. TEX. INS. CODE ANN. § 443.303(b) provides that early access to guaranty associations must be made if distributable assets exist. TEX. INS. CODE ANN. § 443.303(c) provides, however, that if there are no distributable assets available based on the financial reporting required in TEX. INS. CODE ANN. § 443.016, the receiver is to make such report to this Court.

III. EARLY ACCESS

9. On September 25, 2009, the SDR filed its Statement of Assets as of August 31, 2009 with this Court pursuant to TEX. INS. CODE ANN. § 443.016.

10. As demonstrated by the Statement of Assets and as required by TEX. INS. CODE ANN. § 443.303(c), the SDR reports that Southern Star does not have distributable assets available to make any early access distributions at this time.

IV. NOTICE

11. The SDR has provided notice of the filing of this Report to all persons who have requested notice in the Southern Star estate pursuant to TEX. INS. CODE ANN. § 443.007(a) and the notice requirements in the *Order of Reference*. The SDR also noticed all parties in interest as that term is defined in TEX. INS. CODE ANN. § 443.004(a)(17) as shown in the certificate of service. The SDR will provide notice of this Report by facsimile to the parties described in this paragraph, as authorized by statute in TEX. INS. CODE ANN. § 443.007(d).

PRAYER

WHEREFORE, PREMISES CONSIDERED, Jennifer Ramsey, PC, Special Deputy Receiver of Southern Star Title Company, LLC requests that this Court, the Texas Title Insurance Guaranty Association and all parties in interest take notice of this Report.

Respectfully submitted,

BRIAN E. RIEWE, P.C.
4408 Spicewood Springs Rd.
Austin, Texas 78759
Telephone: 512/236-9955
Facsimile: 512/236-9966

Brian E. Riewe
State Bar No. 16915600

Brian E. Riewe

By: _____

Attorneys for the Special Deputy Receiver

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served on all interested parties in accordance with the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. § 443.007(d) this 12th day of October 2009.

Mr. Tom Collins, Special Master
by serving his Docket Clerk, Ms. Jean Sustaita
Texas Department of Insurance
333 Guadalupe, Tower III, 5th Fl., MC-305-1D
Austin, Texas 78701
VIA FACSIMILE: 512/490-1023
Email: jean.sustaita@tdi.state.tx.us

Ms. John Walker
Ms. Leanne Layne
Ms. Rachel Giani
Texas Department of Insurance
P.O. Box 149104
Austin, Texas 78714
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VIA FACSIMILE: 512/475-1843
Email: john.walker@tdi.state.tx.us
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Ms. Karen Pettigrew, Asst. Attorney General
Attorney General's Office – Financial Litigation
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Mr. Edmundo O. Ramirez, Atty for R. Ibanez
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McAllen, Texas 78501-4822
VIA FACSIMILE: 956/682-0820
Email: eor@ekrattorneys.com

Brian E. Riewe

Brian E. Riewe

THE STATE OF TEXAS

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COUNTY OF TRAVIS

AFFIDAVIT

BEFORE ME, the undersigned authority appeared Jennifer Ramsey, who after being duly sworn by me, states the following under oath:

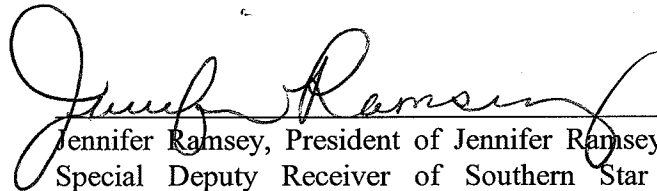
1. My name is Jennifer Ramsey. I am competent to make this affidavit. The statements of fact set forth herein are true and correct, and are within my personal knowledge.

2. I am the President of Jennifer Ramsey, PC, Special Deputy Receiver of Southern Star Title Company, LLC. I am duly authorized to make this certification and affidavit on behalf of the Special Deputy Receiver.

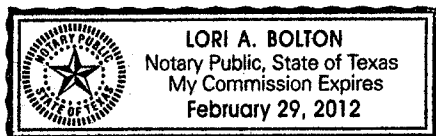
3. I certify that the records and documents attached hereto were produced pursuant to TEX. INS. CODE § 443.017(b), are true and correct copies of records created by and filed with the Receiver's office in connection with the receivership of this delinquent insurer, and are held by the Special Deputy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

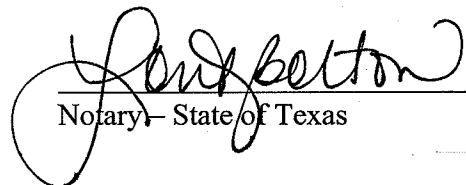
4. I further state that I have read the statements contained in the attached Report and that they are true and correct based on my personal knowledge, my review of estate records and my consultation with my staff and sub-contractors.

5. Further affiant sayeth not.


Jennifer Ramsey, President of Jennifer Ramsey, PC,
Special Deputy Receiver of Southern Star Title
Company, LLC

SWORN TO, SUBSCRIBED, and ACKNOWLEDGED BEFORE ME by Jennifer Ramsey, President of Jennifer Ramsey, PC, on this the 12th day of October, 2009.




Notary - State of Texas

R-543

**Southern Star Title Company, LLC, in Receivership
Statement of Net Assets**

**For the Month Ending
08/31/09**

Line		08/31/09
Cash		
1	Cash - Unrestricted	87,561
Investments		
2	Short-Tem Investments	
3	Bonds, Preferred Stocks & Common Stocks	
4	Investments in Subsidiaries, Controlled or Affiliated Entities	576,823
	Allowance for Collectability	(576,241)
5	Mortgage Loans	
6	Real Estate	
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	2,500
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	
18	Total Unrestricted Assets	90,643
19	Total Restricted Assets	0
19A	Net Assets not Categorized	
20	Total Assets	90,643

R-543

**Southern Star Title Company, LLC, in Receivership
Statement of Net Assets**

**For the Month Ending
08/31/09**

NOTES

Ref No.

- 4 This item represents a \$582.00 note to an employee Cynthia Garcia and a \$576,240.94 escrow shortage with the obligation going to Ibanez. An allowance has been set up for the \$576,240.94 owed by Ibanez. This amount is in litigation and may reflect only a portion of the total due from him. This entry is based on the amount the company booked pre-receivership and the SDR is investigating the entry and the amount may subsequently be adjusted based on the results of that investigation.
- 15.1 This item is an estimate of the value of computer equipment