

Report for Special Master's Status Conference  
July 20, 2009

Receivership of Southern Star Title Company, LLC  
Docket No. R-543

**Background**

- Date of Temporary Injunction: None
- Date of Permanent Injunction: January 8, 2009 (Agreed)
- Name/ Date of Appointment of SDR: Jennifer Ramsey, PC/ March 26, 2009
- Claims Filing Deadline
  - Guaranty Association: October 14, 2009
  - Company Estate: TBA
- States where licensed: Texas
- Lines of business: Title Insurance (no assumed risk)\*
- Texas Guaranty Association name & Trigger Date: Texas Title Insurance Guaranty Association triggered January 8, 2009
- Date and amount of last early access: None. \$\_\_\_\_\_ has been transferred to the guaranty association per the Court's February 27, 2009 order.

\*SST operated as a "direct operation" under Ins. Code Chapter 2651; meaning it escrowed funds and conducted closings related to real estate transactions, it utilized the services of fee attorneys and the title plant owned by a sister company to have titles researched, and it had appointments from two title insurers, enabling it to issue commitments and policies on their behalf. Southern Star is not, however, an insurer. It is a title agency. Both of the insurers with whom Southern Star had appointments are still in operation and are cooperating with the estate. They have collected and are storing the closed escrow files of the company for research purposes. No insurance coverage issues have been identified at this time.

**Statements of Assets and Liabilities (As of 6-30-09)**

- \$ 122,864 Total Assets
- \$ 119,782 Cash Assets
- \$ 3,082 Non cash Assets
- \$ 1,255,798 Total liabilities
- \$ 1,132,933 Negative equity

## **Status and activity since last status conference**

### **Asset Recovery**

The SDR filed suit against the company's principal on July 2, 2009, and obtained a TRO and writ of attachment to secure the proceeds of a real estate closing and other assets. There is a temporary injunction hearing currently set on July 30 at 2:00 p.m. The parties are in settlement discussions.

### **Claims**

The TTIGA claim filing deadline is October 14, 2009. TTIGA's summary of claims activity through June 30, 2009 is attached.

The SDR is attempting to recover assets and anticipates initiating a claims process of its own in the next quarter.

### **General Activities**

In addition to the above, the SDR is monitoring ongoing foreclosure activities by certain creditors of the company, its principal, and his other companies that affect assets not titled in the name of SST. The SDR anticipates that no foreclosure will occur until after December.

The SDR is also monitoring ongoing litigation related to the ownership and control of stock owned by the company's principal.

The SDR noticed a hearing to obtain the testimony of the company's principal for July 2, 2009. The witness produced some documents but failed to appear for testimony.

The SDR has received the preliminary conclusions of the US Department of Labor, to the effect that there is anticipated to be a shortage in the 401k plan for SST.

The SDR has established remote computerized access for both itself and the GA to the client data maintained by SST. The SDR has established points of contact and is referring most client questions to the appropriate underwriter for resolution.

### **Conclusion**

The SDR is cautiously optimistic about the potential for some asset recovery in this estate, out of the assets of the company's principal. That recovery may be affected by the claims of competing creditors. Collection will be dependent upon the successful sale of real and personal property owned by the company's principal and his other companies. The SDR hopes to have either a settlement of its suit or a trial schedule in place by the next status conference. The estimated date of closure is not known at this time.