

Special Master's Status Letter Update

October 31, 2011

Webb County Title & Abstract Company, Inc. R-536

Background

- Date of Temporary Injunction: N/A
- Date of Permanent Injunction: 01/11/08
- Name/Date of Appointment of SDR: CANTILO & BENNETT, L.L.P. 05/02/08
- Claims Filing Deadline: 11:59 p.m. 10/14/08
- State Where Licensed: Texas
- Lines of Business: Title Insurance Agency
- Texas Guaranty Association Name & Trigger Date: Texas Title Insurance Guaranty Association ("TTIGA") triggered 01/11/08 upon issuance of Agreed Order Appointing Liquidator and Permanent Injunction and designation as impaired agent by the Commissioner of Insurance.
- Date and Amount of Last Early Access: None; Current SDR Report on No Early Access filed January 11, 2011.

Statements of Assets and Liabilities (at 09/30/11)

- \$ 266,796 - Total Assets
- \$ 266,796 - Cash Assets
- \$2,144,903 - Total Liabilities
- (\$1,878,107) - Negative Equity

Status and Activity since Last Status Conference

- Asset Recoveries

The IBC matter is concluded and no additional asset recovery activity is anticipated.

- Claims

POC Update

Thirty POCs were timely filed, and all have been processed. Twenty-nine were processed as to priority only, and one (IBC) was denied. IBC later withdrew its POC as part of the settlement agreement. No appeals were received, and the deadline for appealing has expired. In February, the SDR requested that TTIGA amend its POC with final numbers, including an estimate of future expenses, so that the estate may finish its claim processing. Upon receipt of that information from

TTIGA, the SDR worked with estate counsel to prepare (and submit to RLO for review) an Application for Approval of the Report of Claims for all POCs (including TTIGA's). The SDR now plans to incorporate that application into the closing application.

TTIGA's claim filing deadline was October 14, 2008. TTIGA received fifty-one claims for a total of \$737,739.99. TTIGA rejected seventeen claims (three of which were rejected for partial amounts and one of which was withdrawn) for a total of \$250,412.55, paid four claims to the IRS for a total of \$146,000, and paid thirty claims for a total of \$320,922.44. Two claims for \$10,405.00 remain pending, and one claim for \$10,000 has been approved pending the closing of the related transaction. The total TTIGA has paid to claimants and the IRS through September 30, 2011, is \$466,922.44. TTIGA has advised the SDR that it has continued to provide coverage to the victims of the insolvency, and will seek an extension of time to accept claims as necessary.

- General Legal Activities

Pending Litigation

Several litigation matters were pending against WCTA at the time of the SDR's appointment. In each case, the SDR's counsel has filed a Notice of Automatic Stay and Permanent Injunction Barring Claims. There was no additional activity in those cases during this quarter. However, Fidelity National Title's lawsuit remains stayed but its counsel confirms that it is prepared to go forward with the case once the injunction and stay are dissolved upon closing.

- Administration

Closing Matters

The SDR and counsel are working on draft final distribution and dismissal/discharge pleadings, and anticipate submission of same to RLO in the coming weeks. The pleadings will be based upon those filed recently by another title estate (Guardian Fidelity). The SDR has conferred with TTIGA regarding the closing process and anticipates working closely with the association.

Document Management/Coding

The SDR and claims personnel will continue to work to ensure that all WCTA records/documents are included in the inventory of closing boxes. The SDR intends to request authority to destroy records that are not transferred to the Commissioner, TTIGA, and other third parties as part of the final closing/distribution application.

Conclusion

- Estate Team Goals to Achieve Prior to Next Status Conference
Document Management/Closing Coding
File Application for Final Distribution and Final Report
- Estimated Closing Date of Receivership: December 15, 2011
- Identification of Factors Affecting Closing Date and Final Distribution
Coordination/Cooperation with TTIGA
IRS Claims and Tax Issues (await response from IRS to returns filed for 2007-2010)
Document Management/Coding