Annemarie G. McGavin (VSB No. 39984)
BUCHANAN INGERSOLL & ROONEY PC
1700 K Street, N.W., Ste. 300
Washington, DC 20006-3807
Tel: 202-452-7900

Christopher P. Schueller, Esquire (PA ID No. 92746)
BUCHANAN INGERSOLL & ROONEY PC
One Oxford Centre
301 Grant St., 20th fl.
Pittsburgh, PA 15219
Tel: 412-562-8800

Counsel for Beau Street Associates, Limited Partnership

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

IN RE	
LANDAMERICA FINANCIAL GROUP, INC., _et al._	**Chapter 11**
Debtors.	**Case No. 08-35994** **(Jointly Administered)**

OBJECTION BY BEAU STREET ASSOCIATES, LIMITED PARTNERSHIP TO THE DEBTOR'S MOTION FOR AN ORDER (A) SCHEDULING EXPEDITED SALE HEARING TO CONSIDER APPROVAL OF SALE OF DEBTOR'S STOCK IN CERTAIN UNDERWRITING SUBSIDIARIES; (B) APPROVING RELATED STOCK PURCHASE AGREEMENT; (C) APPROVING FORM AND MANNER OF NOTICE OF SALE HEARING; AND (D) GRANTING RELATED RELIEF

Beau Street Associates, Limited Partnership ("Beau Street") for its Initial Objection to the Debtor's Motion for an Order (A) Scheduling Expedited Sale Hearing to Consider Approval of Sale of Debtor's Stock in Certain Underwriting Subsidiaries; (B) Approving Related Stock Purchase Agreement; (C) Approving Form and Manner of Notice of Sale Hearing; and (D) Granting Related Relief ("Sale Motion"), respectfully states as follows:

PRELIMINARY STATEMENT

1. The Sale Motion should be denied because Debtor seeks to sell assets which are not property of the estate. By way of illustration, Debtor seeks to sell the stock of United Capital Insurance Company ("United Capital") even though this stock is owned by the non-debtor Capital Title Group, Inc. ("Capital Title"), a wholly-owned subsidiary of Debtor. The Bankruptcy Code does not sanction the sale of assets of a non-debtor subsidiary.

2. Moreover, prior to the Debtor's bankruptcy filing, Debtor appears to have "strip mined" Capital Title of its assets and transferred the bulk of these assets to Debtor and/or related entities for no apparent consideration. An investigation should be conducted with respect to these transfers before any asset sale is approved by this Court, particularly because certain of these assets may properly belong to Capital Title and other non-debtor entities.

BACKGROUND

A. Capital Title's Obligations Under the Guaranty

3. Beau Street is the owner of a 140,000 square foot office complex in Washington, Pennsylvania ("Property").

4. CTG Real Estate Information Services, Inc. ("Tenant") is the primary tenant of the Property. Tenant occupies 65% of the Property. Tenant is a wholly-owned subsidiary of Capital Title which is a wholly-owned subsidiary of Debtor.

5. Tenant's lease with Beau Street (the "Lease") is for a 10-year term commencing February 1, 2007 with annual base rental income in year 1 of $1,938,082.92. Annual rent charges escalate each year so that by year 10 annual base rent charges total $2,270,773.08. Over the entire Lease term, Tenant is scheduled to pay Beau Street base rent totaling $20,805,360.66.

6. Capital Title executed a Guaranty dated May 3, 2005 ("Guaranty") to guaranty Tenant's payment obligations under the Lease. A copy of the Guaranty is attached as Exhibit A.

7. The Property was constructed between 2005 and 2006. Beau Street financed the construction.

8. Beau Street would never have proceeded to develop the Property, and would have neither sought nor secured construction financing, without a financially strong guarantor to secure the obligations of Tenant under the Lease. Hence, the cornerstone for the project has at all times been the financial strength of Capital Title and its continued ability to perform its obligations under the Guaranty.

B. The Transfer of Capital Title's Assets to Debtor or Other Affiliates Without Adequate Consideration

9. At the time the Lease was executed, Capital Title had a strong balance sheet reflecting significant assets and income from its operations. In 2004, Capital Title was ranked 21st on Fortune Magazine's List of America's Fastest Growing Companies. In Capital Title's 2003 Annual Report (excerpts of which are attached as Exhibit B) Capital Title reported the following:

	2002	**2003**
Total Assets	$83,287,000	$101,686,000
Total Stockholders' Equity	$19,452,000	$35,431,000
Total Revenue	$127,711,000	$250,245,000
Net Income	$7,282,000	$16,560,000

10. On September 8, 2006, Debtor acquired Capital Title as a wholly-owned subsidiary. Debtor later reported in its consolidated financial statements that Debtor paid $252.6 million for Capital Title. (*See* excerpt attached as Exhibit C).

11. In October of 2008, in connection with its reporting obligations under the Guaranty, Capital Title disclosed to Beau Street the financial information attached as Exhibit D. Specifically, Capital Title reported a massive drop in assets and stockholder equity between December of 2007 and June 30, 2008. The October 2008 report contained the following information:

	December 2007	**June 2008**
Total Assets	$57,025,427	$24,509,165
Total Stockholders' Equity	$50,815,827	$21,575,835
Total Revenue	Not disclosed.	($7,247)
Net Income	Not disclosed.	($237,944)

12. As illustrated above, Capital Title's total assets dropped from the $101,686,000 reported in Capital Title's 2003 annual report to $24,509,165 by June of 2008. This is a staggering decrease in assets of $75 million. Total income and revenue was negative by June of 2008. Capital Title explained this dramatic decline in assets and income as the result of the "Merger of [Capital Title Group] companies with other [LandAmerica Financial Group] entities," which strongly suggests that Debtor has transferred Capital Title's assets to Debtor and/or other affiliates for little or no consideration. (*See* Exhibit D).

13. Beau Street has reviewed Debtor's publicly filed financial information in an effort to trace the transfer of Capital Title's assets and the consideration, if any, received by Capital Title. Beau Street determined that Land Title of Nevada, Inc., a wholly-owned subsidiary of Capital Title, had been transferred to Commonwealth Land Title Insurance Company, a subsidiary wholly-owned by Debtor. Beau Street cannot discern from public filings whether

Capital Title received any consideration for Land Title of Nevada, Inc. Beau Street also cannot trace the transfer of other Capital Title assets.

14. Debtor's transfer of operating entities out of Capital Title deprives Capital Title of operating income and assets. It appears Debtor wants to leave Capital Title behind as a shell.

15. The issue appears to be widespread. As noted by proposed counsel for the Unsecured Creditors' Committee in its Initial Objection filed in this matter, Debtor appears to have facilitated millions of dollars of transfers from certain subsidiaries to address a liquidity crisis encountered by Debtor and other affiliates. (*See* Sale Motion, ¶ 10). Indeed, Debtor's Sale Motion references "approximately $150 million of intercompany obligations" owed by Debtor and its non-debtor subsidiaries to affiliated companies.

16. Debtor's diversion of assets also raises grave concerns about the Tenant. Another Debtor related entity by the name of LandAmerica One Stop, Inc. ("One Stop") has apparently been operating at the Property. Beau Street does not know if Tenant's assets and operations have been diverted to One Stop. If so, Tenant's ability to perform its obligations under the Lease will be impaired.

17. If Debtor has gutted Tenant's assets and operations, as it has done with Capital Title, then Tenant may be in jeopardy of not performing its obligations to local government agencies which Beau Street and others personally guaranteed. In exchange for grant money and a publicly financed parking garage, Tenant agreed to maintain certain employment levels and undertook other obligations. If Tenant defaults on those obligations, Beau Street and others will have another $4 million to $5 million in liability exposure.

18. Beau Street has asked Tenant to produce financial records and confirm whether its assets and operations have been transferred to a Debtor related entity. Tenant refuses to provide this information.

19. By letter dated December 5, 2008, the undersigned counsel requested additional information from Debtor's counsel regarding the ownership and sale of assets in the Sale Motion. (*See* Exhibit E). As of the date of this Objection, Debtor's counsel has not responded to this inquiry.

ARGUMENT

20. A debtor may only sell "property of the estate" pursuant to 11 U.S.C. § 363(b)(1).

21. Assets of a non-debtor subsidiary are not "property of the estate." Kreisler v. Goldberg, 478 F.3d 209 (4th Cir. 2007) ("The fact that a parent corporation has an ownership interest in a subsidiary, however, does not give the parent any direct interest in the assets of the subsidiary.") A company may not ignore the existence of the corporation in order to avoid its disadvantages. Id.

22. "One may not bring a proceeding in a bankruptcy court to dispose of assets which are not property of any estate and which are being sold and purchased by non-debtors, simply because the selling entity is a corporate relative of a debtor." In re Marchison, 54 B.R. 721, 728 (Bankr.N.D. Tex. 1985).

23. Debtor cannot sell the stock of United Capital because Capital Title, not Debtor, owns the stock of United Capital. Capital Title is not a debtor in this bankruptcy.

24. Furthermore, as noted by proposed counsel for the Unsecured Creditors' Committee, an investigation should take place concerning the pre-petition transfers of Capital Title's assets before the 363 sale is approved. Such investigation must include not only an

examination of the possible mismanagement of Debtor and its affiliates with regard to the diversion of assets to/from these companies, but also the attempted sale of assets by virtue of the Sale Motion that are not properly owned by Debtor.

WHEREFORE, based on the foregoing, Beau Street respectfully requests that the Court deny the Sale Motion and award other and further appropriate relief.

Dated: December 10, 2008

Respectfully submitted,

BUCHANAN INGERSOLL & ROONEY PC

/s/ Annemarie G. McGavin
Annemarie G. McGavin (VSB No. 39984)
1700 K Street, N.W., Ste. 300
Washington, DC 20006-3807
Tel: 202-452-7900
Fax: 202-452-7989

Christopher P. Schueller, Esquire (PA ID No. 92746)
BUCHANAN INGERSOLL & ROONEY PC
One Oxford Centre
301 Grant St., 20th fl.
Pittsburgh, PA 15219
Tel: 412-562-8800
Fax: 412-562-1041

Counsel for Beau Street Associates, Limited Partnership