

NO. D-1-GV-08-001478

STATE OF TEXAS,  
Plaintiff

IN THE DISTRICT COURT OF

v.

Guardian Fidelity Title Company, Ltd.,  
Guardian Fidelity Title Company CLR, LLP,  
Guardian Fidelity Title Company NWR, LLP,  
Guardian Fidelity Title Company KTB, Ltd.,  
Guardian Fidelity Title Company SB, Ltd.,  
Guardian Fidelity Title Company DFT, Ltd.,  
Defendants

TRAVIS COUNTY, TEXAS

419th JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND  
SUMMARY STATEMENT OF EXPENSES  
(SEPTEMBER 1, 2009 THROUGH NOVEMBER 30, 2009)**

**TO THE HONORABLE DISTRICT COURT:**

Cantilo & Bennett, L.L.P., solely in its capacity as the Special Deputy Receiver (“SDR”) of Guardian Fidelity Title Company, Ltd., Guardian Fidelity Title Company CLR, LLP, Guardian Fidelity Title Company NWR, LLP, Guardian Fidelity Title Company KTB, Ltd., Guardian Fidelity Title Company SB, Ltd., Guardian Fidelity Title Company DFT, Ltd. (“Guardian Fidelity”), files this Financial Report and Summary Statement of Expenses of the receivership estate for the period of September 1, 2009 to November 30, 2009. The attached report is filed pursuant to TEX. INS. CODE ANN., § 443.015(2)(g) and § 443.016(a) and the Court's Order Approving the SDR's Application, as Supplemented, for Approval of Fees and Expenses, entered on August 5, 2009.

The Special Deputy Receiver has served this Quarterly Financial Report to all known parties at interest, as shown in the certificate of service.

Respectfully submitted,

By: /s/ Christopher Fuller

Christopher Fuller

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And

By: /s/ Jo Ann Howard

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### **CERTIFICATE OF SERVICE**

I certify that on December 15, 2009, a true and correct copy of this Report was served pursuant to the Order of Reference, the Texas Rules of Civil Procedure, the Court's order on electronic service, and TEX. INS. CODE ANN. §§ 443.007 (d) and 443.303(e) on the following.

/s/ Christopher Fuller

Christopher Fuller

Texas Bar No. 07515500

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**Guardian Fidelity Title  
Statement of Expenses**

**For Period Ending  
11/30/09**

	<b>Total Sep</b>	<b>Total Oct</b>	<b>Total Nov</b>	<b>Total Quarter</b>
<b>SDR</b>				
Cantilo and Bennett, LLP				
SDR	11,895.00	11,595.00	9,870.00	33,360.00
SDR	0.00	75.00	0.00	75.00
Receivership Specialist	567.00	225.00	0.00	792.00
Receivership Specialist	2,115.00	1,044.00	1,476.00	4,635.00
Partner	0.00	90.00	135.00	225.00
Position	0.00	0.00	0.00	0.00
Expenses	26.71	116.28	21.64	164.63
<b>Total SDR Billing</b>	<b>14,603.71</b>	<b>13,145.28</b>	<b>11,502.64</b>	<b>39,251.63</b>
<b>SDR Subcontractors - Legal</b>				
Jo Ann Howard & Associates, P.C.				
Senior Legal Specialist	1,620.00	1,800.00	6,800.00	10,220.00
Paralegal	63.00	36.00	0.00	99.00
Position	0.00	0.00	0.00	0.00
Expenses	7.24	7.24	127.24	141.72
<b>Total Billing</b>	<b>1,690.24</b>	<b>1,843.24</b>	<b>6,927.24</b>	<b>10,460.72</b>
<b>Total Legal Subcontractors</b>	<b>1,690.24</b>	<b>1,843.24</b>	<b>6,927.24</b>	<b>10,460.72</b>
<b>SDR Subcontractors - Other</b>				
ABACI INC.				
Project Manager	93.50	0.00	0.00	93.50
Technical Manager	864.00	280.00	232.00	1,376.00
Expenses	0.00	0.00	0.00	0.00
<b>Total Billing</b>	<b>957.50</b>	<b>280.00</b>	<b>232.00</b>	<b>1,469.50</b>
EMKAY Associates, Inc.				
Claims Manager	935.00	552.50	93.50	1,581.00
Claims Representative	202.50	285.00	120.00	607.50
Claims Representative	4,069.00	3,451.50	175.50	7,696.00
Claims Representative	0.00	16.25	2.50	18.75
Claims Representative	45.00	457.50	0.00	502.50
Administration		756.00	283.50	1,039.50
Administration			27.50	27.50
Administration	670.50	92.50	58.50	821.50
Expenses	22.50	74.66	0.00	97.16
<b>Total Billing</b>	<b>5,944.50</b>	<b>5,685.91</b>	<b>761.00</b>	<b>12,391.41</b>

Portia Haggerty PC				
CPA Principal	525.00	547.50	337.50	1,410.00
Staff Accountant	0.00	0.00	0.00	0.00
Support Staff	0.00	0.00	0.00	0.00
Expenses	28.48	17.62	1.32	47.42
<b>Total Billing</b>	<b>553.48</b>	<b>565.12</b>	<b>338.82</b>	<b>1,457.42</b>

Petrosewicz & Company, Inc.				
CPA Principal	0.00	60.00	0.00	60.00
Staff Accountant	0.00	6,816.00	450.00	7,266.00
Staff Accountant	0.00	420.00	200.00	620.00
Expenses	0.00	0.00	0.00	0.00
<b>Total Billing</b>	<b>0.00</b>	<b>7,296.00</b>	<b>650.00</b>	<b>7,946.00</b>

**Total Other SDR Subcontractors      7,455.48   13,827.03   1,981.82   23,264.33**

**Receivership Service Providers**

Receivership Service Provider Name				
Moving & Storage	347.95	347.95	347.95	1,043.85
Surety Bond	600.00	0.00	0.00	600.00
	0.00	0.00	0.00	0.00
Expenses	0.00	0.00	0.00	0.00
	<b>947.95</b>	<b>347.95</b>	<b>347.95</b>	<b>1,643.85</b>

Receivership Service Provider Name      0.00      0.00      0.00      0.00

Receivership Service Provider Name      0.00      0.00      0.00      0.00

Operating Account      7.50      0.16      0.00      7.66

Texas Treasury      14.67      0.00      0.00      14.67

**Total Other      970.12      348.11      347.95      1,666.18**

**Liquidation Oversight Allocation**

RLO Allocation      0.00      1,796.92      3,391.69      5,188.61

Special Master's Fees      0.00      170.66      44.14      214.80

**Total RLO & SM Expense      0.00      1,967.58      3,435.83      5,403.41**

**Total Expenses      24,719.55      31,131.24      24,195.48      80,046.27**

**Guardian Fidelity Title  
Statement of Net Assets**

**For the Period Ending  
11/30/09**

Line	
<b>Cash</b>	
1	Cash - Unrestricted
<b>Investments</b>	
2	Short-Term Investments
3	Bonds, Preferred Stocks & Common Stocks
4	Investments in Subsidiaries, Controlled or Affiliated Entities
5	Mortgage Loans
6	Real Estate
7	Policy Loans
8	Other Invested Assets
<b>Reinsurance</b>	
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
<b>Receivables</b>	
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
<b>Other Assets</b>	
15.1	FF&E
15.2	Prepaid Expenses
16	Other Assets
<b>Restricted Assets</b>	
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	<b>Total Unrestricted Assets</b>
19	<b>Total Restricted Assets</b>
19A	Net Assets not Categorized
20	<b>Total Assets</b>

**NOTES**

Ref No.

17.4 Escrow bank account balances restricted for future escrow claim

1st Community Bank  
Amegy Bank  
Prosperity Bank  
Regions Bank  
Wells Fargo Bank  
Frost Bank

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**Guardian Fidelity Title  
Changes in Net Assets**

**For Period Ending  
11/30/09**

Line		Qtr Ending 11/30/09	Change
<b>Cash</b>			
1	Cash - Unrestricted	65,124	(86,290)
<b>Investments</b>			
2	Short-Term Investments		0
3	Bonds, Preferred Stocks & Common Stocks		0
4	Investments in Subsidiaries, Controlled or Affiliated Entities		0
5	Mortgage Loans		0
6	Real Estate		0
7	Policy Loans		0
8	Other Invested Assets		0
<b>Reinsurance</b>			
9.1	Reinsurance Recoverables on Paid Losses & LAE		0
9.1A	Allowance for Reinsurance on Paid Losses & LAE		0
9.2	Reinsurance Recoverables on Unpaid Losses & LAE		0
9.2A	Allowance for Reinsurance on Unpaid Losses & LAE		0
9.3	Reinsurance Recoverables on UEP & Contingent Commissions		0
<b>Receivables</b>			
10	Salvage & Subrogation Recoveries		0
11	Premiums Due & Accrued from Agents & Policyholders		0
12	Receivable from Parents, Subsidiaries & Affiliates		0
13	Accrued Investment Income		0
14	Receivable from Guaranty Associations - Early Access Payments		0
<b>Other Assets</b>			
15.1	FF&E		0
15.2	Prepaid Expenses		0
16	Other Assets		0
<b>Restricted Assets</b>			
17.1	Restricted - Statutory Deposits		0
17.2	Restricted - Funds held by or deposited with Reinsured Companies		0
17.3	Restricted - Separate Accounts & Protected Cell Accounts		0
17.4	Restricted - Other	831,437	0
18	<b>Total Unrestricted Assets</b>	65,124	(86,290)
19	<b>Total Restricted Assets</b>	831,437	0
19A	Net Assets not Categorized		0
20	<b>Total Assets</b>	896,561	(86,290)

**Guardian Fidelity Title  
Statement of Net Liabilities**

**For Period Ending  
11/30/09**

Line	Class	11/30/09
1	Secured Claims	1 829,400
2	Special Deposit Claims	1
<b>Administrative</b>		
3	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	1 72,977
	Liquidation Oversight & Special Master's Fees	1 27,788
	Unsecured Loans	1 426,000
4	Administrative Claims - Guaranty Assns	1
	Claims Paid	
	Reserves	
5	LAE - Guaranty Assns	1
	Claims Paid	
	Reserves	
<b>Loss Claims</b>		
6	Loss Claims - Guaranty Assns	2
	Loss Claims Paid	
	Reserves	
7	Loss Claims - Other	2
	Loss Claims Paid	
	Reserves	
8	LAE - Other	2
9	Unearned & Advance Premium Claims (Non Assessable Policies) - GA	2
10	Unearned & Advance Premium Claims (Non Assessable Policies) - Other	2
18	Unearned Premium Claims (Assessable Policies) - GA	2
<b>Other Creditors</b>		
11	Federal Government Claims	3 29,574
12	Employee Claims	4 106,906
13	General Unsecured Creditor Claims (Other than Reinsurance Related)	5 2,711,991
14	Ceded Reinsurance Related Unsecured Claims	5
14.1	Assumed Reinsurance Related Unsecured Claims	5
15	State & Local Government Claims	
	State & Local Governments/Attorneys	6 40,688
	State & Local Governments - Penalties	7
16	Late Filed Claims - Unexcused	8
17	Surplus Notes	9
19	Unearned Premium Claims (Assessable Policies) - Other	9
20	Shareholder Claims	11
21	Other Liabilities	
	Interest	10
	Other	
22	<b>Total Liabilities</b>	<b>4,245,324</b>
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	<b>(3,348,762)</b>
	<b>Total Liabilities &amp; Equity</b>	<b>896,561</b>

**NOTES**

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

- 13 Bank overdrafts, term and line of credit loans and underwriting fees due  
 Amegy Bank  
 Prosperity Bank  
 Regions Bank  
 Southern Title Ins Co

**Guardian Fidelity Title  
Changes in Net Liabilities**

**For Period Ending  
11/30/09**

Line		Qtr Ending 11/30/09	Change
1	Secured Claims	829,400	0
2	Special Deposit Claims		0
<b>Administrative</b>			
3	Administrative Claims - State/Receiver		0
	Special Deputy Receiver, Subcontractors Fees & Expenses	72,977	(11,981)
	Liquidation Oversight & Special Master's Fees	27,788	5,404
	Unsecured Loans	426,000	0
4	Administrative Claims - Guaranty Assns		0
	Claims Paid		0
	Reserves		0
5	LAE - Guaranty Assns		0
	Claims Paid		0
	Reserves		0
<b>Loss Claims</b>			
6	Loss Claims - Guaranty Assns		0
	Loss Claims Paid		0
	Reserves		0
7	Loss Claims - Other		0
	Loss Claims Paid		0
	Reserves		0
8	LAE - Other		0
9	Unearned & Advance Premium Claims (Non Assessable Policies) - GA		0
10	Unearned & Advance Premium Claims (Non Assessable Policies) - Other		0
18	Unearned Premium Claims (Assessable Policies) - GA		0
<b>Other Creditors</b>			
11	Federal Government Claims	29,574	0
12	Employee Claims	106,906	0
13	General Unsecured Creditor Claims (Other than Reinsurance Related)	2,711,991	0
14	Ceded Reinsurance Related Unsecured Claims		0
14.1	Assumed Reinsurance Related Unsecured Claims		0
15	State & Local Government Claims	40,688	0
	State & Local Governments/Attorneys		0
	State & Local Governments - Penalties		0
16	Late Filed Claims - Unexcused		0
17	Surplus Notes		0
19	Unearned Premium Claims (Assessable Policies) - Other		0
20	Shareholder Claims		0
21	Other Liabilities		0
	Interest		0
	Other		0
22	<b>Total Liabilities</b>	<b>4,245,323</b>	<b>(6,578)</b>
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	<b>(3,348,762)</b>	<b>(79,712)</b>
	<b>Total Liabilities &amp; Equity</b>	<b>896,561</b>	<b>(86,290)</b>

**Guardian Fidelity Title  
Sources & Uses of Cash**

**For Period Ending  
11/30/09**

Line	Qtr Ending Nov-09
<b>Income</b>	
1 Premium Receipts	0
2 Settlements	0
3 Policy Loan Receipts	0
4 Proceeds from Sale of Real or Personal Property	0
5 Reinsurance Recoveries	0
6 Salvage & Subrogation Recoveries	0
7 Agents' Balances Received	0
8 Collection of Affiliate Receivables	0
9 Recovery of Taxes Previously Paid	0
10 Other Receipts	328
<b>11 Total Operational Receipts</b>	<b>328</b>
12 Interest & Dividend Receipts	6
13 Net Cash Provided by Investment Activities	0
<b>14 Total Cash Receipts from Investment Activities</b>	<b>6</b>
<b>15 Total Cash Receipts</b>	<b>334</b>
<b>Operational Expenses</b>	
16 Deputy Receiver & Consulting Fees & Expenses	62,290
17 Employee Salaries, P/R Taxes & Employee Benefits	0
18 Rent, Office & Other Facility Expenses	0
19 Legal Fees & Expenses	4,453
20 Accounting & Auditing Fees & Expenses	18,216
21 SGA - Administration Expenses other than LAE	0
22 Ancillary Administration Expenses	1,066
23 Other Disbursements	600
<b>24 Total Operational Disbursements</b>	<b>86,624</b>
<b>Investment Expenses</b>	
25 Investment Expenses	0
26 Purchase of Invested Assets	0
<b>27 Total Disbursements for Investment Activities</b>	<b>0</b>
<b>Claims Paid</b>	
28.1 Losses/Benefit Payments - SGA	0
28.2 Losses/Benefit Payments - Non SGA	0
28.3 Losses/Benefit & LAE Payments - Special Deposits	0
29.1 LAE Payments - SGA	0
29.2 LAE Payments - non SGA	0
30 Early Access Payments	0
31 Reinsurance Payments	0
<b>32 Total Cash Distributions</b>	<b>0</b>
<b>33 Total Cash Disbursements &amp; Distributions</b>	<b>86,624</b>
<b>34 Net Increase(Decrease) in Cash</b>	<b>(86,290)</b>
<b>35 Cash at Beginning of Period</b>	<b>151,414</b>
<b>36 Cash at End of Period</b>	<b>65,124</b>