

STATE OF TEXAS,
Plaintiff

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

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IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

419th JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(MARCH 1, 2010 TO MAY 31, 2010)**

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 March 1, 2010 to May 31, 2010. 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 June 15, 2010, 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

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R- 540

**Guardian Fidelity Title Company Ltd et al In Receivership
Statement of Expenses**

**For Period Ending
05/31/10**

	Total Mar	Total Apr	Total May	Total Quarter
SDR				
Cantilo and Bennett, LLP				
SDR	8,475.00	13,980.00	11,520.00	33,975.00
SDR	0.00	0.00	30.00	30.00
Receivership Specialist	120.00	5,052.00	2,628.00	7,800.00
Receivership Specialist	711.00	603.00	720.00	2,034.00
Receivership Specialist	125.00	275.00	0.00	400.00
Partner	0.00	0.00	15.00	15.00
Expenses	8.56	23.28	41.12	72.96
Total SDR Billing	9,439.56	19,933.28	14,954.12	44,326.96
SDR Subcontractors - Legal				
Jo Ann Howard & Associates, P.C.				
Senior Legal Specialist	1,960.00	4,220.00	7,360.00	13,540.00
Paralegal	81.00	0.00	0.00	81.00
Expenses	10.38	0.00	125.00	135.38
Total Billing	2,051.38	4,220.00	7,485.00	13,756.38
Total Legal Subcontractors	2,051.38	4,220.00	7,485.00	13,756.38
SDR Subcontractors - Other				
ABACI INC.				
Project Manager				0.00
Technical Manager	272.00	288.00	144.00	704.00
Expenses				0.00
Total Billing	272.00	288.00	144.00	704.00
EMKAY Associates, Inc.				
Claims Manager	68.00	34.00	212.50	314.50
Claims Representative	65.00	234.00	331.50	630.50
Claims Representative	10.50	0.00	3.50	14.00
Claims Representative		0.00	16.25	16.25
Claims Representative	7.50	0.00	97.50	105.00
Administration	135.00	121.50	562.50	819.00
Administration	0.00	30.00	47.50	77.50
Administration		40.50	101.25	141.75
Expenses	0.00			0.00
Total Billing	286.00	460.00	1,372.50	2,118.50
Portia Haggerty PC				
CPA Principal	405.00	1,080.00	435.00	1,920.00

	Expenses	0.44	52.09	18.93	71.46
	Total Billing	405.44	1,132.09	453.93	1,991.46
	Petrosewicz & Company, Inc.				
	CPA Principal	15.00	0.00	30.00	45.00
	Staff Accountant	132.00	0.00	0.00	132.00
	Expenses				0.00
	Total Billing	147.00	0.00	30.00	177.00
	Total Other SDR Subcontractors	1,110.44	1,880.09	2,000.43	4,990.96
	Receivership Service Providers				
	Receivership Service Provider Name				
	Moving & Storage	353.95	353.95	354.45	1,062.35
	Surety Bond				0.00
	Tax Return Preparation			2,575.00	2,575.00
	Expenses				
		353.95	353.95	2,929.45	3,637.35
	Operating Account	0.00	20.50	9.55	30.05
	Texas Treasury	0.00	0.00	0.00	0.00
	Total Other	353.95	374.45	2,939.00	3,667.40
	Liquidation Oversight Allocation				
	RLO Allocation	2,679.22	867.21	1,775.31	5,321.74
	Special Master's Fees	402.66	112.61	0.00	515.27
	Total RLO & SM Expense	3,081.88	979.82	1,775.31	5,837.01
	Total Expenses	16,037.21	27,387.64	29,153.86	72,578.71

R- 540 Guardian Fidelity Title Company Ltd et al In Receivership
Statement of Net Assets

For the Period Ending
05/31/10

Line	
Cash	
1	Cash - Unrestricted
Investments	
2	Short-Tem 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
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
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
19	Total Restricted Assets
19A	Net Assets not Categorized
20	Total Assets

NOTES

Ref No.

Source for Harris County tax refund not yet determined (operations
1 or escrow related)

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

R- 540 Guardian Fidelity Title Company Ltd et al In Receivership
Changes in Net Assets

For Period Ending
05/31/10

Line		Qtr Ending 05/31/10	Change
Cash			
1	Cash - Unrestricted	286,317	246,380
Investments			
2	Short-Tem 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
Reinsurance			
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
Receivables			
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
Other Assets			
15.1	FF&E		0
15.2	Prepaid Expenses		0
16	Other Assets		0
Restricted Assets			
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	831,414	(10)
18	Total Unrestricted Assets	286,317	246,380
19	Total Restricted Assets	831,414	(10)
19A	Net Assets not Categorized		0
20	Total Assets	1,117,731	246,370

**Guardian Fidelity Title Company Ltd et al In Receivership
Statement of Net Liabilities**

**For Period Ending
05/31/10**

Line	Class	05/31/10
1	Secured Claims	829,400
2	Special Deposit Claims	
Administrative		
3	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	27,015
	Liquidation Oversight & Special Master's Fees	1,775
	Unsecured Loans	426,000
4	Administrative Claims - Guaranty Assns	
	Claims Paid	
	Reserves	
5	LAE - Guaranty Assns	
	Claims Paid	
	Reserves	
Loss Claims		
6	Loss Claims - Guaranty Assns	
	Loss Claims Paid	
	Reserves	
7	Loss Claims - Other	
	Loss Claims Paid	
	Reserves	
8	LAE - Other	
9	Unearned & Advance Premium Claims (Non Assessable Policies) - GA	
10	Unearned & Advance Premium Claims (Non Assessable Policies) - Other	
18	Unearned Premium Claims (Assessable Policies) - GA	
Other Creditors		
11	Federal Government Claims	71,460
12	Employee Claims	106,906
13	General Unsecured Creditor Claims (Other than Reinsurance Related)	2,711,991
14	Ceded Reinsurance Related Unsecured Claims	
14.1	Assumed Reinsurance Related Unsecured Claims	
15	State & Local Government Claims	
	State & Local Governments/Attorneys	40,688
	State & Local Governments - Penalties	
16	Late Filed Claims - Unexcused	
17	Surplus Notes	
19	Unearned Premium Claims (Assessable Policies) - Other	
20	Shareholder Claims	
21	Other Liabilities	
	Interest	
	Other	
22	Total Liabilities	4,215,235
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(3,097,504)
	Total Liabilities & Equity	1,117,731

NOTES

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

11	Increase IRS tax liability claims to include NWR and CLR entities	41,886
13	Bank overdrafts, term and line of credit loans and underwriting fees due	
	Amegy Bank	1,512,432
	Prosperity Bank	371,232
	Regions Bank	541,481
	Southern Title Ins Co	286,845
		2,711,991

**Guardian Fidelity Title Company Ltd et al In Receivership
Changes in Net Liabilities**

**For Period Ending
05/31/10**

Line		Qtr Ending 05/31/10	Change
1	Secured Claims	829,400	0
2	Special Deposit Claims		0
Administrative			
3	Administrative Claims - State/Receiver		0
	Special Deputy Receiver, Subcontractors Fees & Expenses	27,015	(52,515)
	Liquidation Oversight & Special Master's Fees	1,775	(29,055)
	Unsecured Loans	426,000	390
4	Administrative Claims - Guaranty Assns		0
	Claims Paid		0
	Reserves		0
5	LAE - Guaranty Assns		0
	Claims Paid		0
	Reserves		0
Loss Claims			
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
Other Creditors			
11	Federal Government Claims	71,460	41,886
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	Total Liabilities	4,215,235	(39,295)
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(3,097,504)	285,665
	Total Liabilities & Equity	1,117,731	246,370

11 Increase IRS tax liability claims to include NWR and CLR entities

41,886

R- 540 Guardian Fidelity Title Company Ltd et al In Receivership
Sources & Uses of Cash

For Period Ending
05/31/10

Line		Qtr Ending May-10
Income		
1	Premium Receipts	0
2	Settlements	400,000
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	493
11	Total Operational Receipts	400,493
12	Interest & Dividend Receipts	27
13	Net Cash Provided by Investment Activities	0
14	Total Cash Receipts from Investment Activities	27
15	Total Cash Receipts	400,520
Operational Expenses		
16	Deputy Receiver & Consulting Fees & Expenses	93,522
17	Employee Salaries, P/R Taxes & Employee Benefits	0
18	Rent, Office & Other Facility Expenses	0
19	Legal Fees & Expenses	17,894
20	Accounting & Auditing Fees & Expenses	6,750
21	SGA - Administration Expenses other than LAE	0
22	Ancillary Administration Expenses	1,062
23	Other Disbursements	34,913
24	Total Operational Disbursements	154,141
Investment Expenses		
25	Investment Expenses	0
26	Purchase of Invested Assets	0
27	Total Disbursements for Investment Activities	0
Claims Paid		
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
32	Total Cash Distributions	0
33	Total Cash Disbursements & Distributions	154,141
34	Net Increase(Decrease) in Cash	246,380
35	Cash at Beginning of Period	39,935
36	Cash at End of Period	286,315