

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
(JUNE 1, 2010 THROUGH AUGUST 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 June 1, 2010 to August 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
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of Guardian Fidelity Title Co., *et al.*

CERTIFICATE OF SERVICE

I certify that on September 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.

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Christopher Fuller

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

**For Period Ending
08/31/10**

	Total Jun	Total Jul	Total Aug	Total Quarter
SDR				
Cantilo and Bennett, LLP				
SDR	13,440.00	17,535.00	21,750.00	52,725.00
SDR	30.00	0.00	0.00	30.00
Receivership Specialist	5,868.00	3,024.00	1,644.00	10,536.00
Receivership Specialist	1,111.50	612.00	927.00	2,650.50
Receivership Specialist	0.00	0.00	0.00	0.00
Partner	0.00	60.00	105.00	165.00
Expenses	57.24	5.96	45.96	109.16
Total SDR Billing	20,506.74	21,236.96	24,471.96	66,215.66
SDR Subcontractors - Legal				
Jo Ann Howard & Associates, P.C.				
Senior Legal Specialist	1,900.00	1,620.00	2,820.00	6,340.00
Paralegal	117.00	0.00	0.00	117.00
Expenses	410.60	6.31	0.00	416.91
Total Billing	2,427.60	1,626.31	2,820.00	6,873.91
Total Legal Subcontractors	2,427.60	1,626.31	2,820.00	6,873.91
SDR Subcontractors - Other				
ABACI INC.				
Project Manager	0.00			0.00
Technical Manager	104.00	96.00	104.00	304.00
Expenses	0.00			0.00
Total Billing	104.00	96.00	104.00	304.00
EMKAY Associates, Inc.				
Claims Manager	195.50	68.00	85.00	348.50
Claims Representative	1,449.50	201.50	234.00	1,885.00
Claims Representative	178.50	0.00	0.00	178.50
Claims Representative	0.00	0.00	0.00	0.00
Claims Representative	247.50	0.00	0.00	247.50
Administration	837.00	567.00	261.00	1,665.00
Administration	1,225.00	1,442.50	5.00	2,672.50
Administration	101.25	40.50	0.00	141.75
Expenses	0.00		0.00	0.00
Total Billing	4,234.25	2,319.50	585.00	7,138.75
Portia Haggerty PC				
CPA Principal	982.50	1,117.50	810.00	2,910.00

	Expenses	19.39	15.28	31.13	65.80
	Total Billing	1,001.89	1,132.78	841.13	2,975.80
	Petrosewicz & Company, Inc.				
	CPA Principal			120.00	120.00
	Staff Accountant	660.00	348.00	624.00	1,632.00
	Expenses			255.50	255.50
	Total Billing	660.00	348.00	999.50	2,007.50
	Total Other SDR Subcontractors	6,000.14	3,896.28	2,529.63	12,426.05
	Receivership Service Providers				
	Receivership Service Provider Name				
	Moving & Storage	354.45	354.45	352.45	1,061.35
	Surety Bond				0.00
	Tax Return Preparation	350.00	0.00	0.00	350.00
	Expenses				
		704.45	354.45	352.45	1,411.35
	Operating Account	0.00	0.00	9.55	9.55
	Texas Treasury	13.44	13.33	23.51	50.28
	Total Other	717.89	367.78	385.51	1,471.18
	Liquidation Oversight Allocation				
	RLO Allocation	1,956.33	2,393.01	2,265.36	6,614.70
	Special Master's Fees	7.88	0.00	142.49	150.37
	Total RLO & SM Expense	1,964.21	2,393.01	2,407.85	6,765.07
	Total Expenses	31,616.58	29,520.34	32,614.95	93,751.87

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

For the Period Ending
08/31/10

Line		08/31/10
Cash		
1	Cash - Unrestricted	257,370
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	452,731
18	Total Unrestricted Assets	257,370
19	Total Restricted Assets	452,731
19A	Net Assets not Categorized	
20	Total Assets	710,101

NOTES

Ref No.

17.4 Escrow bank account balances restricted for future escrow claim

1st Community Bank	51,619.89
Amegy Bank	(197.60)
Prosperity Bank	24,499.91
Regions Bank	133,219.20
Wells Fargo Bank	8,319.50
Treasury Escrow	4,391.64
Frost Bank	230,818.46
	<u>452,671.00</u>

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

For Period Ending
08/31/10

Line		Qtr Ending 08/31/10	Change
Cash			
1	Cash - Unrestricted	257,370	(28,947)
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	452,731	(378,683)
18	Total Unrestricted Assets	257,370	(28,947)
19	Total Restricted Assets	452,731	(378,683)
19A	Net Assets not Categorized		0
20	Total Assets	710,101	(407,630)

17.4 Escrow settlements

386,815

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

For Period Ending
08/31/10

Line		Class	08/31/10
1	Secured Claims	1	446,847
2	Special Deposit Claims	1	
Administrative			
3	Administrative Claims - State/Receiver		
	Special Deputy Receiver, Subcontractors Fees & Expenses	1	29,278
	Liquidation Oversight & Special Master's Fees	1	4,801
	Unsecured Loans	1	426,000
4	Administrative Claims - Guaranty Assns	1	
	Claims Paid		
	Reserves		
5	LAE - Guaranty Assns	1	
	Claims Paid		
	Reserves		
Loss Claims			
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	
Other Creditors			
11	Federal Government Claims	3	71,460
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	Total Liabilities		3,837,971
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities		(3,127,870)
	Total Liabilities & Equity		710,101

NOTES

Ref. No.

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
	<u>2,711,991</u>

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

**For Period Ending
08/31/10**

Line		Qtr Ending 08/31/10	Change
1	Secured Claims	446,847	(382,553)
2	Special Deposit Claims		0
Administrative			
3	Administrative Claims - State/Receiver		0
	Special Deputy Receiver, Subcontractors Fees & Expenses	29,278	2,263
	Liquidation Oversight & Special Master's Fees	4,801	3,026
	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
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	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	Total Liabilities	3,837,971	(377,264)
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(3,127,870)	(30,366)
	Total Liabilities & Equity	710,101	(407,630)

1 Escrow claim payments
3 Abandon Property Loan

386,815
426,000

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

For Period Ending
08/31/10

Line		Qtr Ending Aug-10
Income		
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	60,000
11	Total Operational Receipts	60,000
12	Interest & Dividend Receipts	96
13	Net Cash Provided by Investment Activities	0
14	Total Cash Receipts from Investment Activities	96
15	Total Cash Receipts	60,096
Operational Expenses		
16	Deputy Receiver & Consulting Fees & Expenses	64,969
17	Employee Salaries, P/R Taxes & Employee Benefits	0
18	Rent, Office & Other Facility Expenses	0
19	Legal Fees & Expenses	11,539
20	Accounting & Auditing Fees & Expenses	7,095
21	SGA - Administration Expenses other than LAE	0
22	Ancillary Administration Expenses	1,072
23	Other Disbursements	4,367
24	Total Operational Disbursements	89,041
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	89,041
34	Net Increase(Decrease) in Cash	(28,945)
35	Cash at Beginning of Period	286,315
36	Cash at End of Period	257,370