

NO. D-1-GV-08-001478

STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
Plaintiff	§	
	§	
v.	§	
	§	
Guardian Fidelity Title Company, Ltd.,	§	TRAVIS COUNTY, TEXAS
Guardian Fidelity Title Company CLR, LLP,	§	
Guardian Fidelity Title Company NWR, LLP,	§	
Guardian Fidelity Title Company KTB, Ltd.,	§	
Guardian Fidelity Title Company SB, Ltd.,	§	419th JUDICIAL DISTRICT
Guardian Fidelity Title Company DFT, Ltd.,	§	
Defendants	§	

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(JUNE 1, 2011 THROUGH AUGUST 31, 2011)**

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., and 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, 2011 to August 31, 2011. 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 First Supplemental Application for Approval of Fees and Expenses, entered on July 20, 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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CERTIFICATE OF SERVICE

I certify that on September 15, 2011, 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
08/31/11**

		Total Jun	Total Jul	Total Aug	Total Quarter
SDR					
Cantilo and Bennett, LLP					
	SDR	8,790.00	4,020.00	4,650.00	17,460.00
	SDR	0.00	0.00	0.00	0.00
	Partner	60.00	0.00	30.00	90.00
	Receivership Specialist	1,485.00	288.00	450.00	2,223.00
	Expenses	456.07	0.44	16.10	472.61
	Total SDR Billing	10,791.07	4,308.44	5,146.10	20,245.61
SDR Subcontractors - Legal					
Jo Ann Howard & Associates, P.C.					
	Senior Legal Specialist	540.00	860.00	560.00	1,960.00
	Paralegal	144.00	171.00	234.00	549.00
	Expenses	131.31	74.11	38.82	244.24
	Total Billing	815.31	1,105.11	832.82	2,753.24
	Total Legal Subcontractors	815.31	1,105.11	832.82	2,753.24
SDR Subcontractors - Other					
ABACI INC.					
	Project Manager	34.00	0.00	0.00	34.00
	Technical Manager	0.00	0.00	0.00	0.00
	Expenses	0.00	0.00	0.00	0.00
	Total Billing	34.00	0.00	0.00	34.00
EMKAY Associates, Inc.					
	Claims Manager	280.50	0.00	34.00	314.50
	Claims Representative	19.50	0.00	13.00	32.50
	Claims Representative	585.00	0.00	22.50	607.50
	Claims Representative	0.00	0.00	0.00	0.00
	Administration	0.00	0.00	0.00	0.00
	Claims Representative	288.00	0.00	0.00	288.00
	Administration	0.00	0.00	0.00	0.00
	Administration	0.00	0.00	0.00	0.00
	Expenses	0.00	0.00	0.00	0.00
	Total Billing	1,173.00	0.00	69.50	1,242.50
Petrosewicz & Company, Inc.					
	CPA Principal				0.00
	Staff Accountant	588.00	0.00	144.00	732.00
	Expenses	0.00	0.00	0.00	0.00
	Total Billing	588.00	0.00	144.00	732.00
Portia Haggerty PC					

	CPA Principal		682.50	442.50	517.50	1,642.50
	Expenses			0.44	3.28	3.72
	Total Billing		682.50	442.94	520.78	1,646.22
	Total Other SDR Subcontractors		2,477.50	442.94	734.28	3,654.72
	Receivership Service Providers					
	Receivership Service Provider Name					
	Moving & Storage		0.00	416.08	372.95	789.03
	Tax Return Preparation		0.00	0.00	0.00	0.00
	Expenses		0.00	0.00	4.00	4.00
			0.00	416.08	376.95	793.03
	Restricted Bank Activity					
	Bank Fees		25.71	42.65	25.02	93.38
	Operating Account					0.00
	Texas Treasury		10.66		10.02	20.68
	Total Other		36.37	458.73	411.99	907.09
	Liquidation Oversight Allocation					
	RLO Allocation		1,814.36	1,074.94	1,475.32	4,364.62
	Special Master's Fees		0.00	271.32	0.00	271.32
	Total RLO & SM Expense		1,814.36	1,346.26	1,475.32	4,635.94
	Total Expenses		15,934.61	7,661.48	8,600.51	32,196.60

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

For the Period Ending
08/31/11

Line		08/31/11
Cash		
1	Cash	
	Cash - Unrestricted	21,219
	APF Funds	1,269
Investments		
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	
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	273,099
18	Total Unrestricted Assets	22,487
19	Total Restricted Assets	273,099
19A	Net Assets not Categorized	
20	Total Assets	295,586

NOTES

Ref No.

Escrow bank account balances restricted for future escrow claim

1st Community Bank	51,619.89
Amegy Bank	0.00
Prosperity Bank	0.00
Regions Bank	0.00
Wells Fargo Bank	8,319.50
Treasury Escrow	134,784.86
Frost Bank	78,374.33
	<u>273,098.58</u>

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

**For Period Ending
08/31/11**

Line		Qtr Ending 08/31/11	Change
Cash			
1	Cash		0
	Cash - Unrestricted	21,219	(826)
	APF Funds	1,269	(30)
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	273,099	135
18	Total Unrestricted Assets	22,487	(857)
19	Total Restricted Assets	273,099	135
19A	Net Assets not Categorized		0
20	Total Assets	295,586	(722)

17.4 Escrow claims processed

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

For Period Ending
08/31/11

Line		Class	08/31/11
1	Secured Claims	1	270,008
	APF Loan	1	426,000
2	Special Deposit Claims	1	
Administrative			
3	Administrative Claims - State/Receiver		
	Special Deputy Receiver, Subcontractors Fees & Expenses	1	48,060
	Liquidation Oversight & Special Master's Fees	1	20,950
	Other Unsecured Loans	1	
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		3,696,063
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities		(3,400,477)
	Total Liabilities & Equity		295,586

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	1,512,432
	Prosperity Bank	371,232
	Regions Bank	541,481
	Southern Title Ins Co	286,845
		<u>2,711,991</u>

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

**For Period Ending
08/31/11**

Line		Qtr Ending 08/31/11	Change
1	Secured Claims	270,008	0
	APF Loan	426,000	0
2	Special Deposit Claims		0
Administrative			
3	Administrative Claims - State/Receiver		0
	Special Deputy Receiver, Subcontractors Fees & Expenses	48,060	26,654
	Liquidation Oversight & Special Master's Fees	20,950	4,636
	Other Unsecured Loans		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	3,696,063	31,290
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(3,400,477)	(32,012)
	Total Liabilities & Equity	295,586	(722)

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

For Period Ending
08/31/11

Line		Qtr Ending Aug-11
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	0
11	Total Operational Receipts	0
12	Interest & Dividend Receipts	0
13	Net Cash Provided by Investment Activities	0
14	Total Cash Receipts from Investment Activities	0
15	Total Cash Receipts	0
Operational Expenses		
16	Deputy Receiver & Consulting Fees & Expenses	0
17	Employee Salaries, P/R Taxes & Employee Benefits	0
18	Rent, Office & Other Facility Expenses	0
19	Legal Fees & Expenses	0
20	Accounting & Auditing Fees & Expenses	0
21	SGA - Administration Expenses other than LAE	0
22	Ancillary Administration Expenses	0
23	Other Disbursements	856
24	Total Operational Disbursements	856
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

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

For Period Ending
08/31/11

Line		Qtr Ending Aug-11
33	Total Cash Disbursements & Distributions	856
34	Net Increase(Decrease) in Cash	(856)
35	Cash at Beginning of Period	23,344
36	Cash at End of Period	22,488