

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

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TRAVIS COUNTY, TEXAS

419th JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(JUNE 1, 2009 THROUGH AUGUST 31, 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 June 1, 2009 to August 31, 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 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
Christopher Fuller

Texas Bar No. 07515500
4612 Ridge Oak Drive, Austin, Texas 78731
Tel. (512)470-9544
Fax (512)374-0957
cfuller@fullerlaw.org
Attorney for Cantilo & Bennett, L.L.P.,
solely in its capacity as the Special Deputy Receiver
of Guardian Fidelity Title Co., *et al.*

And

By: /s/ Jo Ann Howard
Jo Ann Howard
Texas Bar No. 10072310
Jo Ann Howard & Associates, P.C.
P.O. Box 160130, Austin, Texas 78716
Tel. (512)791-0911
Fax (512)329-6612
iamanrd3@aol.com
Attorney for Cantilo & Bennett, L.L.P.,
solely in its capacity as the Special Deputy Receiver
of Guardian Fidelity Title Co., *et al.*

CERTIFICATE OF SERVICE

I certify that on September 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

Tom Collins, Special Master
c/o Ms. Jean Sustaita
P.O. Box 149104
Mail Code 305-1D
Austin, TX 78701
Jean.Sustaita@tdi.state.tx.us

Mitchell, Williams, Selig, Gates & Woodyard,
PLLC
Attorneys for the Texas Title Guaranty
Association
P.O. Box 2212
Austin, TX 78768-2212
bburner@mvlaw.com
bmccandless@mvlaw.com

Robert A. Kouts
Attorney for Southern Title Insurance Co.
Scheinthal & Kouts, LLP
4635 Southwest Fwy., Ste. 720
Houston TX 77027
Tel (713)871-8040
Fax (713)871-8642
rkouts@sk-llp.com

Brian D. Womac
Attorney for Keppel Houston Group, LLC
Womac & Associates
Two Memorial City Plaza
820 Gessner, Suite 1540
Houston, TX 77024
Tel (713)751-9200
Fax (751)-0808

Joshua Godbey
Assistant Attorney General
Financial Litigation Division
P.O. Box 12548
Austin, TX 78711-2548
Fax (512)477-2348
joshua.godbey@oag.state.tx.us

William T. Green
11 Greenway Plaza, Ste. 2820
Houston, TX 77046
Fax (713)961-0883
uncbill@msn.com

Ron Opper
Opper & Gambrell, PLLC
8582 Katy Freeway, Ste. 200
Houston, TX 77024
Tel (713)468-6111
Fax (713)468-6101
ropper@opper-gambrell.com

Gerald S. Siegmyer
Siegmyer, Oshman & Bissinger, LLP
2777 Allen Parkway, Tenth Floor
Houston, TX 77019
Fax (713)524-4102
gsiegmyer@bizlawhouston.com

David M. Scott
Zimmerman, Axelrad, Meyer, Stern & Wise, PC
3040 Post Oak Blvd., Ste. 1300
Houston, TX 77056-6560
Tel (713)552-1234
Fax (713)963-0859
dscott@zimmerlaw.com

Michael J. Smith
Chernosky, Smith, Ressler & Smith, PLLC
4646 Wild Indigo, Ste. 110
Houston, TX 77027
Tel (713)800-8608
Fax (713)800-8609
msmith@csrslaw.com

Ryan Colburn, President
Regions Bank Houston
5005 Woodway, Ste. 350
Houston, TX 77056
ryan.colburn@regions.com

Kenneth Green
Snow Fogel Spence, LLP
2929 Allen Parkway, Ste. 4100
Houston, TX 77019
Tel (713)335-4830
Fax (713)335-4930
kennethgreen@snowfogel.com

Peter A. Nolan
Winstead PC
401 Congress Ave., Suite 2100
Austin, TX 78701
Tel (512)370-2800
Fax (512)370-2850
pnolan@winstead.com

Gary Zausmer
Winstead PC
401 Congress Ave., Suite 2100
Austin, TX 78701
Tel (512)370-2800
Fax (512)370-2850
gzausmer@winstead.com

Gary Minor
TIC Owners Representative
Park Plaza Retail Center
45635 Big Canyon St
Indio, CA 92201
Tel (971)404-8095
garyminor@ymail.com

Texas Workforce Commission
Regulatory Enforcement Division
101 E. 15th Street
Austin, TX 78778-0001

Internal Revenue Service
Special Procedures Branch
P.O. Box 250
300 East 8th St., Ste. 352, Mail Stop 5022A
Austin, TX 78701

Angel Garrett
Texas Department of Insurance
Financial/Rehabilitation & Liquidation
Oversight Division
333 Guadalupe, Mail Code 305-1D
Austin, TX 78701
Angel.Garrett@tdi.state.tx.us

Rachel Giani
Texas Department of Insurance
Financial/Rehabilitation & Liquidation
Oversight Division
333 Guadalupe Mail, Code 305-1D
Austin, TX 78701
Rachel.Giani@tdi.state.tx.us

Leanne Layne
Texas Department of Insurance
Financial/Rehabilitation & Liquidation
Oversight Division
333 Guadalupe, Mail Code 305-1D
Austin, TX 78701
Leanne.Layne@tdi.state.tx.us

John Walker
Texas Department of Insurance
Financial/Rehabilitation & Liquidation
Oversight Division
333 Guadalupe, Mail Code 305-1D
Austin, TX 78701
John.Walker@tdi.state.tx.us

Jemie Russell
Texas Department of Insurance
Financial/Rehabilitation & Liquidation
Oversight Division
333 Guadalupe, Mail Code 305-1D
Austin, TX 78701
Jemie.Russell@tdi.state.tx.us

GUARDIAN FIDELITY TITLE LTD
Summary Statement of Expenses

For the Quarter Ending
8/31/2009

	Jun	Jul	Aug	Total 4th Quarter
SDR				
Cantilo and Bennett, LLP				
MM SDR	11,850.00	15,360.00	5,655.00	32,865.00
SES Partner	75.00	30.00	150.00	255.00
CAG Associate	1,387.50	0.00	0.00	1,387.50
SH / JC Receivership Specialist	3,258.00	6,426.00	2,187.00	11,871.00
Expenses	73.41	14.67	45.28	133.36
SDR Subcontractors				
Jo Ann Howard & Associates, P.C.				
JH Senor Legal Specialist	0.00	0.00	0.00	0.00
CR Senor Legal Specialist	2,080.00	0.00	1,480.00	3,560.00
EC Junior Legal Specialist	52.50	175.00	0.00	227.50
NK Paralegal	207.00	90.00	0.00	297.00
Expenses	339.47	19.08	9.52	368.07
ABACI INC.				
CB Project Manager	170.00	476.00	25.50	671.50
KG Technical Manager	88.00	688.00	1,840.00	2,616.00
SR Data Analyst	0.00	0.00	0.00	0.00
Expenses	0.00	0.00	0.00	0.00
EMKAY Associates, Inc.				
MK Claims Management	178.50	637.50	552.50	1,368.50
BD Claims Representative	19.50	1,056.25	4,901.00	5,976.75
CC Claims Representative	0.00	0.00	0.00	0.00
DM Claims Representative	1,777.50	645.00	367.50	2,790.00
BM Claims Representative	0.00	67.50	0.00	67.50
LK Administration	0.00	0.00	0.00	0.00
JL / MK Administration	337.50	596.50	807.50	1,741.50
Expenses	545.99	0.00	0.00	545.99
Portia Haggerty PC				
Principal / CPA	2,234.03	1,341.75	1,035.00	4,610.78
Staff Accountant	55.00	2,695.00	649.00	3,399.00
Staff Accountant				0.00
Support Staff				0.00
Expenses	36.84	13.65	5.84	56.33
Petrosewicz and Company, Inc.				
TP Principal				0.00
KP Staff Accountant				0.00
TR Staff Accountant				0.00
Staff Accountant				0.00
Expenses				0.00
Receivership Service Providers				
Houston Chronicle	0.00	2,406.35	0.00	2,406.35
FEDEX	0.00	3,602.72	0.00	3,602.72
Safesite Inc	347.95	347.95	347.95	1,043.85
Scott Youngblood, CPA	0.00	105.75	0.00	105.75
Portia Haggerty PC	0.00	0.00	10,150.00	10,150.00
Operations Bank / Frost Bank	0.77	31.03	0.16	31.96
Texas Treasury	11.59	31.61	21.98	65.18
Liquidation Oversight Allocation				
Liquidation Oversight Allocation	17,332.82	3,204.92	1,754.79	22,292.53
Special Master's Fees			91.63	91.63
Total by Month	42,458.87	40,062.23	32,077.15	
Total Expenses for Quarter Ending June 2009				114,598.25

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GUARDIAN FIDELITY TITLE COMPANY, LTD
Statement of Net Assets

For the Month Ending
08/31/09

Line		08/31/09
Cash		
1	Cash - Unrestricted	151,414
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	0
15.2	Prepaid Expenses	
16	Other Assets	0
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	831,438
18	Total Unrestricted Assets	151,414
19	Total Restricted Assets	831,438
19A	Net Assets not Categorized	
20	Total Assets	982,852

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GUARDIAN FIDELITY TITLE COMPANY, LTD
Statement of Net Assets

For the Month Ending
08/31/09

NOTES

Ref No.

12 Related party note balance of \$14,252,291 and employee receivable balances of \$41,571 reserved at 100%

Per company balance sheet: Accounts receivable due from Southern
16 Title Ins Co for premiums of \$568,000 owed to Company at 12/31/06 however 100% reserve for this amount

17.4 Escrow bank account balances restricted for future escrow claim settlements as follows:

1st Community Bank	50,719.89
Amegy Bank	274,618.63
Prosperity Bank	24,552.77
Regions Bank	133,219.20
Wells Fargo Bank	8,319.50
Frost Bank	<u>340,008.05</u>
	831,438.04

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GUARDIAN FIDELITY TITLE COMPANY, LTD
Changes in Net Assets

For the Quarter Ending
08/31/09

Line		Qtr Ending 08/31/09	Change
Cash			
1	Cash - Unrestricted	151,414	(84,390)
Investments			
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
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	0
13	Accrued Investment Income		0
14	Receivable from Guaranty Associations - Early Access Payments		0
Other Assets			
15.1	FF&E	0	(13,000)
15.2	Prepaid Expenses		0
16	Other Assets	0	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	831,438	(1,028,916)
18	Total Unrestricted Assets	151,414	(97,390)
19	Total Restricted Assets	831,438	(1,028,916)
19A	Net Assets not Categorized		0
20	Total Assets	982,852	(1,126,306)

Cash assets increased due to loan from Abandon Property fund and decreased due to adjusting Amegy Bank Payroll account down to zero to reflect balance per bank statement received in April 2009. Currently researching reason for disposition of funds

15.1 Sale of furniture and equipment June/July 2009 13,000

17.4 Settlement of Elberger Escrow Claim in June 2009 1,028,915.07

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GUARDIAN FIDELITY TITLE COMPANY, LTD
Statement of Net Liabilities

For the Month Ending
08/31/09

Line		Class	08/31/09
1	Secured Claims	1	829,400
2	Special Deposit Claims	1	
Administrative			
3	Administrative Claims - State/Receiver		
	Special Deputy Receiver, Subcontractors Fees & Expenses	1	84,958
	Liquidation Oversight & Special Master's Fees	1	22,384
	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	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	5	
	Interest	10	
	Other		
22	Total Liabilities		4,251,901
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities		(3,269,049)
	Total Liabilities & Equity		982,852

GUARDIAN FIDELITY TITLE COMPANY, LTD
Statement of Net Liabilities

For the Month Ending
08/31/09

NOTES

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

1	Settlement of Elberger Claim	
3	TDI Liquidation Oversight expense allocation through July 2009	22,384
11	Increase accrual for payroll tax liabilities per IRS Notice receipts	29,574
	Potential employee claims based upon last payroll pay-out per Company's	
12	Quickbooks payroll file	
	Bank overdrafts, term and line of credit loans and underwriting fees due	
13	Southern Title Ins Co per Company Quickbooks records	
	Amegy Bank	1,512,432
	Prosperity Bank	371,232
	Regions Bank	541,481
	Southern Title Ins Co	286,845
		<u>2,711,991</u>
15	Per company Quickbooks file: Penalty owed TDI	12,499.90
	Record Texas Franchise Tax liability for FY 2007 and 2008	28,188.00

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GUARDIAN FIDELITY TITLE COMPANY, LTD
Changes in Net Liabilities

For the Quarter Ending
08/31/09

Line		Qtr Ending 08/31/09	Change
1	Secured Claims	829,400	(688,907)
2	Special Deposit Claims		0
Administrative			
3	Administrative Claims - State/Receiver		0
	Special Deputy Receiver, Subcontractors Fees & Expenses	84,958	(5,785)
	Liquidation Oversight & Special Master's Fees	22,384	22,384
	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	29,574	5,000
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	0
14.1	Assumed Reinsurance Related Unsecured Claims	0	0
15	State & Local Government Claims	0	0
	State & Local Governments/Attorneys	40,688	28,188
	State & Local Governments - Penalties	0	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	0
	Interest		0
	Other		0
22	Total Liabilities	4,251,901	(639,120)
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(3,269,049)	(487,186)
	Total Liabilities & Equity	982,852	(1,126,306)

1 Settlement of Elberger Claim	(1,028,915)
Increased to include escrow claims secured by Frost Bank account	340,008
	(688,907)
3 Loan from Abandon Property Fund	
TDI Liquidation Oversight expense allocations through July 2009	22,384
11 Increase accrual for payroll tax liabilities per IRS Notice receipts	5,000
15 Record Texas Franchise Tax liability for FY 2007 and 2008	28,188

R-540 GUARDIAN FIDELITY TITLE COMPANY, LTD
Change in Cash & Investments

For the Quarter Ending
08/31/09

Line	08/31/09	Qtr Ending Aug-09
Income		
1 Premium Receipts		0
2 Settlements		0
3 Policy Loan Receipts		0
4 Proceeds from Sale of Real Property or Personal	0	13,244
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	234	234
11 Total Operational Receipts	234	13,478
12 Interest & Dividend Receipts	16	131
13 Net Cash Provided by Investment Activities		0
14 Total Cash Receipts from Investment Activities	16	131
15 Total Cash Receipts	249	13,609
Operational Expenses		
16 Deputy Receiver & Consulting Fees & Expenses		77,315
17 Employee Salaries, P/R Taxes & Employee Benefits		0
18 Rent, Office & Other Facility Expenses		0
19 Legal Fees & Expenses		9,614
20 Accounting & Auditing Fees & Expenses		3,815
21 SGA - Administration Expenses other than LAE		0
22 Ancillary Administration Expenses	370	7,155
23 Other Disbursements		0
24 Total Operational Disbursements	370	97,898
Investment Expenses		
25 Investment Expenses		0
26 Purchase of Invested Assets		0
27 Total Disbursements for Investment Activities	0	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	0
33 Total Cash Disbursements & Distributions	370	97,898
34 Net Increase(Decrease) in Cash	(120)	(84,290)
35 <i>Cash at Beginning of Period</i>	151,535	235,704
36 <i>Cash at End of Period</i>	151,414	151,414