

Report for Special Master's Status Conference

July 25, 2016

R-558 Millennium Closing Services, L.L.C. d/b/a Millennium Title

SDR: CANTILO & BENNETT, L.L.P.
Primary Responsible Person: Susan E. Salch
Estate Counsel: Christopher Fuller
Receiver's Counsel: Kimberly M. Hammer
RLO Analyst: Vicente Aguillon

Background on Receivership

- Date of Permanent Injunction (Liquidation): January 25, 2016
- Date of Appointment of SDR: January 26, 2016
- Claims Filing Deadline: TBD
- States where Licensed: Texas
- Lines of Business: Title Agency
- Texas Guaranty Association Triggered: Texas Title Insurance Guaranty Association
- Date of Impairment: January 25, 2016
- Early Access Distributions: N/A

Statement of Assets and Liabilities as of June 30, 2016

Total Assets:	\$4,086,946
Cash Assets:	\$ 983,261
Escrow Funds:	\$3,102,574
Non-Cash Assets:	\$ 1,111
Total Liabilities:	\$8,723,548
Negative Equity:	(\$4,636,602)

Asset Recovery through June 30, 2016

Premium Collected:	\$ N/A
Subrogation/Salvage:	\$ N/A
Reinsurance Collected:	\$ N/A
FF&E Sold:	\$ 10,989

Status and Activity Since Last Status Conference

Bank Accounts: The SDR has recovered all funds held in Millennium Title bank accounts and transferred them to receivership accounts. All money which had been held in escrow accounts remains held in a receivership escrow account and has not been commingled with operating funds.

Southlake and Satellite Offices: All offices have been closed and, with the exception of some computer equipment, all FF&E has been sold.

Records: Millennium Title’s pre-receivership records are stored at a facility in Dallas. The Southlake office also contained a large number of file cabinets and boxes of records that appear to be related to Nancy Carroll’s law practice. The disposition of these records is described below under “Criminal Prosecution.”

IT/Data: All pre-receivership records, paper and electronic – have been preserved and are stored. The estate maintains access to the company’s data through a cloud-based server operated by Willow Bend Systems. The transaction documents, maintained in guaranty files (“GFs”), are accessible through the Ramquest system. The SDR will maintain access to the Ramquest system for the foreseeable future.

Employees/Staffing: Wayne Norton, a consultant retained by the Supervisor, advises the SDR on title agency matters. He, along with a small staff of other professionals, research GFs and the Ramquest system to review and make recommendations on claims filed with the Texas Title Insurance Guaranty Association (“TTIGA”) under its claims process (detailed below). Mr. Norton and his team will assist the SDR in reviewing proofs of claims filed with the estate once the claims filing deadline is set.

401k Plan: The SDR is now the administrator of the Millennium Title 401k plan. The SDR will make the necessary filings for 2015, and begin the process to dissolve the plan, while safeguarding the funds.

Asset Recovery Activity

Cost Sharing with TTIGA: The SDR entered into a cost sharing agreement with TTIGA, similar to the agreements reached in prior title agency estates.

Nancy Carroll and Affiliates: Attorney Nancy Carroll was the controlling person and ultimate owner of Millennium Title. Before receivership, Ms. Carroll converted escrow funds from Millennium Title accounts, commingled escrow funds with her law firm operating and IOLTA accounts and her 1031 exchange business, and transferred money and property to her husband and affiliates. She abandoned the title agency, her law office, and fled the state shortly before her indictment.

In order to prevent a “race to the courthouse” and the related dissipation of assets, the SDR sought and received a temporary injunction against Ms. Carroll, a number of assumed named entities, her law firm, and her 1031 exchange company freezing all of their assets. The court order also enjoined the banks holding accounts for the Carroll, her affiliates, and associates to freeze the accounts and turn over financial records. A hearing on the permanent injunction is set for September 26, 2016. The SDR anticipates that it will have filed suit against Ms. Carroll and her affiliates, and the injunction action will be severed into the new lawsuit.

Ms. Carroll filed a pro se lawsuit in Fort Worth federal district court claiming her constitutional rights were violated during her transfer from jail in Illinois to Texas. In June, Ms. Carroll also recounted the story of her transport in an online blog posting at www.womeninandbeyond.org.

Insurance/Bonds: The SDR is pursuing claims against the bonds and insurance policies involving Millennium Title. There are two remaining bonds: a \$50,000 Direct Operations bond and a \$50,000 Escrow Officers bond. All of the bonds name the Texas Department of Insurance as the beneficiary. The SDR has recovered the full amount of the \$150,000 Minimum Capitalization bond.

Claims Activities

TTIGA: Through June 30, 2016, TTIGA received 403 POCs, and processed and paid 289 POCs for approximately \$3,170,134. In comparison, as of April 7, 2016, TTIGA had received 336 claims and processed and paid 155 POCs for approximately \$2,541,323.

“Over the Cap” Claims: No “over the cap” claims were reviewed or approved in the last quarter.

Proof of Claim Process/Filing Deadlines: The SDR anticipates filing a joint application with TTIGA to establish a proof of claim process and filing deadline in the near future. Both the SDR and TTIGA will seek a November 15, 2016, deadline. A number of potential creditors and/or their counsel have contacted the SDR regarding filing claims. The SDR is creating a list of vendors and known claimants to get the POC notices when they are available. The POC forms and filing deadline will be posted on the estate web site as well.

Transaction Completion: A number of pre-receivership real estate closings or transactions require clean-up work even though they do not represent a covered claim or even a monetary claim against the estate. These matters include facilitating the issuance of title policies for lenders. The SDR has instructed the claims team to handle such matters to the extent that Millennium Title would have but for the receivership, provided that the estate is not bearing significant costs.

General Legal Activities

Criminal Prosecution: Nancy Carroll was indicted in Tarrant County, Texas on February 22, 2016. The indictment contains two counts: one for theft and the other for misapplication of fiduciary property. Ms. Carroll apparently fled Texas in late January 2016. She was arrested in Lake Forest, Illinois (near Chicago) on February 17, 2016, and jailed in Lake County, Illinois. She was transferred to Tarrant County in early March. Her bond was reduced from \$1 million to \$50,000, and she bonded out in late March. She was ordered to not participate in any real estate business or practice law. There is no trial setting.

Ms. Carroll kept her law office and files at the Southlake office, but made no efforts to recover the files after receivership. Before vacating the office, the SDR contacted the State Bar of Texas (the “Bar”) and Ms. Carroll. The SDR moved the materials, along with the law firm sign and some personal items, to Dragon Storage in Southlake, and notified the Bar and Ms. Carroll of the location and status of the records. As of the end

of June 2016, Ms. Carroll had not assumed the lease or retrieved the documents stored in the facility. The SDR will move the records to a new location in July and will keep the Bar, her criminal counsel, and the TDI Fraud division investigator informed of the status and location of the materials.

Litigation: Only one lawsuit has been filed against Millennium Title, and it is stayed. Four lawsuits have been filed against Nancy Carroll and/or her affiliates, and notices of the automatic stay have been filed in each case. One case, filed by Scott Schambacher against Ms. Carroll, her family, and affiliates has not recognized the stay.

Motions to Lift Stay: Three motions for relief from the automatic stay have been filed. The first two motions have been resolved. The most recent motion, filed by Peniel Holdings, LLC (“Peniel”), is pending before the Special Master.

Conclusion

Summary of Major Achievements:

- Assisted TTIGA with review of priority POCs.
- Extended Temporary Injunction as to Carroll, her affiliates and associates, and certain financial institutions.
- Executed cost sharing agreement with TTIGA.
- Recovered \$150,000 Minimum Capitalization bond.

Estate Goals to achieve prior to next Status Conference:

- Pursue bond and insurance claims.
- Obtain court approval of estate POC filing deadline and process.
- Assist TTIGA in resolving claims.
- Enforce stay and permanent injunction.
- Assist prosecutors.

Estate Closing Date of Receivership – TBD

Identification of Factors Affecting Closing Date and Final Distribution:

- Coordination/Cooperation with TTIGA
- Processing TTIGA and Estate POCs
- Coordination/Cooperation with Criminal Prosecution
- Asset Recovery