

Report for Special Master's Status Conference

April 30, 2018

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: November 15, 2016
- States where Licensed: Texas
- Lines of Business: Title Agency
- Texas Guaranty Association Triggered: Texas Title Insurance Guaranty Association ("TTIGA")
- Date of Impairment: January 25, 2016
- Early Access Distributions: N/A (\$ 2,794,967 interim distribution to TTIGA on March 9, 2018)

Statement of Assets and Liabilities as of March 31, 2018

| | |
|--------------------|---------------|
| Total Assets: | \$1,066,495 |
| Cash Assets: | \$ 832,806 |
| Escrow Funds: | \$ 233,689 |
| Non-Cash Assets: | \$ 0 |
| Total Liabilities: | \$5,524,458 |
| Negative Equity: | (\$4,457,963) |

Asset Recovery through March 31, 2018

| | |
|------------------------|-----------|
| Premium Collected: | \$ N/A |
| Subrogation/Salvage: | \$ N/A |
| Reinsurance Collected: | \$ N/A |
| FF&E Sold: | \$ 11,664 |

Status and Activity Since Last Status Conference

Nancy Carroll Matters: Ms. Carroll continues to serve her ten-year sentence.

Escrow Funds: On March 5, 2018, the receivership court entered an order granting the SDR's application to distribute escrow funds to TTIGA, subject to a prudent reserve. The money (\$2,794,967) was wire transferred to TTIGA on March 9, 2018. Escrow funds in the amount of \$233,689 are held in a receivership escrow account separate from the estate's operating funds.

Unclaimed Escrow Funds: On February 22, 2018, the receivership court granted the SDR's interpleader application to interplead unclaimed escrow money from a guaranty file involving an entity named HBAM Properties, LLC and others. The SDR was awarded and paid \$4,000 in attorney fees from the funds, and \$62,298.70 was deposited into the registry of the court. The parties named in the SDR's application reached an agreed order that was presented to the court. The court severed the claimants to the money into a separate lawsuit so that it is no longer part of the delinquency proceeding.

The SDR still holds \$113,071 in escrow funds for which no claim was filed with either the estate or TTIGA. Included in that amount are eight files totaling approximately \$40,684, where the claimant would be due more than \$3,000. Prior to the POC deadline, the SDR contacted or attempted to contact all parties who may have an interest in the unclaimed funds to urge them to file a claim. After resolution of the HBAM interpleader described above, the SDR asked the claims team to contact parties to those transactions again, but we have not received any communication from any of them. The future handling of these funds, to the extent unclaimed, is under consideration.

401(k) Plan: The SDR is now the administrator of the Millennium Title 401(k) plan. The SDR has made the necessary filings to dissolve the plan. The SDR will distribute the money in the next quarter.

Asset Recovery Activity

Cost Sharing with TTIGA: The SDR and TTIGA continue to work under a cost sharing agreement similar to the agreements reached in prior title agency estates.

Nancy Carroll and Affiliates: Following mediation, the SDR and TTIGA settled their claims against former officers, Keith and Leigh Ann Hafner, and concluded terms on their settlement with the E&O carrier for Millennium Title and Millennium 1031 Exchange. The trial setting of May 7, 2018, will be continued.

All proceeds from litigation will be allocated pursuant to the requirements of the Insurer Receivership Act, including, but not limited to, TEX. INS. CODE § 443.301. The SDR anticipates that there will be a number of creditors who may not qualify for TTIGA coverage, but nevertheless have claims against the assets of the estate. Such creditors

would participate in any distributions based on their priority under TEX. INS. CODE § 443.301.

Insurance/Bonds: The SDR's claim on the \$50,000 Direct Operations bond has been approved by the bond company, subject to execution of a release. The SDR and the bond company are working on appropriate releases.

Claims Activities

Filing Deadline: The deadline for creditors to file claims with both the SDR and TTIGA was November 15, 2016. There were no new claims in the last quarter.

SDR Claims:

POCs: As of the date of this report, there are eleven unadjudicated POCs and nine on appeal. Pending POCs include the TTIGA POC, the Great American POC (bond company), four underwriter POCs, and five involving claims to funds held by the SDR in escrow.

Nine POCs are on appeal. The SDR has offered to re-classify five of them, filed by investors in Ms. Carroll's other scams, as Class 5 claims. The offers are under consideration. Two appeals were filed by the Khan Property Holdings and Peniel Holdings claimants. One appeal is waiting a recommendation/ruling on a disputed claim application (Reeves). Finally, the last appeal, Zennith Realty, is under review for future handling.

TTIGA POC: On August 24, 2017, TTIGA submitted a supplement to its POC. Therein, TTIGA asserts that its claim, to date, is \$4,046,511. The bulk of this figure consists of \$3,573,727 in covered claim payments for which it has been reimbursed \$2,794,967. The balance of the claim is for administrative expenses of the association which, as of that date, amounted to \$472,786.

General Legal Activities

Litigation: There are no active third-party lawsuits involving the SDR or Millennium Title.

Motions to Lift Stay: No motions for relief from the stay were filed in the last quarter.

Conclusion

Summary of Major Achievements:

- Distributed \$2,794,967 escrow funds to TTIGA.
- Settled with the E&O carrier and Keith and Leigh Ann Hafner.
- Completed HBAM interpleader.

- Continued work to adjudicate estate POCs.

Estate Goals to achieve prior to next Status Conference:

- Complete notices of adjudication of SDR title and non-title claims as to priority classification and attempt to resolve appeals.
- Resolve handling of unclaimed escrow funds.
- Complete Hafner/E&O settlement; set remainder of case for bench trial.
- Prepare and file tax returns.

Estate Closing Date of Receivership: Late 2018

Identification of Factors Affecting Closing Date and Final Distribution:

- Processing Estate POCs and Appeals.
- Asset Recovery Litigation.
- Federal Waiver of Claims.