

## Report for Special Master's Status Conference

July 23, 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: March 5, 2018, \$2,794,967 interim distribution to TTIGA

#### Statement of Assets and Liabilities as of June 30, 2018

Total Assets:	\$1,115,914
Cash Assets:	\$ 882,225
Escrow Funds:	\$ 233,689
Non-Cash Assets:	\$ 0
Total Liabilities:	\$5,496,586
Negative Equity:	(\$4,380,672)

#### Asset Recovery through June 30, 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. The criminal court rejected her request for early release.

**Unclaimed Escrow Funds:** 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 8 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. 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 2018.

## 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:** Defendants Keith and Leigh Ann Hafner were dismissed with prejudice from the lawsuit. In June, the E&O carrier paid a total of \$150,000 from the two policies. Co-plaintiff TTIGA received a 50/50 split on all settlement proceeds, and the SDR paid TTIGA its share in June. The case against the remaining defendants is set for a bench trial on October 17, 2018.

All proceeds the SDR receives 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. Pending

POCs include the TTIGA POC, the Great American POC (bond company), underwriter POCs, and five involving claims to funds held by the SDR in escrow.

Eight POCs remain on appeal. The SDR filed disputed claims applications addressing the five appeals filed by investors who lost money in Nancy Carroll scams that largely took place outside of Millennium Title. In the interest of saving time and money, the SDR had offered to allow the claims as unadjudicated Class 5 claims, and letters to these claimants were mailed in April. However, none of the investor claimants had agreed to the re-classification as of the date of this report.

The re-evaluation of these claims is justified because the estate will not make any distributions to Class 5 creditors. It is not economical to litigate disputes with these victims when there are no funds available to distribute. In the unlikely event that funds do become available for such payments, then the actual amount, if any, owed by the estate on these claims would be adjudicated.

In early July, estate counsel requested that counsel to Khan and Peniel voluntarily withdraw the appeals of the SDR's determinations for those POCs. Both claims were classified as Class 5, and the amounts owed were unadjudicated. To date, there has been no response. The SDR intends to file disputed claims applications on both POCs.

The receivership court granted the SDR's disputed claim application to confirm the Class 5 determination of the Reeves claim.

The last pending appeal, Zennith Realty, is under review for future handling as either a disputed claim or an interpleader.

**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.

## **Conclusion**

### **Summary of Major Achievements:**

- Completed settlements with the E&O carrier and Keith and Leigh Ann Hafner.
- Distributed settlement funds to TTIGA.
- Obtained favorable ruling on disputed claim application for Reeves POC.

- Filed disputed claim applications on investor appeals.

**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.
- File disputed claims application on Khan and Peniel appeals.
- Prepare and file tax returns.

**Estate Closing Date of Receivership:** Spring 2019

**Identification of Factors Affecting Closing Date and Final Distribution:**

- Processing Estate POCs and Appeals.
- Tax returns.
- Federal Waiver of Claims.