

NO. D-1-GN-18-001933

TEXAS DEPARTMENT OF INSURANCE §
VS. §
GRAND COURT ORDER OF CALANTHE §

IN THE DISTRICT COURT OF
TRAVIS COUNTY, TEXAS
250TH JUDICIAL DISTRICT

APPLICATION FOR APPROVAL OF FEES AND EXPENSES

TO THE HONORABLE JUDGE OF SAID COURT:

Comes now Resolution Oversight Corporation, Special Deputy Receiver of the Grand Court Order of Calanthe (the “SDR” and “Calanthe,” respectively), and files this *Application for Approval of Fees and Expenses* (“Application”), and in support thereof would respectfully show the Court as follows:

I. BACKGROUND

1.1 Calanthe was placed in receivership for the purposes of rehabilitation in this proceeding on May 31, 2018. The Court entered an *Agreed Order Appointing Rehabilitator, Permanent Injunction and Notice of Automatic Stay* (the “Rehabilitation Order”) on May 31, 2018, appointing the Texas Commissioner of Insurance as Rehabilitator. The Rehabilitator designated Resolution Oversight Corporation, as SDR on June 4, 2018.

1.2 The subject matter of this Application has been referred to the Special Master appointed in this proceeding in accordance with Section III of the Order of Reference to Master entered on June 6, 2018.

1.3 The Rehabilitation Order authorized the SDR to administer Calanthe’s business operations and pay approved claims under policies of insurance. The Rehabilitation Order also provides authority for the Rehabilitator and SDR to pay fees and expenses in connection with the rehabilitation proceeding.

1.4 In accordance with this Court's orders, the SDR continues to pay expenses as necessary to conduct Calanthe's rehabilitation. Such payments encompass the cost of maintaining Calanthe's operations, including utilities, current staff support and payments to vendors, as well as fees and expenses incurred to protect the interests of the Calanthe receivership estate, its contractors and its insureds. Currently, these expenses total approximately \$4,000.00 per month. The SDR will monitor these operational expenses on a monthly basis and will reduce these expenses when possible.

II. STATUTORY AUTHORITY

2.1 The SDR is authorized to file this Application pursuant to TEX. INS. CODE ANN. §443.015, which provides for the approval of the SDR's expenses and compensation by the Court. Under TEX. INS. CODE ANN. § 443.102(a), the SDR has all the powers of the Rehabilitator, unless specifically limited by the Rehabilitator.

III. BASIS FOR APPLICATION

3.1 TEX. INS. CODE ANN. Chapter 443 sets out the procedures for approving and paying expenses in a rehabilitation proceeding, including expenses incurred under pre-receivership agreements with the insurer, compensation of the SDR and its contractors, and other anticipated expenses.

3.2 TEX. INS. CODE ANN. § 443.015(a) allows the SDR to pay expenses incurred under pre-receivership agreements or other arrangements as the SDR deems necessary, without the necessity of court approval. As described in 1.4 above, the SDR is currently paying expenses under various agreements or arrangements with Calanthe in accordance with the Rehabilitation Order entered by this Court and TEX. INS. CODE ANN. § 443.015(a). No further court approval is required to pay such expenses.

3.3 TEX. INS. CODE ANN. § 443.015 (c)(1) requires the Rehabilitator to submit an application for the approval of the terms of compensation of an SDR or contractor when the Rehabilitator reasonably expects that the total amount of compensation to be paid over the course of the proceeding will exceed Two Hundred and Fifty Thousand Dollars (\$250,000), or such other amount established by the Court. In addition, TEX. INS. CODE ANN. § 443.015 (d) permits the Rehabilitator, at its discretion, to submit an application to approve any compensation, anticipated expenses, or incurred expenses not described by Subsection (c)(1).

3.4 The rates for compensation for the SDR and its contractors are shown on Exhibit A, which is attached hereto and incorporated by reference. These rates have been approved by the Rehabilitator in accordance with TEX. INS. CODE ANN. § 443.102 (a). It is possible that the compensation paid to the SDR (and certain contractors) could exceed \$250,000 for the duration of this proceeding. In addition, it is anticipated that a number of the SDR's contractors will be paid less than \$250,000 for the duration of this proceeding. The SDR requests the Court to approve such rates for the SDR and all of its contractors pursuant to TEX. INS. CODE ANN. § 443.015 (c)(1) and § 443.015 (d).

3.5 TEX. INS. CODE ANN. § 443.015(c)(2) requires the SDR to submit an application for the approval of any anticipated expenses not otherwise covered under § 443.015(c)(1) in excess of Twenty-Five Thousand Dollars (\$25,000), or another amount established by the Court. At this time, the SDR does not anticipate incurring individual expenses in excess of \$25,000 on a regular basis if at all. The SDR will file an application with this Court in the future in the event that a higher threshold would be in the best interest of the estate and its administration.

3.6 TEX. INS. CODE ANN. § 443.015 (g) provides that on a quarterly basis, or as otherwise provided by this Court, the Rehabilitator shall submit to the Court a summary of

expenses incurred during the period. The SDR requests the Court to establish quarterly reporting periods that coincide with the State of Texas fiscal year beginning on September 1, 2018. The SDR further requests that such reports be filed by the 15th day of the month following the end of the quarterly reporting period.

WHEREFORE PREMISES CONSIDERED, the SDR respectfully requests this Court to grant this Application, and grant such further relief to which it may show itself to be justly entitled.

Respectfully submitted,

THE STROUD FIRM, PLLC.
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Austin, Texas 78734
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By: /s/ Rachel Stroud

Rachel Stroud
State Bar No. 19424700

Attorney for the Special Deputy Receiver

APPLICANT'S NOTICE OF SUBMISSION

In accordance with the Order of Reference to Master ("Order of Reference") entered in this cause, the foregoing *Application for Approval of Fees and Expenses* is set for submission before the Special Master, Tom Collins, ("Master") on **Monday, August 6, 2018**. Pursuant to TEX. INS. CODE § 443.007 (e) and TEX. R. CIV. P. 171, the Order of Reference has established the following rules:

1. The Master may consider the Application by written submission or oral hearing.
2. If no objection is filed in compliance with the Order of Reference, the Master may consider the Application without a hearing, and the Court may enter the order recommended by the Master upon its submission to the Court. A party waives any right to object to the recommendation of the Master if the party does not file an objection in compliance with the Order of Reference.
3. Any objection must be filed with the Travis County District Clerk at least three (3) calendar days before the Submission Date in the above referenced case.
4. A copy of any objection must be sent by email to the following:
 - (a) The Master's Docket Clerk at SpecialMasterClerk@tdi.texas.gov.
 - (b) All parties listed on the Certificate of Service attached to the Application.
 - (c) The Applicant's counsel at rstroud@thestroutfirm.com.
5. Any objection must specifically set out the reasons for the objection, with supporting references to and discussion of statutory and case authorities. Reasons not stated in writing will not be considered orally by the Master.
6. An objecting party must expeditiously coordinate with the Applicant's counsel and with the Master's docket clerk at (512) 676-6915 to request a hearing, unless the Master determines that a hearing is not necessary. If a hearing is granted, the objecting party must send a Notice of Oral Hearing to the Applicant's counsel and all parties listed on the Certificate of Service.
7. Any Acknowledgment of Notice and Waiver by a party in interest should be filed with the Court at least three (3) calendar days before the submission or hearing date.

/s/ Rachel Stroud

Rachel Stroud

rstroud@thestroutfirm.com

**APPLICATION FOR APPROVAL OF FEES AND EXPENSES
EXHIBIT "A"**

FEE SCHEDULE

Name / Position	Hourly Rate
<u>Resolution Oversight Corporation</u>	
SDR Administration	\$170.00
Estate Accountant	\$100.00
Asset Collections/Claims Specialist	\$ 80.00
Asset Collections/Claims Specialist	\$ 80.00
Clerical	\$ 35.00
 <u>The Stroud Firm</u>	
Attorney	
<i>Routine receivership and administrative matters</i>	\$185.00
<i>Litigation, bankruptcy, arbitration, appeals and real estate / transaction work</i>	\$210.00
Paralegal	\$ 95.00
Clerical	\$ 35.00
 <u>The Warren Group</u>	
CPA	
<i>Accountant and CPA work</i>	\$150.00
<i>Income Tax Returns</i>	\$2,150.00
 <u>ABACI, Inc.</u>	
IT Manager	\$ 95.00
IT Specialist	\$ 90.00

Name / Position	Hourly Rate
<u>EMKAY Associates, Inc.</u>	
<i>Claims Management and Consulting and Reporting</i>	\$ 95.00
<i>Adjudicate Non-Covered Claims</i>	\$ 95.00
<i>Process Covered Claims</i>	\$ 95.00
<i>Review of Claims for Reinsurance and Reporting</i>	\$ 95.00
<i>Site Management</i>	\$ 95.00
<i>Assist in Estate Administration</i>	\$ 95.00
<i>Assist in Take Over Activities</i>	\$ 95.00
<i>Assist in Asset Recovery Projects</i>	\$ 95.00
<i>Software and Hardware Technical Support</i>	\$ 95.00
<i>POC and Data Base Preparation and Administration</i>	\$ 95.00
<i>Data Capture and Reports</i>	\$ 95.00
<i>Adjudicate Non-Covered Claims</i>	\$ 95.00
<i>Process Covered Claim UDS Records</i>	\$ 95.00
<i>Reinsurance Database Preparation and Administration</i>	\$ 95.00
<i>Preparation of Reinsurance Billing</i>	\$ 95.00
<i>Records Management</i>	\$ 95.00
<i>Site Management</i>	\$ 95.00
<i>Assist in Estate Administration</i>	\$ 95.00
<i>Assist in Take Over Activities</i>	\$ 95.00
<i>Assist in Asset Recovery Projects</i>	\$ 95.00
Clerical work	\$ 35.00
<u>Brian E. Riewe, P.C.</u>	
Attorney	
<i>Administration</i>	\$185.00
<i>Litigation, bankruptcy, arbitration matters, real estate and transaction work</i>	\$210.00
Paralegals	\$ 95.00
Administrative Assistant	\$ 35.00