

Report for Special Master's Status Conference  
November 5, 2018  
Grand Court Order of Calanthe (Calanthe) in Receivership # 560

Special Deputy Receiver (SDR): Resolution Oversight Corporation

Primary Responsible Person: Ernesto A. Garza

Estate Counsel: Rachel Stroud

Receiver's Counsel: David Wheelus

RLO Analyst: Moses Chao

**Background on Calanthe:**

- Date of Permanent Injunction: May 31, 2018
- Date of Appointment of SDR: June 4, 2018
- State Licensed: Texas
- Lines of Business: Whole Life and Term Insurance  
Pre-need Policies

Calanthe is a Texas domiciled fraternal benefit society that has been in existence for 120 years. The company is only licensed in Texas and its operations are conducted under Chapter 885 of the Texas Insurance Code. As a fraternal benefit society, Calanthe is owned by its members, and provides social activities and educational scholarships that are funded through fund raiser events and membership fees. It has no affiliates or investments in subsidiaries, partnerships or other companies.

**Statement of Assets and Liabilities September 30, 2018:**

- Total Assets \$1,149,668
  - Cash Assets \$1,142,720
  - Non cash Assets \$ 6,948
- Total liabilities \$ (1,374,115)
- Negative equity \$ (224,447)

**Status and Activity since last status conference:**

**Asset Recovery:**

1. The Clear Spring indemnity reinsurance agreement termination was approved by the Receivership Court on August 29, 2018. The reinsurance funds of \$1,048,864 were transferred to the Grand Court Order of Calanthe Texas Treasury account on October 4, 2018.
2. The SDR continued collection of 2018 third quarter premium payments. The SDR prepared the premium billings for the fourth quarter and mailed the invoices to the Worthy Counsellors in the first two weeks of October 2018.
3. The total premium collections for July – September 2018 were \$7,502.85

**Claims:**

1. The SDR staff has processed a total of fourteen death claims and seven surrenders since the inception of the receivership estate.
2. The SDR staff has prepared notice letters and missing address reports and mailed them to the Worthy Counsellors with known addresses to assist in locating policyholder address information.
3. The SDR staff is working to update the QL policy and claim database system with premiums received, claim and surrender payments, and updated address information received.

**General Legal Activities:**

1. Calanthe sold its office building in November, 2015. The majority of the proceeds of the sale were deposited in the Trust Account with Clear Spring. Calanthe entered into a lease with the purchaser in 2016 but then filed suit to set aside the sale. The lawsuit is stayed under Tex. Ins. Code §443.008. The SDR's counsel has been in touch with the defendant's attorney and has obtained the pleadings in the suit. The SDR is evaluating its options in the lawsuit.

**Administrative Activities:**

1. The estate counsel prepared and filed an Application for Approval of Fees and Expenses and an Application to Require Electronic Service with the receivership court and both applications were approved in August 2018.
2. The SDR staff finalized the record inventory and the boxes were shipped to the Safesite storage warehouse in Austin.
3. The SDR staff has closed and vacated the Houston offices of Grand Court of Calanthe in September 2018.
4. The first set of receivership quarterly reports were filed with the receivership court for the period of June – August 2018.
5. The membership dues and scholarship funds not related to the insurance company were transferred to the new non-profit fraternal, Calanthe Historical Society. The SDR completed the separation of the membership dues from the premium billings and has completed separation of the fraternal activities from the insurance company activities and funds.
6. The SDR staff researched and prepared a response to IRS regarding an inquiry on outstanding Employer quarterly 941 reports for the year 2016.

**Conclusions:**

- Major Achievements since last Status Conference:
  1. The reinsurance indemnity agreement was terminated and the reinsurance funds were transferred to the Grand Court Order of Calanthe Texas State Treasury account.
  2. Finalized the record inventory and transferred the boxes to the Safesite storage warehouse in Austin.
  3. The premium billings for the 2018 fourth quarter were prepared and mailed to the Worthy Counsellors.

4. The SDR transferred all funds not related to the insurance company to the new non-profit fraternal, Calanthe Historical Society.
  5. The first set of receivership quarterly reports were filed with the receivership court.
  6. The Houston offices were closed and vacated.
- Estate Team Goals for the next quarter:
    1. Continue to collect the third and fourth quarter premiums.
    2. Continue to process any death and surrender claims received.
    3. Make a recommendation to the Rehabilitator on the pending building lawsuit.
    4. Make recommendations to the Rehabilitator for rehabilitation strategies.
    5. Address additional inquiries from IRS on the reconciliation questions regarding the Employer quarterly 941 reports for the years 2015 and 2016.
  - Estimated Closing Date of Receivership: TBD
  - Identification of Factors Affecting Closing Date and Final Distribution:
    1. The preparation and approval of a rehabilitation plan.
    2. The potential assignment of policies to an assuming entity.
    3. Liquidation notice and proof of claim requirements under the rehabilitation plan.