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Eef 8/26/16

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

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IN RE

NEVADA FIRE SAFE COUNCIL,

Debtor(s).

BK-N- 12-52625-btb
CHAPTER 7
Hearing Date: 8/29/16
and Time: 10:00 a.m.
Mtn No. _____

TRUSTEE'S STATUS REPORT

COMES NOW Chapter Seven Trustee, Allen Dutra, by and through undersigned counsel and files the following Status Report with respect to the Court's August 29, 2016 hearing on the Trustee's motion to approve compromise of the estate's claim with the Department of Justice.

After the August 1, 2016 status hearing, counsel for the Trustee and counsel for North Lake Tahoe Fire Protection District, Tahoe Douglas Fire Protection District, Meeks Bay Fire Protection District, Lake Valley Fire Protection District and North Tahoe Fire Protection District's (collectively the Fire Districts) entered into settlement negotiations.

Prior to filing bankruptcy, the Debtor acquired a Non-Profit Organization and Management Liability Insurance Policy from Old Republic Insurance. The policy has an aggregate limit of \$1,000,000. On January 4, 2012 the United States Department of Agriculture, Office of the Inspector General issued an audit report, 08703-5-SF(10). The Report found that the Debtor did not properly account for the grant funds awarded by the Forest Service, including the \$3.6 million Recovery Act grant and also a \$6.2 million non-Recovery

1 Act grant. The OIG also found that funds from the Recovery grant and non-Recovery grant
2 were commingled with the Debtor's own funds and used to pay unauthorized expenses.

3 On February 3, 2012 the Debtor sent their Insurance Agent, Menicucci Insurance
4 Associates, notice of the January 4 Report. On February 13, 2012 Karen Faust of Menicucci
5 Insurance Associates forwarded the Debtor's claim to the claim notice department. Old Republic
6 has refused payment upon the Debtor's claims.

7 An action to reach policy proceeds must name the tortfeasor or the tortfeasor's personal
8 representative as the party defendant rather than proceeding as a direct action against the
9 insurance carrier, commenced by the injured party as a creditor beneficiary. *Reid v. Scheffler*,
10 95 Nev. 265, 592 P.2d 948, (Nev. 1979).

11 On August 26, 2015 the Bankruptcy Court entered an order assigning the Debtor's
12 rights against Old Republic to Cross Check wherein the Estate would retain 10% of the amounts
13 recovered by Cross Check. Cross Check filed a claim for \$249,954.52.

14 The Trustee has agreed to assign the estate's remaining insurance benefits to the Fire
15 Districts. In turn, the Fire Districts will withdraw their opposition to the Trustee's motion to
16 compromise the estate's claim with the Department of Justice.

17 Dated: This 26 day of August, 2016

18
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20 By: 

21 Michael Lenner, Esq.
22 429 Marsh Ave.
23 Reno, Nevada 89509
24 Nevada Bar Number 003331
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CERTIFICATE OF SERVICE BY MAIL

Pursuant to Federal Rule of Civil Procedure 5(b), I certify that on the 26 day of August, 2016 I deposited for mailing in the United States Post Office in Reno, Nevada, with postage thereon fully prepaid, a true copy of the within **TRUSTEE'S STATUS REPORT** addressed as follows:

Nevada Fire Safe Council
Non-Profit Corporation
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