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Phoenix, Arizona 85004-2595

3 **Joel A. Glover** (CO Bar No. 20821) (*pro hac vice* pending)  
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4 **Justin J. Henderson** (State Bar No. 026930)  
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6 *Attorneys for Receiver*

7  
8 SUPERIOR COURT OF ARIZONA

9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*  
11 LESLIE R. HESS, Interim Director  
of Insurance,

12 Plaintiff,

13 vs.

14 COMPASS COOPERATIVE MUTUAL  
HEALTH NETWORK, INC., dba  
15 MERITUS MUTUAL HEALTH  
PARTNERS, an Arizona corporation; and  
16 COMPASS COOPERATIVE HEALTH  
PLAN, INC., dba MERITUS HEALTH  
17 PARTNERS, an Arizona corporation,

18 Defendants.

No. CV2016-011872

**PETITION NO. 1**

**PETITION FOR ENTRY OF  
ORDER APPROVING  
COMPENSATION FOR SPECIAL  
DEPUTY RECEIVER AND FOR  
LEGAL COUNSEL**

(Assigned to The Honorable  
Daniel Martin)

19  
20 Leslie R. Hess, as Receiver (hereinafter "Receiver") of Compass Cooperative  
21 Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners and of  
22 Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners  
23 (collectively, the "Meritus Companies"), appointed pursuant to A.R.S. § 20-611, *et seq.*,  
24 hereby petitions the Court, pursuant to A.R.S. § 20-623.01(A), for entry of an Order  
25 Approving Compensation for Special Deputy Receiver and for Legal Counsel:  
26 ...

1           1. Pursuant to A.R.S. § 20-623.01(A), the Receiver “may appoint one or more  
2 special deputy receivers to act for the receiver and may employ, as the receiver deems  
3 necessary, counsel, clerks and assistant.”

4           a. Pursuant to A.R.S. § 20-623.01(A), the Receiver has appointed  
5 Darren Ellingson to act as Special Deputy Receiver of the Meritus Companies and to  
6 provide professional services in connection with the Receivership. A copy of the  
7 Engagement Agreement is attached hereto as **Exhibit A**. Mr. Ellingson is highly  
8 qualified to take on the duties of the Special Deputy Receiver for the Meritus Companies  
9 (resume attached hereto as **Exhibit B**). Mr. Ellingson has more than 10 years of  
10 regulatory, receivership and troubled company experience and has directed the operations  
11 and oversight of dozens of troubled companies for both the states of Arizona and  
12 Oklahoma. Mr. Ellingson has also served as Deputy Director of Insurance for the State  
13 of Arizona and Deputy Insurance Commissioner for the State of Oklahoma.  
14 Additionally, Mr. Ellingson has direct knowledge of the Meritus Companies and their  
15 operations since he has served as the supervisor for the Meritus Companies while in  
16 Supervision.

17           b. Pursuant to A.R.S. § 20-623.01(A), the Receiver has engaged the  
18 law firm of Lewis Roca Rothgerber Christie LLP to act as legal counsel for the Receiver  
19 of the Meritus Companies. A copy of the Engagement Agreement is attached hereto as  
20 **Exhibit C**. The law firm of Lewis Roca Rothgerber Christie LLP has acted as counsel  
21 for insurance receiverships in Colorado, Hawaii and federal court. Further, the law firm  
22 of Lewis Roca Rothgerber Christie LLP represents the National Organization of Life and  
23 Health Insurance Guaranty Associations in multiple health insurance insolvencies and  
24 represents life and health insurance guaranty associations in Colorado, Wyoming,  
25 Montana, Idaho, Oregon, California, Hawaii, and Illinois.

26 ...

1           2.       The rates negotiated by the Receiver are set forth in the attached the  
2 engagement agreements (Exhibits A and C) and are competitive and reflect appropriate  
3 discounts for experienced insurance receivership professionals under these  
4 circumstances.

5           3.       Pursuant to A.R.S. § 20-623.01(A), the Receiver requests that the Court  
6 approve the compensation fixed by the Receiver as set forth in the attached engagement  
7 agreements.

8           4.       Subject to the Court's approval, the Receiver "shall use the funds or assets  
9 of the insurer to pay the compensation and expenses" in accordance with A.R.S.  
10 § 20-623.01(A).

11           a.       After Darren Ellingson's itemized statements for services rendered  
12 to the Receivership and costs incurred or expended on behalf of the Receivership have  
13 been submitted to and approved by the Receiver, Deputy Receiver or Deputy Director of  
14 the Arizona Department of Insurance, such reviewed and approved statements shall be  
15 paid by the Receiver.

16           b.       After Lewis Roca Rothgerber Christie LLP's itemized statements of  
17 services rendered to the Receivership and costs incurred or expended on behalf of the  
18 Receivership have been submitted to and approved by the Special Deputy Receiver and  
19 then submitted to and approved by the Receiver, Deputy Receiver or Deputy Director of  
20 the Arizona Department of Insurance, such reviewed and approved statements shall be  
21 paid by the Receiver.

22           c.       On a periodic basis to be determined by the Court with the initial  
23 period being quarterly, the Receiver shall file a Petition to Accept Status Report including  
24 a status report identifying the amount of compensation paid to the Special Deputy  
25 Receiver and to legal counsel. Among other things, such status report shall include for  
26 the prior period: total amounts paid during the period; total hours billed during the

1 period; total expenses paid during the period; a brief summary of services and/or tasks  
2 performed during the period; and other matters as requested by the Court. Objections, if  
3 any, to the Petition to Accept Status Report must be filed and served within fourteen (14)  
4 days after such Petition is filed.

5           d. Any person that has entered an appearance herein and desiring  
6 additional information concerning the services and costs paid under the Engagement  
7 Agreements as reported to the Court in the Petition to Accept Status Report may, for  
8 good cause shown, obtain redacted versions of fee statements from the Receiver by  
9 delivering to the Special Deputy Receiver and the Receiver's counsel, a written request  
10 for the redacted billings. Unless otherwise ordered by the Court, costs associated with  
11 preparing and delivering such information shall be paid by the requesting person.

12           e. Upon request by the Court, the Receiver shall make available for *in*  
13 *camera* review by the Court, the itemized statements and supporting documentation for  
14 the services and costs identified under any periodic report.

15           f. Notwithstanding anything herein to the contrary, the Receiver  
16 expressly reserves confidentiality, privileges and/or any other legal rights and/or  
17 protections associated with any such statements, including, but not limited to, the  
18 attorney-client privilege and work product doctrine and nothing herein is intended to limit  
19 or waive any such rights.

20           WHEREFORE, the Receiver requests that the Court enter, in the form lodged  
21 concurrently with this Petition, the order:

22           1. Approving the compensation fixed by the Receiver for the engagement of  
23 Darren Ellingson as Special Deputy Receiver as set forth in the engagement agreement  
24 attached hereto as Exhibit A.

25 . . .

26 . . .

1           2.       Approving the compensation fixed by the Receiver for the engagement of  
2 Lewis Roca Rothgerber Christie LLP as legal counsel as set forth in the engagement  
3 agreement attached hereto as Exhibit C.

4           3.       Approving the Receiver's use of the funds or assets of the insurer to pay the  
5 compensation and expenses of Darren Ellingson and Lewis Roca Rothgerber Christie  
6 LLP as follows:

7                   a.       After Darren Ellingson's itemized statements of services rendered to  
8 the Receivership and costs incurred or expended on behalf of the Receivership have been  
9 submitted to and approved by the Receiver, Deputy Receiver or Deputy Director of the  
10 Arizona Department of Insurance, such reviewed and approved statements shall be paid  
11 by the Receiver.

12                   b.       After Lewis Roca Rothgerber Christie LLP's itemized statements of  
13 services rendered to the Receivership and costs incurred or expended on behalf of the  
14 Receivership have been submitted to and approved by the Special Deputy Receiver and  
15 then submitted to and approved by the Receiver, Deputy Receiver or Deputy Director of  
16 the Arizona Department of Insurance, such reviewed and approved statements shall be  
17 paid by the Receiver.

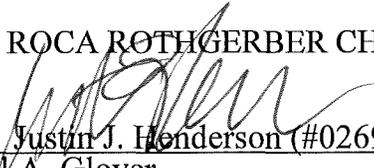
18                   c.       On a periodic basis to be determined by the Court with the initial  
19 period being quarterly, the Receiver shall file a Petition to Accept Status Report including  
20 a status report identifying the amount of compensation paid to the Special Deputy  
21 Receiver and to legal counsel. Among other things, such status report shall include for  
22 the prior period: total amounts paid during the period; total hours billed during the  
23 period; total expenses paid during the period; a brief summary of services and/or tasks  
24 performed during the period; and other matters as requested by the Court. Objections, if  
25 any, to the Petition to Accept Status Report must be filed and served within fourteen (14)  
26 days after such Petition is filed.

1           d. Any person that has entered an appearance herein and desiring  
2 additional information concerning the services and costs paid under the Engagement  
3 Agreements as reported to the Court in the Petition to Accept Status Report may, for  
4 good cause shown, obtain redacted versions of fee statements from the Receiver by  
5 delivering to the Special Deputy Receiver and the Receiver's counsel, a written request  
6 for the redacted billings. Unless otherwise ordered by the Court, costs associated with  
7 preparing and delivering such information shall be paid by the requesting person.

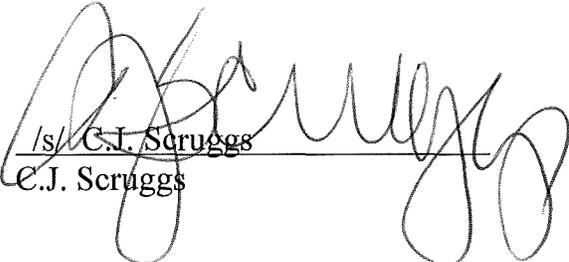
8           e. Upon request by the Court, the Receiver shall make available for *in*  
9 *camera* review by the Court, the itemized statements and supporting documentation for  
10 the services and costs identified under any periodic report.

11           f. Notwithstanding anything herein to the contrary, the Receiver  
12 expressly reserves confidentiality, privileges and/or any other legal rights and/or  
13 protections associated with any such statements, including, but not limited to, the  
14 attorney-client privilege and work product doctrine and nothing herein is intended to limit  
15 or waive any such rights.

16           Dated this 16th day of August, 2016.

17           LEWIS ROCA ROTHGERBER CHRISTIE LLP  
18  
19           By:  \_\_\_\_\_  
              Joel A. Glover  
              Justin J. Henderson  
20           Attorneys for Receiver

21           COPY of the foregoing mailed this  
22           16th day of August, 2016 to the  
23           attached Master Service List

24  
25             
26           \_\_\_\_\_  
              C.J. Scruggs

1 SUPERIOR COURT OF ARIZONA

2 COUNTY OF MARICOPA

3 No. CV2016-011872 (Assigned to The Honorable Daniel Martin)

4  
5 **MASTER SERVICE LIST**

6  
7 Leslie R. Hess, Receiver  
8 Interim Director, Arizona Department of Insurance  
9 2910 North 44th Street, Suite 210  
Phoenix, Arizona 85018-7269

10 Lynette Evans, Assistant Attorney General  
11 Liane Kido, Assistant Attorney General  
12 Office of the Attorney General  
1275 West Washington Street  
13 Phoenix, Arizona 85007  
*Attorneys for Arizona Department of Insurance*

14 Richard G. Erickson  
15 Robert F. Kethcart  
16 Snell & Wilmer L.L.P.  
17 One Arizona Center  
400 East Van Buren  
18 Phoenix, Arizona 85004  
*Attorneys for Defendants*

19 Richard J. Voth, Sr.  
20 Post Office Box 3970  
21 Pinetop, Arizona 85935

22 Larry Aldrich, Executive Chairman  
23 Employers Health Alliance of Arizona  
7520 East McLellan Lane  
24 Scottsdale, Arizona 85250

**Exhibit A**

## ENGAGEMENT AGREEMENT

This Engagement Agreement, made and entered into this \_\_\_\_ day of August 2016, by and between **Leslie R. Hess**, Interim Director of the Arizona Department of Insurance (“ADOI”), acting in her capacity as duly-appointed receiver (hereinafter “Receiver”) of Compass Cooperative Mutual Health Network, Inc. dba Meritus Mutual Health Partners, an Arizona-domiciled insurer holding a certificate of authority to transact disability insurance business (the “Company”); and, **Ellingson & Associates, LLC** or any successor or assign approved in writing by the Receiver (hereinafter “Firm”), of which Darren T. Ellingson (hereinafter “Ellingson”) is principal.

### RECITALS

A. The Director of the ADOI was appointed Receiver of the Company by order of the Superior Court of Maricopa County, State of Arizona, made and entered into in Cause No. \_\_\_\_\_ (“Receivership Order”); and

B. The Receiver is, pursuant to the provisions of A.R.S. §20-623.01, authorized to appoint one or more special deputy receivers to act for her and to employ such counsel, clerks and assistants as she deems necessary, and, subject to the approval of the Court, to fix the compensation of such special deputy receiver, counsel, clerks and assistants, and to pay said compensation out of funds or assets of the Company in receivership; and

C. The Receivership Order authorized the Receiver to engage and employ attorneys, accountants, appraisers, consultants, actuaries, work-out specialists, financial and strategic advisors, investment bankers and other persons, within or outside Arizona to act for her as she deems necessary in the performance of her duties and responsibilities in discharging the authority conferred by the Order, and the Firm and Ellingson are qualified and willing to provide professional receivership services to the Receiver in connection with the receivership of the Company.

## AGREEMENT

The Receiver and the Firm agree as follows:

1. The Firm agrees to act as special deputy receiver and to have Ellingson administer the responsibilities in that capacity, subject to the limits of duties imposed on a special deputy including those as shall be communicated from time to time by the Receiver in addition to those imposed by law, which include but are not limited to those expressed in Article 4, Chapter 3, Title 20, Arizona Revised Statutes. The Firm shall not engage a person or entity other than Ellingson to provide services under this Agreement without obtaining the prior written approval of the Receiver. The Firm shall exercise the powers given to Receiver, and in the exercise of those powers, is subject to all of the duties imposed upon the Receiver including, but not limited to, the duty to review and approve the billing statements from the various professionals and other vendors engaged by Receiver.

2. Consideration for services rendered by the Firm shall be paid at the rate of \$150 per hour for Ellingson's time, which shall be payable monthly together with all reasonable costs and expenses incurred. The Firm may provide the services of one or more of the Firm's members or employees for the purpose of assisting Ellingson in carrying out his duties and responsibilities under this Agreement. The use and rate of any Firm member or employee must be specifically approved in writing in advance by the Receiver, and compensation for any Firm member or employee shall be at a rate approved by Receiver, which shall not exceed the rate established for Ellingson's time.

3. Compensation under this Agreement shall be payable only out of receivership assets of the Company. The rates under this Engagement Agreement are subject to the approval of the Superior Court of Maricopa County, Arizona, in the above-described cause number. Compensation is additionally subject to the following:

a. Compensation will not be paid “upon receipt,” but rather, is subject to review by the Receiver or her designee, and then by the Court as provided in the Receivership Order.

b. Unless otherwise agreed, each billing statement shall be submitted to Receiver no later than three months after the provision of service. Failure to submit a timely billing statement shall be a basis for the Receiver to decline to submit the statement to the Court for approval of payment.

c. Each billing statement shall provide detail concerning the time worked and activities completed on each day by Ellingson and each other Firm member and employee, to the nearest one-tenth of one hour or more precisely, and shall calculate the “total fee” for Ellingson and each Firm member and employee as the product of hours worked multiplied times the approved hourly rate.

d. The Firm shall not include on a billing statement any cost other than the total fee as set forth in the preceding paragraph unless the cost was preapproved by the Receiver and the Firm itemizes and provides receipts and other documentation supporting the cost. Approved travel and travel-related expenses incurred by the Firm for Ellingson and each other Firm member and employee will be paid in accordance with the then current travel policy provided by the Receiver.

4. The Firm is an independent contractor, and shall be solely responsible for any employment benefits, unemployment insurance, FICA, income tax withholding, office space, storage space, or other expenses associated with the services provided identified in or utilized pursuant to this Agreement.

5. The Firm shall assign Ellingson to be responsible for supervising all agents and employees engaged by the Receiver to perform services in connection with the Receivership of the Company.

6. To the fullest extent permitted by law, the Firm shall defend, indemnify, and hold harmless the Company and the Receiver (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) for bodily injury or personal injury (including death), or loss of damage to tangible or intangible property caused, or called to be caused, in whole or in part, by the neglect or willful acts or omissions of Ellingson or any of the Firm's other members, employees, agents or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of Ellingson to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. The Firm indemnifies each Indemnitee from and against any and all claims in all instances except for claims arising solely from the negligent or willful acts or omissions of the Indemnitee, and shall be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. The Firm agrees to waive all rights of subrogation against the Company or the Receiver for losses arising from the work performed by the Firm for the Receiver.

7. Each insurance policy the Firm obtains and maintains pursuant to this Agreement, either within the terms and conditions of the policy itself or in a properly executed endorsement to the policy, shall stipulate that the insurance shall be primary and that any insurance carried by the Company or the Receiver shall be excess and not contributory.

8. This Agreement specifies the minimum requirements for insurance, and in doing so, in no way limits the indemnity covenants contained in the Agreement. The Receiver in no way warrants that the specified minimum limits are sufficient to protect the Firm from liabilities that arise out of the performance of the work under this Agreement by the Firm, Ellingson, or the Firm's other members, employees, agents or subcontractors, and the Firm may obtain additional insurance.

9. The Firm shall provide upon request one or more (as necessary) certificate of insurance (valid ACORD form or equivalent approved by the Receiver) and a copy of each policy and policy endorsement showing the Firm has in place the insurance coverage required by this Agreement.

10. Each certificate of insurance, policy and endorsement shall be signed by the person authorized by the insurer to bind coverage on behalf of the insurer, and must accurately reflect the insurance coverage that is in effect from the insurer covering the Firm and all the other Indemnitees.

11. The Firm shall obtain, maintain and provide evidence of insurance coverage that meets or exceeds the following minimum scope and limits.

a. Professional Liability

General Aggregate: \$3,000,000

Each Occurrence: \$1,000,000

i. The policy may have a deductible that shall not exceed \$2,500, and the Firm shall be solely responsible for paying the deductible, which shall not be reimbursed.

ii. The policy shall be endorsed to add the Company and the Receiver as additional insureds with respect to liability arising out of the activities performed by or on

behalf of the Firm. The additional insureds shall be covered to the full limits of liability purchased by the Firm, even if those limits of liability are in the excess of those required by this Agreement.

b. Workers' Compensation and Employers' Liability

- Workers' Compensation: Statutory
- Employers' Liability
  - Each Accident: \$1,000,000
  - Disease - Each Employee: \$1,000,000
  - Disease - Policy Limit: \$1,000,000

i. The policy shall be endorsed to provide a waiver of subrogation in favor of the Receiver for losses arising from work performed by or on behalf of the Firm.

ii. The requirement to provide evidence of workers' compensation and employers' liability coverage shall not apply to each contractor or subcontractor that is exempt under A.R.S. § 23-901 when such contractor or subcontractor executes the appropriate waiver form.

12. The Firm shall not allow any insurance required by this Agreement to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days' prior written notice to the Receiver. Within two (2) business days of receipt, the Firm must provide notice to the Receiver if the Firm receives notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be mailed, emailed, or hand delivered to the Receiver at the Arizona Department of Insurance, 2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7269.

13. Either the Firm's insurance shall cover all subcontractors as insureds under its policies (and its certificates of insurance and endorsements shall name the subcontractors as additional insureds) or the Firm shall be responsible for ensuring that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverage for subcontractor shall be subject to the minimum scope and limits of insurance identified in this agreement. The Receiver reserves the right to require, at any time throughout the life of the contract, proof from Ellingson that its subcontractors have the required coverage.

14. The Receiver reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract as deemed necessary.

15. This Agreement may be terminated by the Firm upon 90 days' written notice to the Receiver, and by the Receiver upon written notice to the Firm. Notice pursuant to this Agreement shall be given by personal delivery to a responsible person, by telephone facsimile, by electronic means, or using a mail delivery service that tracks delivery and obtains evidence of receipt. Notices shall be delivered or addressed to the Receiver or the Firm at the addresses set forth below or at such other address as a party may designate in writing. The date notice is deemed given, received and effective, shall be the date on which the notice is delivered.

Notice to the Receiver shall be sent to:

Leslie R. Hess, Receiver  
Arizona Department of Insurance  
2910 North 44<sup>th</sup> Street, Suite 210  
Phoenix, Arizona 85018-7269

[LHess@azinsurance.gov](mailto:LHess@azinsurance.gov)

Notice to the Firm shall be sent to:

Darren T. Ellingson  
Ellingson & Associates, LLC  
11077 N 87<sup>th</sup> Place  
Scottsdale, AZ 85260

Darren.Ellingson@icloud.com

IN WITNESS WHEREOF, we have hereunto set our hands as of the day, month and year first above written.

Director of the Arizona Department of Insurance  
as Receiver of Meritus Mutual Health Partners in Receivership

By \_\_\_\_\_  
Leslie R. Hess, Interim Director

Ellingson & Associates, LLC

By: \_\_\_\_\_  
Darren T. Ellingson

## ENGAGEMENT AGREEMENT

This Engagement Agreement, made and entered into this \_\_\_\_ day of August 2016, by and between **Leslie R. Hess**, Interim Director of the Arizona Department of Insurance (“ADOI”), acting in her capacity as duly-appointed receiver (hereinafter “Receiver”) of Compass Cooperative Health Plan, Inc. dba Meritus Health Partners, an Arizona-domiciled health care services organization (the “Company”); and, **Ellingson & Associates, LLC** or any successor or assign approved in writing by the Receiver (hereinafter “Firm”), of which Darren T. Ellingson (hereinafter “Ellingson”) is principal.

### RECITALS

A. The Director of the ADOI was appointed Receiver of the Company by order of the Superior Court of Maricopa County, State of Arizona, made and entered into in Cause No. \_\_\_\_\_ (“Receivership Order”); and

B. The Receiver is, pursuant to the provisions of A.R.S. §20-623.01, authorized to appoint one or more special deputy receivers to act for her and to employ such counsel, clerks and assistants as she deems necessary, and, subject to the approval of the Court, to fix the compensation of such special deputy receiver, counsel, clerks and assistants, and to pay said compensation out of funds or assets of the Company in receivership; and

C. The Receivership Order authorized the Receiver to engage and employ attorneys, accountants, appraisers, consultants, actuaries, work-out specialists, financial and strategic advisors, investment bankers and other persons, within or outside Arizona to act for her as she deems necessary in the performance of her duties and responsibilities in discharging the authority conferred by the Order, and the Firm and Ellingson are qualified and willing to provide professional receivership services to the Receiver in connection with the receivership of the Company.

## AGREEMENT

The Receiver and the Firm agree as follows:

1. The Firm agrees to act as special deputy receiver and to have Ellingson administer the responsibilities in that capacity, subject to the limits of duties imposed on a special deputy including those as shall be communicated from time to time by the Receiver in addition to those imposed by law, which include but are not limited to those expressed in Article 4, Chapter 3, Title 20, Arizona Revised Statutes. The Firm shall not engage a person or entity other than Ellingson to provide services under this Agreement without obtaining the prior written approval of the Receiver. The Firm shall exercise the powers given to Receiver, and in the exercise of those powers, is subject to all of the duties imposed upon the Receiver including, but not limited to, the duty to review and approve the billing statements from the various professionals and other vendors engaged by Receiver.

2. Consideration for services rendered by the Firm shall be paid at the rate of \$150 per hour for Ellingson's time, which shall be payable monthly together with all reasonable costs and expenses incurred. The Firm may provide the services of one or more of the Firm's members or employees for the purpose of assisting Ellingson in carrying out his duties and responsibilities under this Agreement. The use and rate of any Firm member or employee must be specifically approved in writing in advance by the Receiver, and compensation for any Firm member or employee shall be at a rate approved by Receiver, which shall not exceed the rate established for Ellingson's time.

3. Compensation under this Agreement shall be payable only out of receivership assets of the Company. The rates under this Engagement Agreement are subject to the approval of the Superior Court of Maricopa County, Arizona, in the above-described cause number. Compensation is additionally subject to the following:

a. Compensation will not be paid "upon receipt," but rather, is subject to review by the Receiver or her designee, and then by the Court as provided in the Receivership Order.

b. Unless otherwise agreed, each billing statement shall be submitted to Receiver no later than three months after the provision of service. Failure to submit a timely billing statement shall be a basis for the Receiver to decline to submit the statement to the Court for approval of payment.

c. Each billing statement shall provide detail concerning the time worked and activities completed on each day by Ellingson and each other Firm member and employee, to the nearest one-tenth of one hour or more precisely, and shall calculate the "total fee" for Ellingson and each Firm member and employee as the product of hours worked multiplied times the approved hourly rate.

d. The Firm shall not include on a billing statement any cost other than the total fee as set forth in the preceding paragraph unless the cost was preapproved by the Receiver and the Firm itemizes and provides receipts and other documentation supporting the cost. Approved travel and travel-related expenses incurred by the Firm for Ellingson and each other Firm member and employee will be paid in accordance with the then current travel policy provided by the Receiver.

4. The Firm is an independent contractor, and shall be solely responsible for any employment benefits, unemployment insurance, FICA, income tax withholding, office space, storage space, or other expenses associated with the services provided identified in or utilized pursuant to this Agreement.

5. The Firm shall assign Ellingson to be responsible for supervising all agents and employees engaged by the Receiver to perform services in connection with the Receivership of the Company.

6. To the fullest extent permitted by law, the Firm shall defend, indemnify, and hold harmless the Company and the Receiver (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) for bodily injury or personal injury (including death), or loss of damage to tangible or intangible property caused, or called to be caused, in whole or in part, by the neglect or willful acts or omissions of Ellingson or any of the Firm's other members, employees, agents or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of Ellingson to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. The Firm indemnifies each Indemnitee from and against any and all claims in all instances except for claims arising solely from the negligent or willful acts or omissions of the Indemnitee, and shall be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. The Firm agrees to waive all rights of subrogation against the Company or the Receiver for losses arising from the work performed by the Firm for the Receiver.

7. Each insurance policy the Firm obtains and maintains pursuant to this Agreement, either within the terms and conditions of the policy itself or in a properly executed endorsement to the policy, shall stipulate that the insurance shall be primary and that any insurance carried by the Company or the Receiver shall be excess and not contributory.

8. This Agreement specifies the minimum requirements for insurance, and in doing so, in no way limits the indemnity covenants contained in the Agreement. The Receiver in no way warrants that the specified minimum limits are sufficient to protect the Firm from liabilities that arise out of the performance of the work under this Agreement by the Firm, Ellingson, or the Firm's other members, employees, agents or subcontractors, and the Firm may obtain additional insurance.

9. The Firm shall provide upon request one or more (as necessary) certificate of insurance (valid ACORD form or equivalent approved by the Receiver) and a copy of each policy and policy endorsement showing the Firm has in place the insurance coverage required by this Agreement.

10. Each certificate of insurance, policy and endorsement shall be signed by the person authorized by the insurer to bind coverage on behalf of the insurer, and must accurately reflect the insurance coverage that is in effect from the insurer covering the Firm and all the other Indemnitees.

11. The Firm shall obtain, maintain and provide evidence of insurance coverage that meets or exceeds the following minimum scope and limits.

a. Professional Liability

General Aggregate: \$3,000,000

Each Occurrence: \$1,000,000

i. The policy may have a deductible that shall not exceed \$2,500, and the Firm shall be solely responsible for paying the deductible, which shall not be reimbursed.

ii. The policy shall be endorsed to add the Company and the Receiver as additional insureds with respect to liability arising out of the activities performed by or on

behalf of the Firm. The additional insureds shall be covered to the full limits of liability purchased by the Firm, even if those limits of liability are in the excess of those required by this Agreement.

b. Workers' Compensation and Employers' Liability

- Workers' Compensation: Statutory
- Employers' Liability
  - Each Accident: \$1,000,000
  - Disease - Each Employee: \$1,000,000
  - Disease - Policy Limit: \$1,000,000

i. The policy shall be endorsed to provide a waiver of subrogation in favor of the Receiver for losses arising from work performed by or on behalf of the Firm.

ii. The requirement to provide evidence of workers' compensation and employers' liability coverage shall not apply to each contractor or subcontractor that is exempt under A.R.S. § 23-901 when such contractor or subcontractor executes the appropriate waiver form.

12. The Firm shall not allow any insurance required by this Agreement to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days' prior written notice to the Receiver. Within two (2) business days of receipt, the Firm must provide notice to the Receiver if the Firm receives notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be mailed, emailed, or hand delivered to the Receiver at the Arizona Department of Insurance, 2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7269.

13. Either the Firm's insurance shall cover all subcontractors as insureds under its policies (and its certificates of insurance and endorsements shall name the subcontractors as additional insureds) or the Firm shall be responsible for ensuring that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverage for subcontractor shall be subject to the minimum scope and limits of insurance identified in this agreement. The Receiver reserves the right to require, at any time throughout the life of the contract, proof from Ellingson that its subcontractors have the required coverage.

14. The Receiver reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract as deemed necessary.

15. This Agreement may be terminated by the Firm upon 90 days' written notice to the Receiver, and by the Receiver upon written notice to the Firm. Notice pursuant to this Agreement shall be given by personal delivery to a responsible person, by telephone facsimile, by electronic means, or using a mail delivery service that tracks delivery and obtains evidence of receipt. Notices shall be delivered or addressed to the Receiver or the Firm at the addresses set forth below or at such other address as a party may designate in writing. The date notice is deemed given, received and effective, shall be the date on which the notice is delivered.

Notice to the Receiver shall be sent to:

Leslie R. Hess, Receiver  
Arizona Department of Insurance  
2910 North 44<sup>th</sup> Street, Suite 210  
Phoenix, Arizona 85018-7269

[LHess@azinsurance.gov](mailto:LHess@azinsurance.gov)

Notice to the Firm shall be sent to:

Darren T. Ellingson  
Ellingson & Associates, LLC  
11077 N 87<sup>th</sup> Place  
Scottsdale, AZ 85260

Darren.Ellingson@icloud.com

IN WITNESS WHEREOF, we have hereunto set our hands as of the day, month and year first above written.

Director of the Arizona Department of Insurance  
as Receiver of Meritus Health Partners in Receivership

By \_\_\_\_\_  
Leslie R. Hess, Interim Director

Ellingson & Associates, LLC

By: \_\_\_\_\_  
Darren T. Ellingson

**Exhibit B**

# Darren T. Ellingson

11077 N 87<sup>th</sup> Place  
Scottsdale, AZ 85260

(405) 388-1516  
[darren.ellingson@icloud.com](mailto:darren.ellingson@icloud.com)

Highly qualified attorney and former insurance director with over 14 years of leadership experience in insurance regulation and health system operation. Talent for simplifying complex matters and finding common sense solutions to problems. Comprehensive understanding of state insurance department regulatory practices with a solid reputation among insurance regulators and the insurance industry.

## Areas of Expertise

Receivership & Supervision  
Legislative Affairs  
Guaranty Associations  
Market Conduct

Government Relations  
Actuarial Principles  
Financial Examination  
Reinsurance

Regulatory Compliance  
Fraud & Abuse  
Statutory Filings  
PPACA

## Professional Experience

Ellingson & Associates, LLC - Scottsdale, AZ  
Partner

Present

- Insurance receivership, supervision and solvency matters.
- Insurance regulatory compliance and government relations.
- Licensing, product approval, rate, form and advertising matters.
- Formation, merger and acquisition of traditional and captive insurers.
- Financial examination, market conduct and enforcement actions.

Arizona Department of Insurance – Phoenix, AZ  
Acting Director of Insurance  
Previously: Deputy Director of Insurance

2013-2016

- Appointed by the Governor to promote a strong insurance marketplace through consumer protection, sound financial regulation, and economic development.
- Actively involved with the National Association of Insurance Commissioners. Member of Health Insurance and Managed Care Committee, Cybersecurity Task Force, International Insurance Relations Leadership Group, Senior Issues Task Force, and several Market Analysis working groups.
- Work closely with trade associations, lobbyists and lawmakers to reach legislative goals. Develop model laws and track regulatory change.
- Oversee all aspects of legal services, financial analysis, actuarial review, financial and market conduct examinations, rate and form compliance, producer and company licensing, consumer complaints and anti-fraud investigations.
- Recruit, train and supervise approximately 100 highly skilled and credentialed staff. Maintain \$28M budget with revenue exceeding \$425M
- Supervise civil and administrative litigation. Oversee outside counsel.
- Direct the operations of troubled companies in rehabilitation and liquidation. Coordinate all estate takeovers, marshal assets, distribute payments to creditors and dissolve legal entities.

Oral Surgery Center, Inc. – Fort Smith, AR  
Executive Director

2012 to 2013

- Manage the day to day affairs of the facility. Advise Board of Directors regarding all operational issues ranging from litigation, government regulation, contract negotiations, compliance, accreditation, risk management, electronic medical records, audit, licensing and federal healthcare reform.
- Recruit, hire and provide training for a sufficient number of qualified staff to carry out facility programs and services.
- Maintain and guide the implementation of facility policies and procedures in compliance with corporate, state, federal and other regulatory guidelines. Ensure adequate preparation for, and participate in, regulatory compliance surveys.

Sparks Regional Medical Center – Fort Smith, AR  
Director Clinic Operations

2011 to 2012

- Responsible for the day to day operations of 38 clinics employing 90 physicians and 300 associates. Work closely with physicians to ensure the success of each practice. Provide operational and strategic guidance to the health system.
- Lead physician recruitment, administer physician compensation program, monitor operational and financial performance of practices and administer compliance program. Ensure compliance with HIPAA, Stark, HITECH, EMTALA and Anti-Kickback laws.
- Monitor the full revenue cycle and ensure practices perform within organizational benchmarks. Responsible for monitoring the adequacy and effectiveness of internal controls.

Oklahoma Insurance Department – Oklahoma City, OK  
Deputy Insurance Commissioner  
Previously: Assistant General Counsel

2003 to 2011

- Promoted to executive manager to recruit, train and supervise more than 130 highly skilled and credentialed staff. Maintain \$15M budget with revenue exceeding \$200M.
- Testify before State Senate and House of Representatives. Work closely with trade associations, lobbyists and lawmakers to reach legislative goals. Develop model laws and track regulatory change.
- Actively involved with the National Association of Insurance Commissioners. Participated in meetings of the Executive Committee, Health Insurance and Managed Care Committee, Financial Condition Committee, and Financial Regulation Standards and Accreditation Committee.
- Enhanced business infrastructure resulting in improved performance and cost reduction. Provide legal advice to HR Director and supervise employee discipline.
- Manage federal grant programs that provide Medicare education to consumers. Evaluated the Patient Protection and Affordable Care Act. Applied and received federal grants for implementation of rate review modernization and creation of a temporary high risk pool.
- Oversee all aspects of legal services, financial analysis, financial and market conduct examinations, rate and form compliance, producer and company licensing, consumer complaints and anti-fraud investigations.
- Charged with rebuilding the agency's complete accounting and financial operations. Responsible for obtaining unqualified independent annual audits.
- Direct the operations of troubled companies in rehabilitation and liquidation. Coordinate all estate takeovers, marshal assets, distribute payments to creditors and dissolve legal entities. Supervise outside litigation counsel.

Darren T. Ellingson, Attorney at Law — Oklahoma City, OK Sole Practitioner	2002 to 2003
Ircink & Miller, P.C. — Oklahoma City, OK Licensed Legal Intern	2001 to 2002
Northwestern Mutual Life — Bismarck, ND Life Insurance and Annuity Sales - College Intern	1995 to 1996
United States Navy — San Diego, CA Communications	1990 to 1994

**Education**

Oklahoma City University School of Law — Oklahoma City, OK Juris Doctor	2002
University of Mary — Bismarck, ND Bachelor of Science - Double Major - Accounting, Business Administration	1998

**Licensure**

Oklahoma Bar Association	2002
United States District Court - Western District of Oklahoma	2002
United States District Court - Eastern District of Oklahoma	2004

## **Exhibit C**

**Lewis Roca**  
**ROTHGERBER CHRISTIE**

Lewis Roca Rothgerber Christie LLP  
1200 Seventeenth Street  
Suite 3000  
Denver, CO 80202

303.623.9000 main  
303.623.9222 fax  
lrrc.com

Joel A. Glover  
Admitted in Colorado and Wyoming  
303.628.9553 direct  
303.623.9222 fax  
jglover@lrrc.com

June 15, 2016

VIA EMAIL AND REGULAR MAIL (LHESS@AZINSURANCE.GOV)

Leslie Hess  
Interim Director  
Arizona Department of Insurance  
2910 North 44th Street, Suite 210  
Phoenix, AZ 85018-7269

RE: Engagement Agreement for Legal Services

Dear Interim Director Hess:

This letter confirms the terms of engagement between Lewis Roca Rothgerber Christie LLP (the "Firm") and the Interim Director serving in her capacity as Receiver of Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners ("Meritus HCSO") and of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners ("Meritus PPO") subject to and in accordance with A.R.S. 20-623.01 ("Client").

We understand that there will be two receivership proceedings and this engagement agreement applies to Client as Receiver of Meritus HCSO and as Receiver of Meritus PPO. We will submit separate invoices for each insolvency. Additionally, we understand that Firm's retention is subject to the provisions of A.R.S. 20-623.01 and that our invoices will be submitted to the Court as part of the review and approval process. Accordingly, we will submit redacted and unredacted invoices.

Also enclosed is a memo on our Standard Terms of Engagement. It sets forth important terms applicable to our representation of the Client and is incorporated by reference in this letter.

**1. Client**

Our client in this matter is the Interim Director serving in her capacity as Receiver of Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners ("Meritus HCSO") and of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners ("Meritus PPO") subject to and in accordance with A.R.S. 20-623.01 ("Client").

As we discussed, the Firm's Client is not the Arizona Department of Insurance. We understand that the Arizona Attorney General's office will be representing the Interim Director and the Arizona Department of Insurance subject to and in accordance with Arizona law. Our contact from

the Arizona Attorney General's office is Lynette Evans and we will communicate directly with her as well.

## **2. Scope of Engagement**

Our representation will consist of advising and representing the Client in the receivership proceedings for Meritus HCSO and Meritus PPO, including taking possession of such companies.

## **3. Staffing**

Joel Glover will be the primary attorney handling this matter. With your consent, we will use other attorneys and paralegals to assist in the matter as appropriate, with the goal of providing Client the most cost-effective representation. Among others, we anticipate that Justin Henderson, Frank O'Loughlin and Cindy Oliver will assist on this matter.

The Firm shall be responsible for supervising all legal counsel of the Firm to perform legal services in connection with the Receivership, including all employees of the Firm who provide services under this Agreement.

## **4. Initial Steps and Conduct of Representation.**

We will communicate with you and others you designate and provide relevant documents and correspondence as this matter proceeds. Please let us know if you ever have any questions or concerns that you would like to discuss with us.

## **5. Fee Terms**

The rates under this Engagement Agreement are subject to the approval of the Superior Court of Maricopa County, Arizona. All compensation including all fees and expenses will be paid solely out of the funds and assets of the receivership. The principal basis for computing our fees will be the amount of time spent on the matter by the lawyers and paralegals involved, multiplied by their individual hourly billing rates. Consistent with our discussions, our engagement will apply discounted rates. At this time, the discounted rates are as follows: Joel Glover - \$410; Justin Henderson - \$385; Cindy Oliver - \$410; Frank O'Loughlin - \$459. To the extent other attorneys from our Firm work on this matter, a similar discount would be applied to their rates. The Receiver, in her sole discretion, may agree to a reasonable annual rate increase if requested by Firm.

Any estimate of fees and costs that we may have discussed or may discuss is only an estimate and not an agreement to a fixed or maximum fee. It is also expressly understood by Client that payment of the Firm's fees and costs is not contingent on the outcome of the matter.

## **6. Costs and Expenses**

The Firm may advance funds on Client's behalf for costs and other disbursements. It is generally easier for both of us if we advance funds on Client's behalf for smaller costs rather than ask Client to pay a succession of small invoices. We will forward larger items to Client with the request that Client pay them directly.

Overtime for support staff, word processing charges and administrative charges or other add on expenses will not be paid. Only actual charges, costs and expenses incurred and paid by the Firm will be reimbursed. Client will be responsible for paying only actual costs and expenses that we incur in connection with our representation. Such costs typically include actual charges only for postage, messengers, overnight deliveries, printing and duplication, computerized database retrieval (e.g., Lexis and Westlaw) with volume discounts applied, travel and travel-related expenses of our attorneys and paralegals for travel other than travel to and from Phoenix, AZ and only as approved in advance in writing by the Receiver; fees charged by governmental agencies and courts, expert witnesses; and by outside retained services such as process servers, court and deposition reporting and transcription services, and investigation services. *Please see the Schedule of Costs that accompanies this letter.*

As we discussed, Firm is a local Phoenix law firm.

## **7. Invoices**

Fees charged by the Firm will not be paid "Upon Receipt" but rather are subject to review by the Special Deputy Receiver, and the Deputy Receiver or Director, with the compensation to be fixed by the Receiver subject to court approval in accordance with A.R.S. § 20-623.01. All billing statements shall be detailed and all expenses shall be itemized and supported by attached receipts and other documentation. Travel expenses shall be accompanied by the written approval of the Receiver. Unless otherwise agreed, all billing statements shall be submitted to the Special Deputy Receiver no later than three months after the date of service and shall be timely reviewed and submitted to the court for approval. Failure to submit a timely billing statement shall be a basis for the Receiver to decline to submit the statement for court approval.

## **8. Termination**

As provided for in the Standard Terms of Engagement, Client may terminate our services and representation upon written notice to the Firm. Such termination shall not, however, relieve Client of its obligations to pay for all services already rendered, including work in progress and remaining incomplete at the time of termination, and to pay for all costs of expenses incurred on behalf of the Client through the date of termination.

We reserve the right to withdraw (and Client agrees that we may withdraw) from representation of Client at any time if in our judgment such withdrawal is necessary or appropriate under the circumstances, including but not limited to any failure by Client to follow our advice.

Likewise, we reserve the right to withdraw from our representation in accordance with this letter and as required or permitted by the applicable rules of professional conduct upon written notice to the Client. In the event that we so terminate the engagement, we will take such steps as are reasonably practicable to protect the Client's interests in this matter. We will be entitled to be paid for all services rendered and costs or expenses incurred on behalf of Client through the date of withdrawal.

Unless otherwise terminated, this engagement will terminate upon completion of the services described herein or our sending Client our final invoice for services rendered in this matter.

#### **9. Notice of Relationships**

This letter will also serve to confirm our discussions regarding certain notices of relationships.

Firm represents numerous insurance entities in various matters, including regulatory matters before the Arizona Department of Insurance, life and health insurance guaranty associations, the National Organization of Life and Health Insurance Guaranty Associations, and health care providers, among others. However, we are not aware of any matters in which Firm would be adverse to Client in the anticipated receiverships. Subject to this letter and to the existing engagement agreements with each client, the Firm will continue representations in existing open matters and may enter into representations in new matters (that do not create a concurrent conflict of interest with Client). Client acknowledges notice of these relationships and will not use our engagement referenced herein as grounds to move for disqualification of Firm or its attorneys from any such representation.

Firm shall not represent any person if such representation of that person is directly adverse to:

- (a) The Arizona Life and Disability Insurance Guaranty Fund and Arizona Property and Casualty Insurance Guaranty Fund, or the Director of the Arizona Department of Insurance in her capacity as the Receiver of any insurance company in the Court ordered receivership<sup>1</sup> unless such representation is:
  - (i) Permitted under the applicable ethical rules; and
  - (ii) Firm has obtained the prior written consent of the Receiver after a full disclosure of all material information.

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<sup>1</sup> Client shall provide Firm with a list of all insurer receiverships subject to this provision along with timely updates of new receiverships.

- (b) The Arizona Department of Insurance or the Director of the Arizona Department of Insurance in her capacity as Director of Insurance in a matter that is a filed lawsuit or filed administrative proceeding unless such representation is:
- (i) Permitted under the applicable ethical rules; and
  - (ii) Firm sends written notice to the Receiver disclosing all material information.

We are honored to represent Client. Please sign the enclosed copy of this letter and return it to me to confirm your acceptance of the terms of our engagement and let me know if you have any questions or there is anything that you want to discuss.

Sincerely,

Joel Glover  
LEWIS ROCA ROTHGERBER CHRISTIE LLP

TERMS OF ENGAGEMENT APPROVED AND AGREED TO BY:

Leslie Hess, Interim Director serving in her capacity as Receiver of Compass Cooperative Health Plan, Inc. d/b/a Meritus Health Partners ("Meritus HCSO") and of Compass Cooperative Mutual Health Network, Inc. d/b/a Meritus Mutual Health Partners ("Meritus PPO")

By \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE OF COSTS**  
(subject to periodic change)

<u>Category</u>	<u>Charge</u>
Postage and Delivery	Based on vendors' actual charges
Printing and Reproduction	\$0.20 per page
Facsimile	\$0.50 per outgoing page; no charge for incoming fax
Online research charges ( <i>e.g.</i> , Westlaw and Lexis)	Based on vendors' standard charges (without deduction for any volume discounts)
Project Clerk/Assistant	\$65 to \$105 per hour, depending on experience
Secretarial overtime as approved by Receiver (if necessitated by client demands and beyond the control of the responsible attorney)	Actual direct salary costs, normally \$18 - \$26 per hour (billed in 1/4 hour increments)
Travel	Actual costs as approved by Receiver in advance

1 **Lewis Roca Rothgerber Christie LLP**

201 East Washington Street, Suite 1200  
Phoenix, Arizona 85004-2595

3 **Joel A. Glover** (CO Bar No. 20821) (*pro hac vice* pending)  
Direct Dial: 303.628.9553  
Direct Fax: 303.623.9222  
Email: [jglover@lrre.com](mailto:jglover@lrre.com)

4 **Justin J. Henderson** (State Bar No. 026930)  
Direct Dial: 602.262.5738  
Direct Fax: 602.734.3937  
E-mail: [jhenderson@lrre.com](mailto:jhenderson@lrre.com)

5 *Attorneys for Receiver*

6  
7  
8 SUPERIOR COURT OF ARIZONA

9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*  
11 LESLIE R. HESS, Interim Director  
of Insurance,

12 Plaintiff,

13 vs.

14 COMPASS COOPERATIVE MUTUAL  
HEALTH NETWORK, INC., dba  
15 MERITUS MUTUAL HEALTH  
PARTNERS, an Arizona corporation; and  
16 COMPASS COOPERATIVE HEALTH  
PLAN, INC., dba MERITUS HEALTH  
17 PARTNERS, an Arizona corporation,

18 Defendants.

No. CV2016-011872

**ORDER RE PETITION NO. 1 -  
PETITION FOR ENTRY OF  
ORDER APPROVING  
COMPENSATION FOR SPECIAL  
DEPUTY RECEIVER AND FOR  
LEGAL COUNSEL**

(Assigned to The Honorable  
Daniel Martin)

19  
20 Leslie R. Hess, as Receiver (hereinafter "Receiver") of Compass Cooperative  
21 Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners and of  
22 Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners  
23 (collectively the "Meritus Companies"), having filed Petition No. 1 for Entry of Order  
24 Approving Compensation for Special Deputy Receiver and for Legal Counsel ("Petition  
25 No. 1") and the Court being fully advised in the premises;

26 ...

1           **IT IS ORDERED:**

2           1.       The compensation fixed by the Receiver for the engagement of Darren  
3 Ellingson as Special Deputy Receiver as set forth in the engagement agreement attached  
4 as Exhibit A to Petition No. 1 is hereby approved.

5           2.       The compensation fixed by the Receiver for the engagement of Lewis Roca  
6 Rothgerber Christie LLP as legal counsel as set forth in the engagement agreement  
7 attached as Exhibit C to Petition No. 1 is hereby approved.

8           3.       The Receiver's use of the funds or assets of the Meritus Companies,  
9 respectively, to pay the compensation and expenses of Darren Ellingson and Lewis Roca  
10 Rothgerber Christie LLP is hereby approved subject to the following:

11           a.       After Darren Ellingson's itemized statements of services rendered to  
12 the Receivership and costs incurred or expended on behalf of the Receivership have been  
13 submitted to and approved by the Receiver, Deputy Receiver or Deputy Director of the  
14 Arizona Department of Insurance, such reviewed and approved statements shall be paid  
15 by the Receiver.

16           b.       After Lewis Roca Rothgerber Christie LLP's itemized statements of  
17 services rendered to the Receivership and costs incurred or expended on behalf of the  
18 Receivership have been submitted to and approved by the Special Deputy Receiver and  
19 then submitted to and approved by the Receiver, Deputy Receiver or Deputy Director of  
20 the Arizona Department of Insurance, such reviewed and approved statements shall be  
21 paid by the Receiver.

22           c.       On a periodic basis to be determined by the Court with the initial  
23 period being quarterly, the Receiver shall file a Petition to Accept Status Report including  
24 a status report identifying the amount of compensation paid to the Special Deputy  
25 Receiver and to legal counsel. Among other things, such status report shall include for  
26 the prior period: total amounts paid during the period; total hours billed during the

1 period; total expenses paid during the period; a brief summary of services and/or tasks  
2 performed during the period; and other matters as requested by the Court. Objections, if  
3 any, to the Petition to Accept Status Report must be filed and served within fourteen (14)  
4 days after such Petition is filed.

5           d. Any person that has entered an appearance herein and desiring  
6 additional information concerning the services and costs paid under the Engagement  
7 Agreements as reported to the Court in the Petition to Accept Status Report may, for  
8 good cause shown, obtain redacted versions of fee statements from the Receiver by  
9 delivering to the Special Deputy Receiver and the Receiver's counsel, a written request  
10 for the redacted billings. Unless otherwise ordered by the Court, costs associated with  
11 preparing and delivering such information shall be paid by the requesting person.

12           e. Upon request by the Court, the Receiver shall make available for *in*  
13 *camera* review by the Court, the itemized statements and supporting documentation for  
14 the services and costs identified under any periodic report.

15           f. Notwithstanding anything herein to the contrary, the Receiver  
16 expressly reserves confidentiality, privileges and/or any other legal rights and/or  
17 protections associated with any such statements, including, but not limited to, the  
18 attorney-client privilege and work product doctrine and nothing herein is intended to limit  
19 or waive any such rights.

20           ENTERED this \_\_\_ day of \_\_\_\_\_, 2016

21  
22  
23           \_\_\_\_\_  
24           The Honorable Daniel Martin  
25           Maricopa County Superior Court Judge  
26