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SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

STATE OF ARIZONA, *ex rel.*
BARBARA D. RICHARDSON, Executive
Deputy Director of Insurance,

Plaintiff,

vs.

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

Defendants.

No. CV2016-011872

ORDER RE PETITION NO. 70

**PETITION NO. 70 GRANTING
PETITION FOR ORDER
APPROVING FINAL ACCOUNTING,
RELEASING AND DISCHARGING
LIQUIDATOR AND TERMINATING
RECEIVERSHIP PROCEEDINGS**

(Assigned to The Honorable
Dewain Fox)

Darren Ellingson, in his capacity as the Special Deputy Receiver of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners (“Meritus Mutual”) and Compass Cooperative Health Plan, Inc., doing business as Meritus Health Partners (“MHP”), having filed Petition No. 70, Petition for Order Approving Final Accounting, Releasing and Discharging Liquidator and Terminating Receivership Proceedings (the “Final Accounting”), and good cause appearing therefor,

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2 **IT IS ORDERED:**

3 The Final Accounting is approved and the relief requested therein is granted. The
4 Receiver shall implement this Order in order to close the Receivership and terminate these
5 proceedings. Specifically:

6 **1. Prior Distributions Reported to and/or Approved by this Court.**

7 a. The Early Access Distributions previously made to the Arizona Life &
8 Disability Insurance Guaranty Fund (“Guaranty Association”) in the amount of
9 \$3,659,548.80 are deemed final distributions.

10 b. All payments for administrative expenses as previously reported in the
11 Quarterly Reports are deemed final distributions.

12 c. All prior RLF payments are deemed final distributions.

13 d. Partial Distributions approved by Petition No. 65 are deemed final
14 distribution.

15 **2. Final Distributions.**

16 a. Final Payments. To the extent not already made, the Special Deputy Receiver
17 is authorized and required to make final payments of Estate Assets to the creditors with
18 claims at the priority levels and in the amounts previously approved by this Court and as set
19 forth in Declaration Exhibits A-1 and A-2, which are incorporated herein by reference. In
20 accordance with Declaration Exhibits A-1 and A-2, the Class 8 General Creditor payment
21 shall be made from MHP to Meritus Mutual so that the distribution is added to Meritus
22 Mutual’s balance and applied to pay Meritus Mutual’s creditors.

23 b. Unclaimed Property. In the event that a creditor fails to negotiate and/or cash
24 the payments made as final distributions hereunder, such amounts shall be handled as
unclaimed property under Arizona law.

25 c. No Reduction of Indebtedness. Any approved claim amounts that are not
26 satisfied by the distribution of Estate Assets as ordered by the Court remain as final amounts
27 that are still owing and unsatisfied under A.R.S. § 20-611 *et seq.* There is no reduction of
28

1 indebtedness with respect to claims that have been approved but are unpaid due to
2 insufficient Estate Assets.

3 d. Insolvency of MHP and Meritus Mutual. Among other things, the August 10,
4 2016, Liquidation Order declared that MHP and Meritus Mutual were each insolvent and
5 placed them into liquidation. The insolvency of MHP and Meritus Mutual continues. With
6 respect to MHP, as set forth on Declaration Exhibit A-1 of Petition No. 65, after the
7 distributions contemplated herein, there will be remaining assets of approximately \$8.2
8 million and remaining liabilities of approximately \$52 million, leaving MHP insolvent by
9 more than \$43 million. With respect to Meritus Mutual, as set forth on Exhibit A-2 of
10 Petition No. 65, after the distributions contemplated herein, there will be remaining assets
11 of approximately \$2.7 million and liabilities of more than \$93 million, leaving Meritus
12 Mutual insolvent by more than \$90 million.

13 3. **Federal Release.** In reliance on the release language as approved by this Court and
14 the United States Court of Federal Claims as part of a Settlement Agreement with the United
15 States, no further efforts to secure releases from the United States or otherwise engage in the
16 federal release program are necessary.

17 4. **Books and Records.** The Special Deputy Receiver shall maintain and store (subject
18 to privacy and security protections) all remaining books and records of MHP and Meritus
19 Mutual for five years after closing of the MHP and Meritus Mutual estates. At the
20 conclusion of the five-year period, the Special Deputy Receiver may destroy the records in
21 its discretion, subject to privacy and security protections. The fee for storage and destruction
22 of records shall be included in and part of the Projected Administrative Expenses pre-
23 Closing. Until the books and records are destroyed, access to such books and records shall
24 be limited to the following: the Deputy Receiver for the Arizona Department of Insurance
25 and Financial Institutions; the Executive Director of the Guaranty Association; and their
26 designated representatives.

27 5. **Final Tax Return.** Without making any waivers of rights under the release language
28 as part of the Settlement with the United States, the Special Deputy Receiver shall contract
with Forvis to prepare and file the final tax return for Meritus Mutual and MHP for year-end

2025, assuming that the final return is consistent implementation of the Final Accounting and any related Court orders. Forvis shall be paid in 2025 as part of the Projected Administrative Expenses pre-Closing.

6. **Final RLF Payments.** The Receiver is authorized and ordered to cause Meritus Mutual to deposit an amount up to \$75,000 into the Receivership Liquidation Fund and to cause MHP to deposit an amount up to \$75,000 into the Receivership Liquidation Fund.

7. **Projected Administrative Expenses Pre-Closing.** The Liquidator¹ is ordered to set aside \$250,000 with respect to MHP and \$250,000 with respect to Meritus Mutual for a combined amount of \$500,000 in order to cover projected administrative expenses that would occur pre-closing. The projected expenses include payments to Forvis, costs related to document storage, and remaining legal and administrative tasks that may arise after the Notice of Completion has been filed (as a flat fee in the amount of \$100,000 to the Special Deputy Receiver and a flat fee in the amount of \$100,000 to legal counsel, with the amounts allocated equally between MHP and Meritus Mutual). Any remaining balance after payment of the administrative expenses will be transferred to the RLF Fund pursuant to A.R.S. § 20-648.

8. **Abandonment of Estate Assets.** Any Estate Assets that reasonably could have been liquidated to generate value for the creditors of Meritus Mutual and MHP have been liquidated as included in the totals for Estate Assets reported on Declaration Exhibits 1 and 2 and as previously reported in the Liquidation Balance Sheets filed with this Court. The Special Deputy Receiver is authorized to abandon any and all Estate Assets of Meritus Mutual and MHP to the extent such assets are not reasonably available to liquidate and distribute to pay approved claims of creditors as ordered by this Court.

9. **Distribution Agreement.** The Distribution Agreement shall be finalized and closed and Meritus Mutual shall fund the Distribution Agreement.

a. The Guaranty Association is authorized to enter into the Distribution Agreement under its enabling act. See A.R.S. §§ 20-685(B)(1), 20-685(D), 20-685(H)(1),

¹ Liquidator and Receiver are used interchangeably in this Order and refer to the Arizona Director of Insurance in the statutory capacity as Liquidator and/or Receiver under Arizona law.

1 and 20-685(H)(5). The Distribution Agreement is necessary or proper to carry out the
2 provisions and purpose of the Guaranty Association's enabling act. The Guaranty
3 Association has negotiated and contracted with the Liquidator to carry out the powers and
4 duties of the Guaranty Association under the Distribution Agreement. The Guaranty
5 Association is rendering assistance and advice to the Director, at the Director's request,
6 concerning rehabilitation, payment of claims, continuation of coverage or the performance
7 of other contractual obligations of Meritus Mutual.

8 b. Unless the Distribution Agreement has been terminated pursuant to Section
9 4.1 of the Distribution Agreement, the Guaranty Association shall distribute the Distribution
10 Proceeds by one of the following methods, at the direction of the Director:

11 i. In the event that the IRS notifies the Liquidator and/or Director that
12 there are or may be material issues or concerns regarding any Tax Return, the Director shall
13 reopen the Receivership Court proceedings and shall notify the Guaranty Association, in
14 writing, of such issues or concerns. Upon the reopening of the Receivership Court
15 proceedings, the Liquidator shall request that the Guaranty Association return the
16 Distribution Proceeds to the Liquidator in accordance with Section 4.1. As soon as
17 reasonably practical after receipt of that written notice, the Guaranty Association shall pay
18 the Distribution Proceeds to the Liquidator in accordance with Section 4.1. Thereafter, the
19 Distribution Proceeds shall be distributed in accordance with any order of the Liquidation
20 Court and Arizona law.

21 ii. Assuming that the Director has not notified the Guaranty Association
22 under subsection 3.4.1 of the Distribution Agreement, as soon as reasonably practicable after
23 the first business day three years and nine months after the Effective Date, the Guaranty
24 Association shall distribute the Distribution Proceeds to the Class 10 Surplus Note Creditor.
25 The Guaranty Association shall transmit the Distribution Proceeds in the manner directed
26 by the Receivership Court or as otherwise directed in writing by the Class 10 Surplus Note
27 Creditor.
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1 iii. After the Guaranty Association has paid the Distribution Proceeds as
2 provided for hereunder, the Guaranty Association shall be fully and finally released and the
3 Guaranty Association's duties and obligations shall be deemed satisfied.

4 c. The Guaranty Association shall be paid a one-time administrative fee in the
5 amount of twenty-five thousand dollars (\$25,000) to be paid by the Receiver to the Guaranty
6 Association on the Effective Date of the Distribution Agreement. In addition, the Guaranty
7 Association shall be entitled to reimbursement from the Distribution Proceeds for any costs,
8 fees or expenses incurred by the Guaranty Association as a result of entering into and/or
9 implementing the Distribution Agreement.

10 d. Other than to distribute the Distribution Proceeds as specified in Sections 3.4
11 or 4.1 of the Distribution Agreement, the Guaranty Association shall have no duties,
12 obligations, responsibilities or discretion related thereto. The Guaranty Association shall be
13 acting under the powers and duties of its enabling act, providing assistance at the request of
14 the Director and Receiver, and subject to Receivership Court order. The Distribution
15 Agreement does not create a trust (nor a statutory trust) as that term is defined under Arizona
16 law and no duties or responsibilities of a trust relationship attach or arise as part of the
17 Distribution Agreement. The Distribution Agreement shall not create any third-party
18 beneficiaries. Nothing in the Distribution Agreement is intended or shall be construed to
19 give any person, other than the parties hereto, any legal or equitable right, remedy or claim
20 under or in respect of the Distribution Agreement or any provision contained herein.

21 e. The Receiver shall indemnify and hold harmless the Guaranty Association
22 (including its respective directors, officers, employees and agents) against any and all loss,
23 liability and expense, including reasonable attorneys' fees and court costs, which result from
24 or relate to the Distribution Agreement so long as the Guaranty Association acted in good
25 faith.

26 f. For all actions taken by the Guaranty Association under the Distribution
27 Agreement, the Guaranty Association shall be subject to the immunity expressly provided
28 for in A.R.S. § 20-693. In addition, the Guaranty Association, acting at the request of the
Director and Liquidator, shall enjoy any and all protections and immunities possessed by the

1 Director related to the Guaranty Association's role in carrying out its duties and
2 responsibilities under the Distribution Agreement.

3 g. Notwithstanding any provision of the Distribution Agreement, the Director
4 and the Receiver retain all indemnities and immunities provided under Arizona law or
5 otherwise.

6 h. Either the Director or the Guaranty Association may elect to terminate the
7 Distribution Agreement and reopen the Receivership Court proceedings at any time in their
8 discretion. Upon reopening of the Receivership Court proceedings under Section 4.1 of the
9 Distribution Agreement, unless otherwise directed by the Receivership Court to pay the
10 Receiver directly, the Guaranty Association shall pay the Distribution Proceeds into the
11 Receivership Court as an Interpleader under Rule 22 of the Arizona Rules of Civil Procedure
12 for the Superior Courts of Arizona and provide notice to the Director and the Receiver. Upon
13 transfer of the Distribution Proceeds and notice to the Director, the Guaranty Association
14 shall be released in accordance with Rule 22(b). After the Guaranty Association has paid
15 the Distribution Proceeds under Section 3.4 or Section 4.1 of the Distribution Agreement,
16 the Guaranty Association shall be fully and finally released and the Guaranty Association's
17 duties and obligations shall be deemed satisfied.

18 **10. Dissolution of Corporate Existence.** On behalf of the Liquidator, the Special
19 Deputy Receiver is authorized to make all necessary filings to cause the corporate
20 dissolution of MHP and Meritus Mutual. The Special Deputy Receiver's authorization
21 includes authority to make filings with the Arizona Secretary of State and to sign on behalf
22 of shareholders and board members of MHP and Meritus Mutual as necessary.

23 **11. Notice of Completion.** Upon the completion of all steps and actions as contemplated
24 under this Order, the Special Deputy Receiver shall file a Notice of Completion with this
25 Court, which shall, among other things, confirm completion of the steps and actions ordered
26 by this Court.

27 **12. Release and Discharge.** Effective as of the filing of the Notice of Completion, the
28 Honorable Barbara D. Richardson, Receiver and Executive Deputy Director of Insurance,
Liane Kido, Deputy Receiver, Arizona Department of Insurance and Financial Institutions,

1 Darren Ellingson, Special Deputy Receiver, their predecessors, and their assistants,
2 employees, consultants, accountants, attorneys, and other authorized professionals and
3 agents providing assistance and/or support to the Special Deputy Receiver, the Deputy
4 Receiver, the Receiver, the Guaranty Association, and including but not limited to
5 employees of the Arizona Department of Insurance and Financial Institutions who have
6 provided assistance concerning the receiverships, shall be RELEASED and DISCHARGED
7 from any and all disputes, claims, demands, causes of action, duties, and obligations arising
8 regarding and/or relating in any way to the above-captioned proceeding, including but not
9 limited to Meritus Mutual and/or MHP.

10 **13. Dismissal of Proceedings.** Upon the filing of the Notice of Completion, these
11 Receivership Proceedings are dismissed, terminated and concluded, and the estates are
12 closed, without further notice or further application to this Court.

13 **14. Estate Assets.** All assets of MHP and/or Meritus Mutual have been accounted for
14 and/or liquidated or abandoned as otherwise reported to and ordered by this Court.

15 **15. Claims Barred.** All claims against MHP and/or Meritus Mutual have been
16 adjudicated in accordance with Arizona law and/or paid as expressly provided for herein and
17 any and all other claims of any nature related to and/or regarding Meritus Mutual, MHP, and
18 their liquidations, are forever barred.

19 **16. Reopening of Proceedings.** The liquidation proceedings of Meritus Mutual and/or
20 MHP may be reopened at the request of the Arizona Director of Insurance and Financial
21 Institutions, the Deputy Receiver appointed under A.R.S. § 20-648, or the Executive
22 Director of the Guaranty Association, including their applicable successors.

23 **17. Jurisdiction.** This Court retains sole and exclusive subject matter and personal
24 jurisdiction related in any way and to the fullest extent possible under the law as related to
25 MHP, Meritus Mutual, and their respective assets, claims, Receivers, Deputy Receivers,
26 Special Deputy Receivers, the Guaranty Association, and the receiverships and/or
27 liquidations thereof.

28 **18. Final Judgment.** Pursuant to A.R.S. § 20-612, this Order has the character of a final
order as to the particular portion of the proceedings embraced herein.

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2 ENTERED this _____ day of _____, _____.
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5 The Honorable Dewain Fox
6 Maricopa County Superior Court Judge
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eSignature Page 1 of 1

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Granted as Submitted



/S/ Dewain Fox Date: 10/8/2025
Judicial Officer of Superior Court

ENDORSEMENT PAGE

CASE NUMBER: CV2016-011872

SIGNATURE DATE: 10/8/2025

E-FILING ID #: 20717533

FILED DATE: 10/9/2025 8:00:00 AM

ANDREW ABRAHAM

JOEL GLOVER

LYNETTE EVANS

ROBERT F KETHCART