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SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

STATE OF ARIZONA, *ex rel.* EVAN G. DANIELS, 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 **PETITION 70** **EXHIBIT 1** **DECLARATION OF SPECIAL DEPUTY RECEIVER REGARDING PETITION FOR ORDER APPROVING FINAL ACCOUNTING, RELEASE AND DISCHARGING LIQUIDATOR AND TERMINATING RECEIVERSHIP PROCEEDINGS** (Assigned to The Honorable Daniel Martin)

By signing below, I, Darren Ellingson, state to the Court under penalty of law, that the information stated on these pages is true and correct to the best of my knowledge and belief.

1. I am over eighteen years of age, and I have personal knowledge of the facts herein. I acquired my personal knowledge in my capacity as Special Deputy Receiver of Meritus Mutual Health Partners, in liquidation ("Meritus Mutual") and of Meritus Health Partners, in liquidation ("MHP"). I have served as Special Deputy Receiver since the commencement of the Meritus Mutual and MHP receiverships and, in that capacity, I am familiar with and have personal knowledge of the books and records of Meritus Mutual and MHP. In acquiring my personal knowledge, I relied upon work performed by one or

more persons that worked under my direction and/or under the direction of the Deputy Receiver.

2. Attached hereto as Declaration Exhibit A-1 is the Report on Estate Assets and Distributions for MHP.

3. Attached hereto as Declaration Exhibit A-2 is the Report on Estate Assets and Distributions for Meritus Mutual.

4. Estate Assets and Proposed Limited Claim Payments.

a. Payment of Estate Assets. The amounts of Estate Assets for distribution to MHP creditors are set forth and identified in Declaration Exhibit A-1 and the Estate Assets for distribution to Meritus Mutual creditors are set forth and identified in Exhibit A-2, which is each incorporated herein by reference. Subject to this Court's prior Order dated March 13, 2025 approving Petition No. 65, the Special Deputy Receiver has made claim payments as set forth in Exhibits A-1 and A-2 and proposes to make claim payments using the Estate Assets to pay claims of the creditors in amounts and priorities as already approved by this Court.[1]

b. Remaining Claims.

i. Declaration Exhibit A-1 reflects that the proposed claim payments would result in the payment of Class 8 Claims (General Creditor) in a pro rata amount applying the remaining assets of approximately $8.2 million to the remaining claims of $52,099,268. After the pro rata payments, the unpaid claim amounts would be unsatisfied obligations at the time of closing the estate. The limited payments shall not be construed as a reduction of indebtedness in that regard.

ii. Declaration Exhibit A-2 reflects that the proposed claim payments would result in the payment of Class 10 Surplus Note Creditor Claims in the amount of approximately $10 million. After the pro rata payments, the unpaid claim amounts would be unsatisfied obligations at the time of closing the estate. The limited payments shall not be construed as a reduction of indebtedness in that regard.

[1] All claim amounts and claim priority levels identified in Declaration Exhibit A are identical to the claim amounts and claim priority levels previously approved by this Court.

c. Insolvency of MHP and Meritus Mutual. Among other things, the August 10, 2016 Liquidation Order declared that MHP and Meritus Mutual were each insolvent and placed them into liquidation. The insolvency of MHP and Meritus Mutual continues. With respect to MHP, as set forth in Exhibit A-1, after the distributions of approximately $8.2 million toward the remaining liabilities of approximately $52 million, MHP will be insolvent by more than $43 million. With respect Meritus Mutual, as set forth in Exhibit A-2, after the distributions of approximately $10 million toward the remining liabilities of approximately $93 million, Meritus Mutual will be insolvent by more than $80 million.

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

e. Payments for Tax Services. The Receiver is prepared to make a fee payment for preparation of the 2025 taxes as part of the Projected Administrative Expenses pre-Closing (see Exhibits A-1 and A-2).

f. Document Storage and Destruction. The Receiver is prepared to maintain and store the MHP and Meritus Mutual books and records, subject to privacy and security, for five years after closing of the estates, and then to destroy such books and records in its discretion.

g. RLF Payments**.** The Receiver is prepared to make Receivership Liquidation Fund ("RLF") payments in accordance with A.R.S. § 20-648 in the amount of $75,000 from Meritus Mutual and the amount of $75,000 from MHP.

h. Projected Administrative Expenses Pre-Closing. The Liquidator is prepared 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.

5. Remaining Estate Assets. Any Estate Assets that reasonably could be liquidated to generate value for the creditors of MHP have been liquidated and are included in the totals for Estate Assets reported in this Declaration and as previously reported in the Liquidation Balance Sheets filed with this Court. Any other assets of are to be abandoned, in the Special Deputy Receiver's discretion, in order to facilitate closing and termination of the estates except that any unpaid amount due from MHP to Meritus Mutual remains as an unsatisfied obligation and there is no reduction of indebtedness related thereto. Types of assets that would be abandoned are relatively small in amount, expensive to liquidate and of limited overall value, including for example provider receivables previously valued in the amount of $444,071.

6. Distribution Agreement. Attached as Declaration Exhibit A-3 is the Distribution Agreement between the Guaranty Association and the Liquidator. The Guaranty Association and the Liquidator have agreed to enter into the Distribution Agreement subject to Court approval.

7. By signing below, I state to the Court, under penalty of law, that the information stated on these pages is true and correct to the best of my knowledge and belief.

Meritus Mutual Health Partners, in Liquidation
Meritus Health Partners, in Liquidation

Darren Ellingson
____
Darren Ellingson, Special Deputy Receiver

Date: 9/16/2025