

FAEGRE DRINKER BIDDLE & REATH LLP
1144 15TH Street, Suite 3400
Denver, Colorado 80202
Joel A. Glover (State Bar No. 034018)
Direct Dial: 303.607.3648
Direct Fax: 303.607.3600
Email: Joel.Glover@Faegredrinker.com

Attorneys for Receiver

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

PETITION NO. 70

**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 of Compass Cooperative Health Plan, Inc. dba Meritus Health Partners (“MHP”) (collectively referred to as “Meritus”), appointed pursuant to A.R.S. § 20-611, *et seq.*, files herewith the Petition for Order Approving Final Accounting, Releasing and Discharging Liquidator and Terminating Receivership Proceedings.

1. Liquidation Order. On October 30, 2015, Meritus Mutual and MHP were placed under the supervision of the Arizona Department of Insurance (the “Department”) and discontinued all insurance coverage on or before midnight on December 31, 2015. In

1 an Order dated August 10, 2016, this Court placed Meritus Mutual and MHP into
2 receivership under orders of liquidation and declarations of insolvency. Pursuant to A.R.S.
3 § 20-612, this Court has sole and exclusive jurisdiction over all proceedings related to the
4 liquidation of Meritus Mutual and/or MHP. Of particular importance, despite the joint
5 management of the companies, Meritus Mutual and MHP are distinct insurance entities
6 subject to disparate treatment under Arizona receivership and guaranty fund law.

7 **a. Meritus Mutual Liquidation Priority System.** Meritus Mutual was
8 established and operated as a disability insurance company under Arizona law and was
9 referred to as a PPO. Under Arizona's priority statute, A.R.S. § 20-629,¹ the insured's
10 claims, and thus by assignment, claims of the insured's physician, hospital and other
11 healthcare providers ("Providers") under insurance policies issued by a disability insurance
12 company fall within Class 3 of the distribution scheme applicable to disability company
13 receiverships. In addition, claims under insurance policies issued by disability insurers
14 domiciled in Arizona are covered by the Arizona Life and Disability Insurance Guaranty
15 Fund ("Guaranty Association"), subject to the statutory limitations provided for in the
16 Guaranty Association's enabling act, A.R.S. § 20-681, et seq.

17 **b. MHP Liquidation Priority System.** In contrast, MHP was legally
18 established and operated as a health care services organization ("HCSO") under Arizona law
19 (more commonly known as an "HMO"). Generally, Providers who contracted with MHP to
20 provide care to plan enrollees are "contract (or in-network) Providers" and Providers who
21 did not have a contract to serve MHP plan enrollees are known as "non-contract (or out-of-
22 network) Providers." Under A.R.S. § 20-629, only the claims of the non-contract Providers
23 of an HCSO fall within Class 3. Those claims are accorded a higher priority than contract
24 Providers which fall within Class 7. Every claim in each class must be paid in full or
25 adequate funds reserved before creditors in the next class receive payment. A.R.S. § 20-
26 629(A). Further, HCSO claims are not covered by the Guaranty Association. MHP
maintained a \$3.4 million security deposit with the Department for the benefit of MHP's

27 ¹ References to the Receivership Act are to the version of the Receivership Act in force at
28 the time of the commencement of the Receivership proceedings. Subsequent amendments
and/or modifications of the Receivership Act are not applicable unless retroactivity is
expressly declared therein. A.R.S. § 1-244.

1 enrollees for the purpose of funding benefits in accordance with A.R.S. § 20-1069(A).
2 Additionally, MHP held a special deposit in the amount of \$619,552 for the benefit and
3 protection of persons covered by MHP in accordance with A.R.S. § 20-1056(C). (together,
4 the two deposits totaled approximately \$4 million at the commencement of the receivership).

5 **2. Retention of Consultants.** On August 24, 2016, this Court entered an Order
6 approving Petition No. 1, Petition for Entry of Order Approving Compensation for Special
7 Deputy Receiver and for Legal Counsel. On May 23, 2017, this Court entered an Order
8 approving Petition No. 11, Petition for Request for Approval of Rates for Accounting
9 Services. The Receiver engaged Regulatory Services Group to assist with the development
10 of liquidation basis financial statements, including the review and preparation of financial
11 statements, trial balances, Proofs of Claim and related financial information and transactions
12 (collectively referred to as “Accounting Services”). On May 13, 2025, this Court entered an
13 Order approving Petition No. 67, Petition for Entry of Order Approving Compensation for
14 Forvis Mazars Group. The Receiver engaged Forvis Mazars Group (“Forvis”) to provide
15 financial, consulting, and advisory services.

16 **3. Procedures Orders.** On August 24, 2016, this Court entered an Order
17 approving Petition No. 2, Petition for Order Governing the Administration of the
18 Receivership. The Order established, among other things, the case caption, a petition
19 numbering system, procedures for objections, procedures for service lists and proof of
20 service, procedures for *ex parte* petitions, notice procedures, and procedures for the
21 identification of assets.

22 **4. Agreements with Guaranty Association.** Meritus Mutual was legally
23 established and operated as a disability insurance company under Arizona law. As such,
24 Meritus Mutual was a “member insurer” of the Guaranty Association and became an
25 “insolvent insurer” as those terms are defined in A.R.S. § 20-681. Accordingly, the
26 Guaranty Association became authorized to provide continuing coverage related to Meritus
27 Mutual’s insurance policies subject to, and in accordance with, the Guaranty Association’s
28 enabling act, A.R.S. § 20- 681 et seq., and specifically with respect to A.R.S. § 20-685(B).

1 **a. Administrative Services Agreement.** On November 7, 2016, this
2 Court entered an Order approving Petition No. 5, that among other things, approved the
3 Administrative Service Agreement between the Receiver on behalf of Meritus Mutual and
4 the Guaranty Association. The Administrative Services Agreement provided the means by
5 which the Receiver may work with the Guaranty Association to coordinate claim
6 calculations and payments by the Guaranty Association.

7 **b. Early Access Agreement and Distribution.** An Early Access
8 Agreement between the Receiver on behalf of Meritus Mutual and the Guaranty Association
9 was negotiated and drafted as required by Arizona law addressing whether and to what
10 extent early access distributions could be made to the Guaranty Association. The Early
11 Access Agreement was submitted to the Court for approval as part of Petition No. 5, which
12 was approved by this Court on November 7, 2016. Consistent with the terms of the Early
13 Access Agreement and in accordance with A.R.S. § 20-647, in December 2022, an Early
14 Access Distribution was made to the Guaranty Association in the total amount of the
15 Guaranty Association claims, equal to \$3,275,192.77.

16 **5. Liquidation Plan.** On March 8, 2017, this Court entered an Order approving
17 Petition No. 7, Petition for Order Approving Liquidation Plan, that among other things, (i)
18 established a claims bar deadline of May 15, 2017, and (ii) established a procedure for
19 adjudication of provider claims. The Liquidation Plan established a separate claims
20 adjudication process for PPO and HMO providers and imposed a Temporary Restraining
21 Order prohibiting collections from enrollees and insureds unless and until an Explanation of
22 Benefits notice (or similar documentation) was issued by the Receiver.

23 **6. United States Claims.**

24 **a. United States POCs.** Claims were submitted against Meritus Mutual
25 and MHP by and on behalf of the United States Department of Health and Human Services
26 (“HHS”), Centers for Medicare & Medicaid Services (“CMS”) and by the United States
27 Department of Justice (“DOJ”) in three separate proofs of claim (“POCs”), including: (i)
28 CMS claims against MHP in the combined total amount of \$50,650,123.02 (the “CMS-MHP
Claims”); (ii) CMS claims against Meritus Mutual in the combined total amount of

1 \$94,581,998.78 (the “CMS-Meritus Mutual Claims”); and (iii) DOJ claims against MHP
2 and Meritus Mutual in an undetermined amount (the “DOJ Claims”). With respect to the
3 CMS-MHP Claims, \$50,650,123.02 was attributable to the Affordable Care Act (“ACA”)
4 Risk-Sharing Programs. With respect to the CMS-Meritus Mutual Claims, \$93,826,261.25
5 were attributed to loan and note claims, and \$755,917.53 were attributable to ACA Risk-
6 Sharing Programs. While the United States POCs focused on the ACA, they also included
7 a broad assertion, as follows:

8 **Nature of Claim:** Recovery of amounts owed to the United States and/or any
9 federal agency or entity. These claims are entitled to first priority treatment
10 pursuant to 31 U.S.C. § 3713.

11 **b. Meritus ACA Claims against CMS.** At the same time, MHP and
12 Meritus Mutual had claims against CMS under the ACA Risk-Sharing Programs: (i) a
13 combined total amount of \$62,684,619.00 was owed by CMS to MHP; and (ii) a combined
14 total amount of \$16,221,332.00 was owed by CMS to Meritus Mutual. Dated November
15 16, 2017, the Receiver’s Counsel sent separate letters providing notice of the amounts due
16 and of the setoff and claim determination with respect to the CMS-MHP Claims, the CMS-
17 Meritus Mutual Claims, and the DOJ Claims. The letter requested that CMS and/or DOJ
18 notify the Receiver of any response and/or objection to the determination. CMS and DOJ
19 made no objection to the notice of setoff and claim determination

20 **c. POC Determination and Offset by this Court.** On December 18,
21 2018, the Receiver filed Petition No. 26, Request for Hearing, Claim Determination and
22 Setoff Related to the Claims of the United States. After notice and a hearing, on March 8,
23 2019, this Court entered its Order Re Petition No. 26 Granting Claim Determination and
24 Setoff Related to Claims of the United States which Order applied an offset in accordance
25 with A.R.S. § 20-638 so that Meritus’ debt to the United States was paid in full and the net
26 remaining amounts that the United States owed to MHP and Meritus Mutual under the ACA
27 was as follows: (i) a total net due from CMS of \$12,034,496.00 to MHP; and (ii) a total net
28 due from CMS of \$15,465,415.00 to Meritus Mutual.

///

1 **7. Federal Litigation and Settlement Agreement – United States.**

2 **a. Risk Corridor and Reinsurance Actions.** Two lawsuits brought by
3 or on behalf of the Receiver were prosecuted in the United States Court of Federal Claims,
4 including one action being prosecuted as part of a class action based on the Affordable Care
5 Act (“ACA”) Risk Corridor Program, Case No. 1:16-cv-00259-MMS (the “Risk Corridor
6 Action”) and a second one brought directly by the Receiver based on the ACA Reinsurance
7 Program, Case No. 1:19- cv-01499-MMS (the “Reinsurance Action”) (collectively the
8 “Meritus ACA Suits”).

9 **b. Settlement.** The Receiver negotiated and entered into a settlement
10 agreement with the United States Department of Justice resolving the Meritus ACA Suits,
11 as approved by this Court in its Order approving Petition 50 dated March 18, 2022, and the
12 United States Court of Federal Claims. As provided for in this Court’s Order approving
13 Petition 50, the settlement resulted in payment to MHP in the amount of \$16,186,807
14 (comprised of \$9,474,723 allocated to the Risk Corridor Action and \$6,712,084 allocated to
15 the Reinsurance Action) and resulted in payment to Meritus Mutual of \$6,000,000
16 (comprised of \$4,240,000 allocated to the Risk Corridor Action and \$1,760,000 allocated to
17 the Reinsurance Action). The combined payment amount totaled \$22,186,807. Consistent
18 with the Court’s March 18, 2022, Order approving Petition 50, immediately upon collection
19 and receipt, the settlement proceeds were allocated to pay contingency fees to Risk Corridor
20 Counsel totaling \$685,736 and to Reinsurance Counsel totaling \$847,208, resulting in a net
collection of \$20,653,863 for Meritus.

21 **c. Federal Release.** The Settlement included broad language of release
22 from the United States which release was approved by this Court and by the United States
23 Court of Claims. The scope of the Settlement and release was determined by the ACA Suits
24 and also by the POC asserting claims for any “amounts owed to the United States and/or any
25 federal agency or entity.” The Court-approved release language provides as follows:

26 Upon entry of judgment and Meritus’ receipt of payment, the United States
27 releases, waives, and abandons all claims, counterclaims, and offsets against
28 Meritus arising out of, related to, or otherwise that were asserted, could have

1 been asserted, or may be asserted in the future in the POCs (including but not
2 limited to, any related claims for costs, expenses for costs, expenses, interest,
3 and damages of any sort), with the exception that the United States shall retain
4 its claims asserted in the POCs for the Surplus Notes accorded as Class 10
5 priority level claims under A.R.S. § 20-629 as provided for in the Receivership
6 Claims Order.

7 In reliance on the scope of the release included in the Settlement and approved by
8 two courts, no further efforts to secure releases from the United States are anticipated before
9 closing of the estate.

10 **8. Quarterly Report Filings and Update.**

11 Pursuant to Paragraph 3(c) of the Order approving Petition No. 1, the Receiver made
12 periodic filings, initially quarterly, of a Petition to Accept Status Report, which filing was
13 required to include amounts paid to the Special Deputy Receiver and to legal counsel during
14 the period along with a brief summary of services and/or tasks performed during the period
15 and other matters as requested by the Court. After the Order approving Petition No. 11,
16 Petition for Request for Approval of Rates for Accounting Services, quarterly status report
17 filings also included amounts paid for Accounting Services. As of the date hereof, the
18 Receiver has submitted thirty-five quarterly reports, with the most recent filed for the second
19 quarter of 2025 as of June 30, 2025. Each quarterly report was submitted without objection
20 or opposition and was accepted by Court order.

21 **9. Receivership Liquidation Fund and Update.**

22 **a.** Pursuant to A.R.S. section 20-648, the Receivership Liquidation Fund
23 (“RLF”) was established to create a source of funds to pay for the common administrative
24 costs of the receiverships in Arizona. Specifically, costs funded under the RLF “may include
25 the compensation of special deputies, clerks or assistants but shall not include attorney fees.”

26 **b.** Each RLF petition was submitted without objection or opposition and was
27 accepted by Court order, including:

28 ///

 ///

Order Date	Petition #	MHP Amount	MM Amount	Combined
10/20/2016	4	50,828.94	50,828.94	101,657.88
5/27/2019	31	50,828.94	50,828.94	101,657.88
4/15/2020	38	50,828.94	50,828.94	101,657.88
11/18/2021	47	50,828.94	50,828.94	101,657.88
4/25/2024	61	101,657.88	101,657.88	203,315.76
Totals		\$304,973.64	\$304,973.64	\$609,947.28

c. Pursuant to A.R.S. section 20-648, the Receiver seeks authorization to make an additional and final contribution to the RLF in the amount of \$150,000, comprised of \$75,000 in funds from Meritus Mutual and \$75,000 in funds from MHP. (See Ellingson Declaration, ¶ 4.g.)

10. Liquidation Balance Sheet Filings and Update. Consistent with and subject to the Arizona Insurer Receivership Act, A.R.S. § 20-611 *et seq.* and Orders entered by this Court, the Receiver marshalled and liquidated the general assets of Meritus Mutual and/or MHP (as defined in A.R.S. § 20.611(1) and referred to herein as “Estate Assets”) and also administered and adjudicated the claims against Meritus Mutual and/or MHP. While marshalling the Estate Assets, and adjudicating claims, the Receiver submitted Liquidation Balance Sheets to this Court. The Liquidation Balance Sheets were prepared in reliance on, among other things, this Court’s March 8, 2019, Order Re Petition No. 26 Granting Claim Determination and Setoff Related to Claims of the United States (the “Setoff Order”). The Receiver filed four Liquidation Balance Sheets, each of which was accepted by the Court on the following dates: March 8, 2019 Order Re Petition No. 30 Accepting Liquidation Balance Sheet, Administrative Expenses and Report as of December 31, 2018; June 23, 2020 Order Re Petition No. 40 Accepting Liquidation Balance Sheet as of December 31, 2019; July 16, 2021 Order Re Petition No. 45 Accepting Liquidation Balance Sheet as of December 31, 2020; and June 14, 2022 Order Re Petition No. 52 Accepting Liquidation Balance Sheet as of December 31, 2021.

11. Claims Adjudication Order. On December 21, 2023, the Receiver submitted Petition No. 59, Petition to Approve Receiver’s Adjudication of Claims. Therein, the

1 Receiver submitted Declaration Exhibit 1, which was the Receiver's Report regarding Claim
2 Adjudication Information with respect to Meritus Mutual and Declaration Exhibit 2, which
3 was the Receiver's Report regarding Claim Adjudication Information with respect to MHP.
4 On January 16, 2024, this Court entered an Order Re Petition No. 59 to Approve Receiver's
5 Adjudication of Claims and the Special Deputy Receiver has fully implemented that Order.
6 Because there were no objections or revisions to Petition No. 59, the same claim information
7 as to priority and amount has been relied in preparing the Final Accounting.

8 **12. Books and Records – Retention and Destruction.** The Special Deputy
9 Receiver is prepared to maintain and store (subject to privacy and security protections) all
10 remaining books and records of MHP and Meritus Mutual for five years after closing of the
11 MHP and Meritus Mutual estates. At the conclusion of the five-year period, the Special
12 Deputy Receiver may destroy the records in its discretion, subject to privacy and security
13 protections. The fee for storage and destruction of records will be included in and part of
14 the Projected Administrative Expenses pre-Closing (See Ellingson Declaration Exhibits A-
15 1 and A-2). Until the books and records are destroyed, access to such books and records
16 shall be limited to the following: the Deputy Receiver for the Arizona Department of
17 Insurance and Financial Institutions; the Executive Director of the Guaranty Association;
18 and their designated representatives. (*See Ellingson Declaration, ¶ 4.f.*)

19 **13. Final Tax Return.** Without making any waivers of rights under the release
20 and Settlement with the United States, the Special Deputy Receiver contracted with Forvis
21 to prepare and file the final tax return for Meritus Mutual and MHP for year-end 2025,
22 assuming that the final return is consistent implementation of the Final Accounting and any
23 related Court orders. Forvis will be paid in 2025 as part of the Projected Administrative
24 Expenses pre-Closing. (*See Ellingson Declaration, ¶ 4.h.*)

25 **14. Partial Distributions.** On March 13, 2025, this Court entered an Order
26 approving Petition No. 65, Petition for Order Approving Limited Claim Payments. Pursuant
27 to that Order, a partial distribution was made in accordance with the terms set forth in
28 Petition No. 65. Subject to that Order, 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

1 the Estate Assets to pay claims of the creditors in amounts and priorities as already approved
2 by this Court. (Ellingson Declaration, ¶ 4.a.)

3 **15. Estate Assets, Final Distributions and Abandonment of All Other Assets.**

4 a. The amounts of Estate Assets for distribution to creditors attributable to MHP
5 and Meritus Mutual are set forth and identified in Declaration Exhibits A-1 and A-2, which
6 are incorporated herein by reference. The Special Deputy Receiver has made final
7 distributions of the Estate Assets to the creditors in amounts and priorities as already
8 approved by this Court.² Declaration Exhibits A-1 and A-2 reflect that the Class 8 General
9 Creditor payment from MHP to Meritus Mutual will be made so that the distribution is added
10 to Meritus Mutual's balance and applied to pay Meritus Mutual's creditors. (See Ellingson
11 Declaration ¶¶ 4.a. and 4.b.)

12 b. Any approved claim amounts that are not satisfied by the distribution of Estate
13 Assets as ordered by the Court remain as final amounts that are still owing and unsatisfied
14 under A.R.S. § 20-611 *et seq.* There is no reduction of indebtedness with respect to claims
15 that have been approved but are unpaid due to insufficient Estate Assets. (See Ellingson
16 Declaration, ¶ 4.c.)

17 c. In the event that a creditor fails to negotiate and/or cash the payments made as
18 final distributions hereunder, such amounts shall be handled as unclaimed property under
19 Arizona law. (See Ellingson Declaration, ¶ 4.d.)

20 d. Any Estate Assets that reasonably could be liquidated to generate value for the
21 creditors of Meritus Mutual and MHP have been liquidated and are included in the totals for
22 Estate Assets reported on Declaration Exhibits 1 and 2 and as previously reported in the
23 Liquidation Balance Sheets filed with this Court. Any other assets of Meritus Mutual and/or
24 MHP are to be abandoned, in the Special Deputy Receiver's discretion, in order to facilitate
25 closing and termination of the estates except that any unpaid amount due from MHP to
26 Meritus Mutual remains as an unsatisfied obligation and there is no reduction of
27 indebtedness related thereto. Types of assets that would be abandoned are relatively small
28 in amount, expensive to liquidate and of limited overall value, including for example

² With the exception of the Administrative Reserve Fund, all amounts identified in Declaration Exhibits 1 and 2 are identical to the amounts and priority levels previously approved by this Court.

1 provider receivables previously valued in the amount of \$298,646 (as to Meritus Mutual)
2 and in the amount of \$444,071 (as to MHP). (See Ellingson Declaration, ¶ 5.)

3 **16. Meritus Mutual Distribution Agreement with Guaranty Association.**

4 a. In order to facilitate the final accounting and termination of the receiverships
5 and for the reasons set forth herein, the Receiver is seeking this Court's approval to enter
6 into and implement the Distribution Agreement with the Guaranty Association. A copy of
7 the Distribution Agreement is attached hereto. (See Ellingson Declaration, Ex. A-3.)

8 b. As part of its final accounting and termination, MHP is distributing
9 approximately \$7.9 million to Meritus Mutual in its capacity as a general creditor. (See
10 Ellingson Declaration, Ex A-1.) After receiving that distribution, as part of its final
11 accounting and termination, Meritus Mutual will be prepared to distribute approximately
12 \$9.8 million to the Class 10 Surplus Note Creditor with respect to a claim totaling
13 \$93,826,261. (See Ellingson Declaration, Ex. A-2.) After termination of the Meritus Mutual
14 proceedings, all issues will have been resolved, except for filing and any potential issues
15 related to the final federal tax returns.

16 c. The Association is created by statute to protect policyholders and beneficiaries
17 of members, like Meritus Mutual, that become insolvent and are placed under an Order of
18 Liquidation. The Association has provided continuing coverage associated with the Meritus
19 Mutual receivership, is a Class 2 Creditor against Meritus Mutual and has received general
20 assets from Meritus Mutual as distribution for its claims.

21 d. It is in the interests of the Association and the receivership estates to facilitate
22 closing of the estates and to provide finality with respect to the distribution of general assets
23 to creditors, including the Association. The Distribution Agreement is necessary to facilitate
24 closing of the receivership proceedings and represents the best means of protecting the
25 Association as a creditor of Meritus Mutual.

26 e. The Association is authorized to enter into such contracts as are necessary or
27 proper to carry out the provisions and purposes of its enabling act, negotiate and contract
28 with the Liquidator to carry out the powers and duties of the Association and to "render
assistance and advice to the director, on the director's request, concerning rehabilitation,

1 payment of claims, continuation of coverage or the performance of other contractual
2 obligations of Meritus Mutual. *See* A.R.S. §§ 20-685(B)(1), 20-685(D), 20-685(H)(1), and
3 20-685(H)(5).

4 **f.** The Distribution Agreement is being entered into at the request of the
5 Liquidator in order to allow the Meritus Mutual estate to terminate, to allow the time period
6 for the United States Internal Revenue Service to review the final returns to expire and then
7 for the remaining funds to be distributed to the Class 10 Surplus Note Creditor.

8 **g.** In order to permit the Meritus Mutual receivership to terminate without
9 waiting up to three years for the IRS to respond, the Association is willing to administer and
10 distribute the Distribution Proceeds pursuant to the terms and provisions of the Distribution
11 Agreement and order of the Liquidation Court. (*See* Ellingson Declaration, Exhibit A-3.)

12 **h.** The Director of the Arizona Department of Insurance and Financial
13 Institutions, in the capacity as Liquidator of Meritus Mutual, has requested that the
14 Association assist by entering into the Distribution Agreement concerning the performance
15 of Meritus Mutual's contractual obligations.

16 **i.** The terms and provisions for the Distribution Agreement are set forth in
17 Exhibit A-3 attached to the Ellingson Declaration and include, but are not limited to, the
18 following:

19 **i.** The Meritus Mutual Liquidator will transfer the Distribution Proceeds,
20 in the approximate amount of \$9.8 million, to the Association.

21 **ii.** The Association will maintain the Distribution Proceeds on deposit
22 with a federally insured financial institution in an interest-bearing account separate from its
23 other funds, which account includes a repurchase agreement, trust agreement or similar
24 agreement for the safety of any amounts in excess of One Hundred Thousand Dollars.

25 **iii.** As soon as reasonably practicable, approximately three years and nine
26 months after the Effective Date, the Association will distribute the Distribution Proceeds to
27 the Class 10 Surplus Note Creditor, unless the Agreement has been terminated or the funds
28 have otherwise been returned to the Liquidator, all as provided for in the Distribution
Agreement.

1 iv. The Association shall be paid a one-time administrative fee in the
2 amount of \$25,000 and the Association shall be entitled to reimbursement from the
3 Distribution Proceeds for any costs, fees or expenses incurred as a result of entering into
4 and/or implementing the Distribution Agreement.

5 v. Other than to distribute the Distribution Proceeds as specified in the
6 Distribution Agreement, the Association shall have no duties, obligations, responsibilities
7 or discretion related thereto. The Association shall be acting under the power and duties of
8 its enabling act, providing assistance at the request of the Director and Liquidator. The
9 Distribution Agreement does not create a trust (nor a statutory trust) as that term is defined
10 under Arizona law and no duties or responsibilities of a trust relationship attach or arise as
11 part of the Distribution Agreement. The Distribution Agreement shall not create any third-
12 party beneficiaries. Nothing in the Distribution Agreement is intended to nor shall be
13 construed to give any person, other than the parties to the Distribution Agreement, any legal
14 or equitable, right, remedy or claim under or in respect of the Distribution Agreement or any
15 provision contained therein.

16 vi. The Liquidator shall indemnify and hold harmless the Association
17 (including its respective directors, officers, employees and agents) against any and all loss,
18 liability and expense, including reasonable attorneys' fees and court costs, which result from
19 or relate to the Distribution Agreement so long as the Association acted in good faith.

20 vii. In addition to the immunity expressly provided to the Association in
21 A.R.S. § 20-693, the Association, acting at the request of the Director and Liquidator, shall
22 enjoy any and all protections and immunities possessed by the Director related to the
23 Association's role in carrying out its duties and responsibilities under the Distribution
24 Agreement.

25 viii. Either the Director or the Association may elect to terminate the
26 Distribution Agreement and reopen the Receivership Court proceedings at any time in their
27 discretion under Section 4.1 of the Distribution Agreement.

28 **17. Dissolution of Corporate Existence.** In light of the requested closing of these
proceedings, there is no basis to continue the corporate existence of Meritus Mutual and

1 MHP. The Special Deputy Receiver is prepared to commence the dissolution of the
2 corporate existence of MHP and Meritus Mutual in conjunction with filing the final tax
3 return.

4 **18. Projected Administrative Expenses Pre-Closing.** The Liquidator is
5 prepared to set aside \$250,000 with respect to MHP and \$250,000 with respect to Meritus
6 Mutual for a combined amount of \$500,000 in order to cover projected administrative
7 expenses that would occur pre-closing. (See Ellingson Declaration, ¶ 4.h). The projected
8 expenses include payments to Forvis, costs related to document storage, and remaining legal
9 and administrative tasks that may arise after the Notice of Completion has been filed (as a
10 flat fee in the amount of \$100,000 to the Special Deputy Receiver and a flat fee in the amount
11 of \$100,000 to legal counsel, with the amounts allocated equally between MHP and Meritus
12 Mutual). Any remaining balance after payment of the administrative expenses will be
13 transferred to the RLF Fund pursuant to A.R.S. § 20-648.

14 **19. Special Deputy Receiver's Notice of Completion.** Upon completion of the
15 remaining steps and actions associated with termination of the Receivership Proceedings,
16 the Special Deputy Receiver shall file a Notice of Completion with the Court, which shall,
17 among other things, confirm completion of the steps and actions ordered by this Court.

18 **20. Release and Discharge.** The Special Deputy Receiver requests an Order
19 from this Court that, effective as of the filing of the Notice of Completion, the Honorable
20 Maria Ailor, Receiver and Interim Director of Insurance, Liane Kido, Deputy Receiver,
21 Arizona Department of Insurance and Financial Institutions, Darren Ellingson, Special
22 Deputy Receiver, their predecessors, and their assistants, employees, consultants,
23 accountants, attorneys, and other authorized professionals and agents providing assistance
24 and/or support to the Special Deputy Receiver, the Deputy Receiver, the Receiver, the
25 Guaranty Association, and including but not limited to employees of the Arizona
26 Department of Insurance and Financial Institutions who have provided assistance
27 concerning the receiverships, shall be RELEASED and DISCHARGED from any and all
28 disputes, claims, demands, causes of action, duties, and obligations arising regarding and/or

1 relating in any way to the above-captioned proceeding, including but not limited to Meritus
2 Mutual and/or MHP.

3 **21. Requested Steps, Actions and Findings for Closing Receivership.** Subject
4 to the terms and provisions of this Final Accounting, the Special Deputy Receiver requests
5 that this Court enter the following Order authorizing and requiring that the Special Deputy
6 Receiver take the following steps in order to close the Receivership and terminate these
7 proceedings:

8 **a. Prior Distributions Reported to and/or Approved by this Court.**

9 i. The Early Access Distributions previously made to the Guaranty
10 Association in the amount of \$3,659,548.80 are deemed final distributions.

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

13 iii. All prior RLF payments are deemed final distributions.

14 iv. Partial Distributions approved by Petition No. 65 are deemed final
15 distribution.

16 **b. Final Distributions.**

17 i. Final Payments. To the extent not already made, the Special Deputy
18 Receiver is authorized and required to make final payments of Estate Assets to the creditors
19 with claims at the priority levels and in the amounts previously approved by this Court and
20 as set forth in Declaration Exhibits A-1 and A-2, which are incorporated herein by reference.

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

24 iii. No Reduction of Indebtedness. Any approved claim amounts that are
25 not satisfied by the distribution of Estate Assets as ordered by the Court remain as final
26 amounts that are still owing and unsatisfied under A.R.S. § 20-611 *et seq.* There is no
27 reduction of indebtedness with respect to claims that have been approved but are unpaid due
28 to insufficient Estate Assets.

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

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

15 **d. Books and Records.** The Special Deputy Receiver shall contract with a third-
16 party vendor to store (subject to privacy and security protections) books and records of MHP
17 and Meritus Mutual through and until December 31, 2028. Commencing on January 1,
18 2029, under the contract, the third-party vendor shall destroy all books and records. The fee
19 for storage and destruction will be paid from the Administrative Reserve Fund.

20 **e. Final Tax Return.** Without making any waivers of rights under the release
21 language as part of the Settlement with the United States, the Special Deputy Receiver shall
22 contract with a third-party vendor to prepare and file the final tax return for Meritus Mutual
23 and MHP for year-end 2025. The fee for preparation of the final tax return shall be paid
24 from the Administrative Reserve Fund.

25 **f. Final RLF Payments.** The Receiver seeks an Order from the Court
26 authorizing Meritus Mutual to deposit an amount up to \$75,000 into the Receivership
27 Liquidation Fund and authorizing MHP to deposit an amount up to \$75,000 into the
28 Receivership Liquidation Fund.

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

11 **h. Abandonment of Estate Assets.** The Special Deputy Receiver is authorized
12 to abandon any and all Estate Assets of Meritus Mutual and MHP to the extent such assets
13 are not reasonably available to liquidate and distribute to pay approved claims of creditors
14 as ordered by this Court.

15 **i. Funding Distribution Agreement.** The Distribution Agreement shall be
16 finalized and closed and Meritus Mutual shall fund the Distribution Agreement.

17 **j. Dissolution of Corporate Existence.** On behalf of the Liquidator,³ the
18 Special Deputy Receiver is authorized to make all necessary filings to cause the corporate
19 dissolution of MHP and Meritus Mutual. The Special Deputy Receiver's authorization
20 includes authority to make filings with the Arizona Secretary of State and to sign on behalf
21 of shareholders and board members of MHP and Meritus Mutual as necessary.

22 **k. Notice of Completion.** Upon the completion of all steps and actions as
23 contemplated under this Order, the Special Deputy Receiver shall file a Notice of
24 Completion.

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

28 ³ Liquidator and Receiver are used interchangeably in this Petition and refer to the Arizona Director of Insurance in the statutory capacity as Liquidator and/or Receiver under Arizona law.

1 Institutions, Darren Ellingson, Special Deputy Receiver, their predecessors, and their
2 assistants, employees, consultants, accountants, attorneys, and other authorized
3 professionals and agents providing assistance and/or support to the Special Deputy Receiver,
4 the Deputy Receiver, the Receiver, the Guaranty Association, and including but not limited
5 to 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 **m. 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 **n. Estate Assets.** All assets of MHP and/or Meritus Mutual have been accounted
14 for and/or liquidated or abandoned as otherwise reported to and ordered by this Court.

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

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

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

1 **WHEREFORE**, the Special Deputy Receiver respectfully requests that the Court
2 grant the relief requested by the Special Deputy Receiver and enter, in the form lodged
3 concurrently with this Petition, the Order Approving Final Accounting, Releasing and
4 Discharging Liquidator and Terminating Receivership Proceedings.

5
6
7 FAEGRE DRINKER BIDDLE & REATH LLP

8 By: /s/ Joel Glover (#034018)
 Joel A. Glover

9 *Attorneys for Receiver*
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

COPY of the foregoing mailed this
16th day of September, 2025, the
attached Master Service List

/s/ Christine Goyer

SUPERIOR COURT OF ARIZONA
COUNTY OF MARICOPA

No. CV2016-011872 (Assigned to The Honorable Dewain Fox)

MASTER SERVICE LIST

Maria Ailor, Receiver
The Arizona Department of Insurance
and Financial Institutions
100 North 15th Avenue, #102
Phoenix, Arizona 85007
(Per request, distribution by email only to Liane.Kido@difi.az.gov.)

Liane Kido, Deputy Receiver
Arizona Department of Insurance
100 North 15th Avenue, #102
Phoenix, Arizona 85007
(Per request, distribution by email only to Liane.Kido@difi.az.gov.)

Lynette Evans
Public Law Section
Office of the Attorney General
2005 N. Central Avenue
Phoenix, AZ 85004
Attorneys for Arizona Department of Insurance
(Per request, distribution by email only to Lynette.Evans@azag.gov.)

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

Larry Aldrich, Executive Chairman

Employers Health Alliance of Arizona
7520 East McLellan Lane
Scottsdale, Arizona 85250

Christophe Burusco
Sidley Austin LLP
555 West 5th Street, 40th Floor
Los Angeles, California 90013
Attorneys for Care1st Health Plan Administrative Services, Inc.

Matthew A. Clemente
Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attorneys for Care1st Health Plan Administrative Services, Inc.

Glen Gabrielson, Executive Director
Arizona Life & Disability
Insurance Guaranty Fund
100 N. 15th Avenue, Suite 261
Phoenix, AZ 85007
(Per request, distribution by email only to glen.gabrielson@difi.az.gov)

Darren Ellingson
Special Deputy Receiver
9348 E Wood Dr
Scottsdale, Arizona 85260
(Per request, distribution by email only to dellingson@ellingsonassociates.com)

Banner Health
Patient Financial Services
Attn: Anna Rosalez, Manager
525 West Brown Road, Third Floor
Mesa, Arizona 85201

Debbie Bailey
Cactus Children's Clinic, PC
5940 West Union Hills Drive
Suite D100
Glendale, Arizona 85308

1 Monica Gaspari
2 Billing Office Supervisor
3 Pima Heart Physicians
4 3709 North Campbell Avenue
Suite 201
Tucson, Arizona 85719

5 United States Department of Justice
6 40 North Central Avenue, #1800
Phoenix, Arizona 85004

7 U.S. Department of Justice
8 950 Pennsylvania Avenue, NW
9 Washington, DC 20530

10 United States Attorney General
11 U.S. Department of Justice
12 950 Pennsylvania Avenue, NW
Washington, DC 20530

13 Sinead Baldwin
14 1200 Brickell Avenue
PH 2000
15 Miami, Florida 33131
Attorneys for HealthSouth Rehabilitation Hospital

16 Jill Wright
17 Parallon
18 1100 Charlotte Avenue
Suite 1600
Nashville, Tennessee 37203

19 Susan Sweat
20 Ambulance Billing Office Supervisor
21 Bullhead City Fire Department
22 1260 Hancock Road
Bullhead City, Arizona 86442

1 **FAEGRE DRINKER BIDDLE & REATH LLP**

1144 15th Street, Suite 3400

2 Denver, Colorado 80202

3 **Joel A. Glover** (State Bar No. 034018)

Direct Dial: 303.607.3648

4 Direct Fax: 303.607.3600

Email: Joel.Glover@FaegreBD.com

5
6 Attorneys for Receiver

7
8 SUPERIOR COURT OF ARIZONA

9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 EVAN G. DANIELS, Director
of Insurance,

12 Plaintiff,

13 vs.

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

17 Defendants.
18

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)

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

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

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

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

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

7 4. Estate Assets and Proposed Limited Claim Payments.

8 a. Payment of Estate Assets. The amounts of Estate Assets for distribution to
9 MHP creditors are set forth and identified in Declaration Exhibit A-1 and the Estate Assets
10 for distribution to Meritus Mutual creditors are set forth and identified in Exhibit A-2, which
11 is each incorporated herein by reference. Subject to this Court's prior Order dated March
12 13, 2025 approving Petition No. 65, the Special Deputy Receiver has made claim payments
13 as set forth in Exhibits A-1 and A-2 and proposes to make claim payments using the Estate
14 Assets to pay claims of the creditors in amounts and priorities as already approved by this
15 Court.¹

16 b. Remaining Claims.

17 i. Declaration Exhibit A-1 reflects that the proposed claim payments
18 would result in the payment of Class 8 Claims (General Creditor) in a pro rata amount
19 applying the remaining assets of approximately \$8.2 million to the remaining claims of
20 \$52,099,268. After the pro rata payments, the unpaid claim amounts would be unsatisfied
21 obligations at the time of closing the estate. The limited payments shall not be construed as
22 a reduction of indebtedness in that regard.

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

28 ¹All 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.

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

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

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

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

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

22 **h. Projected Administrative Expenses Pre-Closing.** The Liquidator is prepared
23 to set aside \$250,000 with respect to MHP and \$250,000 with respect to Meritus Mutual for
24 a combined amount of \$500,000 in order to cover projected administrative expenses that
25 would occur pre-closing. The projected expenses include payments to Forvis, costs related
26 to document storage, and remaining legal and administrative tasks that may arise after the
27 Notice of Completion has been filed (as a flat fee in the amount of \$100,000 to the Special
28 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

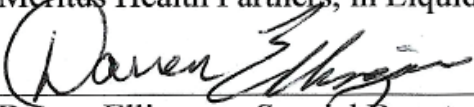
1 of the administrative expenses will be transferred to the RLF Fund pursuant to A.R.S. § 20-
2 648.

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

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

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

20
21 Meritus Mutual Health Partners, in Liquidation
22 Meritus Health Partners, in Liquidation

23 
24 Darren Ellingson, Special Deputy Receiver

25
26 Date: 9/16/2025

Petition 70; Declaration Exhibit A-1
Meritus Health Partners, in Liquidation (MHP)
Report on Estate Assets
Prepared as of September 15, 2025

Remaining Balance of Estate Assets after Partial Payments: \$ 8,340,002
MINUS RLF Payment: \$ 75,000
MINUS Projected Administrative Expenses pre-Closing: \$ 250,000
Balance of Assets for Distribution: \$ 8,015,002

*Amount estimated as of September 15, 2025 and subject to change and adjustment in amounts that are not anticipated to be material or to substantively impact the distribution allocation herein.

Claim Priority Level	Number of Claims	Amount of Claims	Proposed Limited Payments and Estate Asset Balance
Class 1 Administrative	None	None	None
Class 2 Guaranty Association	None	None	None
Class 3 Provider – Out of Network	431	\$5,084,613 PAID	Remaining Balance Due = \$0
Class 4 US Government	*	ACA: \$50,650,121 OFFSET	*See Note 5. Class 4 Claims already adjudicated, determined and paid by offset.
Class 5 Employees	None	None	None
Class 6 State or Local Government	1	\$730,505 PAID	Remaining Balance Due = \$0
Class 7 Providers – In Network	439	\$4,112,148 PAID	Remaining Balance Due = \$0
Class 8 General Creditors	15	\$52,099,268 Available To Be Paid: \$8,015,002 Amount of Unsatisfied Claims: \$44,084,266	Pro rata allocation \$7,942,867 to Meritus Mutual (99.1% of Class 8 Claims) \$72,135 to other General Creditors (0.9% of Class 8 Claims)
Class 9 Untimely POCs	None	None	None
Class 10 Surplus Notes	None	None	None

Remaining Unsatisfied Class 8 Claims at Closing: **\$44,084,266**

Notes Re MHP's Estate Assets and Final Claim Payments:

1. Liquidation Plan. The Receiver's Claims Adjudications reported on herein were made subject to and in accordance with the Order re: Petition No. 7, Order Approving Liquidation Plan.
2. Receivership Act. References to the Receivership Act are to the version of the Receivership Act in force at the time of the commencement of the Receivership proceedings. Subsequent amendments and/or modifications of the Receivership Act are not applicable unless retroactivity is expressly declared therein. A.R.S. § 1-244.
3. Class 1 Claims – Administrative Expenses. Administrative expenses of the Receiver that continue to be incurred subject to and in accordance with the Receivership Act and orders of the Receivership Court are not included. Payments to consultants are subject to the reporting process as previously ordered by this Court, with compensation rates subject to Court approval.
4. Receivership Liquidation Fund. Pursuant to A.R.S. § 20-648, the Receiver previously made payments to the Receivership Liquidation Fund in accordance with the Receivership Court's Orders.
5. Prior Determination – U.S. Claims. All claim amounts related to the United States, including but not limited to claims from the Center for Medicare and Medicaid Services ("CMS") have been fully and finally determined based on Order re Petition No. 26 Granting Claim Determination and Setoff Related to Claims of the United States (the "Setoff Order") and Order Approving Petition No. 50 – Unopposed Petition to Approve Settlement with United States Related to Claims Under the Affordable Care Act (the "Settlement Order"). Pursuant to the Setoff Order and Settlement Order, all Class 4 Claims 4 Claims have been fully and finally paid via offset. The remaining Surplus Note claims, Class 10 Claims attributable to Meritus Health Partners have not yet been paid and are not subject to offset. For completeness, this Exhibit reports on the numbers but the figures are not subject to further review and approval in light of the Setoff Order and Settlement Order already entered by this Court.
6. Federal Government Release Program. The United States Government offers a release program in which, upon request, the United States Government reviews potential claims against insurers in liquidation and, depending on the circumstances, may enter into a release with such insurers. Here, the release program is not applicable in light of the release already agreed to by the United States and approved in the Settlement Order which, among other things, provides as follows:

Upon entry of judgment and Meritus' receipt of payment, the United States releases, waives, and abandons all claims, counterclaims, and offsets against Meritus arising out of, related to, or otherwise that were asserted, could have been asserted, or may be asserted in the future in the POCs (including but not limited to, any related claims for costs, expenses for costs, expenses, interest, and

damages of any sort), with the exception that the United States shall retain its claims asserted in the POCs for the Surplus Notes accorded as Class 10 priority level claims under A.R.S. § 20-629 as provided for in the Receivership Claims Order. The United States further stipulates that it will not dispute or object to Meritus' allocation of payment of the judgment between the Meritus entities (or their estates) in this case, Daniels v. United States, No. 19-1499C, or otherwise, so long as such allocation is approved by the Receivership Court.

7. Undeliverable Notices of Determination. For any Notice of Determination that was undeliverable, the Receiver made reasonable efforts under the circumstances to locate the correct address of the Claimant. Where no correct address could be located, the Receiver's Adjudication of Claim is deemed unopposed. The Receiver will seek to confirm the correct contact information before any payments would be made and if the Claimant cannot be located then the respective amounts would be handled as unclaimed property under Arizona law.
8. Meritus Health Partners Class 8 Claims. Of the 15 Class 8 Claims totaling \$52,099,268, \$51,652,071 is a claim owed to Meritus Mutual related to Surplus Note Claims or 99.1% of the total Class 8 claims. The total amount for the remaining 14 Class 8 claimants is \$447,197 or 0.9% of the total Class 8 claims. The \$8,015,002 available for payment to Class 8 Claims shall be allocated pro rata subject to rounding resulting in the following amounts: \$7,942,867 to Meritus Mutual; and \$72,135 allocated among the remaining Class 8 claimants.
9. Amount of Unsatisfied Claim. The amount identified as the Amount of Unsatisfied Claim remains unpaid as an unsatisfied obligation. Nothing shall be construed as a reduction of indebtedness in that regard.

Petition 70; Declaration Exhibit A-2
Meritus Mutual Health Partners, in Liquidation (MM)
Report on Estate Assets
Prepared as of September 15, 2025

Remaining Balance of Estate Assets:	\$ 2,190,415
MINUS RLF Payment:	\$ 75,000
MINUS Projected Administrative Expenses pre-Closing:	\$ 250,000
MINUS GA Administrative Fee:	\$ 25,000
Plus Transfer from MHP for Class 8 Distribution:	\$ 7,947,867
Balance of Assets for Distribution:	\$ 9,788,282

*Amount estimated as of September 15, 2025 and subject to change and adjustment in amounts that are not anticipated to be material or to substantively impact the distribution allocation herein.

Claim Priority Level	Number of Claims	Amount of Claims	Proposed Limited Payments and Estate Balance
Class 1 Administrative	1	\$10,338 PAID	Remaining Balance Due = \$0
Class 2 Guaranty Association	1	\$3,659,548 PAID	Remaining Balance Due = \$0
Class 3 Provider – Out of Network	2	1,243 PAID	Remaining Balance Due = \$0
Class 4 US Government	*	ACA: \$755,917 OFFSET	*See Note 6. Class 4 Claims already adjudicated, determined and paid by offset.
Class 5 Employees	None	None	None
Class 6 State Taxes	1	\$11,848 PAID	Remaining Balance Due = \$0
Class 7 Providers – In Network	None	None	None
Class 8 General Creditors	1	\$14,808 PAID	Remaining Balance Due = \$0
Class 9 Untimely POCs	None	None	None.
Class 10 Surplus Notes	1	\$93,826,261 To Be Paid: \$9,788,282 Amount of Unsatisfied Claim: \$84,037,979	Pro rata allocation \$9,788,282/\$93,826,261 = 10.43% Percentage of Unsatisfied Class 10 Claims = 89.57%

Remaining Unsatisfied Class 10 Claims at Closing: **\$84,037,979.**

MM Estate Assets Report

Page 1

DMS_US.367806883.1

Notes Re Meritus Mutual's Estate Assets and Final Claim Payments:

1. Liquidation Plan. The Receiver's Claims Adjudications reported on herein were made subject to and in accordance with the Order re: Petition No. 7, Order Approving Liquidation Plan.
2. Receivership Act. References to the Receivership Act are to the version of the Receivership Act in force at the time of the commencement of the Receivership proceedings. Subsequent amendments and/or modifications of the Receivership Act are not applicable unless retroactivity is expressly declared therein. A.R.S. § 1-244.
3. Class 1 Claims – Administrative Expenses. Administrative expenses of the Receiver that continue to be incurred subject to and in accordance with the Receivership Act and orders of the Receivership Court are not included. Payments to consultants are subject to the reporting process as previously ordered by this Court, with compensation rates subject to Court approval.
4. Class 2 Claims – Guaranty Associations. The Receiver previously made an Early Access Distribution pursuant to A.R.S. § 20-647 in the full amount of the Guaranty Association claim. Once that Early Access Distribution is determined to be final, no further payments would be made to the Guaranty Association.
5. Receivership Liquidation Fund. Pursuant to A.R.S. § 20-648, the Receiver previously made payments to the Receivership Liquidation Fund in accordance with the Receivership Court's Order Regarding Petition No. 4, Regarding Receivership Liquidation Fund Per A.R.S. § 20-648. To the extent additional payments to the Receivership Liquidation Fund are anticipated, the Receiver reserves all rights to update and/or modify applicable financial reporting as necessary or appropriate under the circumstances.
6. Prior Determination – U.S. Claims. All claim amounts related to the United States, including but not limited to claims from the Center for Medicare and Medicaid Services ("CMS") have been fully and finally determined based on Order re Petition No. 26 Granting Claim Determination and Setoff Related to Claims of the United States (the "Setoff Order") and Order Approving Petition No. 50 – Unopposed Petition to Approve Settlement with United States Related to Claims Under the Affordable Care Act (the "Settlement Order"). Pursuant to the Setoff Order and Settlement Order, all Class 4 Claims 4 Claims have been fully and finally paid via offset. The remaining Surplus Note claims, Class 10 Claims attributable to Meritus Health Partners have not yet been paid and are not subject to offset. For completeness, this Exhibit reports on the numbers but the figures are not subject to further review and approval in light of the Setoff Order and Settlement Order already entered by this Court.
7. Federal Government Release Program. The United States Government offers a release program in which, upon request, the United States Government reviews potential claims against insurers in liquidation and, depending on the circumstances, may enter into a

release with such insurers. Here, the release program is not applicable in light of the release already agreed to by the United States and approved in the Settlement Order which, among other things, provides as follows:

Upon entry of judgment and Meritus' receipt of payment, the United States releases, waives, and abandons all claims, counterclaims, and offsets against Meritus arising out of, related to, or otherwise that were asserted, could have been asserted, or may be asserted in the future in the POCs (including but not limited to, any related claims for costs, expenses for costs, expenses, interest, and damages of any sort), with the exception that the United States shall retain its claims asserted in the POCs for the Surplus Notes accorded as Class 10 priority level claims under A.R.S. § 20-629 as provided for in the Receivership Claims Order. The United States further stipulates that it will not dispute or object to Meritus' allocation of payment of the judgment between the Meritus entities (or their estates) in this case, Daniels v. United States, No. 19-1499C, or otherwise, so long as such allocation is approved by the Receivership Court.

8. Undeliverable Notices of Determination. For any Notice of Determination that was undeliverable, the Receiver made reasonable efforts under the circumstances to locate the correct address of the Claimant. Where no correct address could be located, the Receiver's Adjudication of Claim is deemed unopposed. The Receiver will seek to confirm the correct contact information before any payments would be made and if the Claimant cannot be located then the respective amounts would be handled as unclaimed property under Arizona law.
9. Amount of Unsatisfied Claim. The amount identified as the Amount of Unsatisfied Claim remains unpaid as an unsatisfied obligation. Nothing shall be construed as a reduction of indebtedness in that regard.
10. Class 10 Distribution. The final Class 10 Distribution in the amount of \$9,788,282 will be paid by Meritus Mutual utilizing the Distribution Agreement subject to Receivership Court approval.

DISTRIBUTION AGREEMENT

between

Darren Ellingson, in his capacity as the Special Deputy Receiver of Compass Cooperative Mutual Health Network, Inc., doing business as Meritus Mutual Health Partners, in Liquidation (“Meritus Mutual”) and Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners, in Liquidation (“MHP”) (collectively referred to as the “Meritus Companies”)

and

the Arizona Life and Disability Insurance Guaranty Fund (the “Fund”)

1 RECITALS

1.1 WHEREAS, each of the Meritus Companies was placed under an order of Liquidation with a finding of insolvency on August 10, 2016 entered in CV2016-011872 pending in the Superior Court of Arizona, County of Maricopa (the “Receivership Court”).

1.2 WHEREAS, dated March 13, 2025, the Receivership Court entered its Order re Petition No. 65 Approving Limited Claim Payments (the “Order re Claim Payments”).

1.3 WHEREAS, pursuant to the Order re Claim Payments, the MHP Liquidator has been ordered to pay in full Class 1 through Class 7 Creditors, leaving a remaining balance of estate assets of \$8,015,002 and 15 unpaid Class 8 General Creditor claims totaling \$52,099,268. Pursuant to the Receivership Court’s Order Approving Final Accounting and Terminating MHP Receivership, the MHP Liquidator is distributing the remaining assets to general creditor claimants at approximately 14.5% of their claims and has closed the estate. As a general creditor, Meritus Mutual is receiving approximately \$7.9 million from the MHP distribution.

- 1.4 WHEREAS, pursuant to the Order re Claim Payments, the Meritus Mutual Liquidator has been ordered to pay in full Class 1 through Class 9 Creditors, leaving a remaining balance of estate assets of approximately \$2,190,415 and 1 unpaid Class 10 Surplus Note Creditor claim totaling \$93,826,261. After receipt of approximately \$7.9 million, the combined general assets of Meritus Mutual will total approximately \$9.8 million. Accounting for the general assets owed to the Class 10 Surplus Note Creditor, at termination Meritus Mutual will still owe approximately \$83 million and Meritus Mutual will be insolvent by that amount.
- 1.5 WHEREAS, the Liquidator of Meritus Mutual anticipates seeking Court approval to terminate the Meritus Mutual receivership. After termination of the receivership, all issues will have been resolved, except for filing and any potential issues related to any unfiled federal tax returns. Subject to Receivership Court Order, all remaining tax returns will be filed as soon as possible.
- 1.6 WHEREAS, the Fund is created by statute in order to protect policyholders and beneficiaries of members, like Meritus Mutual, that become insolvent and are placed under an Order of Liquidation. The Fund has provided continuing coverage associated with the Meritus Mutual receivership, is a Class 2 Creditor against Meritus Mutual and has received general assets from Meritus Mutual as distributions for its claims.
- 1.7 WHEREAS, it is in the interests of the Fund and the Meritus Mutual estate to facilitate closing of the estate and to provide finality with respect to the distribution of general assets to creditors, including the Fund. This Distribution Agreement is necessary to

facilitate closing of the Estate and represents the best means of protecting the Fund as a creditor of the Meritus Mutual Estate.

- 1.8 WHEREAS, the Fund is authorized to enter into such contracts as are necessary or proper to carry out the provisions and purposes of its enabling act, negotiate and contract with the Liquidator to carry out the powers and duties of the Fund and to “render assistance and advice to the director, on the director’s request, concerning rehabilitation, payment of claims, continuation of coverage or the performance of other contractual obligations of” Meritus Mutual. *See* A.R.S. §§ 20-685(B)(1), 20-685(D), 20-685(H)(1), and 20-685(H)(5).
- 1.9 WHEREAS, this Distribution Agreement is being entered into at the request of the Liquidator in order to allow the Meritus Mutual estate to terminate, to allow the time period for the United States Internal Revenue Service to review the final returns to expire and then for the remaining funds to be distributed to the Class 10 Surplus Note Creditor.
- 1.10 WHEREAS, in order to permit the Meritus Mutual receivership to terminate without waiting up to three years for the IRS to respond, the Fund is willing to administer and distribute the Distribution Proceeds pursuant to the terms and provisions of this Distribution Agreement and order of the Liquidation Court;
- 1.11 WHEREAS, the Director of the Arizona Department of Insurance and Financial Institutions, in the capacity as Liquidator of Meritus Mutual, has requested that the Fund assist by entering into this Distribution Agreement concerning the performance of Meritus Mutual’s contractual obligations.

NOW THEREFORE, in consideration of the foregoing premises, and the covenants, promises and agreements set forth in this Distribution Agreement, the Meritus Mutual Liquidator and the Fund agree as follows:

2 DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall have the following meanings when used throughout this agreement.

- 2.1 Class 10 Surplus Note Creditor. “Class 10 Surplus Note Creditor” means the United States Government in its capacity as a creditor of the Meritus Companies, in the amount and at the priority level as determined by the Receivership Court.
- 2.2 Director. “Director” means the Arizona Director of Insurance & Financial Institutions, including successors, assigns and acting directors depending on the circumstances.
- 2.3 Distribution Agreement. “Distribution Agreement” means this Distribution Agreement entered into between the Liquidator and the Fund subject to Receivership Court approval.
- 2.4 Distribution Proceeds. “Distribution Proceeds” means the fund established by this Distribution Agreement in the amount of the remaining funds in Meritus Mutual’s possession on termination of the Meritus Mutual Receivership and including interest actually earned on such amounts after receipt by the Fund.
- 2.5 Effective Date. “Effective Date” means the date on which this Distribution Agreement becomes effective, which shall be the day within thirty business days of the date on

which the Receivership Court approves of this Distribution Agreement, unless otherwise agreed in writing by the Liquidator and the Fund.

2.6 Fund. “Fund” means the Arizona Life and Disability Insurance Guaranty Fund.

2.7 Liquidator. “Liquidator” means the Arizona Director of Insurance in the capacity as Liquidator of the Meritus Companies, including the Liquidator’s agents and successors.

2.8 Meritus Companies. “Meritus Companies” means Meritus Mutual and MHP.

2.9 Meritus Mutual. “Meritus Mutual” means Compass Cooperative Mutual Health Network, Inc., doing business as Meritus Mutual Health Partners, in Liquidation.

2.10 MHP. “MHP” means Compass Cooperative Health Plan, Inc., doing business as Meritus Health Partners, in Liquidation.

2.11 Receivership Court. “Receivership Court” means the action numbered CV2016-011872 pending in the Superior Court of Arizona, County of Maricopa.

2.12 Tax Return. “Tax Return” means the federal tax return which will be filed by Meritus Mutual and Meritus Health Plans for the year-ended 2025 and all prior years.

3 DISTRIBUTION PROCEEDS

3.1 **Establishment of Distribution Proceeds.** Pursuant to and conditioned upon entry of an order from the Receivership Court, the Meritus Mutual Liquidator will withhold the Distribution Proceeds.

- 3.2 **Transfer of Distribution Proceeds to Fund.** On the Effective Date, subject to the order of approval from the Receivership Court, the Meritus Mutual Liquidator shall transfer the Distribution Proceeds to the Fund.
- 3.3 **Administration of Distribution Proceeds.** The Fund shall maintain the Distribution Proceeds on deposit with a federally insured financial institution in an interest bearing account separate from its other funds, which account includes a repurchase agreement, trust agreement or similar agreement for the safety of any amounts in excess of One Hundred Thousand Dollars (\$100,000.00).
- 3.4 **Distribution of Distribution Proceeds.** Unless this Distribution Agreement has been terminated pursuant to Section 4.1 hereof, the Fund shall distribute the Distribution Proceeds by one of the following methods, at the direction of the Director:
- 3.4.1 In the event that the IRS notifies the Liquidator and/or Director that there are or may be material issues or concerns regarding any Tax Return, the Director shall reopen the Receivership Court proceedings and shall notify the Fund, in writing, of such issues or concerns. Upon the reopening of the Receivership Court proceedings, the Liquidator shall request that the Fund return the Distribution Proceeds to the Liquidator in accordance with Section 4.1. As soon as reasonably practical after receipt of that written notice, the Fund shall pay the Distribution Proceeds to the Liquidator in accordance with Section 4.1. Thereafter, the Distribution Proceeds shall be distributed in accordance with any order of the Liquidation Court and Arizona law.

- 3.4.2 Assuming that the Director has not notified the Fund under subsection 3.4.1, as soon as reasonably practicable after the first business day three years and nine months after the Effective Date, the Fund shall distribute the Distribution Proceeds to the Class 10 Surplus Note Creditor. The Fund shall transmit the Distribution Proceeds in the manner directed by the Receivership Court or as otherwise directed in writing by the Class 10 Surplus Note Creditor.
- 3.4.3 After the Fund has paid the Distribution Proceeds as provided for hereunder, the Fund shall be fully and finally released and the Fund's duties and obligations shall be deemed satisfied.
- 3.5 **Payment and Interest.** The Fund shall be paid a one-time administrative fee in the amount of twenty-five thousand dollars (\$25,000) to be paid by the Liquidator to the Fund on the Effective Date of this Distribution Agreement. In addition, the Fund shall be entitled to reimbursement from the Distribution Proceeds for any costs, fees or expenses incurred by the Fund as a result of entering into and/or implementing this Distribution Agreement.
- 3.6 **No Other Duties or Obligations.** Other than to distribute the Distribution Proceeds as specified in Sections 3.4 or 4.1 of this Distribution Agreement, the Fund shall have no duties, obligations, responsibilities or discretion related thereto. The Fund shall be acting under the powers and duties of its enabling act, providing assistance at the request of the Director and Liquidator, and subject to Receivership Court order. This Distribution Agreement does not create a trust (nor a statutory trust) as that term is defined under Arizona law and no duties or responsibilities of a trust relationship attach or arise as part

of this Distribution Agreement. This Distribution Agreement shall not create any third-party beneficiaries. Nothing in this agreement is intended or shall be construed to give any person, other than the parties hereto, any legal or equitable right, remedy or claim under or in respect of this Distribution Agreement or any provision contained herein.

3.7 **Indemnity.** The Liquidator shall indemnify and hold harmless the Fund (including its respective directors, officers, employees and agents) against any and all loss, liability and expense, including reasonable attorneys' fees and court costs, which result from or relate to the Distribution Agreement so long as the Fund acted in good faith.

3.8 **Immunity.** In addition to the immunity expressly provided to the Fund in A.R.S. § 20-693, the Fund, acting at the request of the Director and Liquidator, shall enjoy any and all protections and immunities possessed by the Director related to the Fund's role in carrying out its duties and responsibilities under this Distribution Agreement.

3.9 **Liquidator and Director Indemnity and Immunity.** Notwithstanding any provision of the Distribution Agreement, the Director and the Liquidator retain all indemnities and immunities provided under Arizona law or otherwise.

4 **GENERAL PROVISIONS**

4.1 **Termination of Distribution Agreement in order to Reopen Receivership Court Proceedings.** Either the Director or the Fund may elect to terminate this Agreement and reopen the Receivership Court proceedings at any time in their discretion. Upon reopening of the Receivership Court proceedings under this Section 4.1, unless otherwise directed by the Receivership Court to pay the Liquidator directly, the Fund shall pay the

Distribution Proceeds into the Receivership Court as an Interpleader under Rule 22 of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona and provide notice to the Director and the Liquidator. Upon transfer of the Distribution Proceeds and notice to the Director, the Fund shall be released in accordance with Rule 22(b). After the Fund has paid the Distribution Proceeds under Section 3.4 or Section 4.1 hereof, the Fund shall be fully and finally released and the Fund's duties and obligations shall be deemed satisfied.

- 4.2 **Notices.** All notices, requests or other communications required or permitted to be made in accordance with this Distribution Agreement shall be in writing and shall be delivered via email to the following addressees:

Liquidator:

Darren Ellingson. Dellingson@ellingsonassociates.com

Joel Glover. Joel.Glover@faegredrinker.com

Director:

Liane Kido. Liane.Kido@difi.az.gov

Lynette Evans. Lynette.Evans@azag.gov

Fund:

Glen Gabrielson. Glen.Gabrielson@difi.az.gov

- 4.3 **Counterparts.** This Distribution Agreement may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.
- 4.4 **Governing Law.** This Distribution Agreement shall be governed by, construed under and interpreted in accordance with the laws of the State of Arizona without giving effect to

the principles of conflict of laws thereunder. All disputes shall be resolved before the Receivership Court.

4.5 **Severability.** Any provision of this Distribution Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions of this Distribution Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable any such provision in any other jurisdiction.

4.6 **Amendment.** This Distribution Agreement may be amended only by written instrument executed by the Liquidator and the Fund. Any material amendments are subject to approval by the Liquidation Court.

4.7 **Assignment.** The rights, liabilities and obligations of any party under this Distribution Agreement shall not be assigned or delegated to a person who is not a party to this Distribution Agreement without the prior written consent of all parties to this Distribution Agreement.

4.8 **Receivership Court Approval.** This Distribution Agreement shall not become effective unless and until the Receivership Court has entered an Order which is not subject to appeal that expressly approves this Distribution Agreement, with such Order including acknowledgement and adoption of the language from Sections 3.4, 3.5, 3.6 and 4.1 hereof.

4.9 **Appeal.** If the Receivership Court's order approving this Distribution Agreement is appealed, the Fund shall not distribute the Distribution Proceeds, other than to return such

funds, until the order approving this Distribution Agreement becomes final and non-appealable.

IN WITNESS WHEREOF, this Distribution Agreement has been executed as the day and year identified with each signature.

THE LIQUIDATOR

By _____ Date _____
Darren Ellingson, Special Deputy Receiver
on behalf of the Liquidator

ARIZONA LIFE AND DISABILITY
INSURANCE GUARANTY FUND

Title _____

By _____ Date _____
Name:

Confirmation that the Guaranty Fund's assistance and advice is requested by the Director

By _____ Date _____
Maria Ailor, Interim Director of Insurance