

IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT,  
IN AND FOR LEON COUNTY, FLORIDA

State of Florida, ex rel., the  
Department of Financial Services of  
the State of Florida,

Relator,

v.

CASE NO: 2011-CA-002245

QUALITY HEALTH PLANS, INC.,

Respondent,

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**ORDER APPOINTING THE FLORIDA DEPARTMENT OF  
FINANCIAL SERVICES AS RECEIVER**

**THIS CASE** is before me on the Petition of the State of Florida, Department of Financial Services (hereinafter the "Department") for appointment as Receiver of Quality Health Plans, Inc. (hereinafter the "Respondent" or "Company") and the written response by the Company to the Order to Show Cause issued by me. A hearing was conducted on October 5, 2011. For the reasons set forth below, I find that the Department should be appointed Receiver, but that the interests of the Company's stakeholders and the general public will be best served by temporarily limiting the Receiver's powers in certain respects and by giving specific directions as to its duties.

The Department does not seek appointment because of allegations of fraud or misconduct on the part of the Company officers or employees. Nor is there any concern about the competence or ability of the Company's management to provide services to its clients and pay its bills as they become due. Rather, the Department seeks appointment because the Company does not have sufficient cash reserves as required by statute, thus making it insolvent. The evidence establishes that the Company is insolvent. Thus, appointment of a receiver is appropriate.

The Company, through its managing officers, represented that a third party equity investor has proposed to infuse capital into the Company of thirty five million (\$35,000,000) dollars by close of business on November 15, 2011. The Department is skeptical that this infusion of cash will occur but concedes that if it does, the need for receivership and subsequent liquidation (it was represented that liquidation was the usual and intended route for the Receiver rather than rehabilitation) would most likely disappear.

The Company's management appears able and willing to continue to operate the business, to cooperate with the Receiver in terms of providing access, and to pay for any costs associated with oversight and supervision provided by the Receiver. An immediate liquidation would be disruptive to the Company's members and other stakeholders, and there appears to be little danger that the general public will be harmed if the company is allowed to continue operations for a short period while it attempts to secure the additional funds.

**THEREFORE, IT IS ORDERED AND ADJUDGED** as follows:

The Department is hereby appointed Receiver of Respondent effective as of the date of this Order. Provided, however, that the following limitations and directions shall apply to the administration of the estate until further order of the court:

- A. The Receiver shall supervise and oversee the management of the company and monitor its progress in obtaining the promised funds;
- B. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, or independent contractor of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs is required to fully cooperate with the Receiver in the discharge of the duties pursuant to this Order.

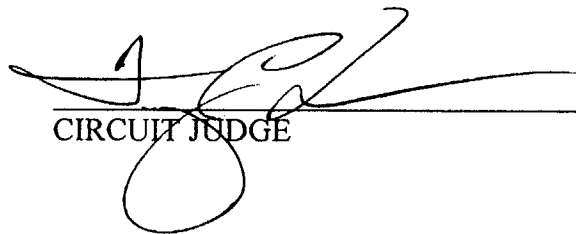
- C. The current management staff of Respondent shall be retained until further order of this Court. The Receiver shall be authorized to pursue all administrative and supervisory means necessary to maintain transparency between operational decisions of Respondent and the duties charged by this Order.
- D. All insurance policies, bonds or similar contracts of coverage issued by the Respondent shall remain in full force and effect until they are cancelled.
- E. Respondent shall continue to pay claims in the normal and ordinary course as they become due. Respondent shall not waste assets, or expend funds other than in the ordinary course of business.
- F. Respondent shall promptly provide the Receiver and the Office Of Insurance Regulation with financial information reasonably requested by either of them, including but not limited to any past due financial statements.
- G. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms is directed to appear before this Court to show good cause, if any, they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.
- H. All persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, are enjoined from doing, doing through omission, or permitting to be done any action which might waste or dispose of the books, records and assets of the Respondent; from in any means interfering with the Receiver or these proceedings;

- I. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent shall fully cooperate with the Receiver in its exercise of its duties under this Order.
- J. The Receiver shall be authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent's parent corporations, its subsidiaries, and affiliates are required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the Respondent, available for full, free and unhindered inspection and examination by the Receiver. Respondent and the above-specified entities are required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation should include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.
- K. All reasonable direct out-of-pocket costs of the Receiver associated with its duties as set forth herein shall be paid for by Respondent within thirty (30) days of submission of an invoice by the Receiver.
- L. It is anticipated that the management and supervisory function of the Receiver will be maintained until the Receiver determines whether or not the Company can become

solvent by the promised date of November 15, 2011. If so, and if there are no other concerns relative to the company, it is anticipated that the Receiver would seek to close out the estate. Otherwise, the Receiver would presumably seek a modification of this order to allow it to proceed on its intended path of liquidation. However, either party is free to seek a modification or other relief at any time if changed circumstances warrant it.

M. Jurisdiction is specifically retained for such purpose, and for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

**DONE and ORDERED** in Chambers at the Leon County Courthouse in Tallahassee, Leon County, Florida this 17<sup>th</sup> day of Oct., 2011.



CIRCUIT JUDGE

Copies furnished to:

For Quality Health Plans, Inc.:

George Meros, Jr.  
Tina Dunsford  
Perry Ian Cone  
C.B. Upton

For the Department of Financial Services:

William A. Spillias  
Robert V. Elias  
Steven G. Brangaccio  
Jennifer M. Ferris