

THE STATE OF TEXAS,
Plaintiff

v.

UNIVERSAL HMO OF TEXAS, INC.,
Defendant

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IN THE DISTRICT COURT OF
TRAVIS COUNTY, TEXAS
345TH JUDICIAL DISTRICT

Filed in The District Court
of Travis County, Texas

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ORDER OF LIQUIDATION

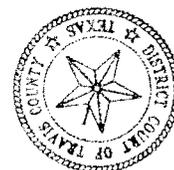
On this day the Court heard the Special Deputy Receiver’s Application for an Order of Liquidation and Request for Expedited Hearing (“Application”) filed by Jean Johnson, Special Deputy Receiver of Universal HMO of Texas, Inc. (the “SDR” and “Universal Texas,” respectively). The Application requests an order placing Universal Texas into liquidation proceedings pursuant to Texas Insurance Code Chapter 443, the Insurer Receivership Act, and appointing the Commissioner as Liquidator of Universal Texas (“the Liquidator”). The Application also requests continuation of the previously-entered Permanent Injunction pursuant to TEX. INS. CODE §443.008, enjoining Universal Texas and its agents from conducting Universal Texas’s business, and enjoining other parties from taking any actions against Universal Texas or its property in violation of the Insurer Receivership Act. The SDR appeared by and through counsel.

The Court considered the application, the evidence in support of the application and the arguments of counsel. The Court in all things GRANTS the Application. The Court enters this order placing Universal HMO of Texas, Inc. into liquidation.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

I. Findings of Fact

The Court makes the following findings of fact:



1.1 Universal Texas is a “Covered Person” as defined in TEX. INS. CODE §443.003.

1.2 Universal Texas is a Health Maintenance Organization (HMO) as to which this Court previously issued its order to place Universal Texas into rehabilitation under TEX. INS. CODE §443.057.

1.3 The business of Universal Texas has been placed by Centers for Medicare & Medicaid Services (CMS) with another insurer. No reasonable possibility for Universal Texas to emerge from rehabilitation as an operating company exists. Rehabilitation is futile, and this Court should enter an order of liquidation.

1.4 Good cause exists under TEX. INS. CODE §443.007 to enter the order of liquidation at this time without further delay.

1.5 Sufficient notice has been given prior to entry of this Order in light of the importance of expedited handling of this matter to protect the claimants and assets involved.

II. Conclusions of Law

This Court further makes the following conclusions of law:

2.1 The SDR is authorized to file this application under TEX. INS. CODE §443.104(a), which provides that: “When the rehabilitator believes further attempts to rehabilitate an insurer would substantially increase the risk of loss to creditors, policyholders, or the public or would be futile, the rehabilitator may move for an order of liquidation.”

2.2 The Court has jurisdiction over the parties and the subject matter of this Application under TEX. INS. CODE §443.005(c).

2.3 The Court finds that further transaction of the Company’s business will not be in the best interest of the Company’s creditors and/or members and that further efforts to rehabilitate Universal Texas are futile. Pursuant to TEX. INS. CODE §443.104(a), if the SDR



believes that further attempts to rehabilitate an insurer would be futile, or would substantially increase the risk of loss to creditors, policyholders, or the public, the SDR may move for an order of liquidation. The Court finds that grounds exist to place Universal Texas into liquidation pursuant to TEX. INS. CODE §443.104(a), because further efforts to rehabilitate the company would be futile and the company is in a hazardous condition.

2.4 The SDR moves the Court to enter an order of liquidation pursuant to TEX. INS. CODE §443.151. This motion is GRANTED. In accordance with TEX. INS. CODE §443.151, this Court appoints the Commissioner as Liquidator of Universal Texas, and the Liquidator shall be vested with the title to all of Universal Texas's property. The Liquidator has appointed the applicant SDR as her Special Deputy Receiver for Universal Texas.

2.5 The Liquidator is and shall remain vested by operation of law with title to all of Universal Texas's property as defined by TEX. INS. CODE §443.004(a)(20). This property includes all property of any kind or nature, whether real, personal, tangible, intangible, or mixed, including but not limited to money, funds, cash, stock, equities, bonds, account deposits, statutory deposits, special deposits, contents of safe deposit boxes, funds held in shared, escrow or trust accounts, retainages, retainers, letters of credit, real estate, fixtures, furniture, equipment, books records, documents and insurance policies, intellectual property, computer software and systems, information technology, internet domain names, patents and intangible assets, whether owned individually, jointly, or severally, wherever located, all rights, all rights, claims, causes of action belonging to Universal Texas, whether asserted or not, accrued and unaccrued, including but not limited to accounts receivable, notes, premiums, subrogation, insurance, reinsurance, and otherwise, all rights under licenses and leases, all rights under intellectual property agreements, and all other property held by Universal Texas of any kind or nature (collectively, "Universal



Texas's property"). The Liquidator's title shall extend to Universal Texas's property, regardless of the name in which such items are held, or where such items are located.

2.6. Pursuant to TEX. INS. CODE §443.151(a), the Liquidator shall be directed to take possession and control of Universal Texas's property, wherever located.

2.7 The Liquidator shall take such action as she deems necessary to perform her duties pursuant to the Insurance Receivership Act. The Liquidator shall have all of the powers of Universal Texas's directors, officers and managers, and the authority of such persons is suspended except as specifically permitted by the Liquidator and her delegees.

2.8. Universal Texas and Universal Texas's agents shall be and hereby are required and ordered to cooperate with the Liquidator and her delegees, pursuant to Tex. Ins. Code §443.010.

2.9 It is necessary for this Court to issue a permanent injunction pursuant to TEX. INS. CODE §443.008(a) to carry out the provisions of TEX. INS. CODE Chapter 443, and prevent irreparable injury, loss and damage to the general public and Universal Texas's creditors. A necessity exists to enjoin financial institutions from taking any actions in connection with Universal Texas's property, except as directed by the Liquidator or her delegees; and to enjoin all claimants or creditors from asserting claims or causes of action against Universal Texas, except as permitted by the insurer Receivership Act.

2.10 Pursuant to TEX. INS. CODE §443.008(c), an automatic stay remains in effect with respect to actions against Universal Texas or its property, effective on the commencement of this proceeding. In accordance with TEX. INS. CODE §443.008(f), such stay of actions against Universal Texas is in effect for the duration of this proceeding, and the stay of actions against



Universal Texas's property is in effect for as long as the property belongs to the receivership estate.

2.11 TEX. INS. CODE §443.001(b) provides that the Insurer Receivership Act may not be interpreted to limit the powers granted to the Commissioner under other provisions of law. Accordingly, this Order shall not be construed as a limitation of the Commissioner's powers granted under such provisions.

2.12 Universal Texas has been provided with proper notice pursuant to Rule 21(a) of the Texas Rules of Civil Procedure.

III. Appointment of Liquidator

The Commissioner is appointed as Liquidator of Universal Texas, and granted the following duties and powers:

3.1 The Liquidator has all powers and authority granted by the Insurer Receivership Act, and any and all other powers and authority under applicable statutes and the common law of this State.

3.2 Pursuant to TEX. INS. CODE §443.151(a), title to all of Universal Texas's property, including but not limited to all the assets and rights described in this Order, is vested in the Liquidator. The Liquidator is authorized to take control and possession of Universal Texas's property, wherever located, and remove all such property from Universal Texas's premises.

3.3 The Liquidator is authorized to conduct Universal Texas's business, administer Universal Texas's operations, and enter into any contracts necessary to perform the Liquidator's duties, at her discretion, pursuant to TEX. INS. CODE §443.154(a).

3.4 Pursuant to TEX. INS. CODE §443.154, the Liquidator has all the powers of Universal Texas's directors, officers, and managers, and the authority of such directors, officers,



and managers is suspended, except as permitted by the Liquidator. The Liquidator is authorized to supervise, suspend, terminate, or dismiss any or all of the directors, officers, managers, employees or agents of Universal Texas, or retain such persons at her discretion, and compensate them as she deems necessary from Universal Texas's funds.

3.5 The Liquidator has all of Universal Texas's rights as the customer of a financial institution. The Liquidator is authorized to withdraw Universal Texas's property from any banks, financial institutions and other depositories, agencies of any state or the federal government, and any other entities, or continue the operation of any accounts of Universal Texas, at her discretion.

3.6 The Liquidator is authorized to file, prosecute, defend, or settle any action as she deems necessary, including any action to enforce the provisions of this Order.

3.7 Pursuant to TEX. INS. CODE §443.154, the Liquidator may enter into contracts as necessary to perform her duties, and may assume or reject any executory contract or unexpired lease to which Universal Texas is a party at her discretion pursuant to TEX. INS. CODE §443.013.

3.8 The Liquidator is authorized to change the locks on any property owned, leased, or occupied by Universal Texas.

3.9 The Liquidator is authorized to exclude any person from any property owned, leased or occupied by Universal Texas, at her discretion.

3.10 The Liquidator is authorized to receive, collect, control, open and review all mail addressed to or intended for Universal Texas, or arriving at Universal Texas's address.

3.11 Universal Texas and Universal Texas's agents shall be required to cooperate with the Liquidator and her delegees pursuant to TEX. INS. CODE §443.010.



3.12 TEX. INS. CODE §443.154(a) authorizes the Liquidator to appoint a Special Deputy, and employ or contract with legal counsel and other personnel as she deems necessary pursuant to TEX. INS. CODE §443.154(a). The Special Deputy shall have all the rights and powers of the Liquidator, subject to any limitations imposed by the Liquidator. Pursuant to TEX. INS. CODE §443.015, the Liquidator is authorized to set the compensation of any such Special Deputy or other persons as she deems necessary, and pay for such services from Universal Texas's funds. The Liquidator has appointed Jean Johnson as her Special Deputy Receiver for Universal Texas, and this appointment shall continue until such time as the Liquidator may determine.

3.13 Pursuant to TEX. INS. CODE §443.008(m), the Commissioner is not required to file a bond in connection with this proceeding, in her capacity as Liquidator or otherwise.

3.14 Any successor to the Commissioner shall be appointed as the Liquidator of Universal Texas. In the event a successor is appointed to be the Commissioner, the successor shall become the Liquidator upon his or her appointment as Commissioner, and the former Commissioner shall be discharged as Liquidator as a matter of law.

3.15 The enumeration of the Liquidator's powers and authority in this Order shall not be construed as a limitation on the Liquidator to take any other action authorized by the Insurer Receivership Act or other applicable law that is not specified in this Order.

IV. Permanent Injunction

The Clerk of this Court shall issue a Permanent Injunction against the persons and entities named below, with the following force and effect:

TO: Universal Texas and its agents, including but not limited to:
Universal Texas, its owners, affiliates, current and former officers, trustees and directors, underwriters, managers, employees, agents, servants, representatives.



attorneys, adjusters and other persons or entities acting on behalf of Universal Texas;

Financial institutions, including but not limited to:

any and all banks, savings and loan associations; trust companies; credit unions; welfare trusts; or any other financial or depository institutions in the possession of any of Universal Texas's property; and

All other parties, including but not limited to:

policyholders, creditors, claimants, reinsurers, insurers, intermediaries, attorneys and all other persons, associations, corporations, or any other legal entities asserting claims or causes of action against Universal Texas, or in possession of any of Universal Texas's property, and the United States Postmaster.

Each of you are hereby RESTRAINED and ENJOINED from taking any and all of the following actions:

4.1 Doing, operating, or conducting Universal Texas's business under any charter, certificate of authority, license, permit, power or privilege belonging to or issued to Universal Texas, or exercising any direction, control, or influence over Universal Texas's business, except through the authority of the Liquidator or her delegee;

4.2 Transacting any business of Universal Texas's in any manner except through the authority of the Liquidator or her delegee;

4.3 Wasting, disposing of, converting, dissipating, or concealing, in any manner, any of Universal Texas's property;

4.4 Using, releasing, transferring, selling, assigning, canceling, hypothecating, withdrawing, allowing to be withdrawn, offsetting, asserting ownership of, concealing, in any manner, or removing from this Court's jurisdiction or from Universal Texas's place of business, any of Universal Texas's property, or any other items purchased by Universal Texas, or any items into which such property has been transferred, deposited or placed, or any other items



owned by Universal Texas, wherever located, except through the authority of the Liquidator or her delegee;

4.5 Releasing, transferring, selling, assigning or asserting ownership of, in any manner, any claims, accounts receivable, or causes of action belonging to Universal Texas, whether asserted or not, except through the authority of the Liquidator or her delegee;

4.6 Doing anything, directly or indirectly, to prevent the Liquidator or her delegee from gaining access to, acquiring, examining, or investigating any of Universal Texas's property or any other property, books, documents, records, or other materials concerning Universal Texas's business, under whatever name they may be found;

4.7 Obstructing or interfering in any way with the conduct of this proceeding or any incidental investigation as prohibited by TEX. INS. CODE §443.010(b);

4.8 Intervening in this proceeding for the purpose of obtaining a payment from the receivership estate of Universal Texas as prohibited by TEX. INS. CODE §443.005(i);

4.9 Making any claim, charge or offset, or commencing or prosecuting any action, appeal, or arbitration, including administrative proceedings, or obtaining any preference, judgment, attachment, garnishment, or other lien, or making any levy against Universal Texas, Universal Texas's property or any part thereof, or against the Liquidator, except as otherwise permitted by the Insurer Receivership Act.

Injunction against Health Service Providers

4.10 To any and all physicians and other health service providers under contract with or providing services to Universal HMO of Texas, Inc.:

Each of you are hereby restrained and enjoined from:



- (a) Charging, billing, demanding or collecting payment from members, enrollees or beneficiaries of Universal HMO of Texas, Inc. in violation of any applicable statutory or contractual provisions; and
- (b) Interfering with these proceedings or the Receiver or her designees.

EACH OF YOU ARE FURTHER SPECIFICALLY ORDERED to make available and disclose to the Liquidator or her delegee the nature, amount, and location of Universal Texas's property, and immediately surrender all such property to the Liquidator or her delegee.

UNIVERSAL TEXAS AND UNIVERSAL TEXAS'S AGENTS ARE FURTHER ORDERED to cooperate with the Liquidator or her delegee as required by TEX. INS. CODE §443.010(a).

IT IS FURTHER ORDERED that the United States Postmaster and any other delivery services shall deliver to the Liquidator any items addressed to or intended for Universal Texas.

V. Stay of Proceedings

5.1 An automatic stay remains in effect with respect to actions against Universal Texas or its property pursuant to TEX. INS. CODE §443.008(c). In accordance with TEX. INS. CODE §443.008(f), such stay of actions against Universal Texas is in effect for the duration of this proceeding, and the stay of actions against Universal Texas's property is in effect for as long as the property belongs to the receivership estate.

VI. Other Orders

6.1 This Order shall issue and become effective immediately, and shall continue in full force and effect until the entry of an order by this Court terminating liquidation entered under TEX. INS. CODE §443.352.



6.2 Pursuant to TEX. INS. CODE §443.055, this Order constitutes a final judgment, provided that this Court shall retain jurisdiction to issue further orders pursuant to the Insurer Receivership Act.

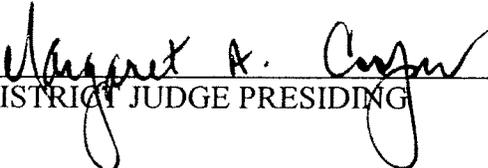
6.3 In accordance with TEX. INS. CODE §443.001(b), this Order does not limit the rights of the Commissioner or the Texas Department of Insurance to take any administrative action or issue any administrative order pursuant to the Texas Insurance Code.

6.4 In accordance with TEX. INS. CODE §443.007(d), the Liquidator and SDR may provide notice of any application by first class mail, electronic mail, or facsimile transmission, at her or its discretion.

6.5 Anyone over the age of 18 who is not a party to nor interested in the outcome of this suit may serve all citations, writs and notices in this cause.

6.6 All of the foregoing is subject to further orders of this Court.

SIGNED at Austin, Travis County, Texas, on this the 17 day of May, 2013.


DISTRICT JUDGE PRESIDING

