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Cause No. GV 204523

THE STATE OF TEXAS

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IN THE DISTRICT COURT OF

v.

TRAVIS COUNTY, TEXAS

AMCARE HEALTH PLANS
OF TEXAS, INC. and
AMCARE MANAGEMENT, INC.

200th JUDICIAL DISTRICT

**PERMANENT INJUNCTION
AND ORDER APPOINTING PERMANENT RECEIVER**

On this day, the Court heard the *Application for Permanent Injunction and Order Appointing Permanent Receiver* (the "Application") filed by the State of Texas ("Plaintiff"). The Application requests that the Court to issue a Permanent Injunction against AmCare Health Plans of Texas, Inc. and AmCare Management, Inc. ("Defendants"), their affiliates, officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them, and make permanent the appointment of the Commissioner of Insurance of the State of Texas ("Commissioner") as Receiver for Defendants. The State of Texas appeared by and through the Attorney General. The Defendants did not appear, and wholly made default.

I. FINDINGS

Having considered Plaintiff's verified claim, the Court makes the following findings:

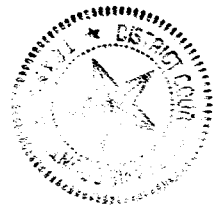
1. the Court has jurisdiction over the parties and the causes of action asserted in the Application; the law and the facts are as Plaintiff has alleged; and Plaintiff is entitled to a Permanent Injunction and Order Appointing Permanent Receiver;
2. without issuance of this Permanent Injunction, Plaintiff will suffer immediate and irreparable injury, loss, and damage;
3. there is no adequate remedy at law;
4. each Defendant is insolvent;

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Umaria Rodriguez

DISTRICT CLERK
TRAVIS COUNTY, TEXAS



5. Defendants' continued operation will be hazardous to the State of Texas, the public, and Defendants' enrollees, members, health care providers and other creditors, and unless immediately restrained by this Court, Defendants will continue to operate in violation of Texas law, will continue to create debts and obligations that deplete its assets, and will continue to have the ability to alter and destroy records, all of which will result in immediate and irreparable injury, loss, and damage to the State of Texas, the public, and Defendants' enrollees, members, health care providers and other creditors;
6. unless Defendants are enjoined and a Permanent Receiver is appointed, Defendants' assets may be subjected to illegal preferences, to the immediate and irreparable injury, loss, and damage to the State of Texas, the public, and Defendants' enrollees, members, health care providers and other creditors, and a Permanent Receiver must be appointed to preserve and conserve Defendants' affairs and assets during the pendency of these legal proceedings to prevent the waste of assets and to preserve the *status quo*;
7. an imperative and immediate necessity exists to enjoin Defendants from conducting business as set forth herein, to enjoin the prosecution of actions against Defendants, and to appoint the Commissioner as Permanent Receiver of Defendants in order to preserve and conserve Defendants' assets and affairs during the pendency of these proceedings, as necessary to wind up and liquidate Defendants' business;
8. the Permanent Receiver is vested by operation of law with title to each Defendant's property and assets and succeeds to all rights, including, but not limited to, each Defendant's rights as a customer of any financial institution; and
9. the Defendants were provided notice of the submission of Plaintiff's Application to the Special Master in accordance with the *Order of Reference to Master* entered on December 16, 2002, and did not file any objections to the Application.



II. PERMANENT INJUNCTION

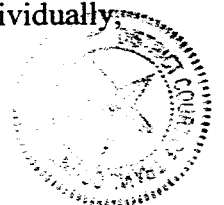
The Court ORDERS that the Clerk of this Court issue a Permanent Injunction against the following named persons and entities with the following force and effect:

10. Injunction against Defendants and Their Affiliates and Agents

TO: AmCare Health Plans of Texas, Inc. and AmCare Management, Inc., and their officers and former officers (including, but not limited to, Thomas Shelley Luckinger, Michael David Nadler, and Stephen James Nazareus); directors and former directors; affiliates (including, but not limited to, AmCare Co., Inc., HN Reinsurance Ltd., AmCare Health Plans of Louisiana, Inc. and AmCare Health Plans of Oklahoma, Inc.), and the owners, shareholders, subsidiaries; attorneys; accountants; managers; agents; representatives; employees; servants; adjusters; members; trustees; and associates of Defendants and their affiliates; and those acting in active concert or participation with either or both Defendants:

YOU ARE EACH HEREBY RESTRAINED AND ENJOINED FROM:

- (a) doing, operating, and conducting either or both Defendant's business under any charter, certificate of authority, license, permit, power or privilege belonging to or issued to Defendants, and from exercising any direction, control, or influence over Defendants' business, except through the authority of the Permanent Receiver or his designees;
- (b) wasting, disposing of, converting, dissipating, using, releasing, transferring, selling, assigning, canceling, hypothecating, withdrawing, allowing to be withdrawn, concealing, in any manner, or removing from this Court's jurisdiction or from Defendants' place of business, any property belonging to or purchased or claimed by either Defendant, whether real, personal, or mixed, including but not limited to accounts, stock, bonds, money, debts, deposits, share accounts, trust accounts, funds, notes, accounts receivable, contracts, insurance policies, claims, causes of action, office equipment, furniture, fixtures, books, records, or any other asset that you may own, owe to, or hold in either Defendants' name, or for either Defendants' benefit, whether owned or held individually;



jointly, or severally, in either Defendant's name or any other name, wherever located, except through the authority of the Permanent Receiver or his designees;

- (c) doing anything, directly or indirectly, to prevent the Permanent Receiver or his designees from gaining access to, acquiring, examining, or investigating any property, books, documents, records, or other materials concerning either Defendant's business, including, but not limited to, deposits and property held by banks, savings and loan associations, trust companies, credit unions, or any other depository institution or entity;
- (d) interfering, in any way, with these proceedings or with the lawful acts of the Permanent Receiver or his designees; and
- (e) commencing or prosecuting any action or appeal, including but not limited to arbitration and administrative proceedings, or obtaining any preference, judgment, attachment, garnishment, or other lien, or making any levy against Defendants or their assets, or asserting any claims against Defendants or the Permanent Receiver, except as permitted by TEX. INS. CODE ANN. art. 21.28 and orders of this Court entered thereunder.

YOU ARE EACH FURTHER SPECIFICALLY ORDERED to make available and disclose to the Permanent Receiver or his designees the nature, amount, and location of either or both Defendants' assets, property, and books and records, including, but not limited to, any of the items listed in Subparagraphs 10(b) and 10(c) above, and you are further ordered to immediately surrender all such assets, property, and books and records to the Permanent Receiver or his designees.

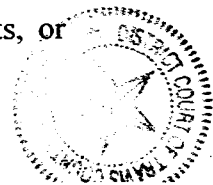
11. Injunction Against Financial Institutions

TO: Any and all banks (including but not limited to, Bank of America, Inc. and JP Morgan Chase), with the exception of Prosperity Bank, 4295 San Felipe, Houston, Texas 77027, as set forth herein; savings and loan associations; trust companies; credit unions; welfare trusts; or any other financial or depository institutions:



YOU AND EACH OF YOU ARE HEREBY RESTRAINED AND ENJOINED FROM:

- (a) transacting business on either Defendant's behalf in any manner except through the authority of the Permanent Receiver or his designees;
- (b) wasting, disposing of, converting, dissipating, using, releasing, transferring, selling, assigning, canceling, hypothecating, withdrawing, allowing to be withdrawn, concealing, in any manner, or removing from this Court's jurisdiction or from Defendants' place of business, any property belonging to or purchased or claimed by either Defendant, whether real, personal, or mixed, including but not limited to accounts, stock, bonds, money, debts, deposits, share accounts, trust accounts, funds, notes, accounts receivable, contracts, insurance policies, claims, causes of action, office equipment, furniture, fixtures, books, records, or any other asset that you may own, owe to, or hold in either Defendant's name, or for either Defendants' benefit, whether owned or held individually, jointly, or severally in either Defendant's name, or any other name, wherever located, except through the authority of the Permanent Receiver or his designees;
- (c) doing anything, directly or indirectly, to prevent the Permanent Receiver or his designees from gaining access to, acquiring, examining, or investigating any property, books, documents, records, or other materials concerning either Defendants' business, including, but not limited to, deposits and property held by banks, savings and loan associations, trust companies, credit unions, or any other depository institution or entity;
- (d) interfering with these proceedings or with the lawful acts of the Permanent Receiver or his designees; and
- (e) commencing or prosecuting any action or appeal, including but not limited to arbitration and administrative proceedings, or obtaining any preference, judgment, attachment, garnishment, or other lien, or making any levy against Defendants or their assets, or



asserting any claims against Defendants or the Permanent Receiver, except as permitted by TEX. INS. CODE ANN. art. 21.28 and orders of this Court entered thereunder.

YOU ARE EACH FURTHER SPECIFICALLY ORDERED to make available and disclose to the Permanent Receiver or his designees the nature, amount, and location of Defendants' assets, property, and books and records, including, but not limited to, any of the items listed in Subparagraphs 11(b) and 11(c) above, and you are further ordered to immediately surrender all such assets, property, and books and records to the Permanent Receiver or his designees. This Court specifically finds that the Permanent Receiver is vested by operation of law with each Defendant's rights as the customer of any financial institution.

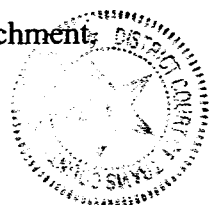
IT IS FURTHER ORDERED that payments from Account No. 2985141 at Prosperity Bank, Houston, Texas (the "TCHP Claim Account"), containing funds that belong to Texas Children's Health Plan that are intended solely for distribution to its contracted providers, shall be allowed to continue.

12. Injunction Against Physicians and Health Service Providers

TO: Any and all physicians and health service providers under contract with or providing services to AmCare Health Plans of Texas, Inc.:

YOU ARE EACH HEREBY RESTRAINED AND ENJOINED FROM:

- (a) charging, billing, or demanding payment from members, enrollees or beneficiaries of AmCare Health Plans of Texas, Inc. in violation of any applicable statutory, contractual or other prohibition, and from collecting any such payments from such individuals;
- (b) interfering with these proceedings and the lawful acts of the Permanent Receiver or his designees; and
- (c) commencing or prosecuting any action or appeal, including but not limited to arbitration and administrative proceedings, or obtaining any preference, judgment, attachment,



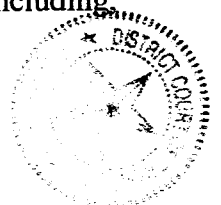
garnishment, or other lien, or making any levy against Defendants or their assets, or from asserting any claims against Defendants or the Permanent Receiver, except as permitted by TEX. INS. CODE ANN. art. 21.28 and orders of this Court entered thereunder.

13. Injunction against All Other Parties

TO: Any and all other persons, associations, corporations, or any other legal entities including, but not limited to, the United States Postmaster and all enrollees or other persons asserting claims against AmCare Health Plans of Texas, Inc. and AmCare Management, Inc.:

YOU ARE EACH HEREBY RESTRAINED AND ENJOINED FROM:

- (a) Transacting business on behalf of either Defendant in any manner except through the authority of the Permanent Receiver or his designees;
- (b) wasting, disposing of, converting, dissipating, using, releasing, transferring, selling, assigning, canceling, hypothecating, withdrawing, allowing to be withdrawn, concealing, in any manner, or removing from this Court's jurisdiction or from Defendants' place of business, any property belonging to or purchased or claimed by either Defendant, whether real, personal, or mixed, including but not limited to accounts, stock, bonds, money, debts, deposits, share accounts, trust accounts, funds, notes, accounts receivable, contracts, insurance policies, claims, causes of action, office equipment, furniture, fixtures, books, records, or any other asset that you may own, owe to, or hold in either Defendant's name, or for either Defendant's benefit, whether owned or held individually, jointly, or severally, in either Defendant's name or any other name, wherever located, except through the authority of the Permanent Receiver or his designees;
- (c) doing anything, directly or indirectly, to prevent the Permanent Receiver or his designees from gaining access to, acquiring, examining, or investigating any property, books, documents, records, or other materials concerning either Defendant's business, including,



but not limited to, deposits and property held by banks, savings and loan associations, trust companies, credit unions, or any other depository institution or entity;

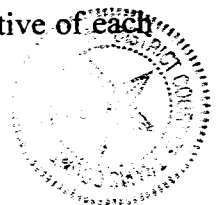
- (d) Interfering with these proceedings and the lawful acts of the Permanent Receiver or his designees; and
- (e) commencing or prosecuting any action or appeal, including but not limited to arbitration and administrative proceedings, or obtaining any preference, judgment, attachment, garnishment, or other lien, or making any levy against Defendants or their assets, or asserting any claims against Defendants or the Permanent Receiver, except as permitted by TEX. INS. CODE ANN. art. 21.28 and orders of this Court entered thereunder.

YOU ARE EACH FURTHER SPECIFICALLY ORDERED to make available and disclose to the Permanent Receiver or his designees the nature, amount, and location of each Defendant's assets, property, and books and records, including, but not limited to, any of the items listed in Subparagraphs 13(b) and 13(c) above, and to immediately surrender all such assets, property, and books and records to the Permanent Receiver or his designees.

III. APPOINTMENT OF PERMANENT RECEIVER

The Court ORDERS, ADJUDGES, and DECREES that the Commissioner of Insurance of the State of Texas, P.O. Box 149104, Austin, Texas 78714-9104, be, and hereby is, appointed as Permanent Receiver of each Defendant and grants the Permanent Receiver the following duties and powers:

- 14. The Permanent Receiver is hereby granted all powers and authority under all statutes and the common law of State of Texas that authorizes the appointment of a Receiver, and, particularly, all of the powers and authority granted in TEX. INS. CODE ANN. arts. 21.28 and TEX. CIV. PRAC. & REM. CODE ANN. § 64.001 *et seq.*, and, as representative of each



Defendant and their members, claimants, and creditors, to conserve, protect, preserve, and recover any assets, books, records, papers, property and other items of either or both Defendants, including claims or causes of action that belong to or that may have been asserted by either or both Defendants;

15. The Permanent Receiver is authorized to secure and to take control and possession of all property, books, records, assets, and other items in the possession of or belonging to either or both Defendants as previously described herein, wherever located, including, but not limited to, any assets, funds, and statutory or special deposits made by or for either Defendant with any officer or agency of any state or the federal government, banks, savings and loan associations, and other depositories, and any and all bank deposits, collateral, or the contents of any safe deposit boxes in the name of or belonging to either Defendant;
16. The Permanent Receiver is authorized to liquidate, reinsure, reorganize, and conserve each Defendant's affairs, as he deems appropriate;
17. The Permanent Receiver is authorized to file, prosecute, defend, or settle any suit as the Permanent Receiver deems necessary;
18. The Permanent Receiver is authorized to take any action to enforce the provisions of this Permanent Injunction.
19. The Permanent Receiver is authorized to conduct each Defendant's business, to administer each Defendant's operations, to cancel contracts, to enter into any contracts necessary to perform the Permanent Receiver's duties, to employ and compensate any legal counsel, accountants, third party administrators, clerks, and such assistants as he deems necessary, and to authorize the payment of and to pay the receivership estate's administrative expenses out of Defendants' assets;



20. The Permanent Receiver is authorized to supervise, suspend, terminate, exclude, or dismiss each Defendant's agents, employees, officers, and directors, or, at his discretion, to retain necessary employees and agents and compensate them as he deems necessary from the appropriate Defendant's assets;
21. The Permanent Receiver is authorized, at his discretion, to secure, take possession of, and remove from Defendants' premises all books, records, assets, equipment, and other items belonging to, related to, or connected to either or both Defendants;
22. The Permanent Receiver is authorized to receive, collect, control, open, and review all mail that is addressed in any manner to either Defendant, or that arrives at Defendants' address or is intended for either Defendant;
23. The Permanent Receiver is authorized, at his discretion, to exclude from any property owned or leased by either Defendant any person who is not acting at the direction of the Permanent Receiver or his designees, or who is interfering with the Permanent Receiver or his designees in any manner, or who the Permanent Receiver deems should be excluded for any other reason; and
24. The Permanent Receiver is authorized to continue the operation of any bank accounts of Defendant or close such accounts, at his discretion. The Permanent Receiver's authority includes, but is not limited to, continuing the operations of the TCHP Claim Account.

The Court further ORDERS that, pursuant to TEX. INS. CODE ANN. art. 21.28 § 2(b), all of Defendants' property, including but not limited to all the assets and rights described in this *Permanent Injunction and Order Appointing Permanent Receiver*, whether real, personal, or mixed, and whether held in such Defendant's name or for such Defendant's benefit, are placed in *custodia legis*, and title to such property is vested in the Permanent Receiver.



The Court further ORDERS that neither the Commissioner nor the Permanent Receiver be required to file a bond as permitted by TEX. INS. CODE ANN. art. 21.28 § 2(d).

The Court further ORDERS that in the event a successor is appointed as Commissioner of Insurance, that successor shall become the Permanent Receiver upon appointment, and the former Commissioner shall be discharged as Permanent Receiver.

IV. OTHER ORDERS

The Court further ORDERS that 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.

The Court further ORDERS that the State of Texas and the Attorney General of Texas shall have a claim for reasonable attorneys' fees and court costs in accordance with TEX. CIV. PRAC. & REM. CODE ANN. § 66.003 and TEX. GOV'T CODE § 402.006, subject to the provisions of TEX. INS. CODE ANN. art. 21.28, §§ 3 and 8.

No bond being required by the Commissioner, the State of Texas, or the Permanent Receiver, this Permanent Injunction shall issue and become effective immediately, and the Permanent Receiver shall carry out his duties in accordance with this Order.

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

SIGNED at Austin, Travis County, Texas, on the 21 day of January
2003 at 1:39 P. m.

SUBMITTED
NO HEARING REQUIRED.
RECOMMENDED TH
SIGNED ON 20th DAY OF Jan. 2003

TOM COLLINS
TOM COLLINS, RECEIVERSHIP SPECIAL MASTER

Margaret A. Anger
Judge Presiding

