

19TH JUDICIAL DISTRICT COURT FOR THE PARISH OF EAST BATON ROUGE

STATE OF LOUISIANA

NUMBER: 641 928

SECTION: 26

JAMES J. DONELON
COMMISSIONER OF INSURANCE FOR THE STATE OF LOUISIANA
VERSUS
LOUISIANA HEALTH COOPERATIVE, INC.

POSTED
MAR 16 2016
BY 16 435
MADY CLERK OF COURT

FILED: _____

DEPUTY CLERK

**MOTION TO APPROVE THE PROPOSAL FOR TAX COMPLIANCE AND CONSULTING SERVICES
AND ENGAGEMENT LETTER OF UNDERSTANDING FOR THE PROFESSIONAL SERVICES OF
THE WARREN PRACTICE**

NOW INTO COURT, through undersigned counsel, comes James Donelon, Commissioner of Insurance for the State of Louisiana, in his capacity as Rehabilitator, (hereinafter referred to as "the Commissioner"), and Billy Bostick, Court appointed Receiver, of Louisiana Health Cooperative, Inc. in Rehabilitation ("LAHC"), who hereby moves this Honorable Court for an Order approving an the Contract For Professional Services with The Warren Group an Michael C. Warren, CPA ("Warren") for the following reasons:

1.

La. R.S. 22:2018 provides that in proceedings involving only domestic insurers, the Commissioner of Insurance may employ such assistants as he deems necessary. The provision allows the Commissioner to appoint one or more deputies as his agent or agents and to employ such clerks, or assistants as may by him be deemed necessary, and to give each such person such powers to assist him as he may consider wise.

2.

The Commissioner and the Receiver deems it necessary to contract with Warren to obtain federal and state tax return preparer and consultant service and such other finite consulting projects, including, but not limited to tax planning and strategy as may be needed and such other services that are requested by the Receiver on behalf of the estate of Louisiana Health Cooperative, Inc. in Receivership. A copy of the Proposal for Tax Compliance and Consulting Services and Engagement Letter of Understanding is attached as Exhibit "A".

3.

As required by LSA-R.S. 22:2018, the Commissioner requests that this Honorable Court

REC'D COURT
REC'D C.P.
MAR 16 2016

REC'D C.P.
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EBR3522709

approve the Warren Proposal for Tax Compliance and Consulting Services and Engagement Letter of Understanding between the Commissioner and Warren.

WHEREFORE, James J. Donelon, Commissioner of Insurance for the State of Louisiana, in his capacity as Rehabilitator and Billy Bostick in his capacity as Court appointed Receiver, of Louisiana Health Cooperative, Inc. in Rehabilitation, requests an Order of this Court approving the Proposal for Tax Compliance and Consulting Services and Engagement Letter of Understanding with The Warren Practice.

Respectfully Submitted,

BURGLASS & TANKERSLEY, LLC

BY:  _____


SUE BUSER (#18151)
CELESTE BRUSTOWICZ (#168350)
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Attorneys for *JAMES J. DONELON, Commissioner of Insurance for the State of Louisiana as Rehabilitator of Louisiana Health Cooperative, Inc. in Rehabilitation*

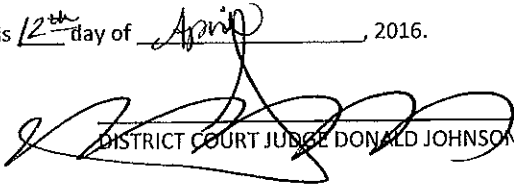
ORDER

Considering the foregoing Motion to Approve the Proposal for Tax Compliance and Consulting Services and Engagement Letter of Understanding with the Warren Practice filed on behalf of James Donelon, Commissioner of Insurance for the State of Louisiana in his capacity as Rehabilitator and Billy Bostick, in his capacity as Court appointed Receiver, of Louisiana Health Cooperative, Inc. in Receivership, collectively, and for good cause shown:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, that the Proposal for Tax Compliance and Consulting Services and Engagement Letter of Understanding of the Warren Practice between James Donelon, Commissioner of Insurance for the State of Louisiana, in his capacity as the Rehabilitator and Billy Bostick, in his capacity as Court appointed Receiver, of Louisiana Health Cooperative, Inc. in Receivership, collectively and The Warren Practice be and it is hereby approved upon the terms and conditions set forth therein.

Baton Rouge, Louisiana, this 12th day of April, 2016.

FILED
EAST BATON ROUGE PARISH, LA
2016 MAR 16 PM 2:05

DEPUTY CLERK OF COURT


DISTRICT COURT JUDGE DONALD JOHNSON

The Warren Practice

4925 Tyne Valley Boulevard
Nashville TN 37220-1500
Office (615) 292-8273
Fax (615) 292-8305
e-mail: warrengroup@comcast.net

November 5, 2015

Billy J. Bostick, Receiver
Louisiana Health Cooperative, Inc., in Rehabilitation
3445 N. Causeway Blvd.—Suite 800
Metairie, Louisiana 70002

PROPOSAL FOR TAX COMPLIANCE AND CONSULTING SERVICES AND ENGAGEMENT LETTER OF UNDERSTANDING

Re: Louisiana Health Cooperative, Inc., in Rehabilitation
“LAHC”

Dear Mr. Bostick:

This letter is in response to your request for Professional Tax Compliance and Consulting Services following our telephone exchange on October 30, 2015. The purpose of this letter is to document the terms of my Proposal and to memorialize those mutually-agreed terms in an Engagement Letter of Understanding as follows:

PROFESSIONAL RENDERING SERVICES

These services would be performed by Michael C. Warren, CPA. The resumé, curriculum vitae and histories of previous relevant experience of Michael C. Warren have previously been provided and are also attached to this proposal. Beverly A. Dunn of Dallas, TX, will also be involved on this engagement as a para-professional independent contractor to The Warren Practice. Ms. Dunn’s resumé has also previously been provided and is also attached. All individuals will maintain advanced-planned availability to provide the proposed services.



FEE STRUCTURE

Professional fees will be billed as: 1) a flat fee of \$2,850 per original/amended return for the preparation of each year of LAHC's annual federal income tax returns Form 990 (including extension requests but excluding any IRS correspondence related thereto, and excluding any separately-requested initial evaluation consultations and projects), 2) a flat fee of \$1,250 per original/amended return for preparation of each year of LAHC's annual Louisiana state income tax return, if any such return is deemed required to be filed.

These flat fees include the services of Ms. Dunn for preparation of returns. Mr. Warren's hourly rate of \$185 per hour (shown in 1/10 hour increments) will apply to answering IRS correspondence, GAAP and SAP tax consulting, and any other special tax projects requested by the Receiver. In the event that engaging Ms. Dunn in assisting with any of these other services or tax projects, at an hourly rate of \$75, would prove more cost-efficient, Mr. Warren would seek the advance approval of the Receiver. Actual out-of-pocket expenses are reimbursable, with your prior approval and proper documentation, in addition to the fees quoted above. Billings will be rendered upon completion and delivery of each year's tax returns (compliance), or, as of the end of each calendar month (consulting), with payment expected within 60 days of delivery of the billing.

REPORTS

The Receiver will be provided with a signed copy of the annual federal and state income tax returns for the estate, and such other consulting reports or schedules on special projects as may be mutually agreed in advance. No other report or documentation would accompany this engagement unless expressly agreed in advance.

SCOPE OF ENGAGEMENT

It is expressly understood that this engagement letter covers only services rendered as a tax return preparer and consultant on behalf of the Rehabilitation Estate referenced above, including subsequent additional returns as requested, and may include any or all of the following:

All aspects of federal and state tax compliance and consulting, including response to IRS correspondence and such other finite consulting projects including tax planning and strategy as may be expressly agreed to in advance.

It is expressly agreed that this engagement does not include services for the preparation of, or attestation to, any financial statements in any form. It is also intended and expected that any written or oral reports and any written or oral conclusions (including testimony in any form) will be performed in connection with a litigation support engagement and will be for the use of only those parties who, under the rules of the proceedings, have the opportunity to analyze and challenge such reports and/or conclusions.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope and estimated costs of these additional services. Engagements for additional services may necessitate that we issue a separate

engagement letter to reflect the obligations of both parties. In the absence of any other written communications from us documenting such additional services, our services will be governed by the terms of this engagement letter.

This engagement does not include any procedures guaranteed or designed to discover errors, omissions, misrepresentations, fraud, illegal acts, or theft, and you agree that we have no responsibility to do so. This engagement does, however, include a responsibility on our part to detect these items with respect to income tax claims made against any Rehabilitation Estate by the IRS, provided we have been informed of any such claim in a timely manner.

RECORDS RETENTION POLICY

In accordance with our firm's document retention policy, we will retain copies of the records you have supplied to us, along with our work papers for your engagement, for an indefinite period of no less than six years, but, at a minimum, will be retained until the Rehabilitation Estate is closed by a Louisiana Receivership Court. All of your *original* records will be returned to you. Physical deterioration or catastrophic events may shorten the time during which our records will be available. The working papers and files of our firm are not a substitute for the original records of your company.

RESPONDING TO SUBPOENAS AND OUTSIDE INQUIRIES

We may receive requests (e.g., subpoenas, summons, etc.) for information and/or documents in our possession arising out of this engagement. The requests may come from governmental agencies, courts, or other tribunals. If permitted, we will notify you of any request for information prior to responding. In certain proceedings, as accountant-client privilege may exist. You agree that we are not under any obligation to assert any privilege to protect the release of information. You may, prior to our response to any request, initiate legal action to prevent or limit our response. Unless you initiate such action within a reasonable period after we notify you, at the latest address known to us, we will release the information requested.

ALTERNATIVE DISPUTE RESOLUTION

Parties to this agreement agree that any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will be settled in a forum in which the appropriate Louisiana Receivership Court will be the Trier of fact.

WITHDRAWAL AND TERMINATION

We assert that at this time we have no actual or potential conflict of interest with the Louisiana Rehabilitator, the Louisiana Receiver, or any other Louisiana Receivership Estate. If, during the course of the engagement, a conflict of interest or potential breach of professional standards presents itself, we will inform you of the problem and attempt to resolve it, allowing us to complete the engagement. If, in our opinion, we cannot properly resolve such problem, we may be compelled to withdraw from the engagement. In such a case, we will not render a report or supply you with a completed work product. Additionally, we reserve the right to withdraw from

the engagement should we encounter circumstances which conflict with the professional ethical standards applicable to CPAs, or to the ethical standards of our firm.

The Warren Practice is pleased to present this Proposal for Professional Services and will be pleased to offer detailed work proposals for particular service areas (e.g., participation in the discovery process) in advance of performing any services. If this Proposal and Engagement Letter are acceptable as presented, please sign and date on the appropriate line below and return one of the enclosed copies for my files.

Cordially,



Michael C. Warren, CPA
Proprietor, The Warren Practice

Accepted by:

Billy J. Bostick, Receiver

Date

Michael C. Warren, CPA

*4925 Tyne Valley Boulevard
Nashville, TN 37220
(615) 292-8273
Fax (615) 292-8305*

SUMMARY

An experienced professional with more than thirty years of diversified financial accounting and tax experience including insurance company and product taxation, financial planning, and transactional planning for all kinds of insurance companies. A tax partner (ten years) with the international accounting firm of Ernst & Young (twenty-two years), serving a full range of insurance industry clients that write personal and commercial lines, contractual liability, workmen's compensation, title, life and annuities, and credit coverages. Extensive experience with all aspects of insurance company insolvencies including technical issues of company and policyholder taxation. Expert witness engaged by insurance regulators on statutory accounting matters, fraud auditing, and forensic accounting. A background that demonstrates the ability to lead, recruit and manage professionals, organize work plans, and communicate ideas, as well as a thorough understanding of the business, technical insurance tax, and accounting matters relevant to the insurance industry.

BUSINESS EXPERIENCE

The Warren Group - Proprietor - Nashville, TN, 1993 to present

Engaged as a litigation-support consultant and potential expert testimony witness on insurance companies, both solvent and insolvent, (included in list below) involving various financial accounting, tax, and financial reporting issues.

Engaged on a sub-contract basis with Ernst & Young to continue certain engagements involving insurance company taxation and other insurance accounting issues.

Ernst & Young - Raleigh, NC, 1971 - 1983 Tax Partner - Dallas, TX, 1983 - 1993

Responsible for all aspects of insurance company and insurance product taxation for over 200 clients in the insurance industry.

Built the Southwest Region insurance tax practice to a total full-time equivalent of 10 professionals having begun with none in 1983.

Complete experience with SEC, Generally Accepted Accounting Principles, Statutory and Regulatory accounting, and tax accounting applicable to both property/casualty and life/health insurance companies.

Generation and implementation of tax planning ideas for clients to minimize tax costs of insurance operations.

Management of IRS examinations including preparation of creative protests and presentation of oral arguments at Appellate Conferences. Significant negotiation skills applied to obtain successful results - particularly for complex reinsurance issues in four instances.

Performance of numerous due diligence engagements for acquisitions and mergers of insurance companies and for acquisitions of blocks of business on an assumption reinsurance basis.

Preparation and successful completion of private letter ruling requests for the IRS National Office on both solvent company and insolvent company matters. Developed extensive contacts and working relationships with several technical branches of the IRS in Washington, D.C.

Reviewed reinsurance transactions and coordinated related tax requirements with overall business considerations.

HMO/Managed Health Care Experience:

Comprehensive Health Services of Texas in Receivership - 1999 to present
American Medical Plans of Georgia in Liquidation - 1998 to present
American Medical Plans of South Carolina in Liquidation - 1998 to present

American Medical Plans of Mississippi in Liquidation – 1998 to present
Master Health Plan (Georgia) in Liquidation – 1997 to present
The Oath for Louisiana in Receivership – 2002 to present
Providers Direct Health Plan of Georgia in Liquidation – 2004 to present

Assisted State Departments of Insurance, Receivers, and Liquidators as plaintiffs in several of the largest insurance company insolvencies in the country:

Baldwin-United Companies (Arkansas Commissioner of Insurance)
Executive Life of California (successors at Aurora)
Kentucky Central Life (Kentucky Commissioner of Insurance)
Mutual Benefit Life (New Jersey Department of Insurance)
15 Louisiana receiverships (Louisiana Commissioner of Insurance) – New Orleans Office
Navajo Life (Arizona Department of Insurance)
National County Mutual Fire Insurance Company (Texas Department of Insurance)
Employers Casualty Corporation (Texas Commissioner of Insurance)
Texas Employers Indemnity Corporation (Special Deputy Receiver)
Texas Employers Insurance Association (Special Deputy Receiver)
Georgia General Insurance Company (Deputy Liquidator)
Georgia Life and Health Insurance Company (Deputy Liquidator)
United Republic Insurance Company (Texas Special Deputy Receiver)
A Pennsylvania Life Insurance Company in Rehabilitation
Commercial Standard Insurance Company (Texas Special Deputy Receiver)

Direct working experience with recoveries of reinsurance balances due and with recoveries of agents' balances due.

Provided expert witness testimony in connection with court actions and arbitrations on claims and reinsurance matters.

PROFESSIONAL ORGANIZATIONS

Texas Life Insurance Association - TLIA (Associate Member)
Insurance Accounting and System Association - IASA (Associate Member)
National Association of Life Companies - NALC (Associate Member)
Life Office Management Association - LOMA (Associate Member)
American Institute of Certified Public Accountants
Texas Society of CPAs – Litigation Services Section
Tennessee Society of CPAs
Insurance Tax Study Group III - 23 large insurance companies - 1980 to 1995
International Association of Insurance Receivers (IAIR)

EDUCATION AND PROFESSIONAL CERTIFICATIONS

University of North Carolina at Chapel Hill

Bachelor of Science in Business Administration - Accounting Concentration; (4.5 year degree program) - January, 1971

In excess of 3,500 hours of continuing professional education through formal course work including financial and SEC reporting, acquisitions, mergers and divestitures, taxation of property/casualty/liability companies, taxation of life insurance companies, IRS practices and procedures, enhancement of management and leadership skills.

Certified Public Accountant

North Carolina since November 15, 1973

Texas since February 8, 1984

Tennessee since September 7, 2007

The Warren Group

Michael C. Warren, CPA

Georgia, Louisiana, Connecticut, Mississippi, Oklahoma, Arizona & Missouri
Special Deputy Receiver & Estates Listing
Tax and Forensic Accounting Engagements

***Thomas L. Mayberry, CPA (formerly Harry L. Sivley), Assistant Deputy Liquidator--
Georgia:***

Global Insurance Company (1997-closing)
Managed Care Mutual Captive Insurance Company (2004-present)
Providers Direct Health Plan of GA, Inc. (2004-present)
Interstate Guaranty Insurance Company (1998-present)
American Specialty Insurance Company (1999-closing)
Old Colony Life Insurance Company (1999-present)
Coastal States Life Insurance Company (1999-2004)
State Casualty Insurance Company (1999-2003)
Georgia General Insurance Company (1997-present)
Pinnacle Insurance Company (1998-present)
American Medical Plan of Georgia (2000-closing)
Master Health Plan (1999-2003)
Sun States Insurance Group, Inc. (2002-present)
 International Indemnity Company (2002-present)
 Queensway International Indemnity Company (2002-2004)
Hospitality Mutual Captive Insurance Co. in Rehabilitation (2004-present)
Cornerstone Mutual Insurance Co. in Rehabilitation (2004-present)
Commercial Mutual Insurance Co. in Rehabilitation (2004-present)

Barry Karns, Special Deputy Receiver—Louisiana Receivership Office:

The Oath for Louisiana, Inc. (2002-closing 2010)
VHPG of Louisiana, Inc. (2002-closing 2010)
United Agents Insurance Company (2003-closing 2010)
Acadian Life Insurance Company (2005-closing 2007)

Marlon Harrison, Special Deputy Receiver—Louisiana Receivership Office:

Amcare Health Plans of Louisiana, Inc. (2003-2004)

Susan G. Cogswell, Commissioner of Insurance—Connecticut:

Suburban Health Plan, Inc. (2000-2007)
Connecticut Surety Insurance Company (2002-closing 2008)
First Connecticut Life Insurance Company (2000-2005)
Westbrook Insurance Company (2000-2005)
Covenant Mutual Insurance Company (2008-closing 2010)

Betty Cordial, Deputy Liquidator—Mississippi and Nevada:

Thunor Trust—Martin Frankel (Connecticut) related entities:
First National Life Insurance Company of America (2007 to present)
Franklin Protective Life Insurance Company (2007 to present)
Family Guaranty Life Insurance Company (2007 to present)
First Nevada Insurance Company (2008-closing 2011)
Blue Cross/Blue Shield of West Virginia (2008-closing 2010)
Financial Advisors Assurance Select-RRG (2010 to present)
Health Facilities of California Mutual Insurance Company-RRG (2011 to present)

Arizona Receivership Office:

Mark D. Tharp, Assistant Receiver:
Transurance Risk Retention Group, Inc. (2006 to present)
Astraea Risk Retention Group, Inc. (2009 to present)
Thureus Insurance Group, Inc. (2009 to present)

Oklahoma Receivership Office:

Mark D. Tharp, Assistant Receiver:
Petrosurance Casualty Company (2007 to present)
Top Flight Insurance Company (2007 to present)
Park Avenue Property & Casualty Company (2009 to present)
Imperial Casualty and Indemnity Company (2009 to present)

Billy Bostick, Assistant Receiver:

AmCare Health Plans of Oklahoma, Inc. (2007 to present)

Donna L. Wilson (formerly Richard S. Darling), Assistant Receiver:

Farmers & Ranchers Life Insurance Company (2007 to present)
Heritage National Insurance Company (2007 to present)
Hospital Casualty Company (2007 to present)
Pegasus Insurance Company (2010 to present)
Security General Life Insurance Company (2010 to present)
Eagle Insurance Agency Holdings, LLC (2011 to present)

Darren T. Ellingson, Oklahoma Department of Insurance:

Oklahoma Receivership Office, Inc. (2007 to present)

Albert A. Riederer, Special Deputy Receiver—Missouri:

Transit Casualty Company in Receivership (2008 to present)