

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**
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In re:

UNIVERSAL HEALTH CARE GROUP, INC.,

AMERICAN MANAGED CARE, LLC,

Debtors.

Chapter 11

Case No. 8:13-bk-01520-KRM

Jointly Administered with

Case No. 8:13-bk-05952-KRM

**ORDER CONDITIONALLY CONFIRMING
CHAPTER 11 TRUSTEE'S LIQUIDATING PLAN FOR
UNIVERSAL HEALTH CARE GROUP, INC. DATED APRIL 16, 2015**

[Doc. No. 1442]

This Chapter 11 case came on for hearing on April 23, 2015 (the "Confirmation Hearing"), to consider confirmation of the Amended Liquidating Chapter 11 Plan proposed by Soneet R. Kapila, as Chapter 11 Trustee, for the Debtor, Universal Health Care Group, Inc. (the "Amended Plan") (Doc. No. 1442).

The Court heard and considered (i) the argument and proffers of counsel for Trustee; (ii) the Corrected Amended Disclosure Statement for the Chapter 11 Trustee's Chapter 11 Plan of Liquidation for Universal Health Care Group, Inc. (the "Amended Disclosure Statement") (Doc. No. 1286); (iii) the Order Approving Amended Disclosure Statement of Universal Health Care Group, Inc., Fixing Time to File Applications for Professional Administrative Expenses, Setting Hearing on Confirmation of Plan and Setting Deadlines with Respect to Confirmation Hearing (Doc. No. 1284); (iv) the Certificate of Service with Respect to Universal Health Care Group, Inc. Solicitation Package (Doc. No. 1293); (v) the Trustee's first Motion to Modify Chapter 11 Liquidating Plan for Universal Health Care Group, Inc. and Notice of Hearing, dated April 2,

2015 (Doc. No. 1396); (vi) the Trustee's Amended Chapter 11 Plan, as Modified, for Universal Health Care Group, Inc., dated April 16, 2015 (Doc. No. 1442); (vii) the Trustee's Second Motion to Modify Chapter 11 Liquidating Plan for Universal Health Care Group, Inc. and Notice of Hearing, dated April 16, 2015 (Doc. No. 1441); (viii) the Certificate of Service for the Amended Chapter 11 Plan, as Modified, for Universal Health Care Group, Inc. (Doc. No. 1451); (ix) the Ballot Tabulation for Universal Health Care Group, Inc. (Doc. No. 1449); (x) the Chapter 11 Trustee's Confirmation Affidavit in Support of the Liquidating Chapter 11 Plan for Universal Health Care Group, Inc. (Doc. No. 1459); as well as other relevant portions of the record in this Chapter 11 case and Case No. 8:13-bk-5952, including the March 2015 monthly operating report filed by the Trustee for the Debtor (Doc. No. 1430). No objections were filed to the Amended Plan or the proposed modifications filed by the Trustee.

FINDINGS OF FACT¹

1. The Debtor is a Delaware corporation that was headquartered in St. Petersburg, Florida. Acting as a holding company, the Debtor owns American Managed Care, LLC ("AMC"), a licensed third-party administrator, and four formally operating Regulated Subsidiaries.² The Regulated Subsidiaries offered medical services through health insurance and Medicare Advantage products. Each of the Regulated Subsidiaries had provider networks, all organized and administered by approximately 800 employees.

2. The chief operating officer and chair of the Debtor's Board of Directors was Dr. Akshay Desai. Dr. Desai also served as an officer and director for each of the Regulated

¹ All terms not specifically defined in this Order shall have the meaning attributed to them in the Amended Plan or the Amended Disclosure Statement, or, if not defined in the Amended Plan or in the Amended Disclosure Statement, as such term is defined in 11 U.S.C. §101.

² The Regulated Subsidiaries means Universal Health Care, Inc. ("UHC"), Universal Health Care Insurance Company, Inc. ("UHCIC"), Universal Health Care of Nevada, Inc. ("UHCNV"), and Universal HMO of Texas, Inc. ("UHMOTX").

Subsidiaries. Dr. Desai's wife, Seema Desai, also served on the Debtor's Board of Directors. The Debtor had numerous shareholders, but the largest shareholders were Dr. Desai and the Desai Family Partnership. Officers of the Debtor, at various times, included Deepak Desai, Sandip Patel, Jeff Lundy and Steven Shafer.

3. The Debtor filed a voluntary Chapter 11 petition on February 6, 2013. On April 22, 2013 Soneet R. Kapila (the "Trustee") was appointed as the Chapter 11 Trustee for the Debtor.

4. Upon his appointment, the Trustee discovered that AMC was a wholly owned subsidiary of the Debtor and filed a Chapter 11 petition on behalf of AMC on May 3, 2013. On November 30, 2014, the Trustee filed a liquidating Chapter 11 plan for AMC (the "AMC Plan"). The AMC Plan, as modified, was conditionally confirmed by Order dated April 6, 2015 (Doc. No. 1407). The only remaining condition for confirmation of the AMC Plan is final approval of the Trustee's settlement of a class action instituted by AMC's former employees asserting claims for alleged violations of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101, *et seq.* (the "WARN Act"). Adv. Pro. Nos. 8:13-ap-00623-KRM and 8:13-ap-00273-KRM. The settlement of the WARN Act class action is scheduled for final approval on May 28, 2015.

5. The Debtor's Chapter 11 case is jointly administered with the AMC Chapter 11 case, but the cases are not substantively consolidated.

6. Upon filing its Chapter 11 Petition, the Debtor immediately sought authority to sell its stock in the Regulated Subsidiaries at auction, pursuant to 11 U.S.C. § 363.

7. This Court entered an order on February 22, 2013, establishing bidding and sale procedures for the auction sale of the stock in the Regulated Subsidiaries. Citrus Universal Health Care, Inc., as the designated assignee of CarePoint Insurance Company ("Citrus"), was selected as the prevailing bidder to purchase the stock of the Regulated Subsidiaries.

8. The Stock Purchase Agreement between the Debtor and Citrus required Citrus to obtain regulatory approvals from applicable governmental authorities (as such term is defined in the Stock Purchase Agreement), including the Florida Office of Insurance Regulation, in order to become the owner of the stock in the Regulated Subsidiaries.

9. On March 18, 2013, the Leon County Circuit Court entered an order in the receivership proceedings giving Citrus until March 21, 2013, at 9:00 a.m. to meet all statutory capital and surplus requirements to the satisfaction of the Florida Office of Insurance Regulation.

10. After business hours on March 20, 2013, the Debtor received notice that Citrus was terminating its purchase of the stock of the two Florida subsidiaries, UHC and UHCIC.

11. On March 21, 2013, the Leon County Circuit Court held a hearing and determined that the conditions set forth in its March 18th order had not been satisfied. Consequently, the state court entered orders dated March 21, 2013 and March 22, 2013, appointing the Florida Department of Financial Services (“FDFS”) as Receiver for UHC and UHCIC. In connection with this appointment, the state court ordered the termination of all employees employed or utilized by UHC and UHCIC, and the FDFS took control of UHC and UHCIC immediately upon entry of the order.

12. On March 28, 2013, federal agents instituted a surprise raid of the St. Petersburg headquarters of the Debtor, AMC and the Regulated Subsidiaries.

13. On April 8, 2013, Citrus gave formal notice that it was terminating its purchase of UHMOTX, UHCNV, and the Debtor’s inactive Georgia subsidiary. Shortly thereafter, the Texas regulators moved to place UHMOTX into receivership and the Nevada regulators moved to place UHCNV into receivership.

14. After the raid by federal agents, lawsuits were filed in the United States District Court for the Middle District of Florida against AMC for alleged violations of the WARN Act.

The WARN Act class actions assert that AMC failed to provide the required sixty days' notice to its employees of their terminations resulting from the receivership orders. Those actions were subsequently referred to this Court and the Debtor was added as defendant.

15. On October 24, 2013, this Court approved the settlement between BankUnited, AMC, and the Trustee (the "Bank Settlement") (Doc. No. 585). The Bank Settlement impacts the Debtor's bankruptcy estate to the extent it recognizes the validity of BankUnited's lien against the Debtor's tangible and intangible Assets and provides for certain carve outs for the benefit of the Debtor's estate and its Creditors.

16. On September 19, 2014, the Bankruptcy Court approved the FDFS Settlement between the Trustee, BankUnited and the FDFS, resolving, among other things, the parties' competing interests in tax refunds and establishing cooperation between the Trustee and FDFS to pursue certain causes of action for the benefit of both the bankruptcy and receivership estates (the "FDFS Settlement") (Doc. No. 1028).

17. On December 8, 2014, the Trustee filed his Disclosure Statement (Doc. No. 1113) and proposed Chapter 11 Plan of Liquidation as Exhibit A.

18. On March 3, 2015, the Trustee filed his Corrective Chapter 11 Liquidating Plan (the "Original Plan") (Doc. No. 1285) and Corrective Disclosure Statement ("Disclosure Statement") (Doc. No. 1286).³

19. By Order dated March 3, 2015, this Court approved the Amended Disclosure Statement and authorized the Trustee to solicit votes for the Original Plan (Doc. No. 1284). The Trustee's solicitation package, together with the notice of the Confirmation Hearing was duly served on all Creditors.

³ On March 2, 2015, Universal filed its Chapter 11 Plan of Liquidation (Doc. No. 1281) and Amended Disclosure Statement (Doc. No. 1282), which were corrected on March 3, 2015 only as to references to the date of the Plan.

20. On April 2, 2015, the Trustee filed his First Motion to Modify the Original Plan, together with a copy of the proposed plan modification (Doc. No. 1396)(the “First Modification”).

21. On April 16, 2015, the Trustee filed his Second Motion to Modify the Amended Plan, together with a copy of the proposed plan modifications (Doc. No. 1441)(the “Second Modification”).

22. The Original Plan, the First Modification and the Second Modification were incorporated into a single document filed and served by the Trustee on all Creditors on April 16, 2015 (the Amended Plan, Doc. No. 1442).

23. The Amended Plan contemplates that the Trustee will serve as Liquidating Agent who will be responsible for overseeing the Liquidating Estate, which will be funded with all of the Debtor’s Assets as of the Confirmation Date. Upon Confirmation, the Trustee, as Liquidating Agent, will act to liquidate the remainder of the Debtor’s Assets, resolve all remaining litigation, determine the amount of Claims that will be Allowed, and make distributions under the Waterfall Schedule set forth in the Amended Plan. The Liquidating Agent will establish appropriate reserves as Additional Recoveries are received to insure that the proper priority of payments is maintained throughout the existence of the Liquidating Estate.

24. The Amended Plan incorporates a settlement between the Trustee, BankUnited and Citrus (the “Citrus Settlement”). At the Confirmation Hearing, this Court separately considered and approved the Citrus Settlement, and separate order will be entered to that effect.

25. The Amended Plan leaves equity interests of the Non-Subordinated Shareholders unimpaired and subordinates the equity interests of the Subordinated Shareholders. Of the Subordinated Shareholders, Deepak Desai, Jeff Lundy and Sandip Patel have agreed to the subordination, and thus the Court makes no subordination findings with respect to them. With

respect to the remaining Subordinated Shareholders, the Court finds that the record supports the subordination based upon the acts set forth in the Confirmation Affidavit and the Amended Disclosure Statement. The Subordinated Shareholders shall not participate or receive any distributions under the Amended Plan.

26. The First Modification was served on all Creditors. It incorporates the recently mediated settlement of the class action filed by former employees of AMC for alleged violations of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101, et seq. (the “WARN Act Settlement”). The WARN Act Settlement is incorporated in the Amended Plan, but is subject to separate approvals by this Court of (i) the Trustee’s Motion to Approve the WARN Act Settlement, pursuant to Bankr. R. 9019 (the “9019 Motion”), and (ii) approval of the fairness of the WARN Act Settlement in the class action adversary proceedings (Adv. Pro. No. 13-ap-623 and Adv. Pro. No. 13-ap-273)(the “Fairness Determination”).⁴

27. At the Confirmation Hearing the Court considered and granted the Trustee’s 9019 Motion and will enter a separate order to that effect. The Fairness Determination will be considered on May 28, 2015.

28. No objections have been filed to the First Modification.

29. The Second Modification also was served on all Creditors. It eliminates the distinction between Class 3 (Allowed General Unsecured Creditors) and Class 4 (Allowed Medical Provider Claims). The effect of the Second Modification is to treat all Allowed Unsecured Creditors similarly.

30. No objections have been filed to the Second Modification.

31. The Original Plan, together with the First Modification and the Second

⁴ The First Modification also contained some non-substantive clarifying language requested by the United States in connection with its tax claim.

Modification are all incorporated into the Amended Plan filed by the Trustee on April 16, 2015.

32. The Trustee has complied with the applicable provisions of Title 11 of the United States Code, in compliance with 11 U.S.C. § 1129(a)(2). The Trustee solicited acceptances in accordance with Bankruptcy Code § 1125; obtained court orders for the employment of professionals; and complied with the Bankruptcy Code and rules regarding the use, sale and leases of property of the estate.

33. The Amended Plan has been proposed by the Trustee in good faith and not by any means forbidden by law, in compliance with 11 U.S.C. § 1129(a)(3). Indeed, no party has suggested that the Amended Plan has not been proposed in good faith.

34. All payments made or to be made in connection with this case or in connection with the Amended Plan either have been approved by or are subject to approval of this Court, in compliance with 11 U.S.C. § 1129(a)(4).

35. The Amended Plan complies with the requirements of 11 U.S.C. § 1129(a)(5)(A). Because the Amended Plan contemplates a liquidation of the Debtor, no persons will be directors or officers of the Debtor post confirmation.

36. The Amended Plan complies with the requirements of 11 U.S.C. § 1129(a)(5)(B). No insiders are to be employed or retained post confirmation.

37. The Amended Plan complies with the requirements of 11 U.S.C. § 1129(a)(6). There are no governmental regulatory commissions with jurisdiction after confirmation of the Amended Plan whose approval is needed for rate schedules.

38. With respect to each impaired class of claims, each holder of a claim of such class has either (a) accepted the Amended Plan, or, if a class consists of more than one claimant, more than one-half in number and more than two-thirds in dollar amount have accepted the Amended

Plan; or (b) will receive or retain under the Amended Plan on account of such claim or interest property of a value, as of the Effective Date of the Amended Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated under Chapter 7 of Title 11 on such date, in compliance with 11 U.S.C. § 1129(a)(7).

39. Not all impaired classes of claims or interests have accepted the Amended Plan in accordance with 11 U.S.C. § 1129(a)(8), but at least one class of claims that is impaired has accepted pursuant to 11 U.S.C. § 1129(a)(10).

40. The Amended Plan provides for the treatment of the Administrative and Priority Claims in the manner required by 11 U.S.C. § 1129(a)(9) or by agreement to the Waterfall Schedule.

41. Confirmation of the Amended Plan is not likely to be followed by further financial reorganization as required by 11 U.S.C. § 1129(a)(11), because the Amended Plan is a liquidating plan.

42. All fees payable under § 1930 of Title 28, as determined by the Court at the hearing on confirmation of the Amended Plan, have been paid, or the Amended Plan provides for the payment of such fees on the Effective Date of the Plan as required by 11 U.S.C. § 1129(a)(12).

43. There are no retiree benefits, as that term is defined in 11 U.S.C. § 1129(a)(13). The Trustee completed the termination of the Debtor's 401(k) plan, effective December 31, 2014.

44. All known holders of claims against the Debtor, and all other persons entitled to notice, were provided timely and proper notice in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and all scheduling orders regarding the hearing to consider confirmation of the Amended Plan pursuant to § 1128 of the Bankruptcy Code.

45. The Amended Plan and Disclosure Statement were transmitted to all parties in

interest entitled to vote on the Amended Plan, in accordance with this Court's order.

46. The Debtor, the Trustee, and each attorney or other professional employed by the Debtor have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, 11 U.S.C. § 1125.

47. The principal purpose of the Amended Plan is not the avoidance of taxes or the avoidance of the application of Section 5 of the Securities Act of 1933 (15 U.S.C. § 77(e)). There has been no objection by any governmental unit asserting such a claim with respect to the Amended Plan, and the United States of America has expressly agreed to the Amended Plan.

48. The Amended Plan satisfies all the mandatory requirements of 11 U.S.C. § 1123(a). Additional provisions contained in the Amended Plan are consistent with permissive plan provisions authorized by 11 U.S.C. § 1123(b).

49. The Amended Plan is fair, equitable, reasonable and proper, is in the best interests of the Debtor's Estate, and is binding on all Creditors.

50. All plan modifications filed and announced in open Court satisfy the requirements of 11 U.S.C. § 1127. The modifications meet the requirements of 11 U.S.C. §§ 1122 and 1123, and the Amended Plan proponent has complied with 11 U.S.C. § 1127.

51. With respect to all of the settlements set forth in the Amended Plan, the Court has considered the factors set forth in *Wallace v. Justice Oaks II, Ltd. (In re Justice Oaks, Ltd.)*, 898 F.2d 1544 (11th Cir. 1990): (1) the Trustee's probability of success in the cases sought to be settled; (2) the difficulties, if any, likely to be encountered in collection; (3) the complexity of the litigation involved, and the expense, inconvenience, and delay necessarily attending it; and (4) the paramount interests of the creditors and a proper deference to their reasonable views. The Court

concludes that the legal and factual bases established in the Confirmation Affidavit and the record of these cases, satisfy these criteria and establish that the settlements represent a fair, reasonable and adequate resolution of the matters at issue. With respect to the Citrus Settlement and the WARN Act Settlement, the Court will enter separate and detailed orders and findings.

CONCLUSIONS OF LAW

1. Such of the foregoing Findings of Fact as are deemed to be Conclusions of Law are hereby adopted as Conclusions of Law.

2. This Court has jurisdiction over all matters provided in the Amended Plan, pursuant to 28 U.S.C. §§ 1334 and 157(a). All matters in connection with the Amended Plan and confirmation are core proceedings under 28 U.S.C. § 157(b)(2).

3. Based on the evidence presented, the absence of any persuasive countervailing evidence, and the Findings of Fact set forth above, all provisions of 11 U.S.C. § 1129 (a) and (b) have been satisfied.

4. The only condition to final confirmation of the Amended Plan is a Fairness Determination for the WARN Act Settlement, which is scheduled to be considered by this Court on May 28, 2015.

Accordingly, it is

ORDERED, ADJUDGED AND DECREED as follows:

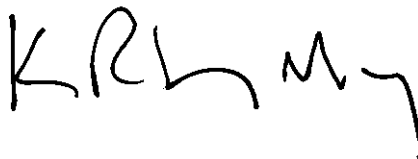
A. The Amended Plan is **CONDITIONALLY CONFIRMED**, subject only to the Fairness Determination for the WARN Act Settlement.

B. All of the provisions of the Amended Plan are approved, including explicitly the “Exculpation from Liability” provision at section 12.2 of the Amended Plan.

C. The Amended Plan complies with the applicable provisions of 11 U.S.C. § 1129.

D. For clarification purposes, this Order is not a final order of Confirmation, as it remains conditioned upon a Fairness Determination. Upon the issuance of a Fairness Determination, the Trustee is authorized and directed, without further hearing, to submit a final confirmation order for the Amended Plan, which shall incorporate the findings and conclusions of this Order.

DATED: May 04, 2015

A handwritten signature in black ink, appearing to read "K. Rodney May". The signature is written in a cursive, somewhat stylized font. The letters are connected, and the overall appearance is that of a personal signature.

K. Rodney May
United States Bankruptcy Judge

Attorney Roberta A. Colton directed to serve a copy of this order on interested parties who are non-CM/ECF users and to file a proof of service within three days of entry of the order.