

REPORT OF QUALIFYING EXAMINATION

Of

PUGET SOUND HEALTH PARTNERS, INC.

Tacoma, Washington

As of January 18, 2007



**Order No. G 07-16
Puget Sound Health Partners, Inc.
Exhibit A**

Puget Sound Health Partners, Inc.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Qualifying Examination of Puget Sound Health Partners, Inc., of Tacoma, Washington. This report shows the financial condition and related corporate matters as of January 18, 2007.



PATRICK H. McNAUGHTON
Chief Examiner

2-6-2007

Date

Puget Sound Health Partners, Inc.

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Puget Sound Health Partners, Inc.

Seattle, Washington
February 6, 2007

The Honorable Mike Kreidler, Commissioner
Washington State Office of Insurance Commissioner (OIC)
Insurance Building – Capitol Campus
302-14th Avenue SW
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of RCW 48.44.145(4), a qualifying examination has been made of the corporate records and financial condition of

PUGET SOUND HEALTH PARTNERS, INC.

of

Tacoma, Washington

hereinafter referred to as “PSHP” or the “Company”. This report of examination is respectfully submitted showing the condition of PSHP as of January 18, 2007.

SCOPE OF EXAMINATION

This examination included verification of PSHP’s assets and liabilities as of January 18, 2007. The minimum net worth and cash deposits were tested for compliance with RCW 48.44.037. In addition, the examination included verification of compliance with the statutory requirements regarding PSHP’s application for a Certificate of Registration to be a health care service contractor (HCSC) incorporated in the state of Washington.

Puget Sound Health Partners, Inc.

HISTORY

On December 6, 2006, the Articles of Incorporation were approved by the Incorporators to form Puget Sound Health Partners, Inc., a Washington domestic health care service contractor.

MANAGEMENT AND CONTROL

Board of Directors

In accordance with the provisions of the Bylaws, the Company shall be managed by a board of directors composed of not less than six (6) and not more than twelve (12) directors. Changes in the number shall be set at each annual meeting by the shareholders.

The following directors were serving the Company as of January 18, 2007:

Leonard Alenick, MD	Lakewood, WA
John Van Bodegom, MD	Burien, WA
Patricia Briggs	Tacoma, WA
Mariella Cummings	Olympia, WA
Stanley L.K. Flemming, DO, MA	Tacoma, WA
Gary R. Goin, MD	Olympia, WA
Karen Lee	Sea Tac, WA
Bud Musselman	Burien, WA
Laurence C. Schadt, MD	Olympia, WA

Officers: Pursuant to the Bylaws, all officers of the Company shall be elected annually by the Board of Directors at their regular annual meeting. The officers of the Company shall consist of a chairman, one or more vice chairmen (the number thereof to be determined by the Board of Directors), a secretary, a treasurer, a chief executive officer, a chief financial officer, and a medical director. Currently elected members as of January 18, 2007 are:

Patricia Briggs	Chairperson
Mariella Cummings	Chief Executive Officer
Karen Lee	Chief Financial Officer
Stanley Flemming, DO, MA	Medical Director
Laurence C. Schadt, MD	Secretary
Bud Musselman	Treasurer

Puget Sound Health Partners, Inc.

AFFILIATED COMPANIES

PSHP is jointly owned by the following affiliated companies:

Highline Medical Services Organization, Inc.	Seattle, WA
Northwest Physicians Network, LLC	Tacoma, WA
Physicians of Southwest Washington, LLC	Olympia, WA

Each of the affiliated companies holds 140,000 shares of common stock, giving each 1/3 of the voting stock.

NET WORTH

The Articles of Incorporation, dated December 6, 2006, authorize PSHP to be formed as a domestic health care service contractor, under Chapter 48.44 of the Revised Code of Washington. The Company is seeking authorization to transact the business of managed care for Medicare beneficiaries as permitted under the health care service contractor registration requirements in the state of Washington.

Pursuant to RCW 48.44.037, the required unimpaired minimum net worth for a health care service contractor is equal to the greater of:

- a.) Three million dollars; or
- b.) Two percent of the annual premium earned, as reported on the most recent annual financial statement filed with the commissioner, on the first one hundred fifty million dollars of premium and one percent of the annual premium on the premium in excess of one hundred fifty million dollars.

As of January 18, 2007, the Company's net worth equaled \$4,200,000 which is greater than the statutory surplus of \$3,000,000, as required by RCW 48.44.037.

Puget Sound Health Partners, Inc.

FINANCIAL STATEMENTS

The following statements show the financial condition of PSHP as of January 18, 2007:

**Statement of Assets, Liabilities and Net Worth
As of January 18, 2007**

	<u>Balance Per Company</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
<u>ASSETS</u>			
Cash and Deposit Account	\$4,200,000		\$4,200,000
Total Assets	<u>\$4,200,000</u>	<u>\$0</u>	<u>\$4,200,000</u>
<u>LIABILITIES</u>			
Other Liabilities	\$0		\$0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<u>NET WORTH</u>			
Common stock, par value \$10	4,200,000		4,200,000
Total Net Worth	<u>4,200,000</u>	<u>0</u>	<u>4,200,000</u>
Total Liabilities and Net Worth	<u>\$4,200,000</u>	<u>\$0</u>	<u>\$4,200,000</u>

NOTE: Bank balances were confirmed as of January 18, 2007, for the purpose of preparing the balance sheet as of January 18, 2007 and to verify net worth balances. The Company has sufficient net worth to qualify for a Certificate of Registration as required by RCW 48.44.037.

