



OFFICE OF  
INSURANCE COMMISSIONER

SOLICITATION PERMIT FOR SUBSEQUENT FINANCING OF A  
DOMESTIC HEALTH CARE SERVICE CONTRACTOR  
Permit No. 368

FILED

2009 JUN -4 A 9:43

Hearings Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

The authority contemplated by RCW 48.06.180 et seq. is hereby granted to PUGET SOUND HEALTH PARTNERS, INC., under the provisions of Chapter 48.06 RCW, as amended, subject to the following express conditions:

1) Permit Covers:

The issuance and sale of 100,000 shares of common stock according to the schedule below. The par value of each share of stock is \$10.00 per share. The proceeds from this sale of the stock will be in cash for a total price of one million dollars (\$1,000,000).

The issuance and sale of the stock will be according to this schedule:

50,000 shares	Northwest Physicians Network
50,000 shares	Physicians of Southwest Washington
100,000 shares	Total shares

2) Solicitation:

Sale of this stock will be through direct purchase by two of the three founding parent companies.

3) Bond or Deposit:

The bond-cash deposit required by the provisions of RCW 48.06.110(2) has been waived under the provisions granted by RCW 48.06.110(3)(a).

4) Duration:

This permit shall have duration of not later than February 10, 2009 unless earlier modified or revoked, as specified herein, and as provided by the Insurance Code of the State of Washington, Title 48 RCW.

5) Report to Commissioner:

Puget Sound Health Partners, Inc. shall, on or before February 20, 2009, make an accounting to the Insurance Commissioner, certified by its outside counsel or an officer of the corporation, of the number of shares of stock sold and the monies collected from the transactions authorized by this Solicitation Permit.

6) Representation:

No representation is made concerning the possible application of any other law, including the Securities Act of Washington (Chapter 21.20 RCW) to the solicitation which is the subject of this permit.



Solicitation Permit No. 368  
February 3, 2009  
Page two

7) Added Liability of Issuer:

Each stock certificate issued by the company shall conform in terms and content to all applicable requirements outlined in Title 48 RCW.

Each stock certificate issued by the company shall contain printed notice of the shareholder's potential additional liability imposed by Article XII, Paragraph 11 of the Constitution of the State of Washington as follows:

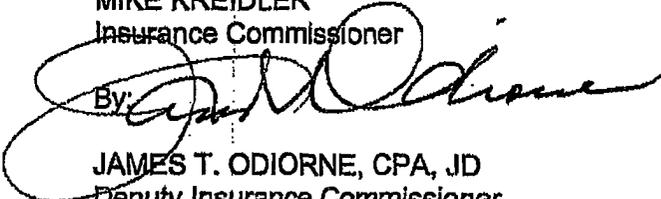
Article XII, Section 11 of the Constitution of the State of Washington provides that the stockholders of an insurance company are individually and personally liable equally and ratably for all obligations for the corporation incurred while they remain stockholders up to the par value of their stock, in addition to the amount invested in such shares.

8) Modification or Revocation:

The Insurance Commissioner may, as authorized by RCW 48.06.100, modify or revoke this permit.

IN WITNESS WHEREOF, I have issued this Permit this 3rd day of February, 2009.

MIKE KREIDLER  
Insurance Commissioner

By: 

JAMES T. ODIORNE, CPA, JD  
Deputy Insurance Commissioner  
Company Supervision Division

**Pastuch, Ron (OIC)**

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**From:** Pasero, Gayle (OIC)  
**Sent:** Thursday, January 29, 2009 8:48 PM  
**To:** Pastuch, Ron (OIC)  
**Subject:** FW: Request for solicitation permit  
**Importance:** High  
**Follow Up Flag:** Review  
**Due By:** Sunday, March 01, 2009 7:18 AM  
**Flag Status:** Flagged  
**Attachments:** Consent Subscription Directors Musselman 20090127.pdf

Ron, fyi

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**From:** Larry Loo [mailto:larry.l@ourpshp.com]  
**Sent:** Thursday, January 29, 2009 4:37 PM  
**To:** Pasero, Gayle (OIC)  
**Subject:** RE: Request for solicitation permit

Dear Ms. Pasero:

Thank you for your quick review. My responses to your questions are below. Feel free to contact me if there are any additional questions.

Larry Loo, MPH

CEO  
[Larry.L@OurPSHP.com](mailto:Larry.L@OurPSHP.com)

Puget Sound Health Partners  
400 Mercer St., Suite 410  
Seattle, WA 98109  
206.658.2959  
[www.OurPSHP.com](http://www.OurPSHP.com)

Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

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**From:** Pasero, Gayle (OIC) [mailto:GayleP@OIC.WA.GOV]  
**Sent:** Wednesday, January 28, 2009 1:35 PM  
**To:** Larry Loo  
**Subject:** Request for solicitation permit

Dear Mr. Loo,

We have received your request for a solicitation permit for issuance of common shares. We do have several questions before recommending approval of the permit.

1. Please advise what class of common stock will be issued. Will they be Class A?  
Yes

1/30/2009

2. When do you want this to close?

As soon as you can approve, we can execute within five days of receiving OIC approval. I am hoping that this won't take more than a few days for OIC approval.

3. Do you want escrow to be with Sound Sound Bank? If so, please provide the account number and location of the bank.

No. For this transaction, no escrow will be needed. The banking information is as follows:

US Bank account.

Routing number

Account number:

4. We did not receive a signed consent from Bud Musselman. Is this missing or was this not signed?

A copy of his consent was missing at the time of my letter last week. I have that attached.

Thank you for your assistance.

Gayle Pasero  
Company Licensing Manager  
[gaylep@oic.wa.gov](mailto:gaylep@oic.wa.gov)

Ron Pastuch  
Holding Company Manager  
[ronp@oic.wa.gov](mailto:ronp@oic.wa.gov)



**RECEIVED**  
JAN 27 2009  
INSURANCE COMMISSIONER  
COMPANY SUPERVISION

January 20, 2009

Mr. Ronald Pastuch  
Holding Company Manager  
Ms. Gail Pasero  
Company Supervision Manager  
WA Office of the Insurance Commissioner  
PO Box 40259  
Olympia, WA 97308

Dear Mr. Pastuch and Ms. Pasero,

**RE: Request for Solicitation Permit for issuance of common shares**

In response to our recent discussions and various letters regarding an increase in the capitalization level of Puget Sound Health Partner (PSHP), we are hereby amending our previous request to issue common shares instead of surplus notes.

Please consider this letter as our formal request for the OIC to issue PSHP a solicitation permit to allow us to complete the share transaction that we have discussed with your office. PSHP has received approval from its shareholders and Board of Directors to issue an additional 100,000 shares at par value (\$10) in exchange for \$1 million in new capital/shareholder equity for PSHP. We have attached the PSHP shareholder and board resolutions approving this transaction for your review.

Two of our existing shareholders, Northwest Physicians Network of Washington, LLC (NPN) and Physicians of Southwest Washington, LLC (PSW) intend to purchase these shares. NPN and PSW would each receive 50,000 additional shares in exchange of \$500,000 each. We have attached the executed subscription agreements for the issuance of these shares more fully explains the transaction. Please note that these shares were created upon formation of PSHP and in accordance with our original approvals from the OIC. These shares have been held by the corporation and never issued and were intended for use in this manner. Upon issuance these shares would be in accordance with the same PSHP governance documents that are in place today, including the existing Shareholder Agreements, the Articles of Incorporation and the Corporate Bylaws.



**PUGET SOUND**  
**HEALTH PARTNERS**

Mr. Ronald Pastuch  
January 20, 2009  
Page Two

It is our intention to issue these shares and receive the capital as soon as we receive your approval via the solicitation permit. In addition to this capital infusion we have begun discussions with reinsurers as another means of improving our capital-surplus ratio. As you may recall these steps are documented in the capitalization plan we have submitted to your office last year. It is our intention to complete this reinsurance contract as soon as possible. Based upon prior conversations with your office, we understand that the OIC does not approve or disapprove such reinsurance contracts however, should you or others form the OIC care to be more informed about this impending contract we remain open to reviewing this approach with you.

It is our desire to consummate the issuance of the shares to NPN and PSW as soon as possible and we would appreciate an expedited review and approval of this matter by the OIC. If you have any questions, please contact me at 206.658.2959 or by e-mail at [Larry.L@OurPSHP.com](mailto:Larry.L@OurPSHP.com).

Regards,

Larry Loo, MPH  
Chief Executive Officer

Cc:

Jon Schorr, Carney, Badley, Spellman  
Zachary Smulski, PSHP CFO  
Howard Thomas, Thomas & Associates Consulting, LLC

Attachments:

PSHP Board Resolution  
PSHP Shareholder Consent  
NPN Share Subscription Agreement  
PSW Share Subscription Agreement



**PUGET SOUND HEALTH PARTNERS INC**  
400 MERCER STREET, SUITE 410  
SEATTLE, WA 98109-4841

USBANK

DATE  
01/31/2009

AMOUNT  
\$125.00

PAY  
TO THE  
ORDER  
OF

One Hundred Twenty Five Dollars and 00 Cents

OIC State of Washington  
PO Box 40255  
Olympia WA 985040255

AUTHORIZED SIGNATURE

**PUGET SOUND HEALTH PARTNERS INC**

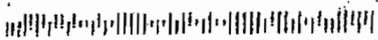
Vendor ID	Name	Payment Number	Check Date	Document Number	
OICWAS	OIC State of Washington	[REDACTED]	01/31/2009	0004172	
Our Voucher Number	Date	Amount	Amount Paid	Discount	Net Amount Paid
SOL PERMIT 0109-1	01/31/2009	\$125.00	\$125.00	\$0.00	\$125.00

\$125.00

\$125.00

\$0.00

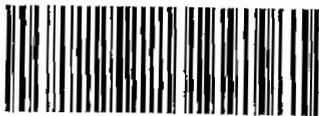
\$125.00



  
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 OF THE RETURN ADDRESS, FOLD AT DOTTED LINE  
**CERTIFIED MAIL**



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U.S. POSTAGE  
 PAID  
 SEATTLE, WA  
 98109  
 JAN 23 '09  
 AMOUNT  
**\$4.55**  
 00020820-11

**FIRST CLASS**



**PUGET SOUND**  
**HEALTH PARTNERS**

400 Mercer Street, Suite 410  
 Seattle, WA 98109

Mr. Ronald Pastuch  
 Holding Company Manager  
 Ms. Gail Pasero  
 Company Supervision Manager  
 WA Office of the Insurance Commissioner  
 PO Box 40259  
 Olympia, WA 98508

98508-0259

**FIRST CLASS**

**FIRST CLASS**

**CONSENT TO ACTIONS  
OF THE SHAREHOLDERS OF  
Puget Sound Health Partners, Inc.**

THE UNDERSIGNED, being all of the Shareholders of Puget Sound Health Partners, Inc. (the "Corporation"), by signature hereunder, do hereby consent to the actions described and adoption of the resolutions set forth below pursuant to RCW 23B.07.040.

**SUBSCRIPTIONS**

WHEREAS, the Office of the Insurance Commissioner of the State of Washington has requested that additional equity be contributed to the Corporation; and

WHEREAS, subscriptions have been submitted by Northwest Physicians Network of Washington, LLC ("NPN") and Physicians of Southwest Washington, L.L.C. ("PSW") to acquire additional shares of stock of the Corporation.

NOW, THEREFORE, the following resolutions are unanimously adopted:

RESOLVED, that the subscriptions of NPN and PSW for the number of shares set forth opposite their names are accepted and upon payment to the Corporation of the amount set forth opposite a subscriber's name, a certificate for the number of shares set forth opposite his name shall be delivered to:

<u>Name</u>	<u>Shares</u>	<u>Consideration</u>
NPN	50,000	\$500,000
PSW	50,000	\$500,000

and;

FURTHER RESOLVED, that such consideration to be received for said shares will be adequate insofar as the adequacy of consideration relates to whether the shares are validly issued, fully paid, and nonassessable.

The execution of this Consent shall constitute written waiver of any notice required by the Washington Business Corporation Act and the Corporation's Articles of Incorporation and Bylaws. This Consent may be signed in counterparts, each of which taken together shall constitute a single Consent and shall become an act of the Shareholders of the Corporation for purposes of the Corporation's Bylaws. This Consent may be signed and delivered by fax, and such signature delivered by fax copy shall be effective when such fax is received.

Consented to as of the 23rd day of January, 2009.

**SHAREHOLDERS:**

PHYSICIANS OF SOUTHWEST  
WASHINGTON, LLC

---

Mariella Cummings, CEO

HIGHLINE MEDICAL SERVICES  
ORGANIZATION, INC.

---

Karen Lee, CEO

NORTHWEST PHYSICIANS  
NETWORK OF WASHINGTON, L.L.C.



---

Patricia Briggs, CEO

**CONSENT TO ACTIONS  
OF THE SHAREHOLDERS OF  
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Consented to as of the 25 day of January, 2009.

**SHAREHOLDERS:**

PHYSICIANS OF SOUTHWEST  
WASHINGTON, LLC

  
\_\_\_\_\_  
Mariella Cummings, CEO

NORTHWEST PHYSICIANS  
NETWORK OF WASHINGTON, L.L.C.

\_\_\_\_\_  
Patricia Briggs, CEO

HIGHLINE MEDICAL SERVICES  
ORGANIZATION, INC.

\_\_\_\_\_  
Karen Lee, CEO

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Consented to as of the 13<sup>th</sup> day of January, 2009.

**SHAREHOLDERS:**

**PHYSICIANS OF SOUTHWEST  
WASHINGTON, LLC**

**NORTHWEST PHYSICIANS  
NETWORK OF WASHINGTON, L.L.C.**

\_\_\_\_\_  
Mariella Cummings, CEO

\_\_\_\_\_  
Patricia Briggs, CEO

**HIGHLINE MEDICAL SERVICES  
ORGANIZATION, INC.**

\_\_\_\_\_  
Karen Lee, ~~CEO~~ President

60/61 10560M 100 605014

- 2 -

**CONSENT TO ACTIONS  
OF THE DIRECTORS OF  
Puget Sound Health Partners, Inc.**

THE UNDERSIGNED, being the Directors of Puget Sound Health Partners, Inc. (the "Corporation"), by signature hereunder, do hereby consent to the actions described and adoption of the resolutions set forth below pursuant to RCW 23B.08.210.

**SUBSCRIPTIONS**

WHEREAS, the Office of the Insurance Commissioner of the State of Washington has requested that additional equity be contributed to the Corporation; and

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Consented to as of the 23rd day of January, 2009.

**DIRECTORS:**

[REDACTED]

Patricia Briggs

[REDACTED]

Leonard Alenick, MD

[REDACTED]

Stanley L.K. Flemming, DO, MA

Bud Musselman

Karen Lee

Gary R. Goin, MD

Laurence C. Schadt, MD

Mariella Cummings

John Van Bodegom, MD

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Consented to as of the 21<sup>st</sup> day of January, 2009.

**DIRECTORS:**

\_\_\_\_\_  
Patricia Briggs

\_\_\_\_\_  
Gary R. Goin, MD

\_\_\_\_\_  
Leonard Alenick, MD

\_\_\_\_\_  
Laurence C. Schadt, MD

\_\_\_\_\_  
Stanley L.K. Flemming, DO, MA

\_\_\_\_\_  
Mariella Cummins

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Consented to as of the 15 day of January, 2009.

**DIRECTORS:**

\_\_\_\_\_  
Patricia Briggs

\_\_\_\_\_  
Leonard Alenick, MD

\_\_\_\_\_  
Stanley I.K. Flemming, DO, MA

\_\_\_\_\_  
Bud Musselman

\_\_\_\_\_  
Karen Lee

*[Handwritten Signature]*  
\_\_\_\_\_  
Gary R. Goin, MD

*[Handwritten Signature]*  
\_\_\_\_\_  
Laurence C. Schadt, MD

\_\_\_\_\_  
Mariella Cummings

\_\_\_\_\_  
John Van Bodegom, MD

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PUG009 0001 1001001 1/9/09

- 1 -

Consented to as of the 13<sup>th</sup> day of January, 2009.

**DIRECTORS:**

\_\_\_\_\_  
Patricia Briggs

\_\_\_\_\_  
Gary R. Goin, MD

\_\_\_\_\_  
Leonard Alenick, MD

\_\_\_\_\_  
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\_\_\_\_\_  
Karen Lee

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**DIRECTORS:**

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Patricia Briggs

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Stanley L.K. Flemming, DO, MA

\_\_\_\_\_  
Mariella Cummings

\_\_\_\_\_  
Bud Musselman

\_\_\_\_\_  
John Van Bodegom, MD

\_\_\_\_\_  
Karen Lee

## SHARE SUBSCRIPTION AGREEMENT

NORTHWEST PHYSICIANS NETWORK OF WASHINGTON, L.L.C. (Purchaser") hereby subscribes for and agrees to purchase Fifty Thousand (50,000) shares, ten dollar (\$10.00) par value, of the common stock, (the "Shares") of PUGET SOUND HEALTH PARTNERS, INC., a Washington corporation (the "Company"), and the Company agrees to sell the Shares to Purchaser on the terms and conditions set forth below:

1. *Purchase Price.* The purchase price to be paid by Purchaser for each Share shall be Ten Dollars (\$10.00) for a total purchase price of Five Hundred Thousand Dollars (\$500,000.00) for the Fifty Thousand (50,000) shares.

2. *Issuance of Shares.* The Company shall issue Fifty Thousand fully paid and non-assessable Shares after payment in full has been received and Purchaser shall be entitled to all rights of a shareholder with respect to those Shares so issued.

3. *Investment Representation.* Purchaser represents and warrants that Purchaser is acquiring the Shares solely for Purchaser's own account, for investment and not with a view to resale or distribution. Purchaser shall not have the right to assign this Subscription Agreement or any rights hereunder. Purchaser understands that the Shares have not been registered pursuant to the Securities Act of 1933 or any state securities laws, and Purchaser consents to the placement of a legend on any stock certificate issued to the Purchaser to the effect that the Shares represented thereby may not be sold, pledged, or otherwise transferred without registration under such laws or evidence satisfactory to the Company that such transaction is exempt from registration under such laws.

4. *Default.* Purchaser acknowledges that Company is relying on receipt of the payment to which Purchaser is committed to pay by this Subscription Agreement and that Purchaser's breach of its obligations set forth herein will cause irreparable harm to the Company. Purchaser acknowledges that damages from such a breach will be difficult to determine and for this reason Purchaser agrees that an action for specific performance by Company is warranted in the event of such a breach. In such event, Purchaser expressly waives its defense that a remedy in damages or at law would be adequate. Such relief shall be in addition to and not in place of any remedies at law, and shall be without the necessity of Purchaser's posting of a bond.

5. *Choice of Law/Venue.* This Agreement shall be construed and enforced in accordance with the internal laws of the State of Washington (excluding its conflict of laws rules). Purchaser hereby irrevocably submits to the non-exclusive jurisdiction of any state or federal court sitting in Seattle, King County, Washington, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Subscription and irrevocably waives to the fullest extent permitted by law any objection which it may now or hereafter have to the laying of venue in any such action or proceeding in any such forum, and hereby further irrevocably waives any claim that any such forum is an inconvenient forum. Purchaser agrees that a final judgment in any such action or

proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law. Nothing herein shall impair the right of Company to bring any action or proceeding against Purchaser or its property in the courts of any other jurisdiction.

6. *Miscellaneous.* If more than one person is signing this Agreement as Purchaser, the covenants, representations, and warranties of Purchaser in this Agreement shall be the joint and several obligations of each of the undersigned. If Purchaser is a corporation, partnership, or other entity, Purchaser and the undersigned representative of Purchaser each hereby represent and warrant that the purchase of the Shares pursuant to this Subscription Agreement has been duly authorized by all necessary corporate, partnership, or other action; that the undersigned individual is duly authorized to bind Purchaser to this Agreement; and that the Purchaser was not organized for the purpose of investing in the Shares of the corporation.

PURCHASER:

Northwest Physicians Network of Washington  
L.L.C.

[REDACTED]

Patricia Briggs, Chief Executive Officer

708 Broadway, Suite 400  
Tacoma, Washington 98402

The foregoing Subscription Agreement is hereby accepted this 23rd day of January 2009.

COMPANY:

Puget Sound Health Partners, Inc.

By: [REDACTED]

Lawrence Loo, MPH  
Chief Executive Officer

## SHARE SUBSCRIPTION AGREEMENT

PHYSICIANS OF SOUTHWEST WASHINGTON, LLC (Purchaser") hereby subscribes for and agrees to purchase Fifty Thousand (50,000) shares, ten dollar (\$10.00) par value, of the common stock, (the "Shares") of PUGET SOUND HEALTH PARTNERS, INC., a Washington corporation (the "Company"), and the Company agrees to sell the Shares to Purchaser on the terms and conditions set forth below:

1. *Purchase Price.* The purchase price to be paid by Purchaser for each Share shall be Ten Dollars (\$10.00) for a total purchase price of Five Hundred Thousand Dollars (\$500,000.00) for the Fifty Thousand (50,000) shares.

2. *Issuance of Shares.* The Company shall issue Fifty Thousand fully paid and non-assessable Shares after payment in full has been received and Purchaser shall be entitled to all rights of a shareholder with respect to those Shares so issued.

3. *Investment Representation.* Purchaser represents and warrants that Purchaser is acquiring the Shares solely for Purchaser's own account, for investment and not with a view to resale or distribution. Purchaser shall not have the right to assign this Subscription Agreement or any rights hereunder. Purchaser understands that the Shares have not been registered pursuant to the Securities Act of 1933 or any state securities laws, and Purchaser consents to the placement of a legend on any stock certificate issued to the Purchaser to the effect that the Shares represented thereby may not be sold, pledged, or otherwise transferred without registration under such laws or evidence satisfactory to the Company that such transaction is exempt from registration under such laws.

4. *Default.* Purchaser acknowledges that Company is relying on receipt of the payment to which Purchaser is committed to pay by this Subscription Agreement and that Purchaser's breach of its obligations set forth herein will cause irreparable harm to the Company. Purchaser acknowledges that damages from such a breach will be difficult to determine and for this reason Purchaser agrees that an action for specific performance by Company is warranted in the event of such a breach. In such event, Purchaser expressly waives its defense that a remedy in damages or at law would be adequate. Such relief shall be in addition to and not in place of any remedies at law, and shall be without the necessity of Purchaser's posting of a bond.

5. *Choice of Law/Venue.* This Agreement shall be construed and enforced in accordance with the internal laws of the State of Washington (excluding its conflict of laws rules). Purchaser hereby irrevocably submits to the non-exclusive jurisdiction of any state or federal court sitting in Seattle, King County, Washington, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Subscription and irrevocably waives to the fullest extent permitted by law any objection which it may now or hereafter have to the laying of venue in any such action or proceeding in any such forum, and hereby further irrevocably waives any claim that any such forum is an inconvenient forum. Purchaser agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on

the judgment or in any other manner provided by law. Nothing herein shall impair the right of Company to bring any action or proceeding against Purchaser or its property in the courts of any other jurisdiction.

6. *Miscellaneous.* If more than one person is signing this Agreement as Purchaser, the covenants, representations, and warranties of Purchaser in this Agreement shall be the joint and several obligations of each of the undersigned. If Purchaser is a corporation, partnership, or other entity, Purchaser and the undersigned representative of Purchaser each hereby represent and warrant that the purchase of the Shares pursuant to this Subscription Agreement has been duly authorized by all necessary corporate, partnership, or other action; that the undersigned individual is duly authorized to bind Purchaser to this Agreement; and that the Purchaser was not organized for the purpose of investing in the Shares of the corporation.

PURCHASER:

Physicians of Southwest Washington, LLC



Mariella Cummings, Chief Executive Officer

MC  
VLS  
519 - ~~Southwest Ave SE, Suite 201~~  
~~2111 Harrison Ave NW~~  
Olympia, WA 98502-98501

The foregoing Subscription Agreement is hereby accepted this \_\_\_\_\_ day of January 2009.

COMPANY:

Puget Sound Health Partners, Inc.

By:

  
Lawrence Loo, MPH  
Chief Executive Officer



RECEIVED

JAN 27 2009

INSURANCE COMMISSIONER  
COMPANY SUPERVISION

January 20, 2009

Mr. Ronald Pastuch  
Holding Company Manager  
Ms. Gail Pasero  
Company Supervision Manager  
WA Office of the Insurance Commissioner  
PO Box 40259  
Olympia, WA 97308

Dear Mr. Pastuch and Ms. Pasero,

**RE: Request for Solicitation Permit for issuance of common shares**

In response to our recent discussions and various letters regarding an increase in the capitalization level of Puget Sound Health Partner (PSHP), we are hereby amending our previous request to issue common shares instead of surplus notes.

Please consider this letter as our formal request for the OIC to issue PSHP a solicitation permit to allow us to complete the share transaction that we have discussed with your office. PSHP has received approval from its shareholders and Board of Directors to issue an additional 100,000 shares at par value (\$10) in exchange for \$1 million in new capital/shareholder equity for PSHP. We have attached the PSHP shareholder and board resolutions approving this transaction for your review.

Two of our existing shareholders, Northwest Physicians Network of Washington, LLC (NPN) and Physicians of Southwest Washington, LLC (PSW) intend to purchase these shares. NPN and PSW would each receive 50,000 additional shares in exchange of \$500,000 each. We have attached the executed subscription agreements for the issuance of these shares more fully explains the transaction. Please note that these shares were created upon formation of PSHP and in accordance with our original approvals from the OIC. These shares have been held by the corporation and never issued and were intended for use in this manner. Upon issuance these shares would be in accordance with the same PSHP governance documents that are in place today, including the existing Shareholder Agreements, the Articles of Incorporation and the Corporate Bylaws.



**PUGET SOUND**  
**HEALTH PARTNERS**

Mr. Ronald Pastuch  
January 20, 2009  
Page Two

It is our intention to issue these shares and receive the capital as soon as we receive your approval via the solicitation permit. In addition to this capital infusion we have begun discussions with reinsurers as another means of improving our capital-surplus ratio. As you may recall these steps are documented in the capitalization plan we have submitted to your office last year. It is our intention to complete this reinsurance contract as soon as possible. Based upon prior conversations with your office, we understand that the OIC does not approve or disapprove such reinsurance contracts however, should you or others form the OIC care to be more informed about this impending contract we remain open to reviewing this approach with you.

It is our desire to consummate the issuance of the shares to NPN and PSW as soon as possible and we would appreciate an expedited review and approval of this matter by the OIC. If you have any questions, please contact me at 206.658.2959 or by e-mail at [Larry.L@OurPSHP.com](mailto:Larry.L@OurPSHP.com).

Regards,

  
Larry Loo, MPH  
Chief Executive Officer

Cc:

Jon Schorr, Carney, Badley, Spellman  
Zachary Smulski, PSHP CFO  
Howard Thomas, Thomas & Associates Consulting, LLC

Attachments:

PSHP Board Resolution  
PSHP Shareholder Consent  
NPN Share Subscription Agreement  
PSW Share Subscription Agreement

**RCW 23B.07.040****Action without meeting.**

(1)(a) Action required or permitted by this title to be taken at a shareholders' meeting may be taken without a meeting or a vote if either:

(i) The action is taken by all shareholders entitled to vote on the action; or

(ii) The action is taken by shareholders holding of record or otherwise entitled to vote in the aggregate not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on the action were present and voted, and at the time the action is taken the corporation is not a public company and is authorized to take such action under this subsection (1)(a)(ii) by a general or limited authorization contained in its articles of incorporation.

(b) The taking of action by shareholders without a meeting or vote must be evidenced by one or more consents, each in the form of a record describing the action taken, executed by shareholders holding of record or otherwise entitled to vote in the aggregate not less than the minimum number of votes necessary in order to take such action by consent under (a)(i) or (ii) of this subsection, and delivered to the corporation for inclusion in the minutes or filing with the corporate records, which consent shall be set forth either (i) in an executed record or (ii) if the corporation has designated an address, location, or system to which the consent may be electronically transmitted and the consent is electronically transmitted to the designated address, location, or system, in an executed electronically transmitted record.

(2) If not otherwise fixed under RCW 23B.07.030 or 23B.07.070, the record date for determining shareholders entitled to take action without a meeting is the date on which the first shareholder consent is executed under subsection (1) of this section. Every consent shall bear the date of execution of each shareholder who executes the consent. A consent is not effective to take the action referred to in the consent unless, within sixty days of the earliest dated consent delivered to the corporation, consents executed by a sufficient number of shareholders to take action are delivered to the corporation.

(3) A shareholder may withdraw consent only by delivering a notice of withdrawal in the form of a record to the corporation prior to the time when consents sufficient to authorize taking the action have been delivered to the corporation.

(4) Unless the shareholder consent specifies a later effective date, action taken under this section is effective when: (a) Consents sufficient to authorize taking the action have been delivered to the corporation; and (b) the period of advance notice required by the corporation's articles of incorporation to be given to any nonconsenting shareholders has been satisfied.

(5) A consent executed under this section has the effect of a meeting vote and may be described as such in any record, except that, if the action requires the filing of a certificate under any other section of this title, the certificate so filed shall state, in lieu of any statement required by that section concerning any vote of shareholders, that consent has been obtained in accordance with this section and that notice to any nonconsenting shareholders has been given as provided in this section.

(6) Notice of the taking of action by shareholders without a meeting by less than unanimous consent of all shareholders entitled to vote on the action shall be given, before the date on which the action becomes effective, to those shareholders entitled to vote on the action who have not consented and, if this title would otherwise require that notice of a meeting of shareholders to consider the action be given to nonvoting shareholders, to all nonvoting shareholders of the corporation. The general or limited

authorization in the corporation's articles of incorporation authorizing shareholder action by less than unanimous consent shall specify the amount and form of notice required to be given to nonconsenting shareholders before the effective date of the action. In the case of action of a type that would constitute a significant business transaction under RCW 23B.19.020(15), the notice shall be given no fewer than twenty days before the effective date of the action. The notice shall be in the form of a record and shall contain or be accompanied by the same material that, under this title, would have been required to be delivered to nonconsenting or nonvoting shareholders in a notice of meeting at which the proposed action would have been submitted for shareholder action. If the action taken is of a type that would entitle shareholders to exercise dissenters' rights under RCW 23B.13.020(1), then the notice must comply with RCW 23B.13.220(2), RCW 23B.13.210 shall not apply, and all shareholders who have not executed the consent taking the action are entitled to receive the notice, demand payment under RCW 23B.13.230, and assert other dissenters' rights as prescribed in chapter 23B.13 RCW.

[2002 c 297 § 23; 1997 c 19 § 2; 1991 c 72 § 33; 1989 c 165 § 63.]

**RCW 23B.08.210**

**Action without meeting.**

(1) Unless the articles of incorporation or bylaws provide otherwise, action required or permitted by this title to be taken at a board of directors' meeting may be taken without a meeting if the action is taken by all members of the board. The action must be evidenced by one or more consents describing the action taken, executed by each director either before or after the action taken, and delivered to the corporation for inclusion in the minutes or filing with the corporate records, each of which consents shall be set forth either (a) in an executed record or (b) if the corporation has designated an address, location, or system to which the consents may be electronically transmitted and the consent is electronically transmitted to the designated address, location, or system, in an executed electronically transmitted record.

(2) Action taken under this section is effective when the last director executes the consent, unless the consent specifies a later effective date.

(3) A consent under this section has the effect of a meeting vote and may be described as such in any record.

[2002 c 297 § 29; 1989 c 165 § 92.]

#### ARTICLE 4

The name and the addresses of the incorporators are:

<u>NAME</u>	<u>ADDRESS</u>
1. Stanley Fleming, D.O.	708 Broadway Suite #400 Tacoma, WA 98402
2. Mariella Cummings	2111 Harrison Avenue, NW Olympia, WA 98502
3. Gary R. Goin, MD	412-D Black Hills Lane SW Olympia, WA 98502
4. Karen Lee	19600 International Blvd SeaTac, WA 98188
5. John Van Bodegom, MD	16110 8th Ave SW #A-2 Burien, WA 98166
6. Patricia Briggs	708 Broadway Suite #400 Tacoma, WA 98402

#### ARTICLE 5

5.1 The Corporation shall be a stock based Health Care Services Contractor domiciled in the State of Washington.

5.2 The purpose for which the Corporation is organized is the transaction of the business of insurance and managed care as permitted under the Health Care Services Contractor registration requirements pursuant to Title 48 of the Revised Code of Washington and for such other lawful business purposes for which a corporation may be organized pursuant to the provisions of The Business Corporation Act of Washington, as amended from time to time.

#### ARTICLE 6

6.1 If the Corporation proposes to issue any shares of Common, or any options, warrants or other rights to directly or indirectly acquire any shares of Common or any securities convertible into or exchangeable for any shares of Common, each Shareholder who owns any shares of Common shall have the option to purchase shares of the Common sufficient to enable such Shareholder to maintain its percentage interest in the Shares (on a fully-diluted basis assuming the conversion of all convertible securities and exercise of all warrants and options)