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INSURANCE COMMISSIONER
COMPANY SUPERVISION

Gary P. Timin
T +1 305 577 2860
gary.timin@squiresanders.com
Paula D. Peterson
Chief Executive Officer

February 2, 2012

BY EMAIL AND FEDERAL EXPRESS

Ronald J. Pastuch, CPA
Holding Company Manager
Company Supervision Division
Office of the Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

Charles Brown
Senior Staff Attorney
Legal Affairs Division
Office of the Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

**Re: Humana Inc. -- Acquisition of Arcadian Management Services, Inc.
Form A Application Filed Sept. 22, 2011; Docket No. 12-0010
Amendment to Merger Agreement**

Dear Mr. Pastuch and Mr. Brown:

This correspondence supplements and updates the referenced Form A application pending with your Office that was filed by Humana Inc. for its acquisition of control of Arcadian Health Plan, Inc., the subsidiary of Arcadian Management Services, Inc. that is licensed and domiciled in the State of Washington. In particular, this letter and the enclosures are submitted as formal notice that the parties very recently entered into the enclosed First Amendment to Agreement and Plan of Merger, dated January 31, 2012. You will note that the first recital of the Amendment refers to a Letter Agreement dated January 19, 2012. A copy of it is also enclosed.

We believe you will find the effect of these documents clear but by way of summary point out that, among other modifications, the Amendment changes the Base Purchase Price to \$130 million and the Escrow Amount to \$24 million and adds a new Section 4.4 to the Merger Agreement. That Section sets forth the parties' agreements regarding consequences of the divestiture or retention of certain specified assets of Humana and of Arcadian, depending on whether those assets are divested or retained as a result of negotiations with federal antitrust authorities that are continuing as part of the Hart-Scott-Rodino review process. Because those negotiations are continuing, the parties are not now able to predict exactly when or on what terms they will ultimately conclude. The Letter Agreement provides in effect that, subject to certain conditions, neither Humana nor Arcadian may terminate the Merger Agreement before April 1, 2012, in the event that not all regulatory approvals and clearances are obtained by then. The summary in this paragraph is, of course, intended for your convenience and neither aims to be complete nor modifies the terms and conditions of the enclosed definitive documents.

36 Offices in 17 Countries

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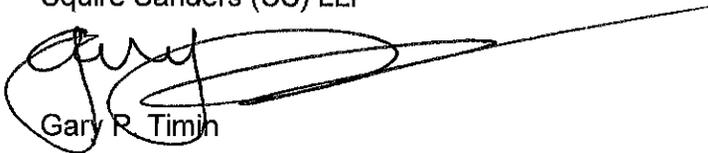
Please visit squiresanders.com for more information.

The limited changes to the transaction terms reflected in the Amendment and Letter Agreement do not alter the structure of the transaction or Humana's post-closing plans for the Arcadian companies as described in the Form A application. Similarly, as stated in Item 2(b) of the Form A, Humana continues to "believe that the Acquisition will have no adverse effect on competition in the product or geographic markets for [the parties'] services and lines of insurance and business either in Washington or elsewhere." To like effect, we note that, in his December 13, 2011, letter to you, Assistant Attorney General Jonathan A. Mark stated that "there does not appear to be sufficient evidence to conclude that the proposed acquisition of Arcadian warrants legal action by the Attorney General's Office." On a more technical point, if the Office considers that the changes to the transaction terms embodied in these documents call for an amendment to Humana's application, we respectfully request that you accept this letter and the enclosures as an amendment to the Form A. They have been reviewed and authorized by Humana for that purpose. Because the Amendment to the Merger Agreement includes non-public proprietary information about the parties and the transaction, it is stamped "Confidential," and Humana must ask your Office accord it confidential treatment for the time being in accordance with RCW 49.31C.130.

To expedite delivery, and because the application has been referred to the Hearings Unit for an administrative hearing to be set in the near future before Judge Petersen, we are emailing these materials to you and to her paralegal, Kelly Cairns. As always, do not hesitate to contact us if you have any questions or desire additional information. We believe the adjustments to the transaction terms need not occasion any delay in the hearing and respectfully reiterate the parties' request for an early date. Please be assured that the parties continue to work toward a closing at the earliest practical opportunity, as soon as all regulatory approvals and clearances are received.

Sincerely,

Squire Sanders (US) LLP



Gary R. Timin

Enclosures: 1. First Amendment to Agreement and Plan of Merger
2. Letter Agreement

Squire Sanders (US) LLP

Ronald J. Pastuch, CPA
Charles Brown, Esq.
February 2, 2012

cc: Kelly Cairns, Hearings Unit, OIC
Joan O. Lenahan, VP & Corp. Secretary, Humana Inc.
Joseph C. Ventura, Counsel, Humana Inc.
Lisa G. Han, Esq.
James Novello, General Counsel, Arcadian (w/ encls, by email)
Robert W. Hoffman, Esq.

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Ralph M. Wilson
Vice President and
Associate General Counsel

Humana Inc.
The Humana Building
500 West Main Street
Louisville, KY 40202
502.580.3715 Tel
rwilson@humana.com
Humana.com

January 19, 2012

HUMANA.
Guidance when you need it most

VIA ELECTRONIC MAIL

Arcadian Management Services
500 12th Street, Suite 340
Oakland, CA 94607
Attention: James Novello, Esq.

Re: Extension of Termination Date

Dear Mr. Novello:

Reference is hereby made to that certain Agreement and Plan of Merger by and among Humana, Inc., Humsol, Inc., Arcadian Management Services, Inc. and certain shareholders of Arcadian Management Services, Inc. dated August 24, 2011 (the "Merger Agreement"). Capitalized terms not defined herein shall have the meanings given to such terms in the Merger Agreement.

The parties hereto agree that, notwithstanding Sections 12.1(a) through 12.1(c) of the Merger Agreement, neither the Company nor Parent may terminate the Merger Agreement prior to 11:59 p.m., Louisville, KY time, on March 31, 2012 (the "Termination Time") due to a failure of the conditions of Sections 10.1(b) or 10.1(c) of the Merger Agreement which results from the waiting period or clearances or approvals required to be obtained by Sections 10.1(b) and 10.1(c) of the Merger Agreement having not been obtained; provided, however, if Parent believes that all such expirations of the waiting period and clearances and approvals cannot be obtained by the Termination Time then Parent shall have the right to terminate the Merger Agreement prior to the Termination Time notwithstanding the foregoing.

Except as provided herein, the Merger Agreement shall not be amended or otherwise modified.

* * * *

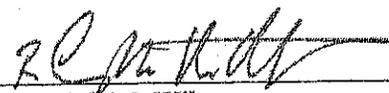
Arcadian Management Services
Extension of Termination Date
January 19, 2012
Page 2

HUMANA
Guidance when you need it most.

If the foregoing correctly reflects our understanding, please indicate your agreement by returning a countersigned copy of this letter.

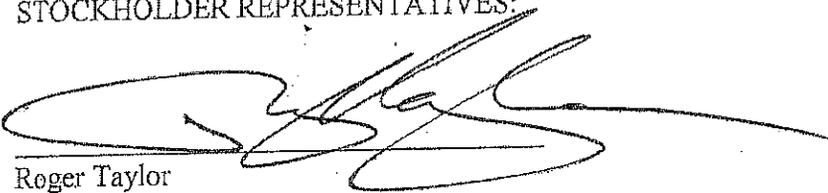
Regards,

HUMANA INC.

By: 
Name: Ralph M. Wilson
Title: Vice President and
Associate General Counsel

ACKNOWLEDGED AND AGREED:

STOCKHOLDER REPRESENTATIVES:


Roger Taylor

Melissa Daniels

Date: Jan 20, 2012

cc: Lawrence M. Braun, Esq. (Sheppard, Mullin, Richter & Hampton, LLP)
Melissa Daniels (Morgan Stanley Venture Partners)
Jon Biasetti (Locke Lord LLP)

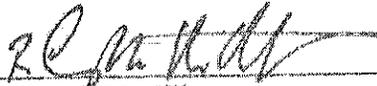
Arcadian Management Services
Extension of Termination Date
January 19, 2012
Page 2

HUMANA.
Guidance when you need it most

If the foregoing correctly reflects our understanding, please indicate your agreement by returning a countersigned copy of this letter.

Regards,

HUMANA INC.

By: 
Name: Ralph M. Wilson
Title: Vice President and
Associate General Counsel

ACKNOWLEDGED AND AGREED:

STOCKHOLDER REPRESENTATIVES:

Roger Taylor



Melissa Daniels

Date: 1-19-12

cc: Lawrence M. Braun, Esq. (Sheppard, Mullin, Richter & Hampton, LLP)
Melissa Daniels (Morgan Stanley Venture Partners)
Jon Biasetti (Locke Lord LLP)