

**STATEMENT REGARDING THE ACQUISITION
OF CONTROL OF OR MERGER WITH
A DOMESTIC HEALTH CARRIER**

Soundpath Health, Inc.
a Washington Health Care Service Contractor

BY

CollabHealth Plan Services, Inc.,
a Colorado Corporation

Filed with the Insurance Commissioner of the State of Washington

Date: October 19, 2012

Name, Title, Address and Telephone Number of Individuals to Whom Notices and
Correspondence Concerning This Statement Should Be Addressed:

Timothy E. Gorman
Vice President
Legal Transactions/Senior Counsel
Catholic Health Initiatives
198 Inverness Drive West
Englewood, Colorado 80112
Office: 303.383.2725
Fax: 720.874.1105
timgorman@catholichealth.net

Terri Rambossek
Corporate Counsel
Catholic Health Initiatives/Legal Services
Group
Franciscan Health System
1145 Broadway Plaza, MS 07-00
Tacoma, Washington 98404
Office: 253.680.4012
Fax: 253.680.4056
TerriRambossek@catholichealth.net

Robert B. Sullivan
Polsinelli Shughart PC
700 West 47th Street, Suite 1000
Kansas City, Missouri 64112-1802
Office: 816.360.4151
Fax: 816.753.1536
rsullivan@polsinelli.com

THE APPLICATION

CollabHealth Plan Services, Inc., a Colorado Corporation (the “**Applicant**”), hereby files this Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the “**Application**”) for approval from the Office of the Insurance Commissioner in Washington (the “**OIC**”) to acquire control of Soundpath Health, Inc., a Washington health care service contractor.

ITEM 1. HEALTH CARRIER AND METHOD OF ACQUISITION

Health Carrier Information

The domestic health carrier to which this Application relates is Soundpath Health, Inc. (“**Soundpath**”), a Washington health care service contractor. Soundpath was formerly known as Puget Sound Health Partners. Soundpath’s addresses are:

Administrative and Statutory Home Office Address

32129 Weyerhaeuser Way S., Suite 201
Federal Way, Washington 98001-9346

Mailing Address

P.O. Box 4537
Federal Way, Washington 98063

Method of Acquisition

Soundpath is currently owned by Northwest Physicians Network of Washington, LLC (“**NPN**”) and Physicians of Southwest Washington, L.L.C. (“**PSW**”). NPN owns 41% and PSW owns 59% of the issued and outstanding shares of Class A stock of Soundpath. NPN and PSW collectively may be referred to herein as the “**Seller**.”

The discussion below sets forth a description of three separate purchase agreements that the parties have entered into with respect to the acquisition of shares of stock of Soundpath as well as assets of Soundpath by the Applicant.

Stock Purchase Agreement for Class A Shares

Subject to the approval of the OIC and the satisfaction of certain other conditions, the Applicant has agreed in the first Stock Purchase Agreement (referred to herein as the “**Master Purchase Agreement**”) to acquire fifty-six percent (56%) of the issued and outstanding Class A shares of capital stock of Soundpath (the “**Class A Shares**”) by purchasing 309,400 Class A Shares from NPN and 196,560 Class A Shares from PSW for a total purchase price of \$12,102,563.20. The Master Purchase Agreement is attached as Exhibit 1.

At the closing of the transaction contemplated in the Master Purchase Agreement (the "**Closing**"), NPN and PSW will each place a portion of the proceeds from such sale into separate security reserve accounts that will be controlled jointly with Soundpath. Such amounts in the security reserve accounts will be sufficient to satisfy fully those incurred but not reported claims arising from NPN's or PSW's respective capitated Soundpath provider contracts ("**IBNR Reserves**") as of the Closing date. Pursuant to such provider agreements, NPN and PSW will maintain funds in their respective security reserve accounts equal to the IBNR Reserves on an ongoing basis, and the funds in the security reserve accounts will be maintained and disbursed as set forth in the security reserve amendment to such provider agreements. The final and binding amounts of the IBNR Reserves are set forth in the Master Purchase Agreement.

Stock Purchase Agreement for Class R Shares

Soundpath and the Applicant have also entered into a Class R Preferred Stock Purchase Agreement ("**Class R Agreement**"). See Exhibit 19. As of the Closing Date, Soundpath will authorize and issue a new class of preferred shares ("**Class R Shares**"), which will be sold only to the Applicant, for an amount intended to meet Soundpath's reserves as required by law ("**Required Reserves**"), but not to exceed an amount equal to \$12,500,000 less the amount paid for certain assets of Soundpath (the "**Asset Purchase Price**"), as described in the following section. Soundpath, the Applicant, NPN and PSW have all agreed that the proceeds from the sale of the Class R Shares (the "**R Share Reserves**") will be maintained as reserves and not used for working capital or for any other purpose. Soundpath will not withdraw the Class R Share Reserves until such time as Soundpath has withdrawn all other funds in its reserves. Class R Shares will be non-voting and, at such times as determined by the Board of Directors of Soundpath, Soundpath will pay directly all interest or investment income generated by such reserves to the Applicant with any necessary prior approval of the OIC, except to the extent the same is required to maintain reserves in accordance with applicable legal requirements or the policy established by the Board of Directors of Soundpath (the "**Board**"). Further, over the seven (7) years following the Closing Date, Soundpath will build its own needed reserves through operations and, unless otherwise consented to by the Applicant, redeem all of the issued and outstanding Class R Shares at face value with any necessary prior approval by the OIC. No dividends shall be distributed to Class A shareholders until all Class R Shares are redeemed and the Class R Shares shall have preferential rights with respect to the Class A shares in the event of a sale, merger or dissolution of Soundpath or similar liquidation event.

Asset Purchase Agreement

On the Closing Date, the Applicant will purchase all of Soundpath's assets that are related to Soundpath's insurance administration capabilities, including without limitation, all assets related to processes, workforce in place, certain intellectual property, rights under personal property leases, real property leases and certain other contracts, software and all other assets related to the administration of Soundpath's insurance business (collectively the "**Purchased Assets**"). The Purchased Assets will not include Soundpath's license to engage in the health insurance business in the State of Washington, cash, cash equivalents, reserves, fixed income investments, capital and surplus, the name "Soundpath Health", provider contracts and other contracts related to the delivery of insurance products.

The Asset Purchase Price payable to Soundpath for the Purchased Assets is \$415,800, which is based upon a fair market value assessment as determined by a third party appraiser. The proceeds of the Asset Purchase Price will be maintained by Soundpath as reserves to meet Soundpath's required reserves. The Asset Purchase Agreement is attached as Exhibit 20.

All three purchase agreements referenced above may be referred to collectively herein as the "**Purchase Agreements**."

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) Name and Address of the Applicant

CollabHealth Plan Services, Inc.

Principal Office and Mailing Address

198 Inverness Drive West
Englewood, Colorado 80112

(b) Nature of Business Operations for Past Five Years and Business Intended to be Done by the Applicant

The Applicant was formed on October 17, 2012 in order to facilitate the acquisition of Soundpath. The Applicant's ultimate parent company is Catholic Health Initiatives ("CHI"). CHI is a nation-wide Catholic sponsored non-profit organization that is the sole parent of Tacoma, Washington-based Franciscan Health System. CHI is involved in a range of healthcare related activities throughout the United States, and participation in Soundpath is a natural outgrowth of CHI's commitment to improving the health of communities and promoting positive change in the health care system. The history of CHI provides insight into the reason that CHI views Soundpath in this way.

In 1995, sponsors of Catholic health ministries came to the conclusion that the evolving health care environment would require a radical change in the organizational structures of the health ministries. With this in mind, a group of Catholic health care leaders began to explore ways to strengthen the health ministry for the future. They envisioned a national Catholic health ministry, sponsored and governed by an equal religious-lay partnership, which would live out its mission by transforming health care delivery and creating new ministries to promote healthy communities. By July 1, 1996, this new ministry, CHI began operation.

The mission of CHI is to "nurture the healing ministry of the Church by bringing it new life, energy and viability in the 21st century. Fidelity to the Gospel urges us to emphasize human dignity and social justice as we move toward the creation of healthier communities."

To fulfill this mission, CHI, as a values-driven organization, seeks to: (1) Assure the integrity of the healing ministry in both current and developing organizations and activities; (2) Develop creative responses to emerging health care challenges; (3) Promote mission integration and leadership formation throughout the entire organization; (4) Create a national Catholic voice

that advocates for systemic change and influences health policy with specific concern for persons who are poor, alienated and underserved; and (5) Steward resources by general oversight of the entire organization.

Initially, CHI operated the hospitals and long-term care facilities that had been part of its founders' organizations. As the business of health care has evolved, CHI has evolved. It naturally added health care facilities that are part of its system and participated in innovative efforts to improve delivery of health care in these facilities. It also expanded into additional programs that increase access to care, such as home health and research and supported programs that promote health in its communities by granting funds to support health community initiatives and investing in organizations that improve access to health care, education, housing and jobs. Importantly, CHI has also focused on developing relationships with primary care and specialty care physicians who are crucial to quality, efficiency and availability of care.

Today, health care continues to change at a breath-taking pace. Over the next several years, health care organizations will be expected to improve the quality and efficiency of care for patients across the system—not merely within their organizations. The ability to manage population health will be key to the sustained viability of these organizations. CHI's past efforts to develop a continuum of care have laid the groundwork for CHI to continue serving its communities in this new environment. CHI's involvement in Soundpath will extend these capabilities. Soundpath will give CHI the ability to provide health insurance to people in its communities and manage their care through its payor programs. It will also provide the data and analytic tools necessary for CHI to improve the efficacy of the health care it delivers.

CHI has extensive experience in the insurance industry. CHI owns and operates commercial and captive property and casualty insurance companies. CHI is the largest shareholder of Preferred Professional Insurance Company ("PPIC"), a property and casualty insurance company domiciled in Omaha, Nebraska. PPIC was formed in 1985 by CHI predecessor health systems. As of June 1, 2012, PPIC has total assets of \$377 million, policyholder surplus of \$167 million and is licensed to write business in all fifty (50) states. Current CHI staff have acted in a number of governance rolls for PPIC including Board Chair, Board member, Executive Committee member, Underwriting Committee member and Finance Committee member. PPIC has an A.M. Best rating of A- VIII.

CHI and its predecessor systems have also owned and operated captive insurance companies since the late 1980s. The organization's current captive insurance company, First Initiatives Insurance, Ltd. ("FIIL"), was formed in 1997. As of June 30, 2012, FIIL has total assets of \$748 million and policyholder surplus of \$284 million. FIIL provides fourteen (14) different property and casualty coverages to CHI via insurance or reinsurance including hospital professional liability, commercial general liability, workers' compensation, employment practices liability, property & boiler and machinery, surety bonds, and medical equipment extended warranty. CHI's forty-five (45) insurance professionals include staff with extensive experience in commercial insurance company, commercial insurance brokerage, and commercial insurance consulting. Because FIIL is a captive insurance company, CHI's staff provides all insurance functions including underwriting, claims management, risk financing, information systems management, loss prevention, and risk management services.

CHI also owns and operates a captive management company, Captive Management Initiatives. The organization provides bookkeeping, financial reporting, client advocacy, and insurance consulting to FIIL and third party captives.

For the past several years, CHI has invested in developing a health insurance management organization with extensive experience in executive and operational management of commercial, Medicare Advantage, and managed Medicaid health insurance plans, with particular depth of experience in managing Medicare Advantage programs. The organization's insurance management operations are actively involved in Medicare Advantage relationships with national and local health plans. CHI has also acquired interests in health plan insurance management operations, including highly effective and compliant physician capitation management operations.

The CHI management team will bring its substantial industry success record to bear on the Soundpath operations, ensuring that Soundpath is in a consistent position to satisfy its regulatory, fiscal, and fiduciary obligations while protecting the state and federal rights of Medicare Advantage beneficiaries enrolled in Soundpath health programs. CHI will also introduce its care coordination and care management capabilities to Soundpath, which will enable the health plan to identify and better serve members who can benefit from chronic disease and high acuity health management programs.

CHI believes that the combination of its experience, skills, and assets in healthcare delivery and health plan management will enable Soundpath to successfully continue to serve Medicare Advantage beneficiaries well into the future. CHI's financial, quality, and regulatory commitment to members, patients, and the business concerns of Soundpath are consistent with the core values of CHI based on its mission to improve the health of the communities CHI serves in the State of Washington.

(c) Organizational Chart

The Applicant's current organizational chart is attached as Exhibit 23. None of the companies on the organizational chart have any pending court proceedings involving a reorganizational or liquidation.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

A list of the directors and executive officers of the Applicant and the Applicant's parent company as well as their biographical affidavits are attached as Exhibit 24, which is being filed concurrently herewith under separate cover for confidentiality purposes.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, Source and Amount of Consideration

The amount to be paid by the Applicant to the Seller in consideration for the purchase of Class A Shares is \$12,102,563.20. The price for the Purchased Assets is \$415,800. The amount

to be paid for the Class R Shares is \$12,085,000. All three amounts are referred to herein as the **“Purchase Price.”**

The Purchase Price will be paid from internal funds available to the Applicant. No part of the Purchase Price will come from funds borrowed for the purpose of the acquisition.

(b) Criteria Used in Determining the Nature and Amount of Consideration

The purchase price for the Class A Shares is based on the fair market value of such Class A Shares as determined by a third party appraiser retained by the Applicant.

The purchase price for the Class R Shares is based on an actuarial analysis of required reserves.

The purchase price for the Purchased Assets is based on fair market value as determined by a third party appraiser hired by the Applicant.

(c) Loans as the Source of the Consideration

The funds for the Purchase Price will not come from a loan.

ITEM 5. FUTURE PLANS OF HEALTH CARRIER

Other than the transactions described in this Form A and its exhibits, the Applicant anticipates no change in the business conducted by Soundpath. The Applicant believes that it is in the best interests of Soundpath to maintain its focus on Medicare Advantage plans. In this regard, the transactions contemplated by the Purchase Agreements will significantly strengthen Soundpath, placing it in a much stronger financial position to meet the needs of policyholders and providers. See Exhibit 25 for the financial projections for Soundpath.

A change in management of Soundpath is contemplated as a part of the overall transaction. Specifically, the Treasurer and Secretary will be replaced but the Chief Executive Officer will remain.

Regarding Soundpath's Board of Directors, the Applicant will have the right to appoint the majority of the Board. As of the Closing Date, the Applicant will appoint at least five (5) members to the Board, and PSW and NPN will collectively appoint four (4) members to the Board. The NPN and PSW appointees will be allocated based on their proportional ownership of Soundpath provided that as long as each of NPN or PSW continue to own at least 7% of the outstanding Class A shares of Soundpath, they shall have at least one Board seat.

See Exhibit 24 for a list of all of the proposed officers and directors of Soundpath as well as biographical affidavits. Background reports have been ordered from ACS Data Search.

The corporate documents of Soundpath have been revised in conjunction with the Purchase Agreements. See Exhibits 4 and 5 for Soundpath's Amended and Restated Bylaws and its Amended and Restated Articles of Incorporation.

It is contemplated that after the Closing, the Applicant will provide all administrative services for Soundpath, including but not limited to, care management, claims adjudication, customer service and premium collection. See Exhibit 10 for the Administrative Services Agreement.

Care management services are currently provided to Soundpath by NPN, and claims services are provided by PSW. For a limited amount of time after the Closing, the Applicant will provide these services through NPN and PSW pursuant to an assignment of the services agreements that are currently in place. See Exhibits 26 and 27 for these assignments along with the original agreements with Soundpath.

Other than care management and claims adjudication services, the Applicant will handle all other services listed in Schedule A of the Administrative Services Agreement as of Closing. The Applicant will perform these services through individuals currently employed by Soundpath. These employees will eventually be hired by the Applicant. Until they are officially employees of the Applicant, the Applicant will lease their services through an Employee Lease Agreement with Soundpath, which is attached as Exhibit 28.

The Master Purchase Agreement sets forth a number of exhibits, which are provided with this Form A. These exhibits include (1) revised provider agreements with NPN, PSW and Franciscan Health System, which after this transaction will be an affiliate of Soundpath; (2) an Amended and Restated Shareholder Agreement; and (3) non-competition agreements, to name a few.

Other than as described herein and in the Purchase Agreements, the Applicant has no plans or proposals for Soundpath to declare an extraordinary dividend, to liquidate Soundpath, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations, corporate structure or management.

ITEM 6. NONPROFIT HEALTH CARRIERS

This Item 6 is not applicable as Soundpath is a for-profit health care service contractor.

ITEM 7. FOR-PROFIT HEALTH CARRIERS

a. Number of Shares to be Acquired; Terms; Fairness of the Proposal

Upon Closing, the Applicant will immediately acquire 309,400 shares of Class A Shares from NPN and 196,560 shares of Class A Shares from PSW. The Applicant will also immediately acquire 1,000 shares of Class R Shares from Soundpath.

Some of the material terms of the Purchase Agreements are described above in Item 1. Copies of the Purchase Agreements are attached as Exhibits 1, 19 and 20. The Purchase Agreements were negotiated through arms-length discussions with the help of an appraiser's report regarding the fair market value of the Class A Shares and the Purchased Assets as well as an actuarial report commissioned by the Applicant for the Class R Shares.

b. Amount of Stock Beneficially Owned

Neither the Applicant nor its affiliates nor any person listed in Item 3 beneficially owns any voting security of Soundpath nor do any of these entities have any right to acquire such ownership in the future, except with respect to the stock pledged as collateral for the Promissory Note described below.

c. Other Contracts Involving the Voting Securities of Soundpath

In addition to the Purchase Agreements, there are two other agreements involving the voting securities of Soundpath. The first agreement is the Amended and Restated Shareholder Agreement ("**Shareholder Agreement**"), which is attached as Exhibit 6. The Shareholder Agreement provides for the disposition of the Class A Shares among the shareholders. Such provisions include right of first refusal, tag-along and take-along rights and various put and call rights among the shareholders as more fully set forth therein. In addition, the Shareholder Agreement obligates the shareholders to contribute additional capital to Soundpath upon the happening of certain events set forth therein.

The second agreement involves a loan made by CHI to NPN for \$600,000. The Promissory Note, Stock Pledge and Security Agreement are attached as Exhibit 29.

d. Recent Purchases of Voting Securities

Other than the Purchase Agreements, neither the Applicant nor its affiliates nor any person listed in Item 3 has purchased any voting securities of Soundpath during the twelve calendar months preceding the filing of this Application.

e. Recent Recommendations to Purchase

Neither the Applicant nor its affiliates nor any person listed in Item 3 has made any recommendations to purchase any voting security of Soundpath during the twelve calendar months preceding the filing of this Application.

f. Agreements with Broker-Dealers

The Applicant has not entered into any agreement with a broker-dealer regarding the solicitation of the voting securities of Soundpath.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

a. Financial Statements and Exhibits

The Applicant and its parent company, CollabHealth Managed Solutions, Inc., were just formed on October 17, 2012. Their opening balance sheets have been included as Exhibits 30 and 31.

b. Annual Financial Statements

CHI is the parent company of CollabHealth Managed Solutions, Inc. and the ultimate parent company of the Applicant. CHI's annual financial statements are attached as Exhibits 33 through 36.

c. Purchase Agreements and Related Contracts

The three Purchase Agreements are attached as Exhibits 1, 19 and 20. See the table below for the related contracts.

EXHIBIT TABLE FOLLOWS ON NEXT PAGE

*Confidential Trade Secret and Proprietary Information
For OIC Review Only*

Exhibit	Description of Exhibits	Confidential Binder*
1.	Stock Purchase Agreement (SPA)	X
2.	Exhibit 1.4(b)(i) - PSW Escrow Agreement	
3.	Exhibit 1.4(b)(ii) - NPN Escrow Agreement	
4.	Exhibit 1.7(a)(vii) - Amended and Restated Bylaws of Soundpath (not filed as confidential information)	
5.	Exhibit 1.7(a)(viii) - Amended and Restated Articles of Incorporation of Soundpath (not filed as confidential information)	
6.	Exhibit 1.7(a)(ix) - Amended and Restated Shareholder Agreement of Soundpath	
7.	Exhibit 1.7(a)(xiii) - Amendment to Contractor and Participant Medicare Advantage Agreement between Soundpath and NPN	
8.	Exhibit 1.7(a)(xiv) - Amendment to Contractor and Participant Medicare Advantage Agreement between Soundpath and PSW	
9.	Exhibit 1.7(a)(xv) - Amendment to Contractor and Participant Medicare Advantage Agreement between Soundpath and FHS	
10.	Exhibit 1.7(a)(xvi) - Insurance Administrative Services Agreement and	
11.	Business Associate Agreement	
12.	Exhibit 1.7(a)(xvii) - PSW Non-Competition Agreement	
13.	Exhibit 1.7(a)(xviii) - NPN Non-Competition Agreement	
14.	Exhibit 1.7(a)(xix) - Amendment to PSW Security Reserve Amendment	
15.	Exhibit 1.7(a)(xx) - Amendment to NPN Security Reserve Amendment	
16.	Exhibit 5.1(l) - NPN's Legal Opinion	
17.	Exhibit 5.1(m) - PSW's Legal Opinion	
18.	Exhibit 5.1(n) - Soundpath's Legal Opinion Exhibit 5.2(h) - Buyer's Legal Opinion	
19.	Class R Preferred Stock Purchase Agreement	X
20.	Asset Purchase Agreement	X
21.	Assignment and Assumption Agreement (Marquette)	
22.	Assignment and Assumption of Leases Agreement	
23.	Organizational Charts (Pre-Acquisition and Post-Acquisition)	X
24.	List of Directors and Officers of the Applicant, Applicant's parent company, and Soundpath (Post-Acquisition) and Biographical Affidavits	X
25.	Soundpath Projections	X
26.	PSW Assignment and Amendment of Amended and Restated Administrative Services Agreement	X
27.	NPN Assignment and Amendment of Amended and Restated Administrative Services Agreement	X
28.	Employee Lease Agreement	X
29.	Promissory Note, Stock Pledge and Security Agreement	X

*Confidential Trade Secret and Proprietary Information
For OIC Review Only*

Exhibit	Description of Exhibits	Confidential Binder*
30.	Opening Balance Sheet for CollabHealth Plan Services, Inc. (Applicant)	X
31.	Opening Balance Sheet for CollabHealth Managed Solutions, Inc. (Applicant's parent)	X
32.	2013 First Quarter Financial Statement for CHI	X
33.	CHI's Consolidated Financial Statements and Other Financial Information Years Ended June 30, 2012 with Report of Independent Auditors	X
34.	CHI's Consolidated Financial Statements and Other Financial Information Years Ended June 30, 2011 and 2010 with Report of Independent Auditors	X
35.	CHI's Consolidated Financial Statements and Other Financial Information Years Ended June 30, 2009 and 2008 with Report of Independent Auditors	X
36.	CHI's Consolidated Financial Statements and Other Financial Information Years Ended June 30, 2007 and 2006	X
37.	Asset Purchase Agreement Closing Deliverable: General Assignment and Assumption Agreement	X

*This exhibit has been filed as part of this Form A in the separate Confidential Binder and is not subject to open records requests.

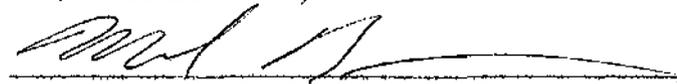
**THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGE FOLLOWS.**

ITEM 13. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of RCW 48.31C.030, CollabHealth Plan Services, Inc. has caused this application to be duly signed on its behalf in the City of Seattle and State of Washington on the 19th day of October 2012.

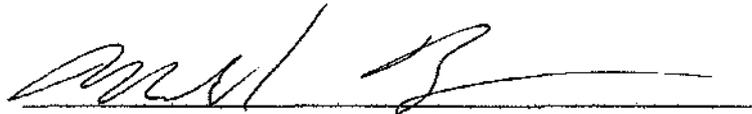
CollabHealth Plan Services, Inc.

By: 

Mark Bjornson, Chief Executive Officer

CERTIFICATION

The undersigned deposes and says that he has duly executed this attached application dated October 19, 2012, for and on behalf of CollabHealth Plan Services, Inc.; that he is the Chief Executive Officer of such company; and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set for are true to the best of his knowledge, information, and belief.



Signature

Mark Bjornson, Chief Executive Officer