

November 21, 2012

**RECEIVED**

NOV 23 2012

Mr. Ronald J. Pastuch  
Holding Company Manager  
State of Washington Office of the Insurance Commissioner  
Insurance 5000 Building  
P.O. Box 40259  
Olympia, WA 98504-0259

**INSURANCE COMMISSIONER**  
**COMPANY SUPERVISION**

**Re: Proposed Acquisition of Control of Soundpath Health, Inc. ("SPH") by  
CollabHealth Plan Services, Inc. ("Applicant" or "CHPS")**

Dear Ron:

Thank you for taking the time to discuss with us the issues raised in your letter dated October 30, 2012. On behalf of the Applicant, we are addressing each of these issues below, which are set forth in italics in the same order as presented in your letter.

*The Form A Statement filed is for the acquisition of control of or merger with a domestic insurer. Since SPH is a domestic health care service contractor, please verify with WAC 284-18A-910 for the correct format and items with the proper title.*

Please see the revised Form A Statement ("**Form A**"), which is enclosed as **Attachment 1**.

*The Statement also contains the wording, "Confidential Proprietary and Trade Secret Information" on every page within the statement. Please provide an analysis of the information in the Form A Statement considered confidential proprietary and trade secret information including a redacted version of that statement that indicates the specific information considered proprietary and trade secret information according to the Applicant. Please be aware that our Public Records Act provides that submitted information will be publicly available, unless the Applicant can demonstrate that the information should be restricted or withheld to the public.*

Please see the revised Form A, which is enclosed as **Attachment 1**. We have included a complete Form A marked as confidential, a redacted Form A that may be disclosed under Washington's open records laws and a blacklined Form A showing the revisions that have been made since the initial Form A was filed, which include the following: (1) revisions based on the above paragraph; and (2) revisions to update the exhibit list.

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As we discussed, we will provide you with a redacted version of each exhibit to the Form A along with our explanation as to why we believe the redacted information is confidential under either Washington or Federal laws. Until such time as we are able to provide you with these redacted exhibits, we respectfully request that you continue to maintain the confidentiality of what has been submitted that is marked as confidential.

*1. Item 2. Please provide an organizational chart that is legible and ties to the overall holding company structure of CHI.*

See **Attachment 2** which includes the following:

- (1) List of entities currently affiliated with CHI. See page 1 for CollabHealth Plan Services, Inc., the Applicant;
- (2) Pre-acquisition organizational chart of SPH; and
- (3) Post-acquisition organizational chart of SPH.

These charts should replace or supplement the current charts which are Exhibit 23 to the Form A.

*2. Item 3. Please provide any current biographical affidavits and background verification reports on the directors and officers of parent CHI, and any affiliate between CHI and SPH not included in this Form A filing. Please indicate when those reports will be filed.*

See **Attachment 3** for the biographical affidavits for the following individuals: Juan Serrano, David Stratton and Linda DuPuis (her original affidavit was not signed in all places). As mentioned above, we will provide redacted biographical affidavits for all individuals submitted with the Form A. Until such time, we respectfully request that the entirety of all of the affidavits be kept confidential.

The background reports have been completed by ACS Data Search, which confirmed on November 13, 2012 that the reports were done and on their way to your office.

To date, we have provided biographical affidavits for all of the officers and directors of SPH who will be in place after the closing of the transactions. We have also provided all biographical affidavits for the officers and directors of the Applicant. These individuals are the people who will be in control of SPH. As such, we are requesting that the OIC not require the biographical affidavits of the officers and directors of CHI, nor the officers and directors of the immediate parent of the applicant. As you requested, we have identified any commonality of the

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persons at the immediate parent level with positions that they hold at CHI. See Attachment 3 for information regarding each person's position with CHI.

*3. Item 4. Please provide copies of the board resolutions from CHI or the Applicant and SPH regarding this proposed transaction.*

See Attachment 4.

*4. Item 4. Please provide the name and qualifications of the Actuary responsible for the analysis relating to the Class R preferred shares.*

The actuary is Timothy Feeser, F.S.A., M.A.A.A. His title is Vice President, Actuarial Consulting, with OptumInsight.

*5. Item 5. Please provide a restated three-year financial forecast for SPH in accordance with GAAP and SAP that takes in consideration the proposed capitalization of SPH.*

See Attachment 5. This should replace the current Exhibit 25 to the Form A.

*6. Item 5. Exhibits 5 and 6 of the Form A filing indicate the current articles of incorporation and bylaws for SPH may have been adopted by SPH's board. Please verify and provide executed documents if these documents are now adopted. As a comment, as submitted with the Form A, the bylaws document footer references the year 2009, if this is a correct copy.*

As we discussed, the amendments to the Articles and Bylaws for SPH are not yet finalized. As soon as they are ready, we will forward them to you for your review.

*7. Item 5. Exhibit 10 indicates the new administrative fee for the first year of the agreement will be a percentage of the PMPM (per member per month). The years 2 through 5 will be an adjusted PMPM percentage up to a predetermined maximum percentage based on the total premiums collected by SPH. Please provide the study that determined the cost allocation for these services and how these allocated costs meet the fair and reasonable standard under the holding company act and SSAP Nos. 25 and 70. Please provide whether there is a true-up provision within that arrangement of SPH's estimated to actual costs.*

See Attachment 6 for an Executive Summary regarding the valuation analysis. There is no true-up provision in the Administrative Services Agreement.

*8. Item 8. Please also provide the 2012 third quarter financial statements of CIII.*

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As we discussed, please see Attachment 7 for the financial statement for CHI for the fiscal year ending June 30, 2012.

9. *Please provide information about the corporate status and ownership, and the business purpose and activities regarding CollabHealth Management Solutions, Inc. and CollabHealth Plan Services, Inc. as of today. Please provide certificates of good standing from the secretary of state where they were recently incorporated.*

See Attachment 8 for the Certificate of Good Standing, Articles of Incorporation and Bylaws for CollabHealth Plan Services, Inc.

See Attachment 9 for the Certificate of Good Standing, Articles of Incorporation and Bylaws for CollabHealth Managed Solutions, Inc.

10. *Please discuss any plans by CHI regarding the minority shareholders of SPH after the proposed acquisition.*

The minority shareholders of SPH will be represented on SPH's Board of Directors. As of the Closing Date, 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.

11. *Please provide any information regarding any pending or ongoing litigation between SPH, CHI, or its affiliates against any Washington state agency.*

We are not aware of any litigation between SPH and a Washington state agency other than the issues with the OIC.

12. *Please provide any information regarding any pending or ongoing litigation against SPH, CHI or any of its affiliates.*

See Attachment 10 for a summary of material litigation involving CHI and the subsidiaries listed in the attachment. Per our discussion, we are only including in this summary all material litigation involving a CHI subsidiary with potential losses whose expected effects on the consolidated financial statements would be more than \$2,000,000.

We are not aware of any material litigation involving SPH.

13. *Please provide the market and market share information of SPH business in Washington State by county.*

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See Attachment 11.

*14. Please provide updated information about the recent proposal between PeaceHealth and Catholic Health Initiatives and its status. Please comment on how this proposal would change SPI, CHI and its affiliates, if any.*

See Attachment 12.

In addition to the responses above with respect to your questions, we are providing additional information with this letter. First, please find enclosed the following attachments that are exhibits to the Form A, which were not available when the Form A was filed.

Exhibit 30. Opening Balance Sheet for CollabHealth Plan Services, Inc. See Attachment 13.

Exhibit 32. 2013 First Quarter Financial Statement for CHI. See Attachment 14.

Exhibit 33. CHI Consolidated Financial Statements and Other Financial Information for the Fiscal Year Ended June 30, 2012 with Report of Independent Auditors. See Attachment 7.

Exhibit 34. CHI Consolidated Financial Statements and Other Financial Information for the Fiscal Years Ended June 30, 2011 and 2010 with Report of Independent Auditors. See Attachment 15.

Exhibit 35. CHI Consolidated Financial Statements and Other Financial Information for the Fiscal Years Ended June 30, 2009 and 2008 with Report of Independent Auditors. See Attachment 16.

Exhibit 36. CHI Consolidated Financial Statements and Other Financial Information for the Fiscal Years Ended June 30, 2007 and 2006. See Attachment 17.

Also, we need to update the Form A regarding a new document. On October 31, 2012, the parties to the Stock Purchase Agreement signed an amendment, which, *inter alia*, releases SPI from any and all claims by PSW and NPN. See Attachment 18, which should be placed with Exhibit 1 of the Form A.

During our conversation, you requested a summary of the contemplated transactions. Please see Attachment 19 for an Executive Summary.

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Finally, we have added a new exhibit to the exhibit list in the Form A. Exhibit 37 is a General Assignment and Assumption Agreement, which is a closing deliverable under the Asset Purchase Agreement. This document has not yet been finalized. It will be forwarded to the OIC as soon as it is ready.

Please let me know if you have additional questions regarding the Form A filing. In the meantime, we are working on redacting the exhibits to the Form A and will have those redacted documents to you as soon as possible. We will also be supplementing the Form A with the other exhibits that were not initially included as soon as they are finalized.

Very truly yours,



Robert B. Sullivan

RBS:sam

## ATTACHMENT LIST

Attachment	Document
1	Form A Redacted Form A Blacklined Form A
2	Entities Currently Affiliated with CHI; Pre-Acquisition Organizational Chart of SPH; and Post-Acquisition Organizational Chart of SPH
3	Biographical Affidavits
4	Board Resolutions from CollabHealth Plan Services, Inc. and Soundpath
5	Three-Year Financial Forecast for SPH
6	Executive Summary of Administrative Services Agreement Fees
7	Financial Statement for CHI for the Fiscal Year Ending June 30, 2012
8	Certificate of Good Standing, Articles of Incorporation and Bylaws for CollabHealth Plan Services, Inc.
9	Certificate of Good Standing, Articles of Incorporation and Bylaws for CollabHealth Managed Solutions, Inc.
10	Litigation Summary
11	Market and Market Share Information of SPH
12	Status of PeaceHealth Proposal
13	Opening Balance Sheet for CollabHealth Plan Services, Inc.
14	2013 First Quarter Financial Statements for CHI
15	Consolidated Financial Statements and Other Financial Information Years Ended June 30, 2011 and 2010 With Report of Independent Auditors
16	Consolidated Financial Statements and Other Financial Information Years Ended June 30, 2009 and 2008 With Report of Independent Auditors
17	Consolidated Financial Statements and Other Financial Information Years Ended June 30, 2007 and 2006
18	Stock Purchase Agreement Amendment (2 sets of original signatures)
19	Executive Summary of Contemplated Transactions