MIKE KREIDLER
STATE INSURANCE COMMISSIONER

DECLARATION OF MAILING
I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to parties listed below
DATED this 27th day of June 2007 at Tumwater, Washington.
Signed: Wendy Galloway

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER
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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition of:	)	
	)	
ARCADIAN HEALTH PLAN, INC., By MSDW VENTURE PARTNERS, IV, LLC, and MORGAN STANLEY VENTURE PARTNERS 2002 FUND, LLC., and THREE ARCH MANAGEMENT II, LLC, TAC MANAGEMENT, LLC, and THREE ARCH MANAGEMENT IV., LLC.	)	**Docket No. G07-12**
	)	**ORDER TO SCHEDULE THIRD PREHEARING CONFERENCE**
Applicants.	)	

TO: Debbie Abramovitz, CEO
MSDW Venture Partners IV, LLC
MSVP 2002 Fund, LLC
3000 Sand Hill Road, Building 4, Suite 250
Menlo Park, CA 94025

Melissa Daniels, Executive Director
MSDW Venture Partners IV, LLC
MSVP 2002 Fund, LLC
3000 Sand Hill Road, Building 4, Suite 250
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Barclay Nicholson, Administrative Partner
Three Arch Mgmt. II, LLC, TAC Mgmt., LLC, Three Arch Mgmt. IV., LLC
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John Austin, M.D., CEO
Arcadian Health Plan, Inc.
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AND TO: Charles B. Cliett, Jr., Esq.
Mitchell, Williams, Selig, Gates & Woodyard, PLLC
425 West Capitol Avenue, Suite 1800
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James E. Hadley, Esq. and Mary M. Cotter, Esq.
Ryan, Swanson & Cleveland PLLC
1201 Third Avenue, Suite 3400
Seattle, Washington 98101-3034

COPY TO: Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Carol Sureau, Deputy Commissioner, Legal Affairs
Charles D. Brown, Senior Staff Attorney, Legal Affairs Division
Ronald J. Pastuch, Holding Company Manager, Company Supervision
Office of the Insurance Commissioner
PO Box 40255
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On September 1, 2006, Arcadian Management Services, Inc., the parent company of Arcadian Health Plan, Inc., a Washington domiciled health care service contractor (together referred to as "Arcadian"), filed an application with the Insurance Commissioner (Commissioner) for a solicitation permit in the state of Washington pursuant to RCW 48.06.180, together with a Form A pursuant to RCW 48.31B.015. On February 2, 2007, the Commissioner transferred this material to the undersigned with the request that a hearing be held thereon, and, accordingly, on February 16, 2007, the undersigned held a First Prehearing Conference in this matter. Arcadian, MSDW Venture Partners IV, LLC, and MSVP 2002 Fund, LLC, Three Arch Management II., LLC, TAC Management, LLC, and Three Arch Management IV, LLC were all represented by Charles B. Cliett., Jr., an Arkansas attorney. MSDW Venture Partners IV, LLC, and MSVP 2002 Fund, LLC, Three Arch Management II., LLC, TAC Management, LLC, and Three Arch Management IV, LLC are hereinafter referred to collectively as the "Applicants."

As a result of a review of the documents filed herein and discussion at First Prehearing Conference, several major issues have arisen to which information was required of the Applicants. Said request for information was submitted to the Applicants in detail, set forth in Order on Prehearing Conference served upon the parties on April 25, 2007. Only on June 25, 2007, after having been reminded, was a limited response submitted, leaving substantial issues unaddressed.

Further, as documented in the transcript of the First Prehearing Conference held February 16, 2007, the undersigned required the Applicants to file a detailed chronology setting forth the activities which have occurred to date regarding the Applicants and Arcadian, e.g., when the actual purchase of Arcadian was consummated and why it was done without permission, etc., as the only information given by Applicants to the undersigned, at First Prehearing Conference, was that Applicants' current attorney did not know how the acquisition occurred or what individuals were involved in the acquisition. Only on March 14, 2007, and after having been reminded by the undersigned, did the Applicants file a cursory summary of said activities which provided insufficient information, and the filing was directed to, and made with, the Commissioner's Company Supervision Division and not to the undersigned.

Finally, as documented in the aforereferenced April 25, 2007 Order on Prehearing Conference, because of the unusual nature of this matter the undersigned exercised her discretion to require the Applicants to retain a Washington attorney to represent them along with their current Arkansas attorney. Because no activity was shown as of May 21, 2007, the Applicants were reminded of the requirement to retain Washington counsel. Only after that time, on June 21, 2007, was information concerning the retention of Washington counsel filed.

In light of the above, on June 19, 2007, the Applicants were informed that a Third Prehearing Conference was to be scheduled to include Mr. Cliett and Washington counsel, as counsel for the Applicants and Arcadian, together with one CEO or other authorized representative of each MSDW Venture Partners IV, LLC, MSVP 2002 Fund, LLC and Three Arch Partners. In response, on June 20, 2007, Mr. Cliett advised that *We have been getting Mary Cotter of the Ryan Swanson law firm engaged and in place with each of the clients as Washington counsel. Mary is filing her notice of appearance this week. ... Because Mary will be in place as local counsel, she will attend on behalf of the clients.*

The Applicants are advised that RCW 48.31B.015(4)(a) provides that T*he Commissioner shall approve a ...acquisition ... unless, after a public hearing thereon, he or she finds that: ...(v) The competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the ... acquisition of control; ....* Because the Commissioner may not approve a proposed plan of acquisition unless this criterion, among many other criteria, are met, this section becomes most relevant in light of the activities which have occurred over the past two years; a main concern is the activities of the Applicants in actually consummating the acquisition of Arcadian on August 17, 2005 without seeking or receiving any authority to do so.

Accordingly, it is appropriate to schedule a Third Prehearing Conference to include the CEOs or other authorized officials of Arcadian, MSDW Venture Partners IV, LLC, MSVP 2002 Fund, LLC, Three Arch Management II., LLC, TAC Management, LLC, and Three Arch Management IV, LLC, who have specific knowledge of the activities

preceding the filing of the Form A herein on September 1, 2006, along with their attorneys, and representatives of the Commissioner.

The purpose of this Third Prehearing Conference is to allow the Applicants the opportunity to present detailed information reviewing the specific activities of the Applicants and Arcadian prior to and since Applicants' August 17, 2005 unauthorized acquisition of Arcadian in an effort to consider the criterion set forth in RCW 48.31B.015(4)(a) prior to actually scheduling a hearing in this matter. Appearance by current attorneys for Arcadian and the Applicants is not sufficient to serve the purpose contemplated as the reason for the Third Prehearing Conference, as Mr. Cliett by his statements during First Prehearing Conference, was not retained or involved in these activities until, apparently, some time prior to filing of the Form A on September 1, 2006 and Mr. Hadley and Ms. Cotter were only just very recently retained. Appearance by appropriate individuals who have first hand knowledge of the subject activities is required.

Based upon the above activities and information,

IT IS HEREBY ORDERED that a Third Prehearing Conference shall be scheduled and held, which shall involve the above identified individuals. Wendy Galloway, Paralegal to the undersigned, shall contact attorneys for Arcadian and the Applicants for identification and scheduling of these specified individuals.

ENTERED at Tumwater, Washington, this ~~25th~~ 27th day of June, 2007, pursuant to Title 48 RCW, and specifically RCW 48.04 and 48.31B.015, Title 34 RCW, and regulations applicable thereto.

PATRICIA D. PETERSEN
Chief Hearing Officer
Presiding Officer