

JOHN K. BAKER
W. CHRISTOPHER BARRIER
SHERRY P. BARTLEY
STEVE BAUMAN
R. T. BEARD, III
C. DOUGLAS BUFORD, JR.
FREDERICK K. CAMPBELL¹
MICHELLE H. CAULEY
CHARLES B. CLIETT, JR.⁴
KEN COOK
DOAK FOSTER¹
BYRON FREELAND
ALLAN GATES¹
KATHLYN GRAVES
HAROLD W. HAMLIN
JEFFREY W. HATFIELD
L. KYLE HEFFLEY
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HERMANN IVESTER²
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JOHN ALAN LEWIS
WALTER E. MAY
LANCE R. MILLER
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CHRISTOPHER T. ROGERS
LEIGH ANNE SHULTS
JEFFREY L. SINGLETON
DERRICK W. SMITH
STAN D. SMITH
MARCELLA J. TAYLOR
JEFFREY THOMAS¹
NICHOLAS THOMPSON¹
WILLIAM H.L. WOODYARD, III, P.A.
WALTER G. WRIGHT, JR



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SELIG • GATES • WOODYARD • PLLC

LITTLE ROCK • ROGERS

425 WEST CAPITOL AVENUE, SUITE 1800
LITTLE ROCK, ARKANSAS 72201-3525
TELEPHONE 501-688-8800
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CRISTINA SAN ROMAN
SHANNON SHORT SMITH
JEFFREY L. SPILLYARDS

OF COUNSEL
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JOHN S. SELIG
JEAN D. STOCKBURGER
RICHARD A. WILLIAMS, P.A.

COUNSEL
¹DAVID BOLING
JEFFREY H. DIXON
²JACK D. GRUNDFEST
TODD L. NEWTON

¹ ALSO ADMITTED IN DISTRICT OF COLUMBIA
² ALSO ADMITTED IN COLORADO
³ ALSO ADMITTED IN THE U.S. PATENT
AND TRADEMARK OFFICE
⁴ ALSO ADMITTED IN ARIZONA AND TEXAS
⁵ ALSO ADMITTED IN NEW YORK
ALL OTHERS ADMITTED IN ARKANSAS

MAR 14 2007

March 9, 2007

VIA FEDERAL EXPRESS

Mr. Mike Kreidler, Commissioner
Office of the Insurance Commissioner
Attn: Ron Pastuch, Holding Company Manager
Company Supervision Division
5000 Capitol Boulevard,
Tumwater, WA 98501

RECEIVED

MAR 12 2007

INSURANCE COMMISSIONER
COMPANY SUPERVISION

Hearings Unit, OIC
Patricia D. Petersen
Hearing Officer

RE: Form A Statement for Three Arch Management II, LLC, TAC Management, LLC and Three Arch Management IV, LLC (collectively "Three Arch Partners") regarding acquisition of voting securities of Arcadian Management Services, Inc.: Amendment Nos. 1 and 2

Dear Commissioner Kreidler:

Please find enclosed the original signed signature page of Amendment No. 1 to the above-referenced Form A statement, executed by Mr. Mark Wan, a Managing Member of Three Arch Partners. Amendment No. 1 was submitted to Mr. Ron Pastuch, Holding Company Manager of the Office of Insurance Commissioner, on February 16, 2006.

Please also find enclosed Amendment No. 2 to the above-referenced Form A which Mr. Wan also has executed. Amendment No. 2 contains a chronology of events relating to the Form A Statement, as requested by the Hearings Officer for this matter, Judge Petersen.

MITCHELL • WILLIAMS
SELIG • GATES • WOODYARD • PLLC

Mr. Mike Kreidler, Commissioner
March 9, 2007
Page 2

Please let me know if there are any questions regarding this filing. Thank you very much.

Sincerely,

MITCHELL, WILLIAMS, SELIG,
GATES & WOODYARD, P.L.L.C.

By


Charles B. Cliett, Jr.

CBC:seg
Enclosures

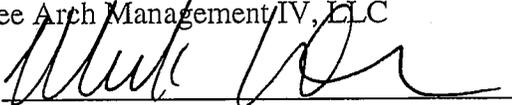
cc: Mr. Steve Bonelli
Chief Financial Officer, Three Arch Partners (via email w/enclosures)
Dr. John Austin
Chief Executive Officer, Arcadian Management Services (via email w/enclosures)
Mr. Kenneth Zimmerman
Chief Financial Officer, Arcadian Management Services (via email w/enclosures)

SIGNATURE

Pursuant to the requirements of RCW 48.31C.030, Three Arch Partners has caused this Amendment No. 1 to its application to be duly signed on its behalf in the City of Portola Valley and State of California on the day of 26th day of February, 2007.

(SEAL)

Three Arch Management II, LLC
TAC Management, LLC
Three Arch Management IV, LLC

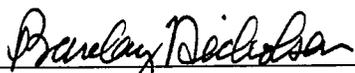
BY 

MARK WAN

(Print Name)

MANAGING MEMBER

(Title)

Attest: 

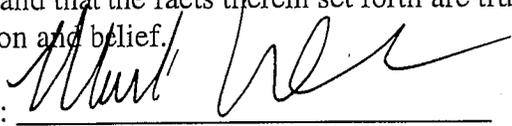
(Signature of Officer)

MANAGING MEMBER

(Title)

Certification

The undersigned deposes and says that (s)he has duly executed the attached Amendment No. 1 to the application originally dated September 1, 2006, for and on behalf of Three Arch Management II, LLC and Three Arch Management IV, LLC ; that (s)he is a Managing Member of such partnerships and that (s)he is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with such instrument and the contents, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

Signature: 

Print Name: MARK WAN

AMENDMENT NO. 2

TO THE

FORM A STATEMENT

REGARDING THE ACQUISITION OF CONTROL OF A
DOMESTIC HEALTH CARE SERVICES CORPORATION

Name of Domestic Health Carrier: Arcadian Health Plan, Inc., a wholly owned subsidiary of Arcadian Management Services, Inc.

Name Of Acquiring Persons (Applicants): Three Arch Management II, LLC
TAC Management, LLC
Three Arch Management IV, LLC

FILED WITH THE INSURANCE COMMISSIONER OF THE STATE OF
WASHINGTON

Dated: September, 1, 2006

DATE OF AMENDMENT: February 26, 2007

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

Charles B. Cliett, Jr.
Attorney for Applicants
Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
425 West Capitol Avenue, Suite 1800
Little Rock, Arkansas 72201-3525
(501) 688-8819

and

Mr. Steve Bonelli
Chief Financial Officer
Three Arch Partners
3200 Alpine Road
Portola Valley, CA 94028
(650) 529-8007

ITEM 1. HEALTH CARRIER AND METHOD OF ACQUISITION.

Chronology. Item 1 to the Form A Statement is supplemented with the following chronology relating to acquisition of voting stock of Arcadian Management Services, Inc. ("AMS"):

1. **August 17, 2005.** The following acquisitions of AMS voting stock occurred:
 - A limited partnership fund, Three Arch Partners II, LP, controlled by a general partner, Three Arch Management II, LLC ("TAM II"), purchased 558,971 shares of Series C Preferred Stock of AMS, which constituted 7.31% of AMS' voting securities on a fully diluted basis.
 - Two limited partnership funds, Three Arch Capital, LP and Three Arch Capital Associates, LP, controlled by a common general partner, TAC Management, LLC ("TAC"), collectively purchased 544,998 shares of Series C Preferred Stock of AMS, which constituted 7.12% of AMS' voting securities on a fully diluted basis.
 - Two limited partnership funds, Three Arch Partners IV, LP, and Three Arch Associates IV, LP, controlled by a common general partner, Three Arch Management IV, LLC ("TAM IV"), collectively purchased 363,332 shares of Series C Preferred Stock of AMS, which constituted 4.75% of AMS's voting securities on a fully diluted basis.

TAM II, TAC and TAM IV (collectively referred to as "Three Arch Partners" in the Form A Statement) are affiliated companies, which act in concert with each other in regards to the management and control of AMS voting securities. The same two individuals, Wilfred Jaeger and Mark Wan, act as managing members performing functions equivalent to those of "executive officers," as defined by Washington regulation. See Washington Administrative Code ("WAC") §284-18A-340(2).

Prior to the August 17, 2005 purchase of AMS stock, funds controlled by Three Arch Partners owned 355,000 shares of Series A Preferred Stock of AMS, constituting 7.16% of AMS's voting securities on a fully diluted basis. Accordingly, after the above transaction, Three Arch Partners controlled 23.82% of the voting stock of AMS on a fully diluted basis. Detailed information about the August 17, 2005 transaction is included in the Form A Statement, and the Stock Purchase Agreement, Investors Rights Agreement and Registration Rights Agreement related to this transaction are included as exhibits to the Form A Statement.

2. **May 12, 2006.** Arcadian Health Plan, Inc. ("AHP") reported the Three Arch Partners stock transaction in its Form B Annual Registration Statement filed on

May 12, 2006. With this Form B, AHP filed an Affidavit Disclaiming Control executed by a representative of Three Arch Partners. In the Affidavit, Three Arch Partners stated that while it had invested in AMS by purchasing more than 10 percent of the voting stock, it did not in fact exercise control over the company, in part because its role in management consisted of having one vote on the AMS Board of Directors and because it did not exercise control over other directors or shareholders. A copy of the Form B Registration Statement and the Disclaimer are attached in Exhibits 1 and 2 to this Amendment.

3. **July 19, 2006.** The Washington Office of Insurance Commissioner ("OIC") provided notice to AMS, AHP and Three Arch Partners of its intent to disallow the Disclaimer of Control filed by Three Arch Partners, after a hearing. In the alternative, it offered AHP, AMS and Three Arch Partners the opportunity to withdraw the disclaimer and file both a solicitation permit request under RCW 48.06.180 and a Form A Statement under RCW 48.31C.030 in regards to the August 17, 2005 transaction. A copy of the OIC's letter is attached as Exhibit 3 to this Amendment.
4. **July 28-31, 2006.** AMS and AHP agreed to file the solicitation permit request and Three Arch Partners agreed to withdraw the Disclaimer of Control. The OIC allowed the parties until September 1, 2006 to complete these filings. *See* Electronic Mail Exchange between representatives of OIC and the parties attached as Exhibit 4 to this Amendment.
5. **September 1, 2006:** Three Arch Partners filed the Form A Statement and AMS filed the solicitation permit request.

ITEM 9. SIGNATURE AND CERTIFICATION

Required signature and certification follow on next page.

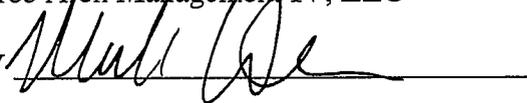
SIGNATURE

Pursuant to the requirements of RCW 48.31C.030, Three Arch Partners has caused this Amendment No. 2 to its application to be duly signed on its behalf in the City of Portola Valley, CA and State of California on the 26th day of February, 2007.

(SEAL)

Three Arch Management II, LLC
TAC Management, LLC
Three Arch Management IV, LLC

BY



MARK WAN

(Print Name)

MANAGING MEMBER

(Title)

Attest:


(Signature of Officer)

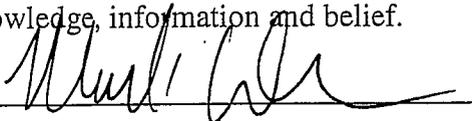
MANAGING MEMBER

(Title)

Certification

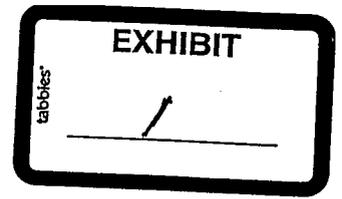
The undersigned deposes and says that (s)he has duly executed the attached Amendment No. 2 to the application originally dated September 1, 2006, for and on behalf of Three Arch Management II, LLC, TAC Management, LLC and Three Arch Management IV, LLC ; that (s)he is a Managing Member of such partnerships and that (s)he is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with such instrument and the contents, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

Signature:



Print Name:

MARK WAN



Arcadian Health Plan, Inc.

825 Washington Street, Suite 300
Oakland, California 94607

Form B as of 12/31/05

As Submitted on 5/12/06

Form B.
Health Carrier Holding Company System
Annual Registration Statement
As of 12/31/05
Submitted May 12, 2006

Filed with the Insurance Commissioner of the State of Washington by:
Arcadian Health Plan, Inc.
825 Washington Street, Suite 300
Oakland, California 94607

And

Arcadian Management Services, Inc.
825 Washington Street, Suite 300
Oakland, California 94607

Filed on Behalf of:
Arcadian Health Plan, Inc.
825 Washington Street, Suite 300
Oakland, California 94607

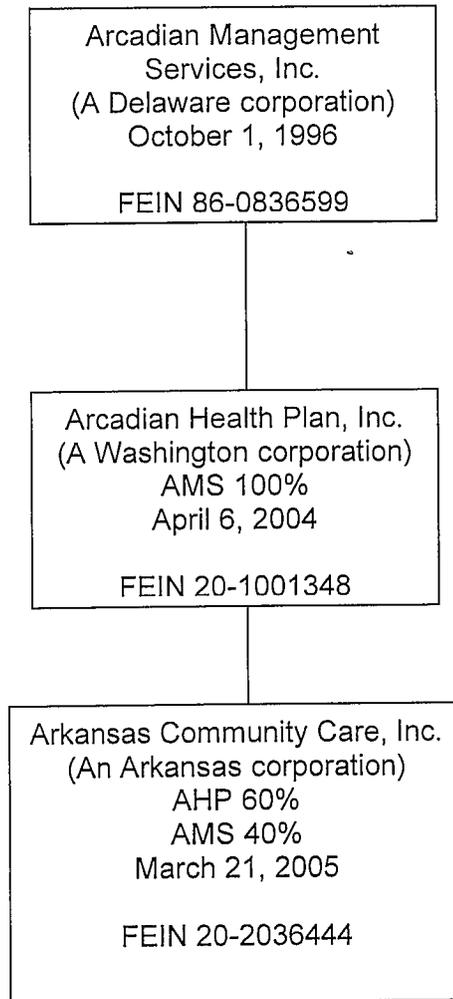
Contact:
John H. Austin, M.D.
Chief Executive Officer
Arcadian Management Services, Inc.
825 Washington Street, Suite 300
Oakland, California 94607
510 832-0311

Item 1. IDENTITY AND CONTROL OF REGISTRANT

Arcadian Health Plan, Inc. (AHP), the Registrant, is a wholly owned subsidiary of Arcadian Management Services, Inc. (AMS). AHP was incorporated in the State of Washington on August 6, 2004 and was licensed as a Health Care Service Contractor on July 21, 2004. The sole shareholder of AHP is AMS, which appoints the Board of Directors of AHP. AHP had no existence prior to its incorporation.

Arcadian Health Plan, Inc. has its home office and principal executive offices at:
825 Washington Street, Suite 300
Oakland, California 94607

Item 2. ORGANIZATIONAL CHART



AMS is a Delaware Corporation with its primary offices in Oakland, California. No control is maintained other than by the voting securities held solely by AMS and the appointment of AHP board members by AMS Board of Directors.

Arkansas Community Care (ACC) is a subsidiary of Arcadian Health Plan, Inc and Arcadian Management Services. The Board of Directors of ACC is elected by Board of Directors of Arcadian Health Plan, Inc.

Item 3. ULTIMATE CONTROLLING PERSON

(a) Arcadian Management Services, Inc. (AMS)

(Three persons who own, or manage and direct, more than 10% of the voting securities of AMS—Dr. John H. Austin, Three Arch Partners, LLC, and Morgan Stanley Venture Partners, LLC—have filed concurrently with

this Form B affidavits disclaiming control of AMS pursuant to Rev. Code Wash §48.31C.010(3)(a), because none of them in fact control AMS. These persons are seeking approval by the Commissioner of such disclaimer. With these three disclaimers, AMS meets the definition of "ultimate controlling person" of AHP under Wash. Admin. Code § 284-18A-340(3).)

- (b) and (c) Home and principal executive offices at:
825 Washington Street, Suite 300
Oakland, California 94607
510 832-0311
- (d) Delaware corporation.
- (e) The principal business of AMS is health care management, primarily through administrative services provided on a contractual basis with various physician groups and hospitals.
- (f) Arcadian Management Services has two classes of securities at the moment – Common, and Preferred. There are four series of preferred being Series A, Series B, Series B-1, and Series C. The preferred shares are convertible into common on a 1 to 1 basis at any time. The preferred shares are voted as are common and each share has one vote. Preferred shares do not have any special voting rights other than the fact that the Preferred A shareholders as a series may elect one board member. The names of persons holding or owning more than 10% of any class of AMS voting securities are as follows:

Name	Preferred	Common	Total	% of Total
John Austin	493,182	1,094,500	1,587,682	23.8
Three Arch Partners	1,822,300		1,822,300	27.3
Morgan Stanley Venture Partners	1,117,943		1,117,943	16.7
All others	1,026,936	1,116,747	2,143,683	32.2
Total	4,460,361	2,211,247	6,671,608	100.0

John H. Austin, M.D.
Chief Executive Officer
Arcadian Management Services, Inc.
825 Washington Street, Suite 300
Oakland, California 94607

Three Arch Partners
3200 Alpine Rd
Portola Valley, CA 94028

Morgan Stanley Venture Partners
3000 Sand Hill Road
Menlo park, CA 94025

- (g) Not applicable as AHP is a for-profit.
- (h) There are no court proceeding pending involving liquidation or reorganization of AMS.

Item 4. BIOGRAPHICAL INFORMATION

See tab 3 for NAIC biographical affidavit forms for Directors and executive officers.

AMS Board of Directors

- John H. Austin, M.D.
- Wilf Jaeger
- Larry Kugelman
- Scott Halsted

AHP Board of Directors

- John H. Austin, M.D.
- Nancy E. Freeman
- Kenneth B. Zimmerman
- Cheryl Y. Perkins
- Chase S. Milbrandt

AHP Officers

- John H. Austin, M.D., Chief Executive Officer
- Nancy E. Freeman, President and Secretary
- Kenneth B. Zimmerman, Treasurer and Chief Financial Officer

ACC Board of Directors

- John H. Austin, M.D.
- Nancy E. Freeman
- Kenneth B. Zimmerman
- Cheryl Y. Perkins
- Chase S. Milbrandt

Item 5: TRANSACTIONS AND AGREEMENTS

(a). Investments

As of 12/31/05 AMS has invested a total of \$16,019,800 in AHP. This investment is represented by a total of \$36,570 in common stock and \$15,983,230

in additional paid in capital. As AMS is the sole shareholder such contributions will not involve the issuance of additional securities.

(b) Exchange of Assets

No assets have been transferred sold or exchanged between AMS and AHP, other than the investment described in Item 5 (a) and the purchase of services

(c) No transactions were not in the course of ordinary business.

(d) Guarantees

No guarantees or undertakings that result in a contingent exposure of assets have been made.

(e) Management agreements and service contracts.

As of December 31, 2005 Arcadian Health Plan had entered into one primary contract for services with its parent Arcadian Management Services, and a contract to provide administrative services for Arkansas Community Care, Inc. A brief description of each contract is as follows:

Arcadian Management Services

- AMS supplies certain services to AHP. Those services include claims processing, professional credentialing, information technology, treasury, financial and tax services. Compensation under this contract is \$16.20 pmpm for various information management services, \$40,000 per year for provider credentialing, \$115,000 for reinsurance services, and \$1,450 per employee for occupancy costs, offices supplies and shared administrative support. See tab 4 for the complete contract. On April 1, 2005 this Administrative Services Agreement was amended to include subsidiaries/affiliates.

Arkansas Community Care, Inc. (ACC)

- Arcadian Health Plan has entered into a contract with its subsidiary ACC to provide access to certain administrative services which are to be provided by AMS. Compensation paid by ACC is outlined in the agreement under tab 5.

(f) Reinsurance Agreements

AHP has entered into a contract with a third party, ACE American Insurance Company, to provide specific stop loss insurance.

(g) Dividends and Other Distributions to Shareholders.

There have been none as of 12/31/05.

(h) Consolidated Tax Allocation Agreements

As of 12/31/05 there is not a consolidated tax agreement by AHP.

(i) Pledge of Stock

None as of 12/31/05.

Item 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

As of 12/31/05 there are no past or pending administrative actions or litigation proceedings of the nature described.

Item 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

As of 12/31/05 AHP has not entered into separate transactions with persons within the health carrier's holding company system which in the aggregate amount exceed the statutory threshold amounts which would have required the commissioner's prior approval or reporting to the commissioner.

Item 8. FINANCIAL STATEMENTS AND EXHIBITS

(a) Audited AMS financial statements for the fiscal year ending December 31, 2004 are attached. See tab 10.

(b) Audited AMS financial statements for the fiscal year ending December 31, 2005 are not available as of this filing. AMS' audited annual financial statements for the year ending 12/31/05, as audited by Pricewaterhouse, are expected to be available 6/30/06. *Arcadian Health Plan, on behalf of AMS is requesting from the Washington OIC a filing extension of 7/7/06 for the AMS 12/31/05 audited financial statements.*

Audited financial statements for Arcadian Health Plan for the year ending 12/31/05 are due to the Washington OIC on or before June 1 of 2006. Arcadian Health Plan expects to meet this deadline.

(c) No annual reports or proxy statements are prepared by AMS

Item 9. FORM C REQUIRED

See attached form C dated May 12, 2006 under tab 2.

Item 10. SIGNATURE AND CERTIFICATION

Signature

Pursuant to the requirements of RCW 48.31C.040, the registrant has caused this amended annual registration statement to be duly signed on its behalf I the City of Oakland and the State of California on the 12th day of May, 2006.

(SEAL) _____
BY Arcadian Health Plan, Inc.
Bradley Luke, Controller

Attest:

Ken Zimmerman
Chief Financial Officer

CERTIFICATION

The undersigned deposes and says that she has duly executed the attached amended annual registration dated May 12, 2006, for and on behalf of Arcadian Health Plan, Inc.; that she is the Chief Executive Officer of such company and that she is authorized to execute and file such instrument. Deponent further says that she is familiar with such instrument and the contents, and that the facts therein set forth are true to the best of his knowledge, information and belief.

John H. Austin, M.D.

AFFIDAVIT DISCLAIMING CONTROL OF
ARCADIAN MANAGEMENT SERVICES, INC.
AND
REQUEST FOR APPROVAL OF DISCLAIMER
BY THE INSURANCE COMMISSIONER OF THE STATE OF WASHINGTON

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO) ss:

I, Wilfred Jaeger, having been duly sworn, declare and say that:

1. I am Managing Member [title] of TA Venture Co., L.L.C. ("Three Arch Partners") and am authorized to submit this disclaimer on Three Arch Partners' behalf.

2. In accordance with Rev. Code Wash. § 48.31C.010 (a) and Wash. Admin. Code 284-18A-410, I am swearing and filing this affidavit to disclaim control of Arcadian Management Services, Inc. ("AMS"), a Delaware corporation that wholly owns Arcadian Health Plan, Inc. ("AHP"), a Washington domiciled health care services corporation.

3. Three Arch Partners does not exercise "control" of AMS, as defined in Rev. Code Wash. § 48.31C.010 (3)(a), i.e., "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person whether through the ownership of voting securities, voting rights, by contract other than a commercial contract for goods, nonmanagement services, a debt obligation which is not convertible into a right to acquire a voting security, or otherwise, unless the power is the result of an official position with or corporate office held by the person."

4. In accordance with Wash. Admin. Code 284-18A-410, Three Arch Partners provides the following information:

a. **Total number of shares.** Under the AMS bylaws, the corporation issues both preferred and common stock, with each share of stock, whether common or preferred, entitled to one vote. The following reflects the total number of AMS voting securities currently authorized, issued and outstanding:

Authorized: 10,000,000 shares of common; 5,645,800 shares of preferred.

Issued: 2,211,247 shares of common; 4,460,361 shares of preferred.

Outstanding: 2,211,247 shares of common; 4,460,361 shares of preferred.

b. **Three Arch Partners' Stock Ownership.** Three Arch Partners is an investment firm that manages and invests a number of venture capital funds on behalf of both institutional and noninstitutional investors ("Three Arch Funds"). One such investment consists of the interest in AMS, pursuant to which Three Arch Partners has invested capital in AMS for use in conducting the business of AMS and its subsidiaries on behalf of the Three Arch Funds.

While only one of the Three Arch Funds, Three Arch Partners II, L.P., owns more than 10% of the voting stock of AMS, all funds invested and managed by Three Arch Partners collectively own 27.3% of such voting stock, consisting of zero shares of common stock and 1,822,300 shares of preferred stock. Three Arch Partners has no direct or indirect right to acquire additional shares of AMS stock or to acquire the stock of AMS' wholly owned subsidiary, AHP. None of the Three Arch Funds, or any other persons in any way affiliated with Three Arch Partners, has any other ownership interest in AMS or its wholly owned subsidiary, AHP, except as described in this subparagraph.

c. Material relationships between Three Arch Partners and AMS.

In addition to the ownership interest in AMS described in subparagraph 4.b, above, Three Arch Partners has one representative on the four-person AMS Board of Directors. Three Arch Partners does not have a representative on the Board of Directors of AHP. Neither Three Arch Partners nor any affiliate of Three Arch Partners has any other affiliations with AMS or AHP, except as described herein.

d. Explanation for disclaimer of control.

(1) As explained above in subparagraph 4.b, the Three Arch Funds, which are venture capital funds managed and invested by Three Arch Partners, collectively own 27.3% of the voting stock of AMS. In addition, two other persons, Dr. John Austin and Morgan Stanley Venture Partners, L.L.C., own or direct and manage more than 10% of the voting shares of AMS.

(2) Three Arch Partners does not control the voting securities owned or directed and managed by these other persons, nor does it control any other voting security in the company except those described above in subparagraph 4.b. Three Arch Partners also is not the dominant stockholder among many small holders.

(3) The business and affairs of AMS are managed by or under the direction of its Board of Directors, in accordance with Section 141 of the Delaware General Corporation Law. As stated above in subparagraph 4.c, Three Arch Partners has one representative on AMS' Board of Directors, which is comprised of a total of four directors. These directors also include Dr. John Austin, a representative of Morgan Stanley Venture Partners, L.L.C. and another investor in AMS who holds less than 10% of the voting shares of AMS. AMS intends to amend its by laws in 2006 to add a fifth director to the AMS Board. Three Arch Partners does not in any way control the votes of the other three directors and will not control the vote of the fifth director, when voted on to the Board. Therefore, while it may be said that all directors together have the power to direct or cause the direction of AMS's management and policies, no individual director has that power.

(4) Three Arch Partners also does not have any management contract with AMS, provide non-management services to AMS, possess a debt obligation of AMS which is convertible into a right to acquire voting securities or possess any other means to direct or cause the direction of the management and policies of AMS, nor does any affiliate of Three Arch Partners have such powers.

(5) Three Arch Partners, therefore, does not in fact control AMS or AMS' wholly owned subsidiary, AHP.

5. Based on the facts set forth above, Three Arch Partners hereby requests that the Commissioner allow this disclaimer of control in accordance with Rev. Code Wash. 48.31C.010(3)(a).

TA Venture Co., L.L.C.

By: [Signature]
(name)

Title: managing member

Subscribed and sworn before me, a Notary Public, this 12th day of MAY, 2006.

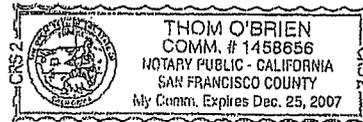
[Signature]
Notary Public

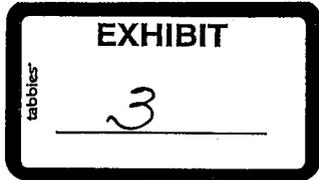
(SEAL)

My commission expires: 12/25/07

State of California, County of San Mateo
Subscribed & sworn to (or affirmed) before me
on this 12th day of MAY, 2006,
by WILFRED JASCO personally known
to me or proved to me on the basis of satisfactory
evidence to be the person (s) who appeared
before me.

[Signature]





MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Please reply to:

PO Box 40259
Olympia, WA 98504-0259
FAX: (360) 586-2022

OFFICE OF
INSURANCE COMMISSIONER

FAXED and US MAIL
(510) 817-1039

July 19, 2006

BRADLEY LUKE, CONTROLLER
ARCADIAN HEALTH PLAN
825 WASHINGTON STREET, SUITE 300
OAKLAND, CA 94607

MR. WILFRED JAEGER, MANAGING MEMBER
THREE ARCH PARTNERS
C/O ARCADIAN HEALTH PLAN

MR. SCOTT HALSTED, MANAGING MEMBER
MORGAN STANLEY VENTURE PARTNERS, LLC
C/O ARCADIAN HEALTH PLAN

DR. JOHN AUSTIN, M.D.
C/O ARCADIAN HEALTH PLAN

Re: Ultimate Controlling Person Disclaimers

Dear Sirs:

We reviewed the three Affidavits Disclaiming control of the Arcadian Health Plan, Inc. ("AHP") and its direct parent, Arcadian Management Services, Inc. ("AMS") filed with this office by Mr. Luke on behalf of Mr. Jaeger and Three Arch Partners, Mr. Halsted and Morgan Stanley Venture Partners LLC, and Dr. Austin.

From these affidavits, the information reflects: 1) Three Arch Partners now holds 27.3% of AMS voting securities, 2) Morgan Stanley Venture Partners now holds 16.8% of such securities, and 3) Dr. Austin now holds 23.8% of such securities. Previously from AHP's admission filing, Dr. Austin held 43.11% AMS ownership interest and Three Arch Partners held 11.62% such interest. No Morgan Stanley Venture Partner interest was reported in the admission filing. The affidavits also reflect Three Arch Partners, Morgan Stanley Venture Partners, and Dr. Austin hold three of the four director positions on the AMS board.

According to RCW 48.31C.010(3), control means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person whether through the ownership of voting securities, voting rights..., unless the power is the result of an official position with or corporate office held by the person. According to RCW 48.31.C010(3)(a), for a for-profit person, control is presumed to exist if a person,

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July 19, 2006

Page 2

directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent or more of the voting securities of any other person."

The mere fact Three Arch Partners, Morgan Stanley Venture Partners, and Dr. Austin individually hold less than 50% of the outstanding voting securities of AMS stock in our view is insufficient to rebut the statutory presumption of control through ownership interests that exceed ten percent. In retrospect, the filings indicate Three Arch Partners replaced Dr. Austin as the largest shareholder of AMS, Morgan Stanley Venture Partners acquired a significant AMS ownership interest, and AMS now has three controlling shareholders rather than two through the issuance of new voting securities.

Therefore, it appears a change in the control within the holding company structure occurred. We also believe that a Form "A" filing should have been completed pursuant to RCW 48.31C.030 before these changes in control were made.

For these reasons, our present intention is to disallow the disclaimers of control you filed with this office. According to RCW 48.31C.010(3)(a), the commissioner will make a determination after notifying all interested persons, providing the interested parties an opportunity to be heard, and then making specific findings of fact. If you wish to be heard on this issue, please advise us immediately so we may schedule a formal adjudicative proceeding before making this final determination.

Alternatively, you may wish to withdraw the previously filed disclaimers and submit a Form "A" filing and request a solicitation permit. You will need to expedite these filings with this office no later than July 31, 2006.

In either event, please advise me of your intentions no later than July 21, 2006.

Also, AMS and AHP were required to obtain a solicitation permit according to RCW 48.06.180 before the issuance of any new securities. We did not receive such request. This division will be referring Arcadian's failure to obtain a solicitation permit for enforcement action.

If you have any questions, please call me at 360-725-7211.

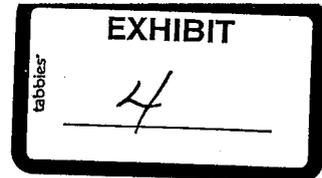
Sincerely,



RONALD J. PASTUCH, CPA
Holding Company Manager
Company Supervision Division
E-Mail: RonP@oic.wa.gov

cc: James T. Odiorne, CPA, JD, Deputy Insurance Commissioner

RJP/r



Chuck Cliett

From: RonP@OIC.WA.GOV
Sent: Monday, July 31, 2006 3:53 PM
To: Chuck Cliett
Cc: JimO@OIC.WA.GOV; CharlesB@OIC.WA.GOV
Subject: EXH. 4: RE: Arcadian Health Plan: Ultimate Controlling Person Disclaimers

Mr. Cliett.

Your request for a filing extension is approved. Please feel free to contact me if you have any questions.

Ron Pastuch
Holding Company Manager
WA Office of Insurance Commissioner

-----Original Message-----

From: Chuck Cliett [mailto:Ccliett@mws gw.com]
Sent: Monday, July 31, 2006 10:45 AM
To: Ron Pastuch
Cc: Meg Johnston; Brad Luke
Subject: RE: Arcadian Health Plan: Ultimate Controlling Person Disclaimers

Ron,

I can confirm that consistent with filing of the Form A statements seeking approval of the acquisition of control, as described in my e-mail below, the disclaimers of control are withdrawn. I am sorry I did not clarify this in my e-mail on Friday. Thank you.

Chuck Cliett
MITCHELL WILLIAMS SELIG GATES & WOODYARD
425 West Capitol Avenue, Suite 1800
Little Rock, Arkansas 72201-3525
ccliett@mws gw.com
<http://www.mitchellwilliams law.com>

(501) 688-8819 (direct dial)
(501) 688-8807 (fax)

-----Original Message-----

From: RonP@OIC.WA.GOV [mailto:RonP@OIC.WA.GOV]
Sent: Monday, July 31, 2006 9:25 AM
To: Chuck Cliett
Subject: RE: Arcadian Health Plan: Ultimate Controlling Person Disclaimers

Mr. Cliett.

Would you please confirm that the filed disclaimers of control are withdrawn by all parties?

Thank you,
Ron Pastuch
Holding Company Manager

WA Office of Insurance Commissioner

-----Original Message-----

From: Chuck Cliett [mailto:Ccliett@mwsqw.com]
Sent: Friday, July 28, 2006 12:49 PM
To: Ron Pastuch
Cc: Charles Brown; Ark Monroe; Brad Luke; Meg Johnston
Subject: RE: Arcadian Health Plan: Ultimate Controlling Person Disclaimers

Ron,

Per our conversation of a few minutes ago, Arcadian Health Plan, Inc. and its parent company, Arcadian Management Services (AMS) will agree to issue the stock solicitation permits and ensure that the two entities that acquired more than 10% of AMS, Morgan Stanley Venture Partners, LLC and TA Venture Capital Co., LLC (Three Arch Partners) file form A statements regarding a change in control of AMS. In order to facilitate a complete filing that provides the Department all necessary information, we request an additional month, until September 1, 2006 to make the above filings with the Washington Department. People tend to be out of pocket in late July and August for family vacations, and I'd like to ensure we have sufficient time to obtain necessary biographical affidavits and other information.

We appreciate your consideration of this request.

Chuck Cliett
MITCHELL WILLIAMS SELIG GATES & WOODYARD
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Little Rock, Arkansas 72201-3525
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<http://www.mitchellwilliamsllaw.com>

(501) 688-8819 (direct dial)

(501) 952-2430 (mobile)

(501) 688-8807 (fax)

-----Original Message-----

From: RonP@OIC.WA.GOV [mailto:RonP@OIC.WA.GOV]
Sent: Friday, July 28, 2006 12:00 PM
To: Chuck Cliett
Cc: CharlesB@OIC.WA.GOV
Subject: RE: Arcadian Health Plan: Ultimate Controlling Person Disclaimers

Good afternoon, Mr. Cliett.

Please update us on how the individuals and Company will proceed following our conference call last Monday.

Thank you,
Ron Pastuch
Holding Company Manager
WA Office of Insurance Commissioner
Phone: (360) 725-7211

3/9/2007

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