

INSURANCE EVALUATION  
DIVISION

OCT 17 2016

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**FORM A**

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

**HARBOR HEALTH PLAN, INC.  
NAIC # 11081**

By  
**TRUSTED HEALTH PLANS, INC.  
Federal I.D. No. # 46-3997278**

**Filed with the Michigan Department of Insurance and Financial Services**

**Date: October 14, 2016**

Name, Title, Address and telephone number of Individual to Whom Notices and Correspondence Concerning this Statement Should Be Addressed:

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## ITEM 1. INSURER AND METHOD OF ACQUISITION

*The name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.*

The health maintenance organization is Harbor Health Plan, Inc. (the "Domestic HMO").

The home office and principal executive office address of the Domestic HMO is:

Harbor Health Plan, Inc.  
3663 Woodward, Suite 120  
Detroit, MI 48201

A brief description of the holding company system and how control is to be acquired is as follows:

Trusted Health Plans, Inc., a Delaware corporation (the "Applicant"), will acquire control of Harbor Health Plan, Inc., a Michigan corporation ("Harbor Health" or "Domestic HMO") from Vanguard Health Management, Inc., a Delaware corporation, ("Seller"), which is ultimately owned by Tenet Healthcare Corporation, a Nevada corporation which holds indirectly 100% of the outstanding voting securities of the Domestic HMO. The Applicant has entered into a Stock Purchase Agreement, dated as of October 6, 2016, to acquire 100% of the 60,000 shares issued and outstanding for the Domestic HMO. *(See Exhibit 1 for a copy of the Stock Purchase Agreement)*

## ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

- (a) *State the name and address of the applicant(s) seeking to acquire control over the insurer.*

Trusted Health Plans, Inc.  
1100 New Jersey Avenue, S.E., Suite 840  
Washington, DC 20003

- (b) *If the applicant is not an individual, state the nature of its business operations for the past 5 years. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.*

The Applicant is an insurance holding company which currently has one affiliated company, Trusted Health Plan (District of Columbia), Inc., ("Trusted DC") a District of Columbia domiciled health maintenance organization. Trusted DC is licensed as a HMO in the District of Columbia, as well as the Commonwealth of Virginia and the state of West Virginia. The Applicant was organized in 2013, and is primary the entity responsible for raising the capital funds needed for its

affiliated HMO companies to meet and maintained their Risk Based Capital balance requirements in the states in which they are licensed. The Applicant is also responsible for providing management and administrative services to its affiliated companies.

The Applicant does not have any current plans to engage in business other than being an insurance holding company for health maintenance organizations and insurance companies.

- (c) *Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant, including the ultimate controlling person(s).*

See the Organizational Structure of the Applicant (*Exhibit 2*).

The Applicant has one affiliated company, Trusted DC. The Ultimate Controlling Persons of the Applicant and their percentage ownerships are as follows:

Frost BPO, LLC ("Frost") owns 41.5% of Applicant

Juggernaut Capital Partners III, L.P. ("JCP") owns 34.4% of Applicant

CHA, LLC ("CHA") managed by Morgan Noble Healthcare Partners LLC, owns 16.1% of Applicant

Pablo Enterprises LLC ("Pablo") owns 6.4% of Applicant

Thomas A. Scully, ("Scully") owns 1.6% of Applicant

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

*On the biographical affidavit, include a third party background check, and state the following with respect to (1) the applicant if he is an individual or (2) all persons who are directors, executive officers or owners of 10% or more of the voting securities of the applicant.*

- (a) *Name and business address.*
- (b) *Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on.*

- (c) *Material occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.*
- (d) *Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.*

NAIC Biographical Affidavit Forms and Independent Background Investigations will be submitted in response to Item 3(a) through 3(d) on the following individuals:

**Frost**

Thomas M. Duncan, II\*

**JCP**

Charles T. Dieveney\*, Managing Director

**CHA/Morgan Noble Healthcare Partners**

Navid Farzad, Partner of Morgan Noble Healthcare Partners

Robert Haft, Managing Partner of Morgan Noble Healthcare Partners as well as Officer and Director of National Investment Group, Inc.

**Trusted Health Plans, Inc. Executive Officers and Directors**

Thomas M. Duncan II\*, CEO

Cleveland E. Slade, CFO

Sherman S. Pickens, COO

Chikadibie Duru, General Counsel

Thomas A. Scully, Chairman, Board of Directors

Charles T. Dieveney\*, Board of Directors

Mark Anderson, Board of Directors

Robert Half, Board of Directors

Thomas M. Duncan II\*, Board of Directors

It is anticipated after the acquisition is consummated, the Executive Officers and Board of Directors of Trusted Health Plans, Inc., will be appointed to replace the current Executive Officers and Board of Directors of Harbor Health Plan, Inc.

\* Individual holds several positions for affiliate companies in the Holding Company System.

#### **ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

- (a) *Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control.*

The Applicant will acquire 100% of the outstanding voting shares of the Domestic HMO from the Seller for the sum of (a) Nine Million (\$9,000,000), plus the amount of the Domestic HMO's Net Working Capital (as defined in the Stock Purchase Agreement) at the time of Closing.

The Domestic HMO's Second Quarter 2016 financial statement reported a Net Working Capital Balance of \$13,173,733. The Seller filed with the Michigan Department of Insurance and Financial Services ("MIFS") an extraordinary dividend request in the amount of approximately--\$6,160,000 prior to the submission of this Form A Filing, which if approved and paid would reduce the Domestic HMO Net Working Capital Balance to approximately \$7,013,733.

The anticipated Purchase Price for the proposed acquisition of control of the Domestic HMO will be approximately \$16,013,733, and it will be paid in cash from the Applicant's internally available funds. \$

- (b) *Explain the criteria used in determining the nature and amount of such consideration.*

The nature and amount of consideration, as described in Item 4(a), was determined on the basis of arms' length negotiations with the Seller, with advice of its Investment Advisors with respect to the amount of consideration being paid for the outstanding shares of the Domestic HMO.

- (c) *If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, he must specifically request that the identity be kept confidential.*

The source of the consideration does not include any loans made in the lender's ordinary course of business and therefore the Applicant is not making a request to keep the lender's identity confidential.

**ITEM 5. FUTURE PLANS OF HMO**

*Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate the insurer, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.*

Prior to this acquisition, the Seller submitted a request to MIFS for the payment of an extraordinary dividend of approximately \$6,160,000 from the Domestic HMO. The Applicant has no plans to sell assets or merge the Domestic HMO with any person. The management and Board of Directors of the Domestic HMO would be primarily modified to the current management and Board of Directors of the Applicant.

A Business Plan and Pro Forma Financial Statement for the Domestic HMO covering three years describing its future plans are provided. *(See Exhibit 3)*

**ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

*State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.*

Pursuant to the Stock Purchase Agreement, the Applicant will acquire 100% of the 60,000 Class A voting shares of the Domestic HMO which are currently owned by the Seller.

The consideration to be paid for the shares of the Domestic HMO is set forth in Item 4 of this Form A Filing Statement. The basis and terms of the Stock Purchase Agreement, including the nature and amount of consideration, were determined by arms' length negotiation between unrelated parties with advice of their respective financial, legal and other advisors.

**ITEM 7. OWNERSHIP OF VOTING SECURITIES**

*State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.*

The right to acquire beneficial ownership of the Domestic HMO and its 60,000 voting shares, by the Applicant is pursuant to the Stock Purchase Agreement executed for the purpose of effecting the transaction. *(See Exhibit 1)*

Except for rights to acquire voting securities of the Domestic HMO described herein, neither the Applicant, its affiliates or, to the best knowledge, information and belief of the Applicant, any person listed in Item 3 hereof has any right to acquire beneficial ownership of any voting security issued by the Domestic HMO or any of its controlling persons.

**ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

*Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the person with whom the contracts, arrangements or understandings have been entered into.*

Other than the transactions described herein, there are no contracts, arrangements, or understanding with respect to any voting security of the Domestic HMO by the Applicant, its affiliates or, to the best knowledge, information and belief of the Applicant, any person listed in Item 3 hereof.

After consummating the transaction described in this Form A, the Applicant will own all of the issued and outstanding shares of the Domestic HMO. The Applicant does not have any intentions to authorize any new class of voting security for the Domestic HMO.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

*Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefore. State whether any shares so purchased are hypothecated.*

None.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

*Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.*

None.

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

*Describe the terms or any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions, or other compensation to be paid to broker-dealers with regard thereto.*

None.

**ITEM 12. FINANCIAL STATEMENT AND EXHIBITS**

- (a) *Financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as appendixes, but list under this item the financial statements and exhibits so attached. Also, include a three-year business plan.*
- (b) *The financial statements shall include the audited financial statements of the persons identified in Item 2(c) for the preceding 5 fiscal years, and similar information covering the period from the end of such person's last fiscal year, if the information is available.*

*Any ultimate controlling person who is an individual may file personal financial statements that are reviewed rather than audited by an independent public accountant. The review shall be conducted in accordance with standards for review of personal financial statements published in*



*the Personal Financial Statements Guide by the American Institute of Certified Public Accountants.*

*The annual financial statement of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law.*

(c) *File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the domestic HMO (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last two fiscal years, and any additional documents or papers required by Form A.*

The following Financial Statement information and Exhibits are included with this Filing in response to Item 12;

1. Financial Statements, Exhibits and three year financial projections for Harbor Health Plan, Inc. Included with these documents are the Three Year Business Plan. *(See Exhibit 3)* Also included are the proposed changes to the Domestic HMO executive officers and Board of Directors as well as affirmation of compliance plan with the state of Michigan Books and Records statutory requirement. *See Document Proposing New Officers and Board of Directors for Harbor Health Plan, Inc. (Exhibit 4)*
2. The audited consolidated financial statements for Trusted Health Plans, Inc. for the last two years are included with this filing. *(See Exhibit 5)*

Financial information of Juggernaut Capital Partners as well as a description of the private equity firm and an organizational chart of its related entities. *(See Exhibit 6)*

Financial information of National Investment Group, the parent of CHA, LLC as well as a description of the private equity firm, Morgan Noble Information Package and an organizational chart of its related entities. *(Exhibit 7)*

Financial information of Thomas M. Duncan, owner of Frost BPO, LLC as well as a description of the Company. *(Exhibit 8)*

**ITEM 13. AGREEMENT REQUIREMENT FOR ENTERPRISE RISK  
MANAGEMENT**

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.


*[Signature page follows]*

ITEM 14. SIGNATURE AND CERTIFICATION

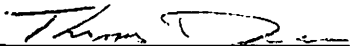
Signature and certification required as follows:

SIGNATURE

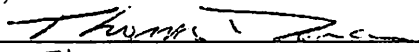
Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, Trusted Health Plans, Inc. has caused this application to be duly signed on its behalf in the City of Washington, District of Columbia on the 14th day of October, 2016.

Trusted Health Plans, Inc  
By:   
Name: Cleveland E. Slade  
Title: CEO

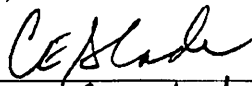
(SEAL) ATTEST:

By:   
Print Name Thomas D. [unclear]  
Title CEO

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, Frost BPO, LLC has caused this application to be duly signed on its behalf in the City of Washington, District of Columbia on the 14th day of October, 2016.


Frost BPO, LLC  
By:   
Name: Thomas D. [unclear]  
Title: CEO

(SEAL) ATTEST:

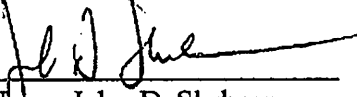
By:   
Print Name Cleveland E. Slade  
Title CEO

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, Juggernaut Capital Partners has caused this application to be duly signed on its behalf in the City of Washington, District of Columbia on the 14th day of October, 2016.

Juggernaut Capital Partners

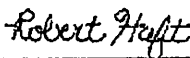
By:   
Name: Chuck Dieveney  
Title: Managing Director

(SEAL) ATTEST:

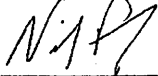
By:   
Print Name John D. Shulman  
Title Managing Director

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, CHA, LLC has caused this application to be duly signed on its behalf in the City of Washington, District of Columbia on the 14<sup>th</sup> day of October, 2016.

CHA, LLC

By:   
Name: Robert Haft  
Title: Manager

(SEAL) ATTEST:

By:   
Print Name Navid Farzad  
Title Partner