STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

BEFORE THE DIRECTOR
OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of the Proposed Plan of Acquisition of Control of ATRIO Health Plans, Inc. by Atrio Acquisition Corporation, et al.	))))	Findings of Fact, Conclusions of Law and Order Case No. INS-FR 19-6-006

INTRODUCTION

Individually and collectively, each of Chicago Pacific Founders Fund II, L.P., Chicago Pacific Founders Fund II-A, L.P., Atrio Blocker Tax Exempt, LLC (f/k/a Atrio Blocker Corp.), ATRIO Splitter Fund, L.P., Chicago Pacific Founders GP II, LLC, Chicago Pacific Founders UGP II, LLC, Atrio Holding Company, LLC, Atrio Acquisition Corporation and Mary Tolan, Vance Vanier and Larry Leisure (collectively the "**Applicants**"), as required by ORS 732.517 through 732.546, filed with the Oregon Department of Consumer and Business Services, Division of Financial Regulation ("**DFR**"), a Statement regarding the Acquisition of Control of or Merger with a Domestic Insurer dated February 7, 2019 and amended that Statement on May 29, 2019 (as amended, "**Form A**"), to acquire one-hundred percent (100%) of the issued and outstanding shares of ATRIO Health Plans, Inc. ("**ATRIO**"), an Oregon domestic insurer, from its current owners: Cascade Comprehensive Care, Inc., an Oregon corporation ("**Cascade**"), (ii) Marion Polk Community Health Plan Advantage, Inc., an Oregon corporation ("**MPCHPA**"), and (iii) Umpqua Health, LLC, an Oregon limited liability company ("**Umpqua**" and together with Cascade and MPCHPA, each a "**Seller**" and collectively,

"**Sellers**"). A collective forty percent (40%) of the beneficial ownership of ATRIO will be retained by Cascade and MPCHPA by way of a rollover arrangement.

The filing fee required under OAR 836-099-0007(12) was paid to DFR on March 7, 2019. The acquisition described in the Form A (the "**activity**" or the "**Proposed Acquisition**") is an activity described in ORS 732.521(1).

The Director of the Department of Consumer and Business Services ("**Director**"), acting in accordance with the procedures set forth in Oregon Revised Statutes ("**ORS**") chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750, and the administrative rules issued thereunder ("**Insurance Code**"), and specifically ORS 732.517 through 732.546 (applicable to the Proposed Acquisition via ORS 750.055), has reviewed the Form A. Upon the filing of the Form A, the DFR engaged Risk & Regulatory Consulting ("**RRC**") as a financial adviser and Morgan, Lewis & Bockius LLP ("**MLB**") as legal advisers. Each of RRC and MLB provided written and oral advice to the DFR in connection with the Proposed Acquisition. Notice of a public hearing was issued on May 5, 2019, and a public hearing on the Form A was held on May 29, 2019. A public comment period was open from May 29, 2019, to June 12, 2019. The Form A, the presentation at the public hearing by the Applicants and ATRIO and public comments were posted on the DFR website.

Now, therefore, upon due consideration of the circumstances, including the said Form A, documentation filed in support of Form A, any testimony at public hearing or public comment, and the reports and other advice provided by RRC and MLB, the Director enters the following Findings of Facts, Conclusions of Law and Order.

FINDINGS OF FACT

The Director FINDS that:

(1) The Applicants are, collectively, a Chicago-based private equity firm that invests in middle market healthcare services companies. More specifically, the Applicants have developed a multi-tiered corporate structure through which a recently created private equity fund will become the majority owner of ATRIO.

(2) The transaction involves the formation of a holding company which will, indirectly through an acquisition corporation, own 100% of the outstanding equity of ATRIO. The holding company is Atrio Holding Company, LLC, a Delaware limited liability company ("**Parent**"), and was formed by Chicago Pacific Capital, L.P., (the "**Sponsor**"). Upon completion of the Proposed Acquisition the Parent will be owned 40% by Cascade and MPCHPA. (Umpqua is divesting itself of any ownership in the Domestic Insurer.) Of the remaining 60%, 56.4% will be held by Chicago Pacific Founders Fund II, L.P. (the "**Main Fund**") and 3.6% will be held by ATRIO Splitter Fund, L.P. ("**Splitter LP**").

(3) The complex corporate structure is more clearly described in the exhibits to the Form A provided and posted to the DFR website. The ultimate controlling persons of the Applicants are: Mary Tolan, Vance Vanier and Larry Leisure. Those individuals each hold 1/3 of the outstanding equity of an entity – Chicago Pacific Founders UGP II, LLC. This limited liability company is the general partner of Chicago Pacific Founders GP II, L.P. (the "**General Partner**"), which is the general partner of the Main Fund and the Splitter LP.

(4) ATRIO is an Oregon for-profit business corporation, has been licensed as a Health Care Service Contractor in Oregon since March 31, 2005. ATRIO has a Medicare Advantage contract with the Centers for Medicare and Medicaid Services, whereby it operates various Medicare Advantage plans and provides Medicare covered health care benefits to qualified Medicare beneficiaries in Douglas, Klamath, Marion, Polk, Josephine, and Jackson Counties, Oregon. ATRIO had previously offered individual and group commercial health benefit plans on and outside of the Affordable Care Act exchange in Deschutes, Douglas, Klamath, Marion, Polk, and Josephine Counties, Oregon. ATRIO no longer offers the individual and group commercial health benefit plans.

(5) Pursuant to the terms of a Stock Purchase Agreement, dated as of December 6, 2018 among the Sellers and Atrio Acquisition Corporation (the "**Purchase Agreement**"), each Seller will sell all of its outstanding equity in ATRIO and receive a combination of cash and/or equity in Parent for an aggregate purchase price of approximately $25,083,000. Additionally, Cascade will receive 55% and MPCHPA will receive 45% of a $6,600,000 earn-out amount. The funds used to purchase the equity were all received by the Applicants in connection with an offering of equity securities as stated in the Form Ds filed by the Main Fund and Chicago Pacific Founders Fund II-A ("**Fund II-A**") with the U.S. Securities and Exchange Commission. No borrowed funds will be used in connection with the Proposed Acquisition.

(6) At the closing, Umpqua will be paid in cash and liquidate its entire investment in ATRIO. Pursuant to a Contribution Agreement to be entered into on the closing date by and among Parent, Cascade and MPCHPA (the "**Contribution Agreement**"), Cascade and

MPCHPA will receive equity in Parent as partial consideration under the Purchase Agreement and will enter into Parent's Operating Agreement (the "**Operating Agreement**") reflecting their respective ownership interests and membership rights and obligations.

(7) Under the Operating Agreement, Parent will have a board of managers of seven individuals. Five of the seven will be designated by the Applicants.

(8) The basis and terms of the Purchase Agreement, including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of the Applicants, on the one hand, and representatives of the Sellers, on the other hand, and their respective legal and other advisors. In negotiating at arm's length the terms of the Purchase Agreement, outside experts were retained to conduct financial due diligence and determine a valuation of ATRIO.

(9) The Applicants intend to continue ATRIO's business without any material modification to its existing plan of operations or leadership, employees, or contracts.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

(1) The Form A is properly supported by the required documents and meets the requirements of the Oregon Insurance Code for approval with respect to acquisitions and mergers pursuant to ORS 732.517 to 732.546.

(2) The Director finds that there is no evidence that:

(a) The activity is contrary to law or would result in a prohibited combination of risks or classes of insurance.

The acquisition of control of ATRIO by the Applicants is permitted by ORS 732.517 to 732.546.

The Applicants are not insurers and thus do not carry risks or classes of insurance. The Applicants do not plan any changes to ATRIO's business plans. Accordingly, there is no evidence the activity would result in a prohibited combination of risks or classes of insurance.

(b) The activity is inequitable or unfair to the policyholders or shareholder of any insurer involved in, or to any other person affected by, the proposed activity.

ATRIO is the insurer involved in the Proposed Acquisition. The basis and terms of the Purchase Agreement, including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of the Applicants, on the one hand, and representatives of the Sellers, on the other hand, and their respective legal and other advisors.

The Proposed Acquisition will be effectuated pursuant to the terms of the Purchase Agreement. The Purchase Agreement, together with the Contribution Agreement, effectuates the acquisition of 100% of the outstanding equity of ATRIO. Through the mechanism of the Contribution Agreement, Cascade and MPCHPA will continue to have an ownership interest in ATRIO. Indirectly, the Main Fund and Splitter LP will collectively own 60% of ATRIO's outstanding equity and Cascade and MPCHPA will collectively own the remaining 40%.

The Applicants do not anticipate any changes to the business plans of ATRIO.Rather, the Applicants intend for ATRIO to continue to operate as it has historically. Accordingly, ATRIO's policyholders should receive the same level of service as prior to the Proposed Acquisition because no material changes are anticipated with respect to the products or services that they receive from ATRIO.

(c) The activity would substantially reduce the security of and the service to be rendered to policyholders of any domestic insurer involved in the proposed activity, or would otherwise prejudice the interests of such policyholders in the state or elsewhere.

The activity will not substantially reduce the security of or the service to be rendered to policyholders of ATRIO or otherwise

prejudice the interest of such policyholders in this state or elsewhere. The financial information submitted at Exhibit D of the Form A and the capital commitments provided to the Applicants by those investing in the Main Fund and Fund A-II demonstrates that the Applicants are adequately capitalized and the description of its business activities in the Form A suggests that the Applicants are prudently managed.

(d) The activity provides for a foreign or alien insurer to be an acquiring party, and the insurer cannot satisfy the requirements of this state for transacting an insurance business involving classes of insurance affected by the activity.

No insurer is an Applicant.

(e) The activity or its consummation would substantially diminish competition in insurance in this state or tend to create a monopoly.

The Applicants have no medical health insurance business currently in Oregon. Accordingly, the Proposed Acquisition will not substantially diminish competition of insurance in this state or tend to create a monopoly.

(f) After the change of control or ownership, the domestic insurer to which the activity applies will not be able to satisfy the requirements for the issuance of a certificate of authority to transact the line or lines of insurance for which the insurer is currently authorized.

The Applicants have no plans to change the business or capital structure of ATRIO other than as described in the Form A. Consequently, ATRIO's ability to satisfy the requirements for receiving a certificate of authority will not be impacted by the Proposed Acquisition.

(g) The financial condition of any acquiring party might jeopardize the financial stability of the insurer.

The Proposed Acquisition will not jeopardize the financial stability of ATRIO. The Proposed Acquisition will not impact ATRIO's ability to meet its on-going financial obligations.

(h) The plan or proposals that the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in the insurer's business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.

Following the Proposed Acquisition, the Applicants do not plan any changes to ATRIO's business plansand the Applicants have no plans or proposals to liquidate ATRIO, sell its assets, merge it with another person, or make any material changes in its corporate structure or management.

(i) 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 activity or its consummation.

There is nothing in the DFR's investigation or the biographical information provided regarding the persons that will control the operation of ATRIO that suggests that the competence, experience and integrity of those persons who will control ATRIO's operations will be contrary to the interest of its policyholders or the public.

(j) The activity or its consummation is likely to be hazardous or prejudicial to the insurance-buying public.

There is nothing to suggest that the Proposed Acquisition will be hazardous or prejudicial to the insurance-buying public.

(k) The activity is subject to other material and reasonable objections.

After considering all relevant information provided to the DFR, the DFR finds that there are no material or reasonable objections to the Proposed Acquisition.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, the statements made in the Form A and in the Applicants' correspondence with DFR, it is hereby ORDERED that:

(1) The acquisition of control of ATRIO by the Applicants is hereby approved upon the basis of the information contained in the Form A to date;

(2) The Applicants shall provide the DFR with a definitive set of final closing documents within thirty days of the Closing;

(3) The Applicants shall advise the DFR if the Proposed Acquisition does not occur within ninety (90) days of the date hereof, and the DFR reserves the right to modify or revoke this Order;

(4) The Applicants shall cause to be paid the fees of any actuaries, accountants, attorneys, financial advisors and other experts not otherwise a part of the DFR's staff that the DFR contracted with in connection with the Proposed Acquisition;

(5) Within thirty days of the Closing, ATRIO shall file an amended holding company act statement;

(6) ATRIO shall submit an enterprise risk report under ORS 732.569 each year during which the Applicants control ATRIO and an acknowledgement that ATRIO and any affiliates that are within the Applicants' control will provide, at the Director's request, information the Director needs to evaluate enterprise risk to ATRIO;

(7) The effective date of this transaction may be any time subsequent to the approval of this order pursuant to ORS 732.528(6) (subject to paragraph (3) above);

(8) Pursuant to ORS 732.551 et seq. and those regulations promulgated thereunder, the Applicants shall be included within the registration statement on Form B filed by ATRIO;

(9) Pursuant to ORS 732.552(1)(e) and those regulations promulgated thereunder, the financial statements of the Applicants, other than of Mary Tolan, Vince Vanier and Larry Leisure, shall be filed with DFR; and

(10) This Order shall be conditioned upon and subject to the following:

a. The Applicants shall be included within ATRIO's reporting on Schedule Y to its financial statements;

b. ATRIO's receipt from Cascade, MPCHPA and Umpqua of the $30,791,182 in receivables related to Centers for Medicare and Medicaid Services provider risk sharing and capitation settlement receivables;

c. Any new agreement or amendment to an existing agreement which would or would reasonably be expected to alter or eliminate the authority of the General Partner to exercise control over the Main Fund, Fund II-A or Splitter LP, or any material change to the operating agreement of Parent or Chicago Pacific Founders UGP II, LLC, shall be the subject of the filing of a Form A with the DFR pursuant to the Insurance Code;

d. Any agreement or amendment relating to the constituent documents of the General Partner, the Main Fund, Fund II-A or Splitter LP, which would or would reasonably be expected to alter the current rights to exercise control of the General Partner, including the General Partner's removal as general

partner of either or both of the Main Fund, Fund II-A or Splitter LP will be submitted to the DFR for its prior review and may be the subject of a Form A process;

e. Any change in ownership of interests in any of the Main Fund, Fund II-A or Splitter LP, which would or would reasonably be expected to result in an individual (singly or with any subsidiaries or affiliates) owning 10% or more of the outstanding voting securities of such fund(s) or entity will be the subject of a Form A process;

f. The Applicants' shall notify DFR in the event a party seeks to foreclose on a security interest granted in the equity of Parent owned by any or all of the Main Fund, Fund II-A and Splitter LP and/or any asset of the Parent and such foreclosure may be the subject of a Form A process in order for the foreclosure to be effective;

g. Any modification of any agreement, charter, bylaw or other document which would, or the entry into of any agreement to which the Domestic Insurer is a party or which would or purport to, impose an obligation on the Domestic Insurer to provide indemnification to any individual or entity not employed by, an officer of or board member of the Domestic Insurer shall be provided to the DFR in advance and subject to its prior approval.

Dated this 19th day of June, 2019

Andrew Stolfi
Administrator, Division of Financial Regulation
Department of Consumer and Business Services

NOTICE

Pursuant to ORS 732.528(7), any insurer or other Party to the proposed activity, including the insurer subject to the acquisition, within sixty days after receipt of the notice of approval or disapproval, may appeal the final order of the Director as provided in ORS 183.310 to 183.550. For purposes of the judicial review, the specifications required to be set forth in the written notice from the Director will be deemed the findings of fact and conclusions of law of the DFR.