

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Magellan Health	:	Holding Companies Act, Article
Services, Inc. Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40 P.S.	:	Law of 1921, Act of May 17, 1921,
§991.1402 for the Restructuring of its	:	P.L. 682, <u>as amended</u> , 40 P.S.
Holding Company System, which	:	§§991.1401, 991.1402, and
includes Magellan Behavioral Health	:	991.1403
of Pennsylvania, Inc.	:	
	:	Order No. ID-RC-02-04

DECISION AND ORDER

AND NOW, on this ___14th___ day of February 2002, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

1. Magellan Behavioral Health of Pennsylvania, Inc. (“Magellan of PA”) is a domestic risk-assuming preferred provider organization organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Newtown, Pennsylvania.
2. American Biodyne, Inc. is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in Columbia, Maryland. American Biodyne, Inc. owns 100% of the voting securities of

Magellan of PA.

3. Merit Behavioral Care Corporation (“Merit”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in Columbia, Maryland. Merit owns 100% of the voting securities of American Biodyne, Inc.
4. Magellan Behavioral Health, Inc. (“Magellan Behavioral”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in Columbia, Maryland. Magellan Behavioral owns 100% of the voting securities of Merit.
5. Magellan Health Services, Inc. (“Magellan Health”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in Columbia, Maryland. Magellan Health owns 100% of the voting securities of Magellan Behavioral.
6. The stock of Magellan Health is publicly traded on the New York Stock Exchange.
7. David Bonderman, James G. Coulter and William S. Price, III (collectively referenced hereinafter as “TPG Advisors”), indirectly control 10% or more of the voting securities of Magellan Health.
8. Another entity holding greater than 10% of the issued and outstanding voting has properly filed a disclaimer of control
9. TPG Advisors are the sole ultimate controlling persons of Magellan of PA.

Filing of the Application

10. On August 24, 2001, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from Magellan Health for approval to effectuate a plan of reorganization of the holding company system that includes Magellan of PA.
11. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all transactions resulting in the change of control of a domestic insurer must be filed with the Department for approval or disapproval.

12. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
13. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a) does not have the effect of changing or influencing the control of a domestic insurer, or
 - b) is otherwise not comprehended within the purposes of the section.

The Transaction

14. As described in the Application, Magellan Health proposes to merge American Biodyne, Inc. with and into Merit with Merit being the survivor of the merger.
15. The Deputy Commissioner finds that the transaction described in the Application does not have the effect of changing or influencing the control of a domestic insurer.
16. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transaction is not being contemplated to change or influence the ultimate control of Magellan of PA, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
5. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Magellan Health	:	Holding Companies Act, Article
Services, Inc. Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40 P.S.	:	Law of 1921, Act of May 17, 1921,
§991.1402 for the Restructuring of its	:	P.L. 682, <u>as amended</u> , 40 P.S.
Holding Company System, which	:	§§991.1401, 991.1402, and
includes Magellan Behavioral Health	:	991.1403
of Pennsylvania, Inc.	:	
	:	Order No. ID-RC-02-04

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the application of Magellan Health Services, Inc. requesting exemption from the requirements of Section 1402 of the Insurance Holding Companies Act for the restructuring of the holding company system which includes Magellan Behavioral Health of Pennsylvania, Inc., as set forth in the Application, is hereby granted.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner