

1 STATE OF FLORIDA
OFFICE OF INSURANCE REGULATION
2

3 IN THE MATTER OF:

4 Application for the Indirect
Acquisition of 100% of the
5 Controlling Interest of
COVENTRY HEALTH PLAN OF
6 FLORIDA, INC.; COVENTRY SUMMIT
HEALTH PLAN, INC.; COVENTRY
7 HEALTH CARE OF FLORIDA, INC.;
and MHNET OF FLORIDA, INC.; by
8 JAGUAR MERGER SUBSIDIARY,
INC., a wholly owned
9 subsidiary of AETNA, INC.

10 _____/

11 PUBLIC HEARING

12 November 2, 2012

13 10:00 a.m. - 11:40 a.m.

14 The Larson Building

15 200 East Gaines Street

16 Tallahassee, Florida

17

18 Reported by:

19

20 RAY D. CONVERY, Court Reporter
For the Record Reporting, Inc.
21 1500 Mahan Drive - Suite 140
Tallahassee, Florida, 32308
22

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1 P R O C E E D I N G S

2 THE HEARING OFFICER: Good morning everyone.
3 I'm Jamie Horne, Assistant General Counsel for the
4 Office of Insurance Regulation. I'll be the
5 hearing officer for today's hearing.

6 Any member of the public outside of Aetna or
7 Coventry who wishes to speak, if you could please
8 fill out a form in the back of the room and
9 indicate that you wish to speak and bring that form
10 up to me, that would be wonderful. You can also
11 leave written comments in lieu of speaking, if you
12 wish. And also available at the back of the room
13 is the agenda. Please do that now if you've not
14 already done so.

15 I'd also like to note, if anyone needs to go
16 to the bathroom or needs a drink of water, you can
17 step out those doors and the people at the front
18 desk will guide you into the building.

19 Today is November 2nd, 2012, and we are at the
20 Larson Building, 200 East Gaines Street, in
21 Tallahassee, Florida. Notice of this hearing was
22 published in the Florida Administrative Register on

- 23 October 15th, 2012 in Volume 38 out of 50.
- 24 This public hearing is being conducted
- 25 pursuant to Sections 628.4615 and 641.255, Florida

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1 Statutes, to consider the appropriateness of an
2 application for approval of the acquisition of four
3 Florida domestics, Coventry Health Plan of Florida,
4 Incorporated; Coventry Summit Health Plan,
5 Incorporated, Coventry Health Care of Florida,
6 Incorporated, and MHNNet of Florida, Incorporated,
7 by Jaguar Merger Subsidiary, Incorporated, a
8 wholly-owned subsidiary of Aetna, Incorporated.
9 Aetna, Incorporated, desires to purchase Coventry
10 Health Care, Incorporated, which would result in
11 Aetna acquiring ownership of Coventry's four
12 domestic companies.

13 This will be the format of the hearing. First
14 Aetna will make a presentation setting forth the
15 details of the proposed transaction focusing on the
16 requirements of Section 628.4615. Those who speak
17 will be put under oath by the court reporter and
18 they will include in their presentation such
19 matters as any changes in the proposed transactions
20 since the Form A statement was filed, the
21 circumstances that led to the proposed acquisition,
22 a description of the agreement and plan of merger,

- 23 a description of the parties involved, and a time
- 24 line of how the proposed transaction will unfold.
- 25 After the presentation by Aetna, there will be

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1 a short recess. After the recess, the Office will
2 present questions to the representatives and
3 principles of Aetna.

4 Leading the questioning will be Catherine
5 Schoenecker, an Assistant General Counsel with the
6 Office of Insurance Regulation. Anyone answering
7 the questions who has not already been put under
8 oath will be. Other representatives of the Office
9 may interject questions and follow up on answers.

10 This is being transcribed, so I would ask that
11 one person speak at a time so that the record does
12 not become confused and please present yourself so
13 that the court reporter may get your name for the
14 record.

15 At the completion of the questioning from the
16 Office, the floor will be open to comments from the
17 public. Members of the public who speak will not
18 be put under oath.

19 Before we start, I would like to introduce the
20 agency personnel involved in today's hearing. We
21 have Catherine Schoenecker, Michelle Robleto, Toma
22 Wilkerson, Mary Mostoller, Christopher Struk, and

23 we have Joe Ehrhart, Frances Tay and Michelle

24 Sanders with us today as well.

25 Perhaps we could have the persons who are

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1 going to be speaking for Aetna identify themselves
2 for the court reporter at this time and be sworn in
3 as a group.

4 MR. WHITMER: Good morning. My name is Steven
5 Whitmer. I'm counsel for Aetna, Inc., and I'll be
6 leading the questioning today.

7 MR. MARTINO: Gregory Martino for Aetna.

8 MR. WHITMER: Would you like us to introduce
9 all of our witnesses at this time or as they come
10 up?

11 MS. SCHOENECKER: If we could do them all now,
12 then we could swear everybody as a group.

13 MR. WHITMER: I'd also like to introduce to
14 you then here in the audience Mr. Drew Asher.

15 MR. ASHER: Drew Asher, Senior Vice-president
16 of Coventry Health Care, Inc.

17 MR. WHITMER: I'd also like to introduce Mr.
18 Christopher Ciano.

19 MR. CIANO: Good morning. Christopher Ciano,
20 Chief Executive Officer, Coventry Florida, Inc.

21 MR. WHITMER: And also Mr. Jonathan Weinberg.
22 Could you introduce yourself?

- 23 MR. WEINBERG: Good Morning. Jonathan
24 Weinberg, Deputy General Counsel and Senior
25 Vice-president for Coventry Health Care.

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1 Whereupon,

2 STEVEN WHITMER

3 GREGORY MARTINO

4 DREW ASHER

5 CHRISTOPHER CIANO

6 and

7 JONATHAN WEINBERG

8 were called as witnesses and were duly sworn to speak

9 the truth, the whole truth, and nothing but the truth.

10 THE HEARING OFFICER: Thank you, Mr. Court

11 reporter.

12 Aetna and Coventry will give any documents to

13 be marked as exhibits and incorporated into the

14 record to the court reporter as the witnesses

15 provide their testimony, and all documents that

16 have been submitted to this point as part of the

17 application, as well as any followup documents,

18 will be deemed to be part of the record of this

19 hearing subject to the same trade-secret and

20 confidentiality protections as in the original

21 application submission.

22 Who will be speaking first for Aetna?

23 MR. WHITMER: The first witness Aetna would

24 like to call is Mr. Gregory Martino.

25 THE HEARING OFFICER: All right. Very well.

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1 Proceed.

2 Whereupon,

3 GREGORY MARTINO

4 was called as a witness, having been previously sworn to

5 speak the truth, the whole truth, and nothing but the

6 truth, was examined and testified as follows:

7 SWORN TESTIMONY

8 BY MR. WHITMER:

9 Q Mr. Martino, could you please introduce

10 yourself to the Hearing Officer?

11 A Yes. I'm Gregory Martino.

12 Q What is your current title?

13 A I'm Assistant Vice-president for State

14 Government Relations for Aetna, Inc.

15 Q And, sir, is that an officer position?

16 A Yes, it is.

17 Q Could you describe for us briefly, what is

18 your role and what are your responsibilities with

19 respect to Aetna?

20 A Yes. I've had a number of different roles

21 over at Aetna over time, including handling the form

22 filings that get submitted to the various insurance

23 departments across the country, regulatory-compliance-

24 related issues dealing with regulatory interactions with

25 the different state insurance departments, compliance

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1 matters, state-government relations. I'm in charge of
2 state-government relations for a number of states across
3 the country, and also dealing with a number of financial
4 transactions and transactions for Aetna with various
5 insurance departments, all the time really focusing upon
6 state regulatory activity.

7 Q What you just described for us, that's what
8 you've been performing for Aetna and its affiliated
9 companies from the year 2000 to the present. Is that
10 right?

11 A Yes, it is.

12 Q I'd like to now go before that. During the
13 period 1988 to 2000, you worked for the Pennsylvania
14 Insurance Department. Is that right?

15 A That is correct.

16 Q Could you describe for us what your titles
17 were and generally what your roles were with the
18 Department?

19 A Certainly. I joined the Pennsylvania
20 Insurance Department in approximately 1988 overseeing
21 the -- and creating the -- I was the Director for Market
22 Conduct and Enforcement, proceeded on to become Deputy

- 23 Insurance Commissioner for Consumer Services and
- 24 Enforcement, spent a number of years as Deputy Insurance
- 25 Commissioner for Rates and Forms, and also served a

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1 period of time as Acting Insurance Commissioner for the
2 Commonwealth of Pennsylvania.

3 Q We're here today to talk about the
4 Aetna-Coventry transaction, and I'd first like to ask
5 you just generally, what has been your involvement with
6 this transaction?

7 A I've been involved in the Coventry transaction
8 from the state regulatory side focusing my time really
9 on the Form A filings and the Form E filings, but,
10 obviously, the Form A filings are the ones that take
11 and consume a large period of time.

12 I've work with the team, the Aetna team on
13 preparing the Form A filings for the 20 various
14 jurisdictions that are required to file the Form A
15 filings, prepare those, review those, ensure their
16 accuracy, the timely submission to the states of those
17 Form A filings, also have worked with the team to make
18 sure that the responses and the questions from the
19 states regarding the Form A filings and the applications
20 for the transaction are responded to in a timely
21 fashion, adequate responses are provided, and the
22 accuracy of them, and participated in the hearings. To

23 date we've actually had hearings -- we've had two

24 hearings on this already, and I've participated in

25 hearings, not being in the hearings, but also testifying

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1 in hearings at those states in Nebraska and in Missouri.

2 Q Sir, at this point I'd like to direct your

3 attention to Exhibit No. 1 which is in front of you. A

4 copy of Exhibit No. 1 has also been provided to the

5 Hearing Officer and has been already marked. Sir, do

6 you recognize this document?

7 A Yes, I do.

8 Q What is it?

9 A It is my affidavit on behalf of Aetna before

10 the Florida Office of Insurance Regulation regarding the

11 transaction and the Form A filing, the application.

12 Q Could you go ahead and turn to the last page

13 of Exhibit 1 and explain to us whether the signature on

14 the bottom right-hand corner is yours?

15 A Yes, it is.

16 Q And at the time you signed the document, it

17 was notarized as set forth on the last page?

18 A Yes, it was.

19 Q I'd like to return now to the first page of

20 Exhibit 1 which concerns a description of the

21 transaction. What I'd like for you to do is provide for

22 us a general description of the transaction that we're

23 here to talk about today.

24 A Certainly. As explained in the application,

25 Aetna is in the process of acquiring control of the

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1 Coventry Health Plans across the country, including
2 those here in Florida, which is Coventry Health Plan of
3 Florida, Coventry Summit Health Plan, Coventry Health
4 Care of Florida, and also MHNNet of Florida.

5 Q At the bottom of the first page of Exhibit 1
6 in your affidavit you identified four separate entities.
7 The first one is Coventry Health Plan of Florida, Inc.,
8 which I'll refer to today as Coventry HP Florida, like
9 you do in your affidavit. Second is Coventry Summit
10 Health Plan, Inc., which we'll call today Coventry
11 Summit. Third is Coventry Health Care of Florida, Inc.,
12 which we'll call Coventry HC Florida. And fourth is
13 MHNNet of Florida, Inc., which we'll refer to as MHNNet.

14 Sir, are you familiar with all four entities?

15 A Yes, I am.

16 Q And could you explain to us how you've become
17 familiar with them?

18 A I've reviewed the transaction and the
19 application and am familiar with the information
20 contained in the application and the affidavit and the
21 accuracy of those.

22 Q And today as I'm referring to these four

23 entities I'll be calling them collectively the domestic

24 insurers like you do your in affidavit. Okay?

25 A Yes.

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1 Q I'd like to move forward now to talk -- on the
2 bottom of page four of your affidavit, this is where we
3 address the ten requirements set forth in Section
4 628.4615 of the Florida Statutes. Sir, are you familiar
5 with that statute?

6 A Yes, I am.

7 Q And are you familiar with the regulations that
8 are specifically articulated in that statute?

9 A Yes, I am.

10 Q Could you explain to us how is it you became
11 familiar with those requirements?

12 A I obtained a copy of the statute and
13 regulations and reviewed those and read those.

14 Q And are you prepared today to speak to the
15 first nine of the ten requirements set forth in that
16 statute?

17 A Yes, I am.

18 Q Let's go ahead and move forward then to the
19 first requirement, and this is set forth at the top of
20 page five of your affidavit. This requirement speaks to
21 whether the domestic insurers will continue to satisfy
22 the requirements for issuance of certificates of

23 authority as Florida HMOs and prepaid limited health

24 service organizations. Sir, has that requirement been

25 met?

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1 A Yes, it has.

2 Q And can you explain to us how that is?

3 A Yes. Currently Coventry HP of Florida,
4 Coventry Summit and Coventry HC of Florida all are
5 licensed as health maintenance organizations in the
6 state of Florida. And, as such, they meet the statutory
7 requirements under the Florida laws.

8 Q And then also with respect to on a
9 going-forward basis, can you confirm that the same
10 entities will continue to satisfy those requirements?

11 A Yes. As stated in the application, we have
12 no -- currently we have no plans to materially change
13 the operations or significantly change the operations of
14 the three HMOs operating in Florida, and, therefore,
15 they will continue to meet the statutory requirements.

16 Q And also, sir, if you could speak to MHNet,
17 which is the fourth entity with respect to Requirement
18 No. 1?

19 A Yes. MHNet is currently licensed as a
20 pre-need limited health service organization in the
21 state of Florida and, as such, it currently meets the
22 statute and the requirements in the state of Florida.

23 Q And can you speak to the fact whether it will

24 continue to do so?

25 A Once again, as I mentioned with the others, in

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1 the application there are no plans to change --
2 currently there are no plans to change the operation,
3 materially change the operations or significantly change
4 the operations of MHNNet and, therefore, it will continue
5 to operate and comply with the statutes.

6 Q I'd like to now move forward to Requirement
7 No. 2. Requirement 2 at the bottom of page five of your
8 affidavit speaks to whether the financial condition of
9 Aetna will jeopardize the financial stability of the
10 domestic insurers or prejudice the interests of their
11 insureds or the public. Sir, has that requirement been
12 met here and, if so, why?

13 A Yes, it has. Aetna is a Fortune 100 company.
14 It's a large, international health insurance company.
15 Currently, I believe in 2011, it had revenues in excess
16 of \$33 billion. As such, it really brings to the
17 Coventry domestic insurers a great depth of financial
18 resources and will not financially be a burden and will
19 not be a problem in meeting that requirement.

20 Q Let's move forward to Requirement No. 3. This
21 requirement states that the transaction is fair and free
22 of prejudice to the insureds of the domestic insurers

23 and the public. Sir, has that requirement been meet

24 here and, if so, how?

25 A Yes, it has. Coventry is a very good national

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1 company. The domestic companies here in Florida are
2 very good companies. Aetna is a very good national --
3 recognized national and international health insurance
4 company. What the policyholders and insureds of the
5 Coventry family of companies in Florida, the domestic
6 insurers in Florida will begin to experience is they
7 will have the best of both worlds. They currently
8 experience the positive experiences they've had with a
9 very good company in Coventry Health companies here.
10 They will also begin to have the expertise and the
11 resources available to them in the Coventry family that
12 we have -- excuse me -- from the Aetna family. The
13 resources and the expertise in a large international
14 company such as Aetna will be at their disposal also.

15 Q Could you provide any additional detail, for
16 example, with respect to products and services?

17 A Certainly. Currently the Coventry folks have
18 a depth of experience in product development and network
19 that will begin to broaden. As I mentioned earlier, one
20 of the things they'll do is they'll have access to a lot
21 of additional resources, a lot of additional expertise
22 that will include the networks, the care-management

23 tools, the technology. All the other information and

24 the expertise that Aetna has developed over the years

25 will begin -- will be accessible to Coventry

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1 policyholders over time.

2 Q I'd like to now speak to the second half of
3 that requirement and, more specifically, as to whether
4 the Applicant has any plans with regard to the domestic
5 insurers that are unfair or prejudicial. Could you also
6 speak to that element for us?

7 A Yes, I can. Aetna -- as mentioned in the
8 application, Aetna has -- currently Aetna has no plans
9 to materially change the operations of the four domestic
10 Coventry companies. We see those companies running very
11 successfully. We are happy that they're running
12 successfully here in the state. We plan on keeping --
13 Aetna's plan, current plans are not to change -- have
14 any significant change to those operations. That would
15 include things such as extraordinary dividends,
16 liquidating any assets, significantly changing the
17 operations. There are no current plans at this time for
18 anything.

19 Q Let's move forward now to Requirement No. 4
20 which is set forth on page nine of your affidavit. And,
21 sir, this requirement speaks to the competence,
22 experience and integrity of those who will directly or

23 indirectly control the operations of the domestic

24 insurers following the consummation of the transaction.

25 Now, sir, the witnesses from Coventry will be speaking

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1 to the officers and directors of Coventry separately.

2 What I'd like to do is I'd like to direct your attention

3 to the directors and the executive officers of Aetna,

4 Inc. And what I'd like to do is I'd like to identify

5 the specific directors first. Those directors as set

6 forth in paragraph 56 of your affidavit are Mr. Aguirre,

7 Mr. Bertolini, Mr. Clark, Ms. Cohen, Ms. Coye,

8 Mr. Farah, Ms. Franklin, Mr. Garten, Ms. Hancock,

9 Mr. Harrington, Mr. Ludwig and Mr. Newhouse. My first

10 question, sir, is are you familiar with these

11 individuals?

12 A Yes, I am.

13 Q How is it that you've become familiar with

14 them?

15 A I've reviewed the biographical affidavits of

16 these individuals.

17 Q And, from your review, can you speak to the

18 competence, experience and integrity of them?

19 A Yes. The affidavits can speak for themselves

20 and, as you look at these affidavits, you will be able

21 to -- I've come to the conclusion that they are in fact

22 individuals of competency and experience.

23 Q And then, sir, in addition, the executive
24 officers that you've identified in paragraph 57 of your
25 affidavit, those are Mr. Bertolini, Mr. Zubretsky,

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1 Mr. Casazza, Ms. Jones, Mr. Parmeswar and Mr. Quirk, do
2 you have a basis to speak to the competence, experience
3 and integrity of these individuals?

4 A Yes, I do.

5 Q And what is it?

6 A I've worked with these individuals. They're
7 senior officers at Aetna, Inc. I've had the opportunity
8 to work with them over the years at Aetna, and I can
9 tell you that those individuals are individuals of
10 competency, integrity and experience in the insurance
11 industry.

12 Q And, sir, do you have any expectation, or can
13 you speak to, on a going-forward basis, whether the
14 officers, the executive officers and the directors that
15 you've just spoken to will continue to have the
16 competence, experience and integrity that you've just
17 described?

18 A Yes, I can. At this point in time there are
19 no current plans to change any of those officers or
20 directors.

21 Q Let's move forward then to Requirement No. 5.
22 Requirement 5 speaks to the backgrounds of each officer

23 and director of Aetna that you spoke to and whether

24 those backgrounds indicate that it is in the best

25 interests of insureds -- of the domestic insureds and in

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1 the public interest to permit such persons to exercise
2 control over the domestic insurers. Has that
3 requirement been met in this transaction.

4 A Yes, it has.

5 Q And can you explain why?

6 A Yes. As you look through the affidavits -- as
7 I've looked through the affidavits of domestic insurers
8 at Aetna, Inc., as well as the officers and the
9 directors, I can say that these are individuals of
10 experience, knowledge, have a history in running
11 insurance companies, and believe that they meet that
12 requirement.

13 Q Let's move forward now to Requirement 6. This
14 is at the top of page 13 of your affidavit. This
15 requirement speaks to whether the officers and directors
16 of Aetna after the transaction will have sufficient
17 insurance experience and the ability to assure
18 reasonable promise of successful operations. Is that
19 requirement met with respect to this transaction and, if
20 so, why?

21 A Yes. As I mentioned, these individuals, I've
22 worked them with them over the years and, frankly, they

23 are individuals with experience in the insurance world.

24 I've read their résumés. Their biographical affidavits

25 state that. And they will continue to be successful --

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1 and I believe they will continue to be successful in

2 leading Aetna after the acqu -- post-acquisition.

3 Q We're moving now to requirement No. 7.

4 Requirement 7 speaks to, again, the management -- we're

5 changing directions. We're not talking about Aetna.

6 We're now talking about the management of the domestic

7 insureds. You're going to hear additional testimony

8 from the Coventry individuals in a few minutes, but for

9 right now I'd like for you to speak to the whether the

10 management of the domestic insureds after the

11 transaction will be competent and trustworthy and will

12 possess sufficient managerial experience so as to make

13 the proposed operation of the domestic insurers not

14 hazardous to the insurance-buying public. Has that

15 requirement been met by this transaction and, if so,

16 why?

17 A Yes, it has. Based upon my review of the

18 affidavits, I believe that the individuals are

19 experienced, have competency in what they've been doing

20 with the Coventry domestics here, continue to lead the

21 company and, quite honestly, are not at all hazardous to

22 the operation of the insurance company.

23 Q Moving forward to Requirement No. 8, page 14,
24 this requirement speaks to the management of the
25 domestic insurers after the transaction and whether they

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1 will include any person who has unlawfully manipulated
2 the assets, accounts, finances or books of any insurer
3 or otherwise acted in bad faith with respect thereto.
4 Can you explain to us whether that requirement has been
5 met here?

6 A Yes, I can. Based upon my review of the
7 biographical affidavits, that requirement has been met.

8 Q And finally, sir, with respect to Requirement
9 No. 9 in page 15 of your affidavit, the requirement
10 speaks to whether this transaction is likely to be
11 hazardous or prejudicial to the insureds or the domestic
12 insurers or to the public. Has that requirement been
13 satisfied?

14 A Yes, it has.

15 Q And could you explain why?

16 A Yes. This transaction really brings forth two
17 companies, two very well-established companies, and I do
18 believe it will be beneficial to -- as I've talked
19 earlier about the policyholders, the benefits to the
20 Coventry policyholders, but, in addition, there's a
21 benefit to the public, the general public, the people of
22 Florida, in that this will bring an opportunity to have

- 23 two companies bring their expertise and their resources
- 24 together to provide a very solid insurance company,
- 25 health insurance company in the state of Florida, and

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1 provide opportunity for different types of products in a
2 different environment and the ability to compete with
3 some of the larger health insurers in the state.

4 MR. WHITMER: Thank you, Mr. Martino.

5 At this time, Ms. Horne, I'd like to move for
6 admission of Exhibit No. 1 into evidence.

7 THE HEARING OFFICER: Okay.

8 MR. WHITMER: And it's so admitted?

9 THE HEARING OFFICER: So admitted.

10 (Whereupon, Exhibit No. 1 was received in
11 evidence.)

12 MR. WHITMER: And, Mr. Martino, I have no
13 additional questions for you but, before we leave,
14 I would like to give you an opportunity to provide
15 any additional information that you think that the
16 Office needs to hear today.

17 MR. MARTINO: The only other comment I'd say
18 is I've looked at this transaction in Florida and
19 in a number of states that I've filed all the other
20 Form A filings and reviewed those. I really see
21 this transaction as a real win, win, win situation.
22 It's really a win for the policyholders of Coventry

23 in Florida today. I think it provides them with --
24 as I mentioned, it provides them with additional
25 expertise, additional resources that a large,

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1 international company such as Aetna has. In
2 addition to that, it is a great opportunity for the
3 citizens of Florida. It brings forth a greater,
4 larger insurance company who in fact will be able
5 to have greater opportunities in the state and
6 really brings forth a lot of the strengths of both
7 companies.

8 And, lastly, it is a good opportunity for
9 Aetna, who really is looking for a lot of -- and,
10 of course, part of the transaction was the
11 grass-root efforts, the grass-root efforts that
12 Coventry brings with its business here in and other
13 states. We see that as a great opportunity for
14 Aetna.

15 And, with that, I guess I would just end by
16 respectfully asking, you know, for your approval
17 for this and that I do believe we've met the ten
18 requirements set forth in the Florida statute.

19 MR. WHITMER: Thank you, Mr. Martino.

20 I have no further questions for the witness,
21 but certainly, Ms. Horne, if you or anyone in the
22 Office want to ask some questions, he's available.

23 MS. SCHOENECKER: We'll just ask them all

24 after the break.

25 MR. WHITMER: Fine. Well, Mr. Martino, at

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1 this time I'm going to ask that you go ahead and
2 step down.

3 At this time I would like to move to
4 Requirement No. 10, and specifically what I'd like
5 to do is address Exhibit No. 2 which has been
6 provided to the Hearing Officer. And this is the
7 affidavit of Dr. Thomas R. McCarthy that was
8 submitted on behalf of Aetna. Mr. McCarthy is not
9 here today, but what we'd like to do is read into
10 the record just two portions of his report: First,
11 his qualifications, and, second, the summary which
12 comes at the end of his report. And so I'm going
13 to go ahead and start at this time with
14 qualifications. This is in Section 1, Subpart A,
15 on the first page.

16 "My name is Thomas R. McCarthy. I'm an
17 economist and Senior Vice-president employed by
18 NERA Economic Consulting, NERA, an international
19 economic consulting firm with 25 offices around the
20 world. I am also the head of NERA's health care
21 practice. I hold a B.A. degree in economics from
22 Assumption College in Worcester, Massachusetts, and

23 M.A. and Ph.D. degrees in economics from the

24 University of Maryland.

25 "For some 30 years I've specialized in the

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1 study of industrial organization and health
2 economics focusing principally on antitrust,
3 intellectual property and commercial damage matters
4 in the health care marketplace. I have testified
5 in a variety of health care litigations, including
6 several Florida-related cases. I've also analyzed
7 the competitive effects of many hospital mergers
8 and health insurance mergers, again, several of
9 which may have had potential impacts on Florida
10 consumers such as the mergers of
11 Cigna-Healthspring, United HealthCare-Pacific,
12 BCBS-of-Michigan-M-Care, Aetna-Prudential, and
13 Cigna-Great West. I have also testified on issues
14 involving competition in health insurance markets.
15 During 2003, I was invited by the U.S. Department
16 of Justice and Federal Trade Commission to testify
17 at three sessions of their joint hearings on health
18 care and competition law and policy.

19 "Further, I am the co-editor and a principle
20 author of a two-volume book on reforming health
21 care insurance around the world called Financing
22 Health Care.

23 "Prior to joining NERA, I worked as a staff
24 economist for the Federal Trade Commission in
25 Washington, D.C., and as an assistant professor of

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1 economics at the School of Economics and management
2 of Oakland University in Michigan where I taught,
3 among other courses, health economics.

4 "A more complete listing of my qualifications,
5 publications and prior testimony is provided in my
6 curriculum vitae found in Exhibit 1."

7 At this time we'd like to move forward to the
8 summary of the opinions, and the summary can be
9 found at page three, and we'd like to incorporate
10 that section for our discussion today, but I'm only
11 going to read into the record the conclusion now
12 that is set forth on page 14, section -- or
13 paragraph 32.

14 "My review of four databases and my interviews
15 with Aetna and Coventry Management lead me to the
16 following conclusions: First, the evolution of
17 health insurance products has caused different
18 product types to blur in terms of the
19 characteristics featured by the various product
20 types. HMO networks have broadened. POS plans
21 have opened up access by dropping gatekeepers and
22 offering out-of-network benefits, and PPO

- 23 coinsurance has mostly changed to a fixed,
- 24 predictable copayment for office visits or drug
- 25 benefits. Most providers are paid by some sort of

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1 fee schedule as risk-sharing and capitated payment
2 arrangements have been less prevalent over the last
3 decade or so. The competitive implication of these
4 changes is that there is overlapping competition
5 among all product types along a continuum of
6 products with overlapping characteristics. Health
7 plans have responded to buyer demands. The
8 important lesson is that they will continue to do
9 so. Competition by refinements in benefit design
10 or network designs will continue. Even now
11 insurers are beginning to offer narrow network
12 products for those employers either looking for the
13 lowest prices or threatening to start direct
14 contracting with integrated health care systems.
15 In many ways Aetna and Coventry are complementary
16 in their strengths and will be better off at
17 offering a wide range of products along the full
18 health insurance continuum. But the lesson of this
19 marketplace is that, along every niche on the
20 continuum of various product types and benefit
21 designs, there are -- already are many competitors
22 in Florida answering the same customer demand or

23 readily moving to do so when a market opportunity

24 arises. These are competitively dynamic markets."

25 And now paragraph 33 at the top of page 15.

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1 "Second, for antitrust purposes, the
2 appropriate approach to calculating post-merger
3 shares is reflected in the Florida OIR approach in
4 Exhibit 2A based on the OIR's 2010 GAP report.
5 That approach recognizes the competitive
6 significance of HMOs competing with POS plans and
7 PPO plans. Using that general approach presents a
8 realistic picture of competition among health
9 insurers in Florida. Based on my review and
10 analysis of the four data sources discussed above,
11 the resulting post-share estimates indicate that
12 there is no likelihood of a lessening of
13 competition or any tendency to create a monopoly.
14 In my opinion, there is nothing in my review to
15 suggest that the proposed acquisition of Coventry
16 by Aetna will not substantially lessen competition
17 or nor will it tend to create a monopoly in any
18 line of health insurance in Florida."

19 At this time we would like to move for
20 admission into evidence Exhibit 2, including the
21 affidavit of Mr. McCarthy and the exhibits thereto.

22 THE HEARING OFFICER: So admitted.

23 (Whereupon, Exhibit No. 2 was received in
24 evidence.)

25 THE WITNESS: Thank you, Ms. Horne. At this

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1 time I'd like to call our next witness, which is

2 Mr. Drew Asher.

3 Whereupon,

4 DREW ASHER

5 was called as a witness, having been previously sworn to

6 speak the truth, the whole truth, and nothing but the

7 truth, was examined and testified as follows:

8 SWORN TESTIMONY

9 BY MR. WHITMER:

10 Q Good morning, Mr. Asher. Could you please

11 introduce yourself to the Hearing Officer?

12 A Sure. My name is Drew Asher. I'm the Senior

13 Vice-president of Coventry Health Care, Inc., which is

14 the ultimate parent of the domestic insurers being

15 discussed today, and I've been with the company for 14

16 years.

17 Q And, sir, you're also an officer of Coventry

18 Health Care, Inc. Correct?

19 A That is correct.

20 Q Could you describe for us generally what your

21 role and your responsibilities have been for the

22 Coventry family of companies?

23 A Sure. I'm in charge of corporate finance for
24 the public company parent, once again, the ultimate
25 parent of the domestic insurers, overseeing capital

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1 markets, treasury, investor relations, a number of
2 finance functions, and probably most relevant to this
3 discussion, I've run mergers and acquisitions for
4 Coventry Health Care, Inc., for 14 years.

5 Q Now, sir, right in front of you has been
6 marked Exhibit No. 3. Do you recognize this document?

7 A Yes, I do.

8 Q And what is it?

9 A That is my affidavit that I prepared and
10 signed and got notarized.

11 Q If you'd go ahead and turn to the last page.
12 It's page four, the bottom right-hand corner. Is that
13 your signature?

14 A Yes, it is.

15 Q And right to the left of that it has the
16 notarization confirming that it was notarized at the
17 time you signed it.

18 A That is correct.

19 Q And, for the record, a copy of Exhibit 3 has
20 also been provided to the Hearing Officer.

21 MS. SCHOENECKER: Mr. Whitmer, can I interrupt
22 for one second? With the new witnesses, could you

23 put the different name plate just so the court

24 reporter can get the spelling?

25 MR. WHITMER: Absolutely.

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1 MS. SCHOENECKER: Sorry.

2 MR. WHITMER: Thank you.

3 BY MR. WHITMER:

4 Q Sir, at this time I'd like to direct your
5 attention to the bottom of page two of your affidavit,
6 and this concerns one of the requirements set forth in
7 Section 628.4615 of the Florida Statutes. My first
8 question to you is, sir, have you become familiar with
9 those statutes?

10 A Yes, I have.

11 Q And could you explain to us, what did you do
12 to become familiar?

13 A Read the statutes and reviewed them in detail.

14 Q I'm only asking you to speak to one of the
15 requirements today, and that's Requirement No. 3. This
16 requirement speaks to whether the transaction is fair
17 and free of prejudice to the insureds of the domestic
18 insurers and the public as set forth in Subpart (c).
19 Sir, has that requirement been met for this transaction
20 and, if so, why?

21 A Yes, the requirement has been met. It is fair
22 and free of prejudice to the insureds of the domestic

23 insurers as well as the general public, and really, as

24 Mr. Martino testified, combining two large, resourceful

25 health insurance enterprises and being able to combine

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1 the resources and expertise to, for instance, expand
2 geography or to have access to additional networks,
3 ultimately that should be a benefit -- or that will be a
4 benefit to the domestic insureds, policyholders and the
5 Coventry set of companies, and also including the
6 administrative efficiencies we expect to gain by
7 combining two large enterprises and having a combined
8 company of almost 50 billion of revenue.

9 MR. WHITMER: Thank you, Mr. Asher. At this
10 time I would like to move for admission of Exhibit
11 No. 3 into the record.

12 THE HEARING OFFICER: So admitted.

13 (Whereupon, Exhibit No. 3 was received in
14 evidence.)

15 BY MR. WHITMER:

16 Q Thank you. Mr. Asher, I just want to close.
17 Is there anything else that you want to add? I have no
18 other questions. I want to give you chance, if there's
19 anything else you want to say before you complete your
20 testimony.

21 A No, no. I would like to thank all of you for
22 your time and attention to this matter and would

23 respectfully request your approval. So, thank you.

24 MR. WHITMER: Thank you, Mr. Asher. I have no

25 further questions, and I assume that we'll ask any

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1 questions later on. Thank you. If you'd step
2 down.

3 And at this time Aetna would like to call
4 Mr. Christopher Ciano.

5 Whereupon,

6 CHRISTOPHER CIANO

7 was called as a witness, having been previously sworn to
8 speak the truth, the whole truth, and nothing but the
9 truth, was examined and testified as follows:

10 SWORN TESTIMONY

11 BY MR. WHITMER:

12 Q Mr. Ciano, could you please go ahead and
13 introduce yourself to the Hearing Officer?

14 A Good morning. I'm Christopher Ciano, Chief
15 Executive Officer of the Coventry Florida Plans.

16 Q Go ahead and we'll increase the volume even
17 more than you think just to make sure everyone in the
18 room has a chance to hear you.

19 Sir, you've also submitted an affidavit in
20 this matter. Is that right?

21 A Yes, I have.

22 Q And, sir, that affidavit is in front of you

23 right now marked as Exhibit 4. Is that right?

24 A Yes, it is.

25 Q You just referred to a term, "Coventry Florida

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1 Plans," and I see that that's actually what's used in
2 the very first paragraph of your affidavit. I want to
3 make sure it's clear for the record which entities
4 you're referencing when you refer to the Coventry
5 Florida Plans. Could you explain that for us, please?

6 A Sure. I'm referencing three legal entities in
7 Coventry Health Plan of Florida, Inc., Coventry Summit
8 Health Plan, and Coventry Health Care of Florida, Inc.

9 Q So, as I refer today to Coventry Florida
10 plans, those are the three entities and you'll
11 understand what I mean?

12 A Yes.

13 Q And you explained to us that you are the Chief
14 Executive Officer of all three companies. Could you
15 describe for us, though, what is your general role and
16 day-to-day responsibilities for those companies?

17 A Sure. As the Chief Executive Officer, I have
18 ultimate responsibility and authority for all of the
19 three legal entities and can speak for all three legal
20 entities. I am responsible for the financial and
21 membership performance of all our plans covering all our
22 lines of business in the state of Florida. That

23 includes all our medical management, network management,

24 quality management programs, all our segment sales and

25 customer retention functions and cost compliance with

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1 our state and federal contracts.

2 Q I want to go back to your affidavit, and
3 specifically the requirements that we're here to talk
4 about today. Let's go to page three of your affidavit.
5 Now, the requirements are set forth again in Florida
6 Statute 628.4615, and specifically Subsection (8). Sir,
7 are you familiar with that statute?

8 A Yes, I am.

9 Q And how is it that you became familiar?

10 A I reviewed the statute in detail.

11 Q And are you prepared today to speak to certain
12 of the requirements set forth in that statute?

13 A Yes, I am.

14 Q Let's go ahead and start then with Requirement
15 No. 1 which is set forth on page three of your
16 affidavit. You heard from Mr. Martino before, but now
17 we want to hear from you with respect to whether the
18 Coventry Florida plans, those three entities, will
19 continue to satisfy the requirements for issuance of
20 certificates of authority as Florida HMOs. Do you
21 believe that requirement has been met and, if so, why?

22 A Yes, I believe the requirement has been met

23 and I believe the Coventry Florida plans will continue

24 to meet the issuance of the authority for certificates

25 of authority as Florida HMOs. We meet those

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1 requirements today and will continue to meet the minimum
2 requirements post the transaction. And there are no
3 proposed changes that would at all materially affect
4 capitalization, the financial statements or assets of
5 the companies at the current time.

6 Q Let's move forward to Requirement No. 3.

7 That's at the top of page four. This speaks to whether
8 the transaction is fair and free of prejudice to the
9 insureds of the Coventry Florida plans and the public.

10 Sir, do you believe that that requirement has also been
11 met and, if so, why?

12 A Yes, I do believe the requirement has been met
13 and will not be prejudice to the Coventry Florida plan
14 insureds or our members. Again, as you heard in prior
15 testimony, we believe that the ability for our customers
16 and members to have access to the combined resources and
17 expertise of the post-merger company will help our
18 members and will be of value to our members greater than
19 they are today, and including provider networks and the
20 ability to enhance our provider networks in the
21 geographic region that we have today.

22 Q Now, let's jump forward to Requirement No. 4.

23 That comes on page five. Again, now we're speaking to
24 the competence, experience and integrity of those, and
25 I'm asking that you address that, and specifically at

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1 the top of page six you lay out in your affidavit the
2 executive officers and directors for each of the three
3 entities we're talking about here. I'm going to go
4 ahead and read them off, and then I have a few questions
5 for you. We have Mr. Ciano -- that's yourself --
6 Mr. Ruhlmann, Ms. Smith, Mr. Weiss, Ms. Tuozzo and
7 Mr. Finkelman. Does that fairly describe the executive
8 officers and directors of the three Coventry Florida
9 plans we're talking about here?

10 A Yes, it does.

11 Q Do you have a foundation or a basis to speak
12 to the competence, experience and integrity of those
13 individuals?

14 A I mean, obviously, as the Chief Executive
15 Officer of the Coventry Florida plans, I've had personal
16 interaction and experience working with these
17 individuals for many years and can attest that they are
18 experienced and competent and of high integrity and will
19 continue to be post-transaction.

20 Q Let's move forward then to the top of page
21 seven of your affidavit. This is Requirement No. 5.
22 Requirement 5 again speaks to the backgrounds of each of

23 the officers and directors that you just described and

24 whether those backgrounds indicate that it is in the

25 best interests of the insureds of the Coventry Florida

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1 plans and in the public interest to permit these
2 individuals to exercise control over the Coventry
3 Florida plans. In addition to what you just explained
4 to us with respect to the last requirement, can you
5 address this one?

6 A Yes. I mean, I think, as I stated before, the
7 background and experience of the officers and directors
8 of the Coventry Florida plans is -- supports the best
9 interests of our insureds and the public. Again, these
10 individuals have years of experience working with the
11 Coventry Florida plans and other insurance companies and
12 have brought great value and will continue to bring
13 great value to the Coventry plans. And that's supported
14 by the biographical affidavits that they've submitted
15 not only for the Florida requirements but in other state
16 insurance regulations and it supports that.

17 Q Thank you. Let's move down now to the bottom
18 of page seven of your affidavit. This is Requirement
19 No. 6, talking about the same officers and directors of
20 the Coventry Florida plans and whether those officers
21 and directors, after the transaction, will have
22 sufficient insurance experience and the ability to

23 assure reasonable promise of successful operation. Is

24 that requirement met for this transaction, sir?

25 A Yes. Again, as I've stated, I think, if you

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1 look at the experience and the historical performance of
2 these individuals, that they'll be able to continue to
3 demonstrate that skill set and support the transaction
4 as we go forth.

5 Q Moving to Requirement 7, page eight, the
6 question here is whether the management of the Coventry
7 Florida plans after the transaction will be competent
8 and trustworthy and will possess sufficient managerial
9 experience so as to make the proposed operation of the
10 Coventry Florida plans not hazardous to the
11 insurance-buying public. Can you speak to that
12 requirement, sir?

13 A Yes.

14 Q And, if so, go ahead and do so.

15 A So the management and the expertise of the
16 officers and directors again, as it's been demonstrated
17 today, is of great strength and great experience and is
18 competent and trustworthy and will continue so after the
19 transaction. So I think it does that.

20 Q Let's move forward now to Requirement 8, page
21 nine of your affidavit. The question here is whether
22 the management of the Coventry Florida plans after the

23 transaction will include any person who has unlawfully

24 manipulated the assets, accounts, finances or books of

25 any insured or otherwise has acted in bad faith with

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1 respect thereto. Sir, has that requirement been met
2 here?

3 A Yes, it has. Obviously, the management today
4 and post-transaction I can attest has had no direct or
5 indirect unlawful activity as it relates to any
6 insurance company, and I believe that again is supported
7 by what I said before in the biographical affidavits
8 that have been submitted for all the officers and
9 directors of the plan.

10 Q Finally, the last page of your affidavit,
11 actually page ten speaks to Requirement No. 9, and the
12 question there is whether this transaction is likely to
13 be hazardous or prejudicial to the insureds of the
14 Coventry Florida plans or to the public. Has that
15 requirement been met here?

16 A Yes, it has. Again, from the Coventry Florida
17 perspective, we believe this transaction will be very
18 positive for our members and insureds and customers. As
19 was stated in prior testimony, we believe actually, by
20 bringing the resources, the skills, the tools together
21 for these two companies, it will strengthen our position
22 in the marketplace, give our insureds and members

23 greater access to the geographical reach in our networks

24 and have other tools and programs that will support our

25 process and programs in the future. We actually think,

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1 by the effect of the transaction lowering administrative
2 and operating costs, it will allow us to continue to
3 offer each more-affordable solutions to the Florida
4 public as we go forward.

5 MR. WHITMER: Thank you, Mr. Ciano. At this
6 time, Ms. Horne, we'd like to move for the
7 admission of Exhibit No. 4.

8 THE HEARING OFFICER: So admitted.

9 (Whereupon, Exhibit No. 4 was received in
10 evidence.)

11 BY MR. WHITMER:

12 Q And, finally, Mr. Ciano, is there anything
13 else that, before you conclude your testimony, you'd
14 like to share with the Office or specifically with
15 Ms. Horne?

16 A No, I'd just -- again, I appreciate your time
17 and thank you for your time this morning.

18 As someone representing Coventry, I believe
19 that bringing these two companies together will make us
20 a stronger company for Floridians and respectfully would
21 request that you support the transaction.

22 MR. WHITMER: Mr. Ciano, I have no further

23 questions at this time and I'd ask you to step
24 down. And then finally, Aetna would like to call
25 Mr. Jonathan Weinberg.

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1 Whereupon,

2 JONATHAN WEINBERG

3 was called as a witness, having been previously sworn to

4 speak the truth, the whole truth, and nothing but the

5 truth, was examined and testified as follows:

6 SWORN TESTIMONY

7 BY MR. WHITMER:

8 Q Mr. Weinberg, Mr. Ciano just spoke to the

9 first three of the four entities we're talking about

10 here today which we've been referring to as the Coventry

11 Florida plans. You're here to testify about the fourth

12 of the four entities, which is MHNet of Florida, Inc.

13 Correct?

14 A Yes.

15 Q Could you please go ahead and introduce

16 yourself to the Office and Ms. Horne?

17 A Sure. My name is Jonathan Weinberg. I'm a

18 Senior Vice-president and Deputy General Counsel for

19 Coventry Health Care, Inc., and I'm also an officer of

20 MHNet of Florida.

21 Q And as we go through your testimony, if we

22 refer to that entity like you do in your affidavit as

23 MHNnet, we'll be on the same page. Right?

24 A Correct.

25 Q Could you explain to us just generally what is

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1 your role and what are your responsibilities with
2 respect to this entity?

3 A I have oversight of legal, regulatory
4 operation, as well as the specific operational issues on
5 a day-to-day basis.

6 Q Sir, you, like the others, have also prepared
7 and submitted an affidavit in this matter. Is that
8 right?

9 A Correct.

10 Q And, sir, that has been identified as Exhibit
11 No. 5 and is sitting right here in front of you. Is
12 this the document you're referring to?

13 A Yes, it is.

14 Q Could you go ahead and turn to the last page?
15 In the right-hand side at the top of the page, is that
16 your signature?

17 A Yes, it is.

18 Q And right to the left of it is the
19 notarization confirming the it was notarized at the time
20 you signed it.

21 A Correct.

22 Q Sir, let's go back to page two of your

23 affidavit, and we've heard about these requirements now

24 from several witnesses. I think we can streamline it a

25 bit here, and what I'd like to do, first of all, is just

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1 to get you to explain to us what is it that you've done
2 to familiarize yourself with the requirements set forth
3 in the statute at issue, Florida Statute 628.4615,
4 Subsection (8).

5 A I've reviewed in detail copy of the statute
6 and its requirements.

7 Q Let's move to the first requirement which is
8 Subpart (a), and we've talked about it already, but I
9 want to hear it from you. Has that requirement been
10 satisfied with respect to MHNNet in this transaction?

11 A Yes. MHNNet currently meets all the licensure
12 requirements for a Florida prepaid limited health
13 service organization. On a go-forward basis, there will
14 be no changes to the operational, financial condition of
15 that entity. As such, after the transaction, MHNNet
16 would still meet all of those licensure requirements.

17 Q Thank you. Let's move forward then to
18 Requirement 3 in page three of your affidavit. That
19 Subsection (8)(c) of the statute, has that requirement
20 been met here with respect to MH Met?

21 A Yes. I think the transaction is fair and free
22 of prejudice to the insureds of MHNNet and the public.

23 As has been testified to, the combination of these
24 entities, their experience and their resources, will be
25 a benefit to the MHNet insureds as well as the

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1 insurance-buying public.

2 Q Jumping now to the bottom of page four, that's
3 specifically Requirement 4, Subsection (8)(d) of the
4 applicable statute, has that requirement been met here
5 for this transaction and, if so, why?

6 A Yes, it's been met. The officers and
7 directors I have worked with of MHNet, I know them all
8 personally and worked with them for quite some time, as
9 well as reviewed their biographical affidavits. They
10 are all highly-experienced, competent individuals with a
11 great deal of experience.

12 Q And so we can identify for the record who
13 exactly these individuals are that are set forth in
14 paragraphs 18 and 19 of your affidavit, I'm going to go
15 ahead and read them and you can verify I have them
16 correct. First of all, paragraph 18, the directors of
17 MHNet are Mr. Ruhlmann, Ms. Smith and Mr. Nolan. Is
18 that correct?

19 A That is.

20 Q And then, second, the executive officers of
21 MHNet are Mr. Nolan, Mr. Ruhlmann, Mr. Scheerer,
22 Mr. Weinberg, Ms. Smith, Mr. Middleton, Ms. Tuozzo and

23 Ms. Farmer. Are those the executive officers, sir?

24 A Yes, they are.

25 Q And so, as you've provided the testimony,

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1 these directors and executive officers, in your view,
2 they have the competence, experience and integrity
3 that's required.

4 A Yes, they do.

5 Q Let's move forward to Requirement No. 5 at the
6 bottom of page five of your affidavit, and this is
7 Subsection (8)(e) of the statute. Has this requirement
8 been met for MHNet for this transaction and, if so, why?

9 A Yes, it has. As I mentioned, all of these
10 officers and directors are highly-experienced and
11 competent with a high degree of integrity and, as such,
12 they would be in the best interests of the insureds of
13 MHNet and the insurance public.

14 Q Jumping now to Requirement 6, page six,
15 element (8)(f) of the Florida statute, has this
16 requirement been met here?

17 A Yes, it has. All of the officers and
18 directors have a great deal of experience in the
19 insurance industry and, therefore, would assure the
20 reasonable promise of a successful operation in Florida.

21 Q We're now jumping to Requirement 7, the top of
22 page seven. Requirement (8)(g) of the statute, has that

23 requirement been met?

24 A Yes, it has. These individuals, the officers

25 and directors of MHNet are very competent, extremely

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1 trustworthy and have sufficient managerial experience so
2 as not to make the transaction hazardous to the MHNet
3 insureds or the insurance-buying public.

4 Q Moving forward to Requirement 8, that's
5 Subsection (8)(h) of the statute. Has that requirement
6 been satisfied also?

7 A Yes, it has. As I mentioned, I know all these
8 individuals. I've reviewed their biographical
9 affidavits and can state that none of these individuals
10 have committed any of the acts set forth in Requirement
11 8.

12 Q And finally, sir, Requirement 9 on page eight
13 of your affidavit concerns again whether the transaction
14 is likely to be hazardous or prejudicial to the insureds
15 here of MHNet or to the public. Can you speak to
16 whether that requirement has been satisfied for this
17 transaction?

18 A Yes, I believe it has been satisfied with
19 respect to MHNet. As we've stated, the transaction
20 combines two large companies and expertise and resources
21 will be a benefit to MHNet's insureds and the
22 insurance-buying public and would not be hazardous or

23 prejudicial.

24 MR. WHITMER: Ms. Horne, at this point we'd

25 like to move for admission of Exhibit 5, Mr.

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1 Weinberg's affidavit, into the record?

2 THE HEARING OFFICER: It's admitted.

3 (Whereupon, Exhibit No. 5 was received in
4 evidence.)

5 BY MR. WHITMER:

6 Q And finally, Mr. Weinberg, before you complete
7 your testimony, is there anything else you'd like to
8 share with the Office or with Ms. Horne concerning this
9 transaction?

10 A No, just to say that again we appreciate OIR
11 and your staff's time and attention to this matter.
12 Thank you.

13 MR. WHITMER: Thank you, Mr. Weinberg.

14 And, Ms. Horne, with those witnesses, that
15 concludes the evidence that Aetna will be
16 presenting today. Obviously, our witnesses are
17 available to answer any questions and you can
18 proceed forward as you would see fit.

19 THE HEARING OFFICER: Thank you. We're going
20 to go ahead and take a 20-minute recess at this
21 time.

22 /////

23 (Whereupon, a recess was had in the

24 proceeding.)

25 MS. SCHOENECKER: Okay. I think we're ready

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1 to ask questions. Anybody can answer the question,
2 and if they needed to be answered by the economist,
3 we'll ask them anyway so that they're on the record
4 and the record can then be supplemented. So if you
5 guys don't know the answer, just say you'll
6 supplement it. And state your name again and
7 identify yourself again for the court reporter and
8 try to speak into the microphone because the
9 microphone is tied to the video camera, so, if you
10 don't, it will not be on video.

11 Okay. Our first question, could you just
12 state the source and the amount of funds or other
13 consideration used in making this acquisition?

14 MR. ASHER: Let me give you an overview of the
15 financial structure --

16 MR. WHITMER: Could you just go ahead and
17 identify who is speaking for the record?

18 MR. ASHER: Good point, sorry. Drew Asher of
19 Coventry Health Care, Inc. So let me paint the
20 picture of the financial structure of the
21 transaction and then maybe a representative from
22 Aetna can talk more specifically about the source

23 of funding.

24 The public company merger between Aetna, Inc.,

25 and Coventry Health Care, Inc., is a \$7.3 billion

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1 merger. That's the total amount of consideration
2 that Aetna is providing, which includes the
3 assumption of a billion-six of Coventry' existing
4 senior notes that are intended to stay in place
5 subsequent to the transaction. The remaining
6 5.3 billion is the equity value of Coventry Health
7 Care, Inc. And Aetna, as they have stated publicly
8 in their earnings releases, as well as the
9 presentations that they've made public for their
10 shareholders, they will finance the transaction
11 with cash on hand between the two companies of
12 approximately a billion-three -- that's cash the
13 companies currently have on hand -- and new senior
14 notes. Aetna is currently in the market today
15 issuing senior notes of approximately two billion,
16 and Aetna intends on issuing commercial paper close
17 to the time of the closing of the transaction for
18 another 500 million. Part of the consideration is
19 also Aetna stock. Thirty-five percent of the
20 aggregate consideration to Coventry's equity
21 holders will be issuing additional shares of Aetna,
22 Inc.

- 23 MS. SCHOENECKER: Are the two Coventry TPAs
- 24 part of this transaction and, if so, are there any
- 25 plans to change those two entities?

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1 MR. WEINBERG: This is Jonathan Weinberg.
2 They would be part of the transaction in that they
3 will continue their operation, their licensure, and
4 so would remain, we believe, unaffected by the
5 transaction.

6 MS. SCHOENECKER: Okay. I don't remember
7 which one, but somebody stated in their testimony
8 that this transaction will provide lower
9 administrative costs. Could you just state how
10 that would be accomplished?

11 MR. MARTINO: Yes. This is Greg Martino with
12 Aetna. We've identified savings over the number
13 years the synergies will be realized. As discussed
14 previously, we see these in a number of different
15 areas, including IT technology, vendor contracts
16 and costs such as that.

17 MS. WILKERSON: I think one of the things that
18 we were struggling with is with the number of
19 companies that you have. We haven't heard any
20 discussion about -- other than what you just
21 mentioned about how those administrative costs
22 would be achieved, and Mr. Ciano testified that

- 23 members may see more affordable health care choices
- 24 based on some of those administrative agreements,
- 25 or I don't know how -- I don't remember the exact

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1 testimony, but -- the economies of scale. So we
2 want a little more information on how those will be
3 achieved and how the member will see that
4 reduction.

5 MR. MARTINO: Certainly, and that's a very
6 good question. We'll be happy to get you any
7 additional information you need. I think we've
8 strived to provide as much information as we could.
9 Part of the problem is it's early in the process.
10 The integration team at Aetna is just beginning to
11 get formed. So the integration, as you start
12 looking at it -- first of all, we don't have all
13 the information. We can't get the information
14 because of some antitrust issues. But the
15 integration will begin to go forth. No decisions
16 have been made yet on integration, but there are a
17 number of areas that we have to look at and some of
18 the ones that you've mentioned. So I think all
19 that will go forth post-transaction and then we'll
20 begin to identify the efficiencies and begin to
21 identify areas we can do it, but at this current
22 time, it's really preliminary because we've just

23 started bringing, at Aetna, an integration team
24 together and then really no discussions have been
25 made yet.

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1 MS. WILKERSON: So do you envision that the
2 current members of the Coventry plans will have the
3 same level of coverage as well as the same
4 geographic service area that they have now? Will
5 any of that change?

6 MR. MARTINO: Certainly. Once again,
7 following up on that, as we discussed in my
8 testimony and presented in my testimony that at the
9 current time Aetna plans no material or substantial
10 changes to its operations, we see a very positive
11 operation here with the Coventry domestic
12 companies, and at this current time our plan is to
13 continue that with no disruption to the things
14 we've discussed.

15 MS. MOSTOLLER: If I may, once the integration
16 occurs, would you anticipate notifying your
17 members, you know, of the -- I know you had
18 mentioned the possibility of accessing more
19 networks for them. You know, how would you notify
20 your members of these changes and when after the
21 integration has taken place?

22 MR. MARTINO: Well, we're talking about a lot

- 23 of what-ifs now, and clearly it's so premature to
- 24 start getting into any of the details on that, but
- 25 clearly, as we develop the integration plans and we

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1 make decisions, part of the goal is always
2 transparency. It doesn't matter if it's
3 transparency on the network side through viewing it
4 on line or transparency of benefit coverages, and
5 it's been Aetna's position that we truly do believe
6 that a critical part of all of our insurance
7 policies at Aetna is transparency. So, frankly, as
8 we go through this integration process and once we
9 get to that point, transparency for the members and
10 their policy conditions will always be a critical
11 part our core belief in the policies.

12 MS. WILKERSON: I'm sure Aetna has experience
13 with acquisitions, so can you give us a timeline of
14 how long you think the transformation will take
15 place, how long the integration will take?

16 MR. MARTINO: I appreciate that question.
17 It's a really good question. Unfortunately, I
18 don't really know because what happens is is, when
19 you just start with the integration teams being
20 together, because of antitrust issues, we just
21 don't know what all their operations are, what
22 their details are. So I couldn't begin to say

- 23 fundamentally simple things, whether the process
- 24 will go quickly or smoothly or how quick.
- 25 Timelines, I couldn't really address that because

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1 it's trying to make a prediction on something
2 you've had no idea what you've seen yet. So it's
3 hard to do that.

4 MS. SCHOENECKER: Could you explain if health
5 care reform plays a part in the decision to acquire
6 Coventry?

7 MR. ASHER: This is Drew Asher from Coventry
8 Health Care, Inc. The answer is yes, one of many
9 factors and discussions that both of our boards of
10 directors, including our senior management teams
11 assessed when deciding on the merger, much of this
12 is documented in the SEC filing S-4 that Coventry
13 made as well as the Coventry Health Care, Inc.,
14 proxy that is filed with the Securities and
15 Exchange Commission for more detail. But certainly
16 the economies of scale that we collectively believe
17 are going to be important in terms of delivering a
18 very good value proposition to customers in the
19 context of health reform, that was one of the many
20 factors that was occurred.

21 MR. MARTINO: This is Greg Martino again. If
22 I could just add to that in, clearly the ACA does

- 23 in fact factor in in any decision for any health
- 24 care company in the future. I can tell you it is
- 25 not the single driving factor in this. We believe

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1 it is an appropriate joining of two companies, but
2 it's good marriage. It also positions us very well
3 for the future with the ACA.

4 MS. SCHOENECKER: Have there been any lawsuits
5 filed by shareholders of Aetna or Coventry or any
6 other parties and, if so, could you describe the
7 lawsuits briefly and their potential effects?

8 MR. WEINBERG: This is Jonathan Weinberg.
9 There have be some shareholder lawsuits on the
10 Coventry side. Coventry's policy is not to comment
11 publicly on litigation. So if there are any
12 developments, we would, of course, keep the OIR
13 informed of those matters.

14 MS. SCHOENECKER: Just kind of a little bit
15 more into that, are there any other legal issues to
16 take into consideration prior to the merger
17 acquisition legal process?

18 MR. WEINBERG: This is Jonathan Weinberg.
19 There are numerous state Form A filings in other
20 states which the parties are going through the
21 other regulatory -- significant regulatory
22 approvals with the Department of Justice and the

23 FTC under the Hart-Scott-Rodino filings.

24 MS. SCHOENECKER: That leads me to my next

25 question. One, have they concluded their

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1 transaction? If not, could you give us an update
2 into that -- have they at this point expressed any
3 concerns at all with the transaction?

4 MR. WEINBERG: Jonathan Weinberg. We've been
5 working, both parties, with counsel. With the size
6 of this transaction, there's an ongoing dialogue
7 that the DOJ and FTC look at many various markets
8 and products. So that process remains an ongoing
9 dialogue and, you know, we expect that to continue
10 for several more months.

11 MS. SCHOENECKER: What is the status of other
12 states approving this transaction and have there
13 been any other concerns in any other states about
14 being able to approve it?

15 MR. MARTINO: This is Greg Martino. I can
16 probably address that since I've been working on
17 all the Form A's. We've had Form A filings in with
18 20 states. Of those 20 states, nine states are
19 required to do hearings. Six of the nine hearings
20 are already scheduled. Any state that has a
21 discretionary hearing, we have not been advised of
22 any discretionary hearings being held at this point

- 23 in time. We've received approvals -- of the 20
- 24 Form A filings, we've received approvals in three
- 25 states, Vermont, Illinois and Nebraska. We've

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1 completed hearings in Nebraska and Missouri. We
2 are scheduled for hearings in Kansas, Iowa and
3 Utah.

4 MR. WHITMER: One just point of clarification
5 with respect to Missouri, the hearing is ongoing.
6 We've completed the first phase of the hearing.
7 There's a part B, if you will, that still needs to
8 be completed, just to make sure that's clear.

9 MS. WILKERSON: So in the two hearings that
10 you've completed, has any issues been raised with
11 market share?

12 MR. WHITMER: With respect to Missouri, as I
13 was just explaining part B, that's one of the
14 issues that's being looked at for part B, and there
15 is being -- a report that's being prepared with
16 respect to that issue. So I don't know if you'd
17 call it an issue, but it's being addressed, and
18 that will be addressed in the second half the
19 Missouri hearing. And with Nebraska the answer is
20 no.

21 MS. WILKERSON: So the other states that have
22 scheduled hearings, have any issues been raised

23 with market share there?

24 MR. MARTINO: There's been no significant

25 issues raised.

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1 MS. MOSTOLLER: When is the Missouri part B
2 hearing scheduled?

3 MR. WHITMER: We don't have a date yet. It
4 really is contingent on when the economist finishes
5 the report. We're hoping soon. And Missouri has
6 reserved the right to not actually have a formal
7 hearing depending on the how the economist's report
8 comes back. So I can't assure there will actually
9 be a second part of the hearing. It's just that
10 it's one of the options that's available.

11 MS. SCHOENECKER: Please discuss any
12 unresolved issues that could cause the merger not
13 to occur.

14 MR. ASHER: This is Drew Asher. I'm not aware
15 of any such unresolved issues. The negating
16 factors are the 20 state approvals that were
17 referenced earlier, as well as the
18 Hart-Scott-Rodino federal approval, and then
19 Coventry has scheduled a shareholder vote or
20 shareholders need to vote on the transaction, and
21 that is scheduled for November 21st.

22 MR. STRUK: Do you have an expected date on

23 when you might hear a final opinion from Department
24 of Justice?

25 MR. WEINBERG: This is Jonathan Weinberg. We

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1 really don't at this time. We've had very good,
2 productive, ongoing discussions with them, but, as
3 we said, lots of different markets and products
4 that they're looking at. So we don't have any
5 expected timeframe there.

6 MS. SCHOENECKER: Could you just describe in
7 detail how the proposed acquisition will affect the
8 Florida rates and coverages currently in effect for
9 Aetna and Florida domestic insurers?

10 MR. MARTINO: This is Greg Martino. As we
11 mentioned in our application, we really don't see
12 -- currently have any plans for any material
13 changes to the operations. I've said that
14 repeatedly. And, as such, quite honestly, it's
15 hard to predict rates going forward. There are a
16 lot of factors that are coming up in the next two
17 years, as you well know, on that side of the table.
18 So really at this time it's really hard to predict
19 what changes will occur in rates, but we do know
20 that they're -- based upon our current plans, there
21 are no material changes to the operations at the
22 Coventry health plans. So there may be other

23 external factors, legislation, federal issues going

24 on, that may, in fact, affect rates.

25 MS. SCHOENECKER: Would you consider the

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1 reserving policies or practices between Aetna and
2 the domestic insurers to be similar?

3 MR. MARTINO: This is Greg Martino. I guess
4 the struggle is we don't know all the details of
5 reserving issues because I can't say they're going
6 to be similar because, in order to be able to make
7 that type of statement, I'd have to know their
8 reserving policies and they'd have to know ours.
9 And, because of antitrust issues, we can't know all
10 the things that are going on behind the curtain for
11 them and for us. So at this point in time I'd say
12 I can't really respond to that because of the
13 issues.

14 MS. SCHOENECKER: Okay. How may the proposed
15 acquisition impact the agents for the Florida
16 domestic insurers?

17 MR. MARTINO: Another very good question. One
18 of the issues that we talked about earlier was the
19 integration process that will be going on in the
20 integration team. I mean, some of the agents may
21 overlap with each other. Some of the agents may
22 serve different areas. So, until we actually begin

23 to get through the integration process -- the
24 integration is just beginning, and I'd say really
25 it's in its infancy. No decisions have been made

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1 yet. It's clearly one of the issues that will be
2 addressed down the road in the integration process,
3 but no decisions have been made yet.

4 MS. SCHOENECKER: And this is probably very
5 similar, but how it would impact the medical
6 providers?

7 MR. MARTINO: A very similar answer, yes.

8 MS. SCHOENECKER: And maybe this is the same,
9 too, but do you at this point anticipate that there
10 will be any jobs created or jobs lost because of
11 this transaction?

12 MR. MARTINO: Once again, Greg Martino. Happy
13 to respond to that, a very important question, and
14 we hear that from a lot of states. And, as I said,
15 the comfort you can take away from all of this is
16 that clearly our application states it and I've I
17 stated repeatedly is that we are very happy with
18 the operations of Coventry. We think they do a
19 fantastic job here in Florida, and we really -- at
20 the current time we have no plans to make any
21 change -- material changes to the operation of
22 those companies in the state.

- 23 MS. SCHOENECKER: Describe if you can if there
- 24 will be any changes made to existing agreements,
- 25 including management agreements, tax-sharing

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1 agreements, TPA agreements, rate sharing contracts.

2 MR. WEINBERG: Jonathan Weinberg. I guess
3 following the same theme, again, early, just at the
4 beginning of the integration process. So how that
5 might affect any sort of management agreements, how
6 the companies might share or provide resources, we
7 don't know at this time. You know, the commitment
8 we could give to OIR certainly as the domestic
9 insurer here is, as we have done, hopefully done
10 and will continue to do, is to work closely with
11 OIR. If there are changes on those agreements that
12 are filed, we certainly will file those with the
13 Office and get your review, approval, consent
14 before any of those changes are made.

15 MS. SCHOENECKER: Any further questions?

16 MS. WILKERSON: I have one more, just a
17 statement of -- a question on the -- Mr. McCarthy's
18 affidavit. I know in our analysis, whenever we
19 were looking at market share, we did not include
20 the out-of-state policies, and I think he feels
21 that that is appropriate to do. The benefits are
22 different many times when you're looking at the

- 23 benefits that we approve and the ones that are done
- 24 by out-of-state companies, but he references on
- 25 page ten that 20 percent are generally not

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1 indicative of market power. So I'm wondering if
2 there is some guidance that he can point to that
3 that 20 percent is a threshold to use?

4 MR. WHITMER: And thank you for that question.
5 We will definitely follow up with the Office on
6 that question and any other questions, obviously,
7 that have come up today as we continue any
8 discourse, and we would be glad to provide any
9 additional information to the Office, but that's at
10 the top of our list.

11 THE HEARING OFFICER: Any further questions?

12 All right. At this time we'll take comments
13 from the members of the public.

14 At this moment I have not received any forms.
15 If anyone wishes to speak from the public and
16 hasn't yet filled out a form, please do so now.
17 They're located in the back of the room. If you
18 could go ahead and fill those out and bring them to
19 me at this time.

20 Is there anyone else here who wishes to
21 comment on what happened today? Any questions from
22 the Office remaining?

23 Aetna, any final words you'd like?

24 MR. WHITMER: Just finally I just want to I

25 guess parrot back what we've heard from each one.

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1 Thank you for your time today. We appreciate the
2 time to be here and be heard, and we look forward
3 to continue working with you with any additional
4 issues that come up in the coming days or weeks.

5 THE HEARING OFFICER: Thank you. What's been
6 said today will be transcribed and posted on our
7 web site at www.flor.com along with the documents
8 received today. The record will be kept open for
9 ten more days. So, if anyone wishes to submit any
10 further comments, they may do so within those ten
11 days.

12 Are there any other matters before we adjourn?

13 All right. Very well. Hearing none, I
14 declare this hearing adjourned.

15 (Whereupon, the proceedings were concluded at
16 11:41 a.m.)

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1 CERTIFICATE OF REPORTER

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5 I, RAY D. CONVERY, do hereby certify that I
6 was authorized to and did report the foregoing
7 proceedings, and that the transcript, pages 2 through
8 66, is a true and correct record of my stenographic
9 notes.

10

11 Dated this 20th day of November, 2012 at
12 Tallahassee, Leon County, Florida.

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RAY D. CONVERY

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Court Reporter

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