

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

IN THE MATTER OF:)

Local Government Center, Inc.; *et al*)

Case No.: C-2011000036)

**LGC'S OBJECTION TO THE BUREAU'S
MOTION TO EXTEND TIME TO CONDUCT ONSITE EXAMINATION**

Before ruling on the Bureau's Motion, the Hearing Officer should consider that the scale of the task the Bureau undertook demonstrates it completely misconstrued the December 14 Order; the Bureau then failed to focus its energy and time in a way to accomplish what it wanted, within the parameters ordered; and this Motion is but a means to reconsider the Order, and to seek an exam period *twice as long as originally granted*. The Motion itself contains a number of half-truths. As is detailed below, most of the material the Bureau seeks has been provided to it already, and the request to extend its on-site stay amounts to harassment of the Respondents. The Request should be denied.

LGC complied with the Order on the Timing of the Examination. The Bureau's Motion implies, falsely, that LGC delayed the process of the examination. To the contrary: LGC initiated the Meet and Confer process, scheduling it as soon as all counsel were available on December 19, within the dates ordered by the Hearing Officer.¹ LGC proposed starting the examination that very same day, at 1:00 PM. LGC immediately dedicated a room to the process,

¹ For further detail, see *Respondent John Andrews' Response to BSR's Motion to Extend Time to Conduct On-Site Examination*, footnote 1.

with a computer terminal for use during the exam. LGC's Chief Financial Officer and Chief Information Technology Officer were both available.²

The Bureau's Requests were numerous; GC's document production has been voluminous. It continues to timely and fully meet every Bureau request. Before coming on site, the Bureau issued a document demand to LGC, containing 15 categories of documents, extending back five, nine, and even twelve years in time. See Exhibit A, BSR Document Demand of December 16, 2011. The Demand revealed both the scope of the Bureau's intentions, and the consequent burden on LGC. Demand #2, for example, calls for, conceivably, thousands of pages of documents:

Copies of trial balances, chart of accounts, and mapping keys/legends ... for LGC ["LGC," in this context, means three and in some instances five separate entities] from FY 2002 to FY 2005 year ends.... [M]onthly trial balances, chart of accounts and mapping keys for LGC for each month in FY 2006 through FY 2011. Also provide a copy of a complete general ledger detail (including all transactions detail by account number) and general ledger summary listing ... and chart of accounts for LGC for FY 2003 and FY 2010. List any chart of account changes for LGC from FY 2002 through FY 2011.

Despite the daunting nature of the Demands, and (to LGC) their significant departure from the scope of on-site activity authorized by the December 14 Order, LGC commenced working to gather the documents.³ A Vaughn Index has been maintained for the documents produced to the Bureau thus far during the examination, and it demonstrates that *more than*

² Despite a mandate that each party could have one attorney and one financial consultant or other person on-site, the Bureau insisted on bringing up to three financial consultants at a time. To accommodate the process, and rather than initiate motion practice, LGC acquiesced.

³ LGC believes the December 16 Document Demands significantly exceed anything contemplated by the Hearing Officer in ordering the on-site examination. LGC nevertheless tried to accommodate the Bureau, rather than resort to motion practice. By contrast, the Bureau chose to resort to motion practice *before its examination window of opportunity even closed*, rather than focus on getting its work done in the time allotted.

16419 pages of material have been copied and produced thus far in the process, on a rolling basis. See, Exhibit B, Vaughn Index for the On-Site Examination.

The document production *is in addition to* the documents the Bureau has viewed on-site, at its request, including: all LGC Member Agreements from FY 1999 to FY 2011; dividend letters to members from FY 1999; letters to members concerning premium rate credits, their calculations and book entries, from FY 2002 to FY 2011; and various marketing materials produced since 1999.

LGC has met all the terms of the December 14 Order. The Order is in 8 subparts (A through H). LGC has met each term required of it, including the production of documents requested in the BSR subpoena dated 9/13/11 (subpart F). See, e.g., Exhibits C and D, letters of October 5 and October 18, 2011.

BSR failed to use its time wisely. LGC made its facility available for the examination, starting at 1:00 PM on December 19, and then from 8:30 to 5:30 each succeeding business day (with the brief exception of one three-hour interlude, when the building was closed to the public for the LGC staff holiday party). During the first week of the ordered exam, then, the Bureau had access to facility and staff for 37.5 hours; during the second week (still in process), the Bureau has access for 36 hours, for a total of 73.5 hours. Yet the Bureau rarely shows up promptly at 8:30, and its representatives frequently leave before 5:30.⁴ Further, the Bureau initially failed to bring documents or supplies to the site which it tardily realized were necessary for its work. This lack of efficiency should not penalize LGC.

BSR's Motion is correct: there were occasional problems; but BSR omits any mention of the solutions. LGC acknowledges that its CFO has not been available each and

⁴ On the very day of the hearing on its Motion, for example, the Bureau failed to come on site before 10:15 AM.

every minute demanded by the Bureau. She had a prior commitment on Friday December 23, for example (though other Bureau examiners were on-site on that date, reviewing other information made available to them at their request). It is true, also, that she complained aloud about the demands put on her and her staff, particularly at a time of year (yearend) when she has multiple demands on her time, and limited resources due to holiday scheduling.

Nevertheless, she and her staff have accomplished an enormous amount of collecting, collating, copying, and quick response to questioning. She made herself available on days when she otherwise planned to be out; she convinced staff to put aside other duties in order to respond as quickly as possible to Bureau requests.

Similarly, the Bureau cites a “computer problem” and the “issue of PHI” (Para. 10 of its Motion), and a missing page in a trial balance for one company for one year (Para. 12) as supposed examples of problems that somehow slowed the process down. These examples are silly wastes of motion and hearing time. In each instance, LGC solved the ‘problem’ in a timely, efficient way. The ‘problems’ were inconsequential in the overall scale of document production and compliance by LGC. Using these examples to support a request to extend the exam for another month is over-reaching in the extreme.

The Bureau’s Motion lacks an adequate justification for extending the time. Other than these small impediments to the process, the Motion fails to cite any significant reason why the Bureau cannot complete its work within the time ordered by the Hearing Officer. This is because the Bureau is reluctant to admit the scope of the exam it seeks to impose on LGC; indeed, it has refused to articulate that scope to the Hearing Officer during any of the formal or informal meetings which preceded the Order.

Specifically, the Bureau is trying to audit five companies, conducting multi-million dollar businesses, over at least five years' time – and trying to do it on-site. Small wonder it started asking for an extension *before it even started the exam.*⁵ The inability or unwillingness to alter the scope of what it seeks to do, compared to what the Hearing Officer authorized, by itself compels denying the Motion to Continue -- even without the Bureau's contemporaneous squandering of the time allotted.

Extending the time period hurts the Respondents. Each moment the Bureau is on-site represents an unnecessary disruption of LGC's operations, which should be curtailed. Due Process protects only the Respondents, not the State. When the State was given a period of time to conduct an on-site inspection, it should have planned better and performed more efficiently – not immediately resorted to motion practice and nit-picking.

Conclusion: the Motion should be denied. LGC believes the Hearing Officer erred in granting an on-site examination under the supposed authority of RSA 421-B:9, as requested by the Bureau. That section, by its terms, only applies to 'broker-dealers', 'investment advisers,' and 'issuer-dealers,' none of which LGC has purported to be or can in any common-sense use of those terms be thought to be.

Nevertheless, LGC complied with the Order and its terms. The State failed to do so, and the consequence should be denial of any relief from its own fecklessness.

WHEREFORE, LGC asks the Hearing Officer to deny the Motion to Extend Time to Conduct On-Site Examination.

⁵ Acknowledged by the Bureau in its Motion, para. 7.

Respectfully submitted,

LOCAL GOVERNMENT CENTER, INC.;
LOCAL GOVERNMENT CENTER
REAL ESTATE, INC.;
LOCAL GOVERNMENT CENTER
HEALTHTRUST, LLC;
LOCAL GOVERNMENT
HEALTHTRUST, LLC;
LOCAL GOVERNMENT CENTER
PROPERTY-LIABILITY TRUST,
LLC;
HEALTHTRUST, INC.;
NEW HAMPSHIRE MUNICIPAL
ASSOCIATION PROPERTY-
LIABILITY TRUST, INC.;
LGC-HT, LLC;
LOCAL GOVERNMENT CENTER
WORKERS' COMPENSATION
TRUST, LLC; AND
MAURA CARROLL,

By Their Attorneys:
PRETI FLAHERTY BELIVEAU &
PACHIOS, PLLP

Dated: December 27, 2011

By: /s/ William C. Saturley
William C. Saturley, NHBA #2256
Brian M. Quirk, NHBA #12526
PO Box 1318
Concord, NH 03302-1318
Tel.: 603-410-1500
Fax: 603-410-1501
wsaturley@preti.com

CERTIFICATE OF SERVICE

I certify that on this 27th day of December 2011, I hand-delivered copies of this pleading to counsel of record.

/s/ William C. Saturley

Exhibit A



State of New Hampshire
Department of State
Bureau of Securities Regulation

Joseph C. Long
Director

107 North Main Street, State House Rm. 204
Concord, NH 03301-4989
Telephone: (603) 271-1463
Fax: (603) 271-7933

December 16, 2011

Brian Quirk
Preti Flaherty Beliveau and Pachios
PO Box 1318
Concord, NH 03302-1318

Re: In the Matter of the Local Government Center, Inc. et al

Case number: C-2011-0036

Dear Brian:

We refer to all entities in the above-referenced case collectively as "LGC" for the purposes of this request. The following is the information we will need for the initial part of the examination. Please provide:

1. Detailed LGC staff calendar for the period 12/19/11 through 12/31/11 (please see attached template). Please include the names of any other staff, not indentified in the attached template, that are key members in the preparation of financial statements or financial systems applications in your information systems department. In addition, please identify all management and staff which will be available to work evenings (6:00pm to 9:00pm) and weekends.
2. Copies of trial balances, chart of accounts, and mapping keys/legends between the two, as they pertain to internal/external financial statements for LGC from FY 2002 to FY 2005 year ends. In addition, provide monthly trial balances, chart of accounts and mapping keys for LGC for each month in FY 2006 through FY 2011. Also provide a copy of a complete general ledger detail (including all transactions detail by account number) and general ledger summary listing (summarized general ledger activity) and chart of accounts for LGC for FY 2003 and FY 2010. List any chart of account changes for LGC from FY 2002 through FY 2011.
3. Annual Budget to Actual Activity reports (or similarly named) for all activities, for LGC for FY 2006 through FY 2011

4. Cash disbursement policy and the applicable delegation of authority listing in force during the period FY 2002 to FY 2011.
5. Necessary process documentation to understand "Administrative Expense" charges for claims and their reimbursements. Please include a listing of allowable expenses in your "Administrative Expense" pool for claims and identify all external and LGC parties involved in claims and claims reimbursements.
6. Detailed "Administrative Expense" listings for LGC (including all general ledger accounts mapped to this expense category) for the period FY 2006 to FY 2011. Identify the process to retrieve supporting documentation (purchase order, invoice, internal documents to approve disbursement, proof of receipt, check used to make payment or the like) for selected expenses for our review, and how long it will take to retrieve them.
7. Detailed "Other Expense" listings for LGC (including all general ledger accounts mapped to this expense category) for the period FY 2006 to FY 2011. Identify the process to retrieve supporting documentation (purchase order, invoice, internal documents to approve disbursement, proof of receipt, check used to make payment, or the like) for these expenses selected for our review, and how long it will take to retrieve them.
8. Monthly third party financial management account statements for all investments and other income sources of LGC from FY 2006 to FY 2011, including any supplemental reports and other supporting documentation for balances in this time period. Provide reconciliations of these sources from LGC to financial statements at year end from FY 2006 to FY 2011.
9. Provide access for our review of all LGC Member Agreements from FY 1999 to FY 2011 (no copying required).
10. Provide access for our review of all LGC Bylaws from FY 1999 to FY 2011 (no copying required).
11. Provide access for our review of all dividend letters issued by LGC to members since FY 1999 (no copying required).
12. Provide access for our review of all advertisements and marketing materials sent to members or prospective members since 1999 (no copying required).
13. Provide access for our review of all letters sent to members regarding premium rate credits, stabilization or other returns to members, their calculations and book entries, from FY 2002 to FY 2011 (no copying required).
14. Copies of reconciliations between all LGC book balances with bank accounts balances at FY 2006 to FY 2010 year end.

15. Copies of all bank account statements for LGC from FY 2006 through present.

Again, this is our initial request for documents. **We remind you that we do not seek HIPPA-covered materials.** Thank you in advance for your anticipated cooperation. Please contact me if you have any questions or concerns.

Most Sincerely,



Earle F. Wingate, III, Esq.
Staff Attorney

EFW/sw

cc: Jeffrey D. Spill, Esq.
Kevin B. Moquin, Esq.
Eric Forcier, Esq.
Adrian S. Laroche, Esq.
William C. Saturley, Esq.
Brian M. Quirk, Esq.
David I. Frydman, Esq.
Michael D. Ramsdell, Esq.
Joshua M. Pantescio, Esq.
Mark E. Howard, Esq.
Jaye L. Rancourt, Esq.
Roy W. Tilsley, Jr., Esq.

Exhibit B

**INDEX OF DOCUMENTS PRODUCED BY LGC IN THE
MATTER OF LGC, INC. ET. AL.
CASE # 2011000036**

**Produced during onsite
visit**

IN RESPONSE TO

ITEM DESCRIPTION	DOCUMENT DESCRIPTION	Date Provided/ made available	DOCUMENT BATES NUMBER	IN RESPONSE TO
	2006 -8/31/2011 - Budget to Actual reports all entities	20-Dec-11	LGC on-site 000001-000026	Wingate's Dec 16, 2011 letter item # 3
	2006 - 2010 year-end mapping trial Balance reports for all entities	20-Dec-11	LGC on-site 000027-000184	Wingate's Dec 16, 2011 letter item # 2, 6 & 7
	Page 10 of P.L.T mapping trial balance that was missing from original file	20-Dec-11	LGC on-site 000150A	Wingate's Dec 16, 2011 letter item # 2, 6 & 7
	Property Liability year end mapping trial Balance 12-31-2008 replacement pages not included in LGC on-site 000027-000184	22-Dec-11	LGC on-site 000165A-000176A	Oral request of Bannan made on Dec. 22, 2011
	List of general ledger accounts that contain protected information - 12-20-11	20-Dec-11	LGC on-site 000185	Wingate's Dec 16, 2011 letter item # 2
	Updated list of general ledger accounts for all entities that contain protected health information for information related to 5-B-7 claims info	21-Dec-11	LGC on-site 000185A	Wingate's Dec 16, 2011 letter item # 2
	Finance Cash Disbursement Process including delegation of authority	21-Dec-11	LGC on-site 000186	Wingate's Dec 16, 2011 letter item # 4
	2003-2004-2005 year end trial balances for all entities from financial accounting system	21-Dec-11	LGC on-site 000187-000272	Wingate's Dec 16, 2011 letter item # 2, 6 & 7
	2002 year end trial balances for all entities from financial accounting system	21-Dec-11	LGC on-site 000273-000301	Wingate's Dec 16, 2011 letter item # 2, 6 & 7
	2010 HealthTrust Reconciliation Unrestricted Net Assets at 12-31-10	22-Dec-11	LGC on-site 000301A	Oral request of Bannan made on Dec. 21, 2011
	2006-2010 Bank to general ledger Reconciliations all entities	21-Dec-11	LGC on-site 000302-000441	Wingate's Dec 16, 2011 letter item # 14
	2006-2010 month-end HealthTrust Citizens Investment statements	21-Dec-11	LGC on-site 000442-003295	Wingate's Dec 16, 2011 letter item # 8
	2006-2010 Workers Compensation Citizens Investment statements	21-Dec-11	LGC on-site 003826-006292	Wingate's Dec 16, 2011 letter item # 8
	2006 to 8-31-2011 NH Public Deposit Investment Pool Statements	21-Dec-11	LGC on-site 006293-006496	Wingate's Dec 16, 2011 letter item # 8
	2006-2010 Workers Compensation Trust Citizens Investment statements	21-Dec-11	LGC on-site 006497-006709	Wingate's Dec 16, 2011 letter item # 8
	2006-2010 Investment Reconciliations all entities	21-Dec-11	LGC on-site 006710-006747	Wingate's Dec 16, 2011 letter item # 8
	2006-2010 Vanguard Statements	22-Dec-11	LGC on-site 006748-006840	Wingate's Dec 16, 2011 letter item # 8
	2010 Bank Statements all entities	22-Dec-11	LGC on-site 006841-007849	Wingate's Dec 16, 2011 letter item # 15
	2009 Bank statements all entities	22-Dec-11	LGC on-site 007850-009084	Wingate's Dec 16, 2011 letter item # 15
	2007 Bank statement all entities	22-Dec-11	LGC on-site 009085-010402	Wingate's Dec 16, 2011 letter item # 15
	2006 Bank statements all entities	22-Dec-11	LGC on-site 010403-012062	Wingate's Dec 16, 2011 letter item # 15
	2008 Bank statements all entities	22-Dec-11	LGC on-site 012063-013092	Wingate's Dec 16, 2011 letter item # 15

ITEM DESCRIPTION	DOCUMENT DESCRIPTION	Date Provided/ made available	DOCUMENT BATES NUMBER	IN RESPONSE TO
	2006-2010 - all entities - detailed year-to-date general ledger transaction listings for 316 accounts selected by the BSR from all general ledger accounts for each entity that reconcile to each entities year-end audited financial statements for 2006-2010 - see attached gl listings worksheet			
	Participation Agreements requested by BSR	23-Dec-01	LGC on-site 014079-016056	Wingate's Dec 16, 2011 letter item # 9
	Dividend Letters 1999-2003 requested by BSR	23-Dec-01	LGC on-site 016057-016085	Wingate's Dec 16, 2011 letter item # 11
	Vanguard Statements supplemental not included in LGC on-site 006748-0068740	23-Dec-01	LGC on-site 016086-016097	Oral request of Bannan made on Dec 23, 2011
	Proposals to potential members 1999 -2011 copies requested	12/27/2011, 9:30 am	LGC on-site 016098 - 016412	Wingate's Dec 16, 2011 letter item # 12 and oral requests made on Dec. 22 and 23, 2011
	Citizens Bank Statement PLT November 2006 (p.1)	12/27/2011, 9:30 am	LGC on-site 016413	email request of Bannan made on Dec 23, 2011, 2:41 pm
	Ocean National Bank - GL activity - 2006	12/27/2011, 9:30 am	LGC on-site 016414	email request of Bannan made on Dec 23, 2011, 2:41 pm
	Statement regarding Ocean National Bank -May 2006 activity	12/27/2011, 9:30 am	LGC on-site 016415	email request of Bannan made on Dec 23, 2011, 2:41 pm
	Citizens Bank Statement HT February 2006	12/27/2011, 9:30 am	LGC on-site 016416	email request of Bannan made on Dec 23, 2011, 2:41 pm
	Citizens Bank Statement LGC May 2006	12/27/2011, 9:30 am	LGC on-site 016417 - 016419	email request of Bannan made on Dec 23, 2011, 2:41 pm
	2006 HealthTrust year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB HT excel A1-6	Oral request of Bannan made on Dec 22
	2007 HealthTrust year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB HT excel B1-7	Oral request of Bannan made on Dec 22
	2008 HealthTrust year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB HT excel C1-9	Oral request of Bannan made on Dec 22
	2009 HealthTrust year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB HT excel D1-9	Oral request of Bannan made on Dec 22
	2010 HealthTrust year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB HT excel E1-10	Oral request of Bannan made on Dec 22
	2006 LGC Inc. year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC excel A1-5	Oral request of Bannan made on Dec 22
	2007 LGC Inc. year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC excel B1-5	Oral request of Bannan made on Dec 22
	2008 LGC Inc. year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC excel C1-5	Oral request of Bannan made on Dec 22
	2009 LGC Inc. year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC excel D1-5	Oral request of Bannan made on Dec 22
	2010 LGC Inc. year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC excel E1-5	Oral request of Bannan made on Dec 22
	2006 LGC Real Estate year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC RE excel A1-2	Oral request of Bannan made on Dec 22
	2007 LGC Real Estate year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC RE excel B1-2	Oral request of Bannan made on Dec 22

ITEM DESCRIPTION	DOCUMENT DESCRIPTION	Date Provided/ made available	DOCUMENT BATES NUMBER	IN RESPONSE TO
	2008 LGC Real Estate year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC RE excel C1-2	Oral request of Bannion made on Dec 22
	2009 LGC Real Estate year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC RE excel D1-2	Oral request of Bannion made on Dec 22
	2010 LGC Real Estate year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB LGC RE excel E1-2	Oral request of Bannion made on Dec 22
	2006 NHMA year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB NHMA excel A1	Oral request of Bannion made on Dec 22
	2007 NHMA year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB NHMA excel B1	Oral request of Bannion made on Dec 22
	2008 NHMA year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB NHMA excel C1	Oral request of Bannion made on Dec 22
	2009 NHMA year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB NHMA excel D1	Oral request of Bannion made on Dec 22
	2010 NHMA year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB NHMA excel E1	Oral request of Bannion made on Dec 22
	2006 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB PLT excel A1-3	Oral request of Bannion made on Dec 22
	2007 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB PLT excel B1-3	Oral request of Bannion made on Dec 22
	2008 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB PLT excel C1-3	Oral request of Bannion made on Dec 22
	2009 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB PLT excel D1-3	Oral request of Bannion made on Dec 22
	2010 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB PLT excel E1-3	Oral request of Bannion made on Dec 22
	2006 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB WC excel A1-3	Oral request of Bannion made on Dec 22
	2007 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB WC excel B1-3	Oral request of Bannion made on Dec 22
	2008 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB WC excel C1-3	Oral request of Bannion made on Dec 22
	2009 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB WC excel D1-3	Oral request of Bannion made on Dec 22
	2010 Workers Compensation year end trial balances in excel as requested by BSR	12/27/2011, 9:30 am	LGC on-site TB WC excel E1-3	Oral request of Bannion made on Dec 22

Exhibit C

Via Electronic & Regular Mail

October 5, 2011

Earle F. Wingate, III, Esq.
Staff Attorney
NH Bureau of Securities Regulation
State House Room 204
107 North Main Street
Concord, NH 03301-4989

RE: Local Government Center, Inc.

Dear Earle:

I write in response to the *Subpoena Duces Tecum* that you issued in the matter of *Local Government Center, Inc., et al.*, and as a follow-up to today's meeting.

As we have repeatedly stated, including in my correspondence to you of September 8, 2011, we believe that the parties should follow a more traditional discovery process in connection with the hearing when seeking documents or information from a party. Thus, we have asked you to reframe the requests set forth in the *Subpoena* to comply with standard discovery requests; such as, interrogatories, document requests, and requests for depositions.

As we have explained, our underlying reason for doing this is to allow all the Parties to track in an orderly manner the information that has been produced through discovery; to make certain that all Parties will have access to the information that has been provided; and to allow the parties to refer to the discovery, if necessary, during the hearing.

We appreciate your willingness to consider reframing the requests and understand that you will be getting back to us in the near future on this issue. In the meantime, in the spirit of moving this process forward, I am herein providing you with responses to your requests for information in your *Subpoena*. We hope you will agree to reframe your requests to make them clearer, consistent with the comments below. To that end, we are providing the following responses and comments to the requests in the *Subpoena*.

Earle F. Wingate, III, Esq.
RE: Local Government Center, Inc.
Page 2
October 5, 2011

Requests Set Forth in Paragraphs 15; 19; 20; 27; 32; and 33 of the Subpoena

We are in the process of assembling documents in response to these requests and we will produce them by October 18, 2011.

With respect to the request set forth in Paragraph 19 of the *Subpoena*, the request seeks proprietary information and, thus, we want to make certain that an appropriate protective order is in place prior to producing documents in response to this request.

With respect to Paragraphs 27 and 33, your requests seek responses that are more appropriate in the form of an interrogatory. That said, we will nevertheless provide a response as set forth above.

Requests Set Forth in Paragraphs 13-14; 16-18; and 21 of the Subpoena

With respect to Paragraphs 13-14; 16-18; and 21 of the *Subpoena*, your requests, as written, are vague and we are uncertain as to exactly what you are asking us to provide. Thus, we ask that you restate your requests so we can respond in a timely manner.

For example, Paragraph 13 of the *Subpoena* does not seek any documents. Instead, it states that you need to obtain "an understanding of the processes." Indeed, the request states:

Prior to requesting specific source documentation, allocations etc. for review, we will need to obtain an understanding of the processes for transactions listed above in order to determine and be assured that the pool for selection of such documentation is complete and can be traced to the financial statement. This shall involve an understanding of your financial reporting software and IT involvement.

Paragraph 17 of the *Subpoena* similarly does not request documents but, instead, makes a statement that you will be selecting certain documents. The *Subpoena* states:

From the detailed monthly schedules/reports provided above, we will be selecting a sample of paid detailed transactions and obtain detailed invoices, vouchers, journal entries and other supporting documentation.

Paragraph 18 of the *Subpoena* does not clearly specify what documents you are requesting. The *Subpoena* simply states, "Detailed documents in support of selected property, plant and equipment transactions identified."

Earle F. Wingate, III, Esq.
RE: Local Government Center, Inc.
Page 3
October 5, 2011

Finally, with respect to Paragraph 21 of the *Subpoena*, you have asked for, "All board and subcommittee minutes for the scope period, that have not already been provided." We respectfully request that you ask us for the specific board and subcommittee minutes you are seeking and we will produce them in a timely manner.

Request Set Forth in Paragraph 22 of the Subpoena

This request is vague and we are not certain as to what you are asking. You have asked for, "(a)ny internal memos, written or recorded, which significantly impact the financial reporting processes, financial reporting and the recording of transactions for scope period." In attempting to interpret your request as written, we do not believe that any such documents exist.

Requests Set Forth in Paragraphs 23-26 of the Subpoena—Requests for Interviews with Persons who may have had a Significant Impact on the Financial Statements in the Relevant Time Period.

The *Subpoena* calls for "interviews" with unnamed individuals. It is our understanding that based on the Meet and Confer Conference held on October 5, 2011, you have agreed to withdraw your request for interviews and, instead, you will issue a notice of deposition listing a particular individual or, more informally, request a deposition of a specific person. We will work with you and other counsel to arrange mutually convenient dates and times for the depositions. If we misunderstood your position in this regard, please let us know.

Requests Set Forth in Paragraphs 28-31 of the Subpoena

We object to these requests as the information requested is protected by the attorney-client and work product privileges. Without waiving these privileges, we will provide you with a limited response by October 18, 2011.

This response does not waive any objections to the *Subpoena Duces Tecum*, objections that we expressly reserve but, rather, it is presented in the spirit of providing you with our initial responses.

* * * * *

Earle F. Wingate, III, Esq.

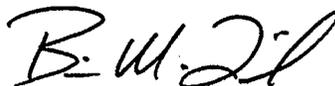
RE: Local Government Center, Inc.

Page 4

October 5, 2011

Please let us know if you agree with the Amended Proposed Structuring Conference Order that I e-mailed to you earlier today. We look forward to meeting with you on October 11, 2011 to further discuss your requests, discovery issues generally, and the protective order that was issued by the Merrimack County Superior Court.

Very truly yours,

A handwritten signature in black ink, appearing to read "B. M. Quirk". The signature is written in a cursive, flowing style.

Brian M. Quirk

BMQ:mdr

cc: William C. Saturley, Esq.

Exhibit D

Via Electronic & Regular Mail

October 18, 2011

Earle F. Wingate, III, Esq.
Adrian LaRochelle, Esq.
NH Bureau of Securities Regulation
State House Room 204
107 North Main Street
Concord, NH 03301-4989

RE: **In the Matter of Local Government Center, Inc., et al**
Case Number C-2011000036

Dear Earle and Adrian:

I write as a follow-up to my letter dated October 5, 2011 and as a further response to the *Subpoena Duces Tecum* issued by your office.

Please find enclosed documents in response to your discovery requests, Bates-Stamped LGC-AH000001 – LGC-AH000132, and a so-called “Vaughn Index” regarding the redactions to certain documents provided.

If you have any questions, please do not hesitate to contact Bill Saturley or me.

Very truly yours,



Brian M. Quirk

BMQ:mdr
Enclosures

cc: William C. Saturley, Esq.)
Kevin Moquin, Esq.)
Michael Ramsdell, Esq.)
Joshua Pantescio, Esq.) All via E-mail, only
Mark E. Howard, Esq.)
Jaye Rancourt, Esq.)

INDEX OF REDACTION IN DOCUMENTS PRODUCED BY LGC -		COVER LETTER	DOCUMENT BATES NUMBER	DATE PRODUCED	CONFIDENTIAL COMMERCIAL PROPRIETARY INFORMATION
#	ITEM DESCRIPTION	DOCUMENT DESCRIPTION			
	LGC Health Trust policies and procedures which govern the financial reporting of transactions.	Health Trust Reserve Calculation	LGC-AH000022	10/18/2011	Information related to methods & data utilized to calculate Health Trust reserves.
	LGC Health Trust policies and procedures which govern the financial reporting of transactions.	NHRS Payment Calculation for Health Trust	LGC-AH000022	10/18/2011	Information as to methods utilized to process and account for payments due from subscribers.
	LGC Health Trust policies and procedures which govern the financial reporting of transactions.	Health Trust Claims Cycle Narrative	LGC-AH000022	10/18/2011	Information as to methods utilized to process and manage claims for self-funded, medical, dental, Life and STD subscribers. Includes methods utilized for claim caps, reconciliations, billing, SIR, monthly reporting, and Stop Loss.
	LGC Health Trust policies and procedures which govern the financial reporting of transactions.	Catastrophic Claims Cycle Narrative	LGC-AH000022	10/18/2011	Information related to the administration and accounting for retention and stop loss limits for self-funded plus program members.