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QUARTERLY STATEMENT

AS OF MARCH 31, 2008
OF THE CONDITION AND AFFAIRS OF THE
C&I HEALTHCARE
Premier Behavioral Systems of Tennessee, LLC

NAIC Group Code 0000 (Current Period) , 0000 (Prior Period) NAIC Company Code 00000 Employer's ID Number 62-1641638

Organized under the Laws of Tennessee State of Domicile or Port of Entry Tennessee

Country of Domicile United States

Licensed as business type: Life, Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity []
 Dental Service Corporation [] Vision Service Corporation [] Health Maintenance Organization []
 Other [] Is HMO, Federally Qualified? Yes [] No []

Incorporated/Organized 05/15/1996 Commenced Business 07/01/1996

Statutory Home Office 222 Second Ave. N. Suite 220 (Street and Number) Nashville, TN 37201 (City, State and Zip Code)

Main Administrative Office 222 Second Ave. N. Suite 220 (Street and Number) Nashville, TN 37201 (City or Town, State and Zip Code) 615-313-4463 (Area Code) (Telephone Number)

Mail Address 222 Second Ave. N. Suite 220 (Street and Number or P.O. Box) Nashville, TN 37201 (City or Town, State and Zip Code)

Primary Location of Books and Records 222 Second Ave. N. Suite 220 (Street and Number) Nashville, TN 37201 (City, State and Zip Code) 410-953-1643 (Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact Michael Folinos (Name) 410-953-1643 (Area Code) (Telephone Number) (Extension)
410-953-5205 (Fax Number)
mdfolinos@magellanhealth.com (E-Mail Address)

OFFICERS

Name	Title	Name	Title
<u>Russell C. Petrella</u>	<u>President</u>	<u>William R. Grimm</u>	<u>Director</u>

OTHER OFFICERS

DIRECTORS OR TRUSTEES

<u>Russell C. Petrella</u>	<u>William R. Grimm</u>	<u>Rene Lerer</u>
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State of Connecticut
County of Hartford ss Avon

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Russell C. Petrella
Russell C. Petrella
President

William R. Grimm
William R. Grimm
Director

a. Is this an original filing? Yes [X] No []

Subscribed and sworn to before me this
21st day of May, 2008
Raymonde A. Pelletier

b. If no,
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

RAYMONDE A. PELLETIER
NOTARY PUBLIC
MY COMMISSION EXPIRES AUG. 31, 2008

STATEMENT AS OF MARCH 31, 2008 OF THE Premier Behavioral Systems of Tennessee, LLC

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	2,607,403		2,607,403	3,023,046
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$38,417,974), cash equivalents (\$0) and short-term investments (\$0)	38,417,974		38,417,974	36,722,624
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets	0	0	0	0
8. Receivables for securities	0	0	0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	41,025,377	0	41,025,377	39,745,670
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	17,465		17,465	42,191
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,379,274		1,379,274	1,406,057
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	218,544	40,618	177,926	40,618
22. Health care (\$57,000) and other amounts receivable	57,000		57,000	0
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	42,697,660	40,618	42,657,042	41,234,536
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	42,697,660	40,618	42,657,042	41,234,536
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Risk Share Receivable.....			0	0
2302. ASO Receivable.....			0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	8,988,806		8,988,806	10,771,583
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	100,955		100,955	151,865
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	539,058		539,058	241,258
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	16,392,925	0	16,392,925	15,608,686
22. Total liabilities (Lines 1 to 21)	26,021,744	0	26,021,744	26,773,392
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	23,245,279	23,245,279
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	(6,609,981)	(8,784,135)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24) \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25) \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	16,635,298	14,461,144
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	42,657,042	41,234,536
DETAILS OF WRITE-INS				
2101. Premium Tax Payable	167,616		167,616	208,931
2102. Risk Share Payable	15,966,117		15,966,117	14,922,376
2103. Stale Check Liability	259,192		259,192	477,379
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	16,392,925	0	16,392,925	15,608,686
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months.....	XXX	761,317	1,816,731	4,058,012
2. Net premium income (including \$ non-health premium income).....	XXX	23,245,622	58,360,500	129,814,162
3. Change in unearned premium reserves and reserve for rate credits	XXX		0	0
4. Fee-for-service (net of \$ medical expenses)	XXX		0	0
5. Risk revenue	XXX		0	0
6. Aggregate write-ins for other health care related revenues	XXX	(1,043,741)	(2,494,293)	(5,356,890)
7. Aggregate write-ins for other non-health revenues	XXX	0	0	0
8. Total revenues (Lines 2 to 7)	XXX	22,201,881	55,866,207	124,457,272
Hospital and Medical:				
9. Hospital/medical benefits		9,451,787	20,944,097	49,083,325
10. Other professional services		7,988,134	23,972,458	51,408,775
11. Outside referrals			0	0
12. Emergency room and out-of-area			0	0
13. Prescription drugs			0	0
14. Aggregate write-ins for other hospital and medical.....	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0	0
16. Subtotal (Lines 9 to 15)	0	17,439,921	44,916,555	100,492,100
Less:				
17. Net reinsurance recoveries			0	0
18. Total hospital and medical (Lines 16 minus 17)	0	17,439,921	44,916,555	100,492,100
19. Non-health claims (net).....			0	0
20. Claims adjustment expenses, including \$ cost containment expenses.....		232,456	583,605	1,298,142
21. General administrative expenses.....		2,521,683	5,945,786	13,770,796
22. Increase in reserves for life and accident and health contracts including \$ increase in reserves for life only).....			0	0
23. Total underwriting deductions (Lines 18 through 22)	0	20,194,060	51,445,946	115,561,038
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	2,007,821	4,420,261	8,896,234
25. Net investment income earned		206,951	707,830	2,071,362
26. Net realized capital gains (losses) less capital gains tax of \$.....			0	0
27. Net investment gains (losses) (Lines 25 plus 26)	0	206,951	707,830	2,071,362
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)			0	0
29. Aggregate write-ins for other income or expenses	0	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	2,214,772	5,128,091	10,967,596
31. Federal and foreign income taxes incurred	XXX		0	0
32. Net income (loss) (Lines 30 minus 31)	XXX	2,214,772	5,128,091	10,967,596
DETAILS OF WRITE-INS				
0601. Risk Share Revenue.....	XXX	(1,043,741)	(2,494,293)	(5,356,890)
0602.	XXX			
0603.	XXX			
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	(1,043,741)	(2,494,293)	(5,356,890)
0701.	XXX			
0702.	XXX			
0703.	XXX			
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0	0
1401.				
1402.				
1403.				
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0	0
2901.				
2902.				
2903.				
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT:			
33. Capital and surplus prior reporting year.....	14,461,144	27,493,548	27,493,548
34. Net income or (loss) from Line 32.....	2,214,772	5,128,091	10,967,596
35. Change in valuation basis of aggregate policy and claim reserves.....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....		0	0
37. Change in net unrealized foreign exchange capital gain or (loss).....		0	0
38. Change in net deferred income tax.....		0	0
39. Change in nonadmitted assets.....	(40,618)	0	0
40. Change in unauthorized reinsurance.....	0	0	0
41. Change in treasury stock.....		0	0
42. Change in surplus notes.....	0	0	0
43. Cumulative effect of changes in accounting principles.....		0	0
44. Capital Changes:			
44.1 Paid in.....		0	0
44.2 Transferred from surplus (Stock Dividend).....		0	0
44.3 Transferred to surplus.....		0	0
45. Surplus adjustments:			
45.1 Paid in.....		0	0
45.2 Transferred to capital (Stock Dividend).....	0	0	0
45.3 Transferred from capital.....		0	0
46. Dividends to stockholders.....		0	(24,000,000)
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0	0
48. Net change in capital & surplus (Lines 34 to 47).....	2,174,154	5,128,091	(13,032,404)
49. Capital and surplus end of reporting period (Line 33 plus 48)	16,635,298	32,621,639	14,461,144
DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	23,272,405	131,948,806
2. Net investment income	234,359	2,062,931
3. Miscellaneous income	0	0
4. Total (Lines 1 to 3)	23,506,764	134,011,737
5. Benefits and loss related payments	19,512,153	106,333,257
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	2,712,222	14,362,510
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	22,224,375	120,695,767
11. Net cash from operations (Line 4 minus Line 10)	1,282,389	13,315,970
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,400,000	300,000
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,400,000	300,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,987,039	0
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,987,039	0
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	412,961	300,000
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	24,000,000
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	0	(24,000,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,695,350	(10,384,030)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	36,722,624	47,106,654
19.2 End of period (Line 18 plus Line 19.1)	38,417,974	36,722,624

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Conversion of debt to equity.....	0	0
20.0002. Assets acquired by assuming directly related liabilities.....	0	0
20.0003. Exchange of non-cash assets or liabilities.....	0	0

STATEMENT AS OF MARCH 31, 2008 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	254,154	.0	.0	.0	.0	.0	.0	.0	254,154	.0
2. First Quarter	253,567								253,567	
3. Second Quarter .....	.0									
4. Third Quarter .....	.0									
5. Current Year .....	.0									
6. Current Year Member Months	761,317								761,317	
Total Member Ambulatory Encounters for Period:										
7. Physician	17,306								17,306	
8. Non-Physician	62,659								62,659	
9. Total	79,965	.0	.0	.0	.0	.0	.0	.0	79,965	.0
10. Hospital Patient Days Incurred	16,645								16,645	
11. Number of Inpatient Admissions	1,147								1,147	
12. Health Premiums Written	23,245,622								23,245,622	
13. Life Premiums Direct .....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned	23,245,622								23,245,622	
16. Property/Casualty Premiums Earned .....	.0									
17. Amount Paid for Provision of Health Care Services	19,222,698								19,222,698	
18. Amount Incurred for Provision of Health Care Services	17,439,921								17,439,921	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$

STATEMENT AS OF MARCH 31, 2008 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec. 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only .....					.0	.0
4. Vision Only .....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare .....					.0	.0
7. Title XIX - Medicaid	7,341,655	11,881,043	1,792,337	7,196,469	9,133,992	10,771,583
8. Other Health .....					.0	.0
9. Health Subtotal (Lines 1 to 8).....	7,341,655	11,881,043	1,792,337	7,196,469	9,133,992	10,771,583
10. Healthcare receivables (a) .....					.0	.0
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals	7,341,655	11,881,043	1,792,337	7,196,469	9,133,992	10,771,583

(a) Excludes \$ loans and advances to providers not yet expensed.

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NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

- A. Accounting Practices – The accompanying financial statements of Premier Behavioral Systems of Tennessee, LLC (the “Company” or “Premier”) have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).
- B. Use of Estimates in the Preparation of the Financial Statements – No significant change.
- C. Accounting Policy – No significant change.

Note 2 - Accounting Changes and Corrections of Errors

- A. Material changes in accounting principles and/or correction of errors - No significant change.

Note 3 - Business Combinations and Goodwill

- A. Statutory Purchase Method - No significant change.
- B. Statutory Merger - No significant change.
- C. Assumption Reinsurance - No significant change.
- D. Impairment Loss - No significant change.

Note 4 - Discontinued Operations

No significant change.

Note 5 - Investments

- A. Mortgage Loan, including Mezzanine Real Estate Loans - No significant change.
- B. Debt Restructuring – No significant change.
- C. Reverse Mortgages – No significant change.
- D. Loan Backed Securities – No significant change.
- E. Repurchase Agreements – No significant change.
- F. Real Estate – No significant change.
- G. Investments in low-income tax credits – No significant change.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

- A. Investments in Joint Ventures, Partnerships, and Limited Liability Companies that exceed 10% of the admitted assets of the insurer - No significant change.
- B. Impaired Investments in Joint Ventures, Partnerships, and Limited Liability Companies – No significant change.

Note 7 - Investment Income

- A. Bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued - No significant change.
- B. The total amount excluded was \$0.

Note 8 - Derivative Instruments

- A. Market risk, credit risk and cash requirements of the derivative - No significant change.
- B. Objectives for using derivatives – No significant change.
- C. Accounting policies for recognizing and measuring derivatives used – No significant change.
- D. Net gain or loss recognized in unrealized gains and losses during the reporting period representing the component of the derivative instruments gain of loss – No significant change.
- E. Net gain or loss recognized in unrealized gains and losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting – No significant change.
- F. Derivatives accounted for as cash flow hedges of a forecasted transaction – No significant change.

Note 9 - Income Taxes

- A. Components of the net deferred tax asset or deferred tax liability – No significant change.
- B. Deferred tax liabilities that are not recognized - No significant change
- C. Components of current income taxes incurred – No significant change.
- D. Significant book to tax adjustments - No significant change
- E.
 - 1. Amounts, origination dates and expiration dates of operating loss and tax credit carry forward amounts available for tax purposes – No significant change.

NOTES TO FINANCIAL STATEMENTS

2. Amount of federal income taxes incurred in current year that are available for recoupment in the even of future net loss – No significant change.

F. Consolidated federal income tax – No significant change.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship – No significant change.
B. Description of transactions –
 a. Accounts payable paid by the parent (Magellan Health Service) - \$15,382
 b. Management fees paid to Magellan and AdvoCare of Tennessee (“AdvoCare”) – see below.
C. Dollar amount of transactions – The Company paid \$2,092,101 in management fees to the parent for the three months ended March 31, 2008.
D. Amounts due to/from relates parties – Balances as of March 31, 2008
 a. Due from TBH – \$218,544
 b. Due to Advocare – (\$113,282)
 c. Due to Magellan – (\$425,776)
E. Guarantees or undertakings for benefit of affiliate – No significant change
F. Material management or service contracts and cost sharing arrangements with related parties – No significant change.
G. Common ownership or control – No significant change.
H. No significant change
I. Investment in SCA that exceeds 10% - No significant change.
J. Investments in impaired SCA entities – No significant change.
K. Investment in a foreign insurance subsidiary – No significant change.

Note 11 - Debt

No significant change.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan - No significant change.
B. Defined Contribution Plans – No significant change.
C. Multiemployer Plan – No significant change.
D. Consolidated/Holding Company plans – No significant change
E. Post-employment Benefits and Compensated Absences – No significant change.

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) – (10) No significant change.

Note 14 - Contingencies

- A. Contingent Commitments - No significant change.
B. Assessments – No significant change.
C. Gain contingencies – No significant change.
D. All Other contingencies – No significant change.

Note 15 - Leases

- A. Lessee Operating Lease - No significant change.
B. Lessor Leases and Leveraged Leases – No significant change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No significant change.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales - No significant change.
B. Transfer and Servicing of Financial Assets – No significant change
C. Wash Sales – The Company has not engaged in any Wash Sales during the current calendar quarter or year.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans - No significant change.
B. ASC Plans – No significant change.

NOTES TO FINANCIAL STATEMENTS

C. Medicare of Similarly Structured Cost Based Reimbursement contract – No significant change.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change.

Note 20 - Other Items

- A. Extraordinary items - No significant change.
- B. Troubled Debt Restructuring: Debtor - No significant change.
- C. Other Disclosures – No significant change.
- D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – No significant change
- E. Business Interruption Insurance Recoveries – No significant change.
- F. Hybrid Securities – No significant change.
- G. State Transferable tax credits – No significant change.
- H. Impact of Medicare Moderization Act – No significant change.

Note 21 - Events Subsequent

In January 2008 TennCare issued an RFP for the management by managed care organizations of the integrated delivery of behavioral and physical health to TennCare enrollees in the East and West Grand Regions. The RFP set forth intended start dates of November 1, 2008 for the West Grand Region and January 1, 2009 for the East Grand Region. On April 22, 2008, the State announced the winning bidders to the RFP process. The Company was not a winning bidder. Accordingly, the Company will not be providing services in the East Grand and West Grand regions after the implementation dates for the new contracts. It is possible that the Company will continue to manage TennCare Select Children in the East Grand and West Grand regions as it currently does in the Middle Grand region. There can be no assurance the TennCare will continue to contract with the Company for management of benefits for such recipients.

Note 22 - Reinsurance

- A. Ceded Reinsurance Report - No significant change.
- B. Uncollectible Reinsurance – No significant change
- C. Commutation of Ceded Reinsurance – No significant change.

Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Method used by the reporting entity to estimate accrued retrospective premium adjustments - No significant change.
- B. Amount of net premiums that are subject to retrospective rating features – No significant change.

Note 24 - Change in Incurred Losses and Loss Adjustment Expenses

Changes in reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years are as follows:

Claims unpaid as of January 1, 2008	\$ 10,771,583
Current year claims paid related to prior years	(7,341,654)
Current year change in claims incurred related to prior years	(1,637,591)
Claims unpaid as of March 31, 2008 related to prior years	<u>\$1,792,338</u>

Note 25 - Intercompany Pooling Arrangements

No significant change.

Note 26 - Structured Settlements

No significant change.

Note 27 - Health Care Receivables

- A. Pharmaceutical Rebate Receivables - No significant change.
- B. Risk Sharing Receivables – No significant change.

Note 28 - Participating Policies

- A. Relative percentage of participating insurance - No significant change.
- B. Method of accounting for policyholder dividends – No significant change
- C. Amount of dividends – No significant change.

NOTES TO FINANCIAL STATEMENTS

D. Amount of any additional income allocated to participating policyholders – No significant change.

Note 29 - Premium Deficiency Reserves

No significant change.

Note 30 - Anticipated Salvage and Subrogation

No significant change.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [] NA [X]
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2006
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2006
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/20/2007
- 6.4 By what department or departments?
Tennessee Department of Commerce and Insurance.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] NA [X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] NA []
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 7.2 If yes, give full information:
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes [X] No []
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 - (c) Compliance with applicable governmental laws, rules and regulations;
 - (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 - (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
.....
- 9.2 Has the code of ethics for senior managers been amended?..... Yes [] No [X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
.....
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).
.....

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes [X] No []
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$177,926

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No [X]
- 11.2 If yes, give full and complete information relating thereto:
.....
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$
13. Amount of real estate and mortgages held in short-term investments: \$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No [X]
- 14.2 If yes, please complete the following:
- | | 1 | | 2 | |
|--|----------------|--|-----------------|--|
| | Prior Year-End | | Current Quarter | |
| | Book/Adjusted | | Book/Adjusted | |
| | Carrying Value | | Carrying Value | |
| 14.21 Bonds | \$ | | \$ | |
| 14.22 Preferred Stock | \$ | | \$ | |
| 14.23 Common Stock | \$ | | \$ | |
| 14.24 Short-Term Investments | \$ | | \$ | |
| 14.25 Mortgage Loans on Real Estate | \$ | | \$ | |
| 14.26 All Other | \$ | | \$ | |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)..... | \$0 | | \$0 | |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above | \$ | | \$ | |
- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No []
If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [] No [X]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter?

Yes [] No [X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?

Yes [X] No []

17.2 If no, list exceptions:

.....

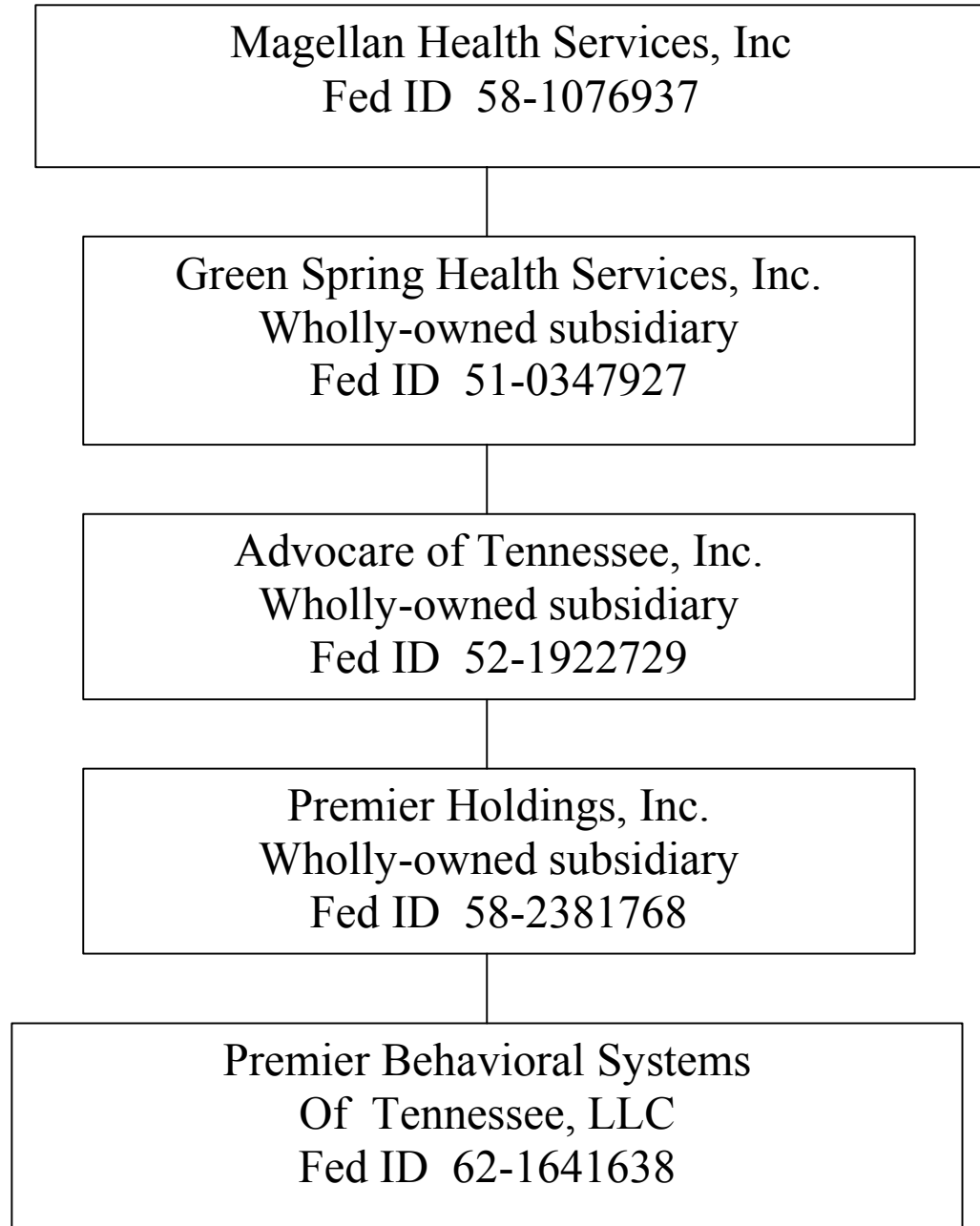
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL	N							0	
2. Alaska	AK	N							0	
3. Arizona	AZ	N							0	
4. Arkansas	AR	N							0	
5. California	CA	N							0	
6. Colorado	CO	N							0	
7. Connecticut	CT	N							0	
8. Delaware	DE	N							0	
9. District of Columbia	DC	N							0	
10. Florida	FL	N							0	
11. Georgia	GA	N							0	
12. Hawaii	HI	N							0	
13. Idaho	ID	N							0	
14. Illinois	IL	N							0	
15. Indiana	IN	N							0	
16. Iowa	IA	N							0	
17. Kansas	KS	N							0	
18. Kentucky	KY	N							0	
19. Louisiana	LA	N							0	
20. Maine	ME	N							0	
21. Maryland	MD	N							0	
22. Massachusetts	MA	N							0	
23. Michigan	MI	N							0	
24. Minnesota	MN	N							0	
25. Mississippi	MS	N							0	
26. Missouri	MO	N							0	
27. Montana	MT	N							0	
28. Nebraska	NE	N							0	
29. Nevada	NV	N							0	
30. New Hampshire	NH	N							0	
31. New Jersey	NJ	N							0	
32. New Mexico	NM	N							0	
33. New York	NY	N							0	
34. North Carolina	NC	N							0	
35. North Dakota	ND	N							0	
36. Ohio	OH	N							0	
37. Oklahoma	OK	N							0	
38. Oregon	OR	N							0	
39. Pennsylvania	PA	N							0	
40. Rhode Island	RI	N							0	
41. South Carolina	SC	N							0	
42. South Dakota	SD	N							0	
43. Tennessee	TN	L		23,245,622					23,245,622	
44. Texas	TX	N							0	
45. Utah	UT	N							0	
46. Vermont	VT	N							0	
47. Virginia	VA	N							0	
48. Washington	WA	N							0	
49. West Virginia	WV	N							0	
50. Wisconsin	WI	N							0	
51. Wyoming	WY	N							0	
52. American Samoa	AS	N							0	
53. Guam	GU	N							0	
54. Puerto Rico	PR	N							0	
55. U.S. Virgin Islands	VI	N							0	
56. Northern Mariana Islands	MP	N							0	
57. Canada	CN	N							0	
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	0	0	23,245,622	0	0	0	0	23,245,622	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a) 1	0	0	23,245,622	0	0	0	0	23,245,622	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0	0

(a) Insert the number of L responses except for Canada and other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART**



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplemental is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Statement be filed with the state of domicile and the NAIC with this statement?

.....NO.....

Explanation:

1.

Bar Code:

1.



OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		0
2.2 Additional investment made after acquisitions		0
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amount		0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book value/recorded investment excluding accrued interest at December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		0
2.2 Additional investment made after acquisitions		0
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted accounts		0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

SCHEDULE BA – VERIFICATION

Other Long Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		0
2.2 Additional investment made after acquisitions		0
3. Capitalized deferred interest and other		
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and depreciation		0
9. Total foreign exchange change in book/adjusted carrying value		0
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted amounts		0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	3,023,046	3,307,538
2. Cost of bonds and stocks acquired	1,987,039	0
3. Accrual of discount	1,954	15,508
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		0
6. Deduct consideration for bonds and stocks disposed of	2,400,000	300,000
7. Deduct amortization of premium	4,636	0
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	2,607,403	3,023,046
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	2,607,403	3,023,046

STATEMENT AS OF MARCH 31, 2008 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	3,023,046	1,987,039	2,400,000	(2,682)	2,607,403	0	0	3,023,046
2. Class 2 (a)	0				0	0	0	0
3. Class 3 (a)	0				0	0	0	0
4. Class 4 (a)	0				0	0	0	0
5. Class 5 (a)	0				0	0	0	0
6. Class 6 (a)	0				0	0	0	0
7. Total Bonds	3,023,046	1,987,039	2,400,000	(2,682)	2,607,403	0	0	3,023,046
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	0				0	0	0	0
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	3,023,046	1,987,039	2,400,000	(2,682)	2,607,403	0	0	3,023,046

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$; NAIC 2 \$; NAIC 3 \$; NAIC 4 \$; NAIC 5 \$; NAIC 6 \$

Schedule DA - Part 1

NONE

Schedule DA - Verification

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule E Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF MARCH 31, 2008 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator ^(a)
3133XJ-US-5	Federal Home Loan Bank Bond		02/20/2008	US Bank		1,987,039	1,900,000	41,694	1
0399999 - Total	- Bonds - U.S. Government					1,987,039	1,900,000	41,694	XXX
6099997 - Total	- Bonds - Part 3					1,987,039	1,900,000	41,694	XXX
6099999 - Total	- Bonds					1,987,039	1,900,000	41,694	XXX
6599999 - Total	- Preferred Stocks					0	XXX	0	XXX
7299999 - Total	- Common Stocks					0	XXX	0	XXX
7399999 - Total	- Preferred and Common Stocks					0	XXX	0	XXX
7499999 - Totals						1,987,039	XXX	41,694	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E04

STATEMENT AS OF MARCH 31, 2008 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22	
										11	12	13	14	15								
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)	
3133XB-D9-3	FHLB Bond		02/15/2008	Matured		2,395,000	2,395,000	2,363,592	2,393,050		1,950		1,950		2,395,000			0	49,305	02/15/2008	XXX	
3133XB-D9-3	FHLB Bond		02/15/2008	Matured		5,000	5,000	4,934	4,996		4		4		5,000			0	195	02/15/2008	XXX	
0399999	Bonds - U.S. Governments					2,400,000	2,400,000	2,368,526	2,398,046		1,954		1,954		2,400,000			0	49,500		XXX	
6099997	Bonds - Part 4					2,400,000	2,400,000	2,368,526	2,398,046		1,954		1,954		2,400,000			0	49,500		XXX	
6099999	Total - Bonds					2,400,000	2,400,000	2,368,526	2,398,046	0	1,954	0	1,954	0	2,400,000	0	0	0	49,500		XXX	
6599999	Total - Preferred Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0		XXX
7299999	Total - Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0		XXX
7399999	Total - Preferred and Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0		XXX
7499999	Totals					2,400,000	XXX	2,368,526	2,398,046	0	1,954	0	1,954	0	2,400,000	0	0	0	49,500		XXX	

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E05

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year	
NONE								
8799999 Totals						0	0	0

E09

Statement as of March 31, 2008 of the Premier Behavioral Systems of TN, LLC

Accident and Health Premiums Due and Unpaid

Individually list all debtors with account balances the greater of 10% of gross Premiums Receivables or \$5,000

Name of Debtor		1	2	3	4	5	6
	Not Currently Due	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
INDIVIDUALLY LIST ASSETS							
State of Tennessee	-	834,295	175,329	127,059	242,591	-	1,379,274
Subtotal- Individually Listed Receivables 0199999	-	834,295	175,329	127,059	242,591	-	1,379,274
Subtotal- Receivables not Individually Listed 0299999							
Subtotal- Gross Premium Receivable 0399999	-	834,295	175,329	127,059	242,591	-	1,379,274
Less- Allowance for Doubtful Accounts 0499999							
Total Premiums Receivable (Page 2, Line 12.1) 0599999	-	834,295	175,329	127,059	242,591	-	1,379,274

Statement as of March 31, 2008 of the Premier Behavioral Systems of TN, LLC

HEALTH CARE RECEIVABLES

Individually list all debtors with account balances greater of 10% of gross Health Care Receivables of \$5,000.

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted
Whitehaven CMHC	-	57,000	-	-	-	57,000
0199999 Individually Listed Receivables	-	57,000	-	-	-	57,000
0299999 Receivables Not Individually Listed						
0399999 Gross Health Care Receivable	-	57,000	-	-	-	57,000
0499999 Less Allowance for Doubtful Accounts						
0599999 Health Care Receivables (Page 2, Line 21)				-	-	57,000

Statement as of March 31, 2008 of the Premier Behavioral Systems of TN, LLC

Amounts due from Parent, Subsidiaries and Affiliates

Name of Debtor	1	2	3	4	5	Admitted	
	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	6 Current	7 Non-Current
Tennessee Behavioral Health	-	177,926	-	40,618	40,618	177,926	-
0199999 Gross Amounts Due from Affiliates	-	177,926	-	40,618	40,618	177,926	-
0399999 Amounts Due from Affiliates	-	177,926	-	40,618	40,618	177,926	-

Statement as of March 31, 2008 of the Premier Behavioral Systems of TN, LLC

Amounts due to Parent, Subsidiaries and Affiliates

Name of Creditor	1 Description	2 Amount	2 Current	4 Non-Current
Magellan Health Services AdvoCare of Tennessee	Accounts Payable paid on behalf of Premier Management Fees	425,776 113,282	425,776 113,282	- -
		539,058	539,058	-
0199999 Gross Amounts Due to Affiliates		539,058	539,058	-
0399999 Amounts Due to Affiliates	-	539,058	539,058	-

Premier Behavioral Systems of Tennessee, LLC
 2008 Premium Tax Calculation

<u>Date</u>	<u>Gross Revenue</u>	<u>Gross Withhold</u>	<u>Returned Withholds</u>	<u>Liquidated Damages</u>	<u>Other</u>	<u>Risk Share</u>	<u>Subtotal</u>	<u>Total</u>	<u>Taxable (t)</u>	<u>Tax</u>
Jan-08	7,806,769.01	(195,169.23)	201,328.43	(1,500.00)	-	-	7,811,428.21	7,811,428.21	7,812,928.21	156,258.56
Feb-08	7,381,444.89	(184,536.12)	195,169.23	-	-	-	7,392,077.99	7,392,077.99	7,392,077.99	147,841.56
Mar-08	8,087,551.20	(202,188.78)	184,536.12	(1,000.00)	-	-	8,068,898.54	8,068,898.54	8,069,898.54	161,397.97
	<i>23,275,765.10</i>	<i>(581,894.13)</i>	<i>581,033.77</i>	<i>(2,500.00)</i>	-	-	<i>23,272,404.75</i>	<i>23,272,404.75</i>	<i>23,274,904.75</i>	<i>465,498.09</i>

**TennCare Partners Program
 - State Capitation Payment
 January-08**

	<u>Account Description</u>	PBS	TBH MW	TBH East
Base Payment	Revenue-Risk	7,806,769.01	3,858,154.65	12,135,274.76
Current Month W/H	A/R State of Tennessee	(195,169.23)	(96,453.87)	(303,381.87)
Repayment of Prior Month's Withhold	A/R State of Tennessee	201,328.43	99,763.55	331,297.81
Liquidated Damages	Damages	(1,500.00)	-	(3,500.00)
Other	A/R State of Tennessee	-	-	-
Net Payment from State	Cash	<u>(7,811,428.21)</u>	<u>(3,861,464.34)</u>	<u>(12,159,690.71)</u>

**TennCare Partners Program
 - State Capitation Payment
 February-08**

	<u>Account Description</u>	PBS	TBH MW	TBH East
Base Payment	Revenue-Risk	7,381,444.89	3,676,819.71	12,123,901.43
Current Month W/H	A/R State of Tennessee	(184,536.12)	(91,920.49)	(303,097.54)
Repayment of Prior Month's Withhold	A/R State of Tennessee	195,169.23	96,453.87	303,381.87
Liquidated Damages	Damages	-	-	-
Other	A/R State of Tennessee	-	-	-
Net Payment from State	Cash	<u>(7,392,077.99)</u>	<u>(3,681,353.08)</u>	<u>(12,124,185.76)</u>

**TennCare Partners Program
 - State Capitation Payment
 March-08**

	<u>Account Description</u>	PBS	TBH MW	TBH East
Base Payment	Revenue-Risk	8,087,551.20	4,015,151.55	12,569,228.40
Current Month W/H	A/R State of Tennessee	(202,188.78)	(100,378.79)	(314,230.71)
Repayment of Prior Month's Withhold	A/R State of Tennessee	184,536.12	91,920.49	303,097.54
Liquidated Damages	Damages	(1,000.00)	-	(8,000.00)
Other	A/R State of Tennessee	-	-	-
Net Payment from State	Cash	<u>(8,068,898.54)</u>	<u>(4,006,693.25)</u>	<u>(12,550,095.23)</u>

Premier Behavioral Health of TN, LLC.
BHO TennCare Operations Statement of Revenue and Expenses
For the Quarter Ending March 31, 2008
Report 2A

	Current Quarter	Year to Date Total
Member Months	761,317	761,317
Revenues		
TennCare Capitation	23,245,622	23,245,622
Risk Share Revenue	(1,043,741)	(1,043,741)
Investment (Interest)	206,951	206,951
Total Revenues	22,408,832	22,408,832
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	5,006,891	5,006,891
Inpatient Substance Abuse Treatment and Detox	313,856	313,856
Outpatient Mental Health Services	4,054,155	4,054,155
Outpatient Substance Abuse Treatment and Detox	244,158	244,158
Housing/Residential Treatment	2,984,567	2,984,567
Specialized Crisis Services	750,860	750,860
Psychiatric Rehab and Support Services	250,479	250,479
Case Management	3,347,996	3,347,996
Forensics		
Other Judicial		
Pharmacy		
Lab Services	24,660	24,660
Transportation	462,298	462,298
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization	0	0
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	17,439,921	17,439,921
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	17,439,921	17,439,921
Claim Adjustment Expense	232,456	232,456
Administration ¹		
Rent	29,560	29,560
Salaries and Wages	1,063,279	1,063,279
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare	3,201	3,201
Legal fees and expenses	12,206	12,206
Medical examination fees		
Utilization management		
Certifications and accreditation	91	91
Auditing, actuarial and other consulting services	135,830	135,830
Traveling expenses	38,790	38,790
Marketing and advertising	25,475	25,475
Postage, express, telegraph and telephone	47,467	47,467
Printing and stationary	211,762	211,762
Occupancy, depreciation and amortization	484,681	484,681
Rental of equipment	753	753
Outsourced services includes EDP, claims, and other services	(855)	(855)
Books and periodicals		
Boards, bureaus and association fees	14,780	14,780
Insurance, except on real estate	-	-
Collection and bank service charges	5,463	5,463
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses	564	564
Real estate taxes		
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	444,038	444,038
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	4,596	4,596
Investment expenses not included elsewhere		
Total Administrative Expenses	2,521,683	2,521,683
Total Expenses	20,194,060	20,194,060
Net Income (Loss)	2,214,772	2,214,772

¹ The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.