



**HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE**

Premier Behavioral Systems of Tennessee, LLC

NAIC Group Code 0000 (Current Period) , NAIC Company Code 00000 (Prior Period) 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 [] Dental Service Corporation []
 Vision Service Corporation [] Other [] Health Maintenance Organization []
 Hospital, Medical & Dental Service or Indemnity [] 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 , Nashville, TN 37201
 (Street and Number) (City or Town, State and Zip Code)

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

Mail Address 222 Second Ave. N. Suite 220 , Nashville, TN 37201
 (Street and Number or P O Box) (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 410-953-1643
 (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact Michael Fotinos 410-953-1643
 (Name) (Area Code) (Telephone Number) (Extension)
MDFotinos@magellanhealth.com 410-953-5205
 (E-mail Address) (FAX Number)

OFFICERS

| Name | Title | Name | Title |
|-----------------------|---------------------------------------|-------------------------|-----------------|
| <u>Jonathan Rubin</u> | <u>Vice President & Treasurer</u> | <u>William R. Grimm</u> | <u>Director</u> |

OTHER OFFICERS

DIRECTORS OR TRUSTEES

| | | |
|-----------------------|-------------------------|-------------------|
| <u>Jonathan Rubin</u> | <u>William R. Grimm</u> | <u>Rene Lerer</u> |
|-----------------------|-------------------------|-------------------|

State of Connecticut
 County of Hartford

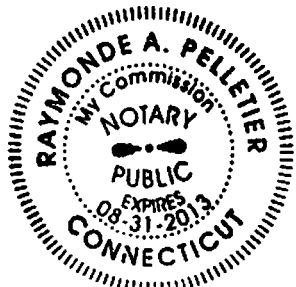
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The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property 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.

Jonathan Rubin William R. Grimm
 Vice President & Treasurer Director

Subscribed and sworn to before me this 19th day of February 2010
Raymond G. Pelletier

- a. Is this an original filing? Yes [] No []
 b. If no,
 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____



ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

ASSETS

| | Current Year | | | Prior Year |
|--|--------------|-------------------------|---|-----------------------------|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | 4 Net Admitted Assets |
| 1. Bonds (Schedule D)..... | 1,908,229 | | 1,908,229 | 1,950,531 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | 0 | | 0 | 0 |
| 2.2 Common stocks | 0 | | 0 | 0 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate (Schedule A): | | | | |
| 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 (\$15,666,926 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$0 , Schedule DA)..... | 15,666,926 | | 15,666,926 | 28,801,430 |
| 6. Contract loans, (including \$premium notes) | | | 0 | 0 |
| 7. Other invested assets (Schedule BA) | 0 | 0 | 0 | 0 |
| 8. Receivables for securities | | | 0 | 0 |
| 9. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 17,575,155 | 0 | 17,575,155 | 30,751,961 |
| 11. Title plants less \$charged off (for Title Insurers only) | | | 0 | 0 |
| 12. Investment income due and accrued | 31,139 | | 31,139 | 29,819 |
| 13. Premiums and considerations: | | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | 475,225 | | 475,225 | 1,538,661 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium)..... | | | 0 | 0 |
| 13.3 Accrued retrospective premium..... | | | 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 | 32,768 | 32,768 | 0 | 0 |
| 22. Health care (\$) and other amounts receivable..... | | | 0 | 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)..... | 18,114,287 | 32,768 | 18,081,519 | 32,320,441 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | 0 | 0 |
| 26. Total (Lines 24 and 25) | 18,114,287 | 32,768 | 18,081,519 | 32,320,441 |
| 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 Year | | | Prior Year |
|--|--------------|----------------|--------------|--------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$ reinsurance ceded) | 1,085,160 | | 1,085,160 | 6,434,188 |
| 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 reserves | | | 0 | 0 |
| 7. Aggregate health claim reserves | | | 0 | 0 |
| 8. Premiums received in advance | | | 0 | 0 |
| 9. General expenses due or accrued | 85,010 | | 85,010 | 85,010 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital 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. Remittance 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 | 30,251 | | 30,251 | 141,951 |
| 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) | 12,606,011 | 0 | 12,606,011 | 16,935,943 |
| 22. Total liabilities (Lines 1 to 21) | 13,806,432 | 0 | 13,806,432 | 23,597,092 |
| 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 | (18,970,193) | (14,521,930) |
| 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 | 4,275,086 | 8,723,349 |
| 32. Total liabilities, capital and surplus (Lines 22 and 31) | XXX | XXX | 18,081,519 | 32,320,441 |
| DETAILS OF WRITE-INS | | | | |
| 2101. Premium Tax Payable | (207,656) | | (207,656) | 48,677 |
| 2102. Risk Share Payable | 12,685,122 | | 12,685,122 | 16,763,187 |
| 2103. Stale Check Liability | 128,546 | | 128,546 | 124,079 |
| 2198. Summary of remaining write-ins for Line 21 from overflow page | 0 | 0 | 0 | 0 |
| 2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above) | 12,606,011 | 0 | 12,606,011 | 16,935,943 |
| 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 through 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 through 2803 plus 2898) (Line 28 above) | XXX | XXX | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|---|----------------|-------------|-------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 1. Member Months..... | XXX | 564,027 | 2,657,890 |
| 2. Net premium income (including \$0 non-health premium income)..... | XXX | 32,368,665 | 88,108,209 |
| 3. Change in unearned premium reserves and reserve for rate credits | XXX | | 0 |
| 4. Fee-for-service (net of \$ medical expenses) | XXX | | 0 |
| 5. Risk revenue | XXX | | 0 |
| 6. Aggregate write-ins for other health care related revenues | XXX | 4,078,066 | (1,840,811) |
| 7. Aggregate write-ins for other non-health revenues | XXX | 0 | 0 |
| 8. Total revenues (Lines 2 to 7) | XXX | 36,446,731 | 86,267,398 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits | | 20,670,738 | 39,184,400 |
| 10. Other professional services | | 12,926,903 | 31,941,864 |
| 11. Outside referrals | | | 0 |
| 12. Emergency room and out-of-area | | | 0 |
| 13. Prescription drugs | | | 0 |
| 14. Aggregate write-ins for other hospital and medical..... | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | | 0 |
| 16. Subtotal (Lines 9 to 15) | 0 | 33,597,641 | 71,126,264 |
| Less: | | | |
| 17. Net reinsurance recoveries | | | 0 |
| 18. Total hospital and medical (Lines 16 minus 17) | 0 | 33,597,641 | 71,126,264 |
| 19. Non-health claims (net)..... | | | 0 |
| 20. Claims adjustment expenses, including \$10,895 cost containment expenses..... | | 320,429 | 881,082 |
| 21. General administrative expenses..... | | 3,878,098 | 9,330,364 |
| 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 | 37,796,167 | 81,337,710 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | (1,349,436) | 4,929,688 |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17)..... | | 61,197 | 505,262 |
| 26. Net realized capital gains (losses) less capital gains tax of \$ | | | 0 |
| 27. Net investment gains (losses) (Lines 25 plus 26) | 0 | 61,197 | 505,262 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)] | | | 0 |
| 29. Aggregate write-ins for other income or expenses | 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 | (1,288,239) | 5,434,949 |
| 31. Federal and foreign income taxes incurred | XXX | | 0 |
| 32. Net income (loss) (Lines 30 minus 31) | XXX | (1,288,239) | 5,434,949 |
| DETAILS OF WRITE-INS | | | |
| 0601. Risk Share Revenue..... | XXX | 4,078,066 | (1,840,811) |
| 0602. | XXX | | |
| 0603. | XXX | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | XXX | 0 | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | 4,078,066 | (1,840,811) |
| 0701. | XXX | | |
| 0702. | XXX | | |
| 0703. | XXX | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page | XXX | 0 | 0 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) | XXX | 0 | 0 |
| 1401. | | | |
| 1402. | | | |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 0 | 0 | 0 |
| 2901. | | | |
| 2902. | | | |
| 2903. | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 0 | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES (continued)

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| CAPITAL AND SURPLUS ACCOUNT: | | |
| 33. Capital and surplus prior-reporting period | 8,723,349 | 14,461,144 |
| 34. Net income or (loss) from Line 32 | (1,288,239) | 5,434,949 |
| 35. Change in valuation basis of aggregate policy and claim reserves | | .0 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ | | .0 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | .0 |
| 38. Change in net deferred income tax | | .0 |
| 39. Change in nonadmitted assets | 139,977 | (172,745) |
| 40. Change in unauthorized reinsurance | | .0 |
| 41. Change in treasury stock | | .0 |
| 42. Change in surplus notes | | .0 |
| 43. Cumulative effect of changes in accounting principles | | .0 |
| 44. Capital Changes: | | |
| 44.1 Paid in | .0 | .0 |
| 44.2 Transferred from surplus (Stock Dividend) | | .0 |
| 44.3 Transferred to surplus | | .0 |
| 45. Surplus adjustments: | | |
| 45.1 Paid in | .0 | .0 |
| 45.2 Transferred to capital (Stock Dividend) | .0 | .0 |
| 45.3 Transferred from capital | | .0 |
| 46. Dividends to stockholders | (3,300,000) | (11,000,000) |
| 47. Aggregate write-ins for gains or (losses) in surplus | .0 | .0 |
| 48. Net change in capital & surplus (Lines 34 to 47) | (4,448,262) | (5,737,795) |
| 49. Capital and surplus end of reporting period (Line 33 plus 48) | 4,275,086 | 8,723,349 |
| DETAILS OF WRITE-INS | | |
| 4701. | | |
| 4702. | | |
| 4703. | | |
| 4798. Summary of remaining write-ins for Line 47 from overflow page | .0 | .0 |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) | 0 | 0 |

CASH FLOW

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance..... | 33,432,100 | 87,975,606 |
| 2. Net investment income..... | 102,180 | 552,186 |
| 3. Miscellaneous income..... | 0 | 0 |
| 4. Total (Lines 1 through 3)..... | 33,534,280 | 88,527,792 |
| 5. Benefit and loss related payments..... | 39,267,097 | 76,341,014 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions..... | 4,101,687 | 10,145,933 |
| 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)..... | 43,368,784 | 86,486,947 |
| 11. Net cash from operations (Line 4 minus Line 10)..... | (9,834,504) | 2,040,845 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds..... | 0 | 3,025,000 |
| 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)..... | 0 | 3,025,000 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds..... | 0 | 1,987,039 |
| 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)..... | 0 | 1,987,039 |
| 14. Net increase (decrease) in contract loans and premium notes..... | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)..... | 0 | 1,037,961 |
| 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..... | 3,300,000 | 11,000,000 |
| 16.6 Other cash provided (applied)..... | 0 | 0 |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)..... | (3,300,000) | (11,000,000) |
| 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)..... | (13,134,504) | (7,921,194) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year..... | 28,801,430 | 36,722,624 |
| 19.2 End of year (Line 18 plus Line 19.1)..... | 15,666,926 | 28,801,430 |

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 |

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|-------------|---|------------------------|----------------|----------------|--|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Net premium income | 32,368,665 | 0 | 0 | 0 | 0 | 0 | 0 | 32,368,665 | 0 | 0 |
| 2. Change in unearned premium reserves and reserve for rate credit | 0 | | | | | | | | | |
| 3. Fee-for-service (net of \$ medical expenses) | 0 | | | | | | | | | XXX |
| 4. Risk revenue | 0 | | | | | | | | | XXX |
| 5. Aggregate write-ins for other health care related revenues | 4,078,066 | 0 | 0 | 0 | 0 | 0 | 0 | 4,078,066 | 0 | XXX |
| 6. Aggregate write-ins for other non-health care related revenues | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 7. Total revenues (Lines 1 to 6) | 36,446,731 | 0 | 0 | 0 | 0 | 0 | 0 | 36,446,731 | 0 | 0 |
| 8. Hospital/medical/ benefits | 20,670,738 | | | | | | | 20,670,738 | | XXX |
| 9. Other professional services | 12,926,903 | | | | | | | 12,926,903 | | XXX |
| 10. Outside referrals | 0 | | | | | | | | | XXX |
| 11. Emergency room and out-of-area | 0 | | | | | | | | | XXX |
| 12. Prescription Drugs | 0 | | | | | | | | | XXX |
| 13. Aggregate write-ins for other hospital and medical | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 14. Incentive pool, withhold adjustments and bonus amounts | 0 | | | | | | | | | XXX |
| 15. Subtotal (Lines 8 to 14) | 33,597,641 | 0 | 0 | 0 | 0 | 0 | 0 | 33,597,641 | 0 | XXX |
| 16. Net reinsurance recoveries | 0 | | | | | | | | | XXX |
| 17. Total hospital and medical (Lines 15 minus 16) | 33,597,641 | 0 | 0 | 0 | 0 | 0 | 0 | 33,597,641 | 0 | XXX |
| 18. Non-health claims (net) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 19. Claims adjustment expenses including \$ 10,895 cost containment expenses | 320,429 | | | | | | | 320,429 | | |
| 20. General administrative expenses | 3,878,098 | | | | | | | 3,878,098 | | |
| 21. Increase in reserves for accident and health contracts | 0 | | | | | | | | | XXX |
| 22. Increase in reserves for life contracts | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 23. Total underwriting deductions (Lines 17 to 22) | 37,796,167 | 0 | 0 | 0 | 0 | 0 | 0 | 37,796,167 | 0 | 0 |
| 24. Net underwriting gain or (loss) (Line 7 minus Line 23) | (1,349,436) | 0 | 0 | 0 | 0 | 0 | 0 | (1,349,436) | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 0501. Risk share revenue | 4,078,066 | | | | | | | 4,078,066 | | XXX |
| 0502. | | | | | | | | | | XXX |
| 0503. | | | | | | | | | | XXX |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | 4,078,066 | 0 | 0 | 0 | 0 | 0 | 0 | 4,078,066 | 0 | XXX |
| 0601. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0602. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0603. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 1301. | | | | | | | | | | XXX |
| 1302. | | | | | | | | | | XXX |
| 1303. | | | | | | | | | | XXX |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

| Line of Business | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Ceded | 4 Net Premium Income (Cols. 1+2-3) |
|---|-------------------------|-----------------------------|---------------------------|---|
| 1. Comprehensive (hospital and medical) | | | | .0 |
| 2. Medicare Supplement | | | | .0 |
| 3. Dental Only..... | | | | .0 |
| 4. Vision Only..... | | | | .0 |
| 5. Federal Employees Health Benefits Plan | | | | .0 |
| 6. Title XVIII - Medicare | | | | .0 |
| 7. Title XIX - Medicaid..... | 32,368,665 | | | 32,368,665 |
| 8. Other health..... | | | | .0 |
| 9. Health subtotal (Lines 1 through 8) | 32,368,665 | .0 | .0 | 32,368,665 |
| 10. Life | | | | .0 |
| 11. Property/casualty..... | | | | .0 |
| 12. Totals (Lines 9 to 11) | 32,368,665 | 0 | 0 | 32,368,665 |

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 38,946,669 | | | | | | | 38,946,669 | | |
| 1.2 Reinsurance assumed | 0 | | | | | | | | | |
| 1.3 Reinsurance ceded | 0 | | | | | | | | | |
| 1.4 Net | 38,946,669 | 0 | 0 | 0 | 0 | 0 | 0 | 38,946,669 | 0 | 0 |
| 2. Paid medical incentive pools and bonuses | 0 | | | | | | | | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 1,085,160 | 0 | 0 | 0 | 0 | 0 | 0 | 1,085,160 | 0 | 0 |
| 3.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.4 Net | 1,085,160 | 0 | 0 | 0 | 0 | 0 | 0 | 1,085,160 | 0 | 0 |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct | 0 | | | | | | | | | |
| 4.2 Reinsurance assumed | 0 | | | | | | | | | |
| 4.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Accrued medical incentive pools and bonuses, current year | 0 | | | | | | | | | |
| 6. Net healthcare receivables (a) | 0 | | | | | | | | | |
| 7. Amounts recoverable from reinsurers December 31, current year | 0 | | | | | | | | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 6,434,188 | 0 | 0 | 0 | 0 | 0 | 0 | 6,434,188 | 0 | 0 |
| 8.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.4 Net | 6,434,188 | 0 | 0 | 0 | 0 | 0 | 0 | 6,434,188 | 0 | 0 |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Accrued medical incentive pools and bonuses, prior year | 0 | | | | | | | | | |
| 11. Amounts recoverable from reinsurers December 31, prior year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. Incurred Benefits: | | | | | | | | | | |
| 12.1 Direct | 33,597,641 | 0 | 0 | 0 | 0 | 0 | 0 | 33,597,641 | 0 | 0 |
| 12.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.4 Net | 33,597,641 | 0 | 0 | 0 | 0 | 0 | 0 | 33,597,641 | 0 | 0 |
| 13. Incurred medical incentive pools and bonuses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|-----------|--|------------------------|----------------|----------------|--|-------------------------|-----------------------|-----------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan Premium | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1. Direct | 0 | | | | | | | | | |
| 1.2. Reinsurance assumed | 0 | | | | | | | | | |
| 1.3. Reinsurance ceded | 0 | | | | | | | | | |
| 1.4. Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1. Direct | 1,085,160 | | | | | | | 1,085,160 | | |
| 2.2. Reinsurance assumed | 0 | | | | | | | | | |
| 2.3. Reinsurance ceded | 0 | | | | | | | | | |
| 2.4. Net | 1,085,160 | 0 | 0 | 0 | 0 | 0 | 0 | 1,085,160 | 0 | 0 |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1. Direct | 0 | | | | | | | | | |
| 3.2. Reinsurance assumed | 0 | | | | | | | | | |
| 3.3. Reinsurance ceded | 0 | | | | | | | | | |
| 3.4. Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. TOTALS: | | | | | | | | | | |
| 4.1. Direct | 1,085,160 | 0 | 0 | 0 | 0 | 0 | 0 | 1,085,160 | 0 | 0 |
| 4.2. Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.3. Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4. Net | 1,085,160 | 0 | 0 | 0 | 0 | 0 | 0 | 1,085,160 | 0 | 0 |

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

| Line of Business | Claims Paid During the Year | | Claim Reserve and Claim Liability Dec. 31 of Current Year | | 5 Claims Incurred in Prior Years (Columns 1 + 3) | 6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
|--|--|---|---|---|---|--|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid December 31 of Prior Year | 4 On Claims Incurred During the Year | | |
| 1. Comprehensive (hospital and medical) | | | | | .0 | .0 |
| 2. Medicare Supplement | | | | | .0 | .0 |
| 3. Dental Only..... | | | | | .0 | .0 |
| 4. Vision Only..... | | | | | .0 | .0 |
| 5. Federal Employees Health Benefits Plan Premiums | | | | | .0 | .0 |
| 6. Title XVIII - Medicare | | | | | .0 | .0 |
| 7. Title XIX - Medicaid..... | 6,186,600 | 32,760,069 | 134,488 | 950,672 | 6,321,088 | 6,434,189 |
| 8. Other health | | | | | .0 | .0 |
| 9. Health subtotal (Lines 1 to 8)..... | 6,186,600 | 32,760,069 | 134,488 | 950,672 | 6,321,088 | 6,434,189 |
| 10. Healthcare receivables (a)..... | | | | | .0 | .0 |
| 11. Other non-health..... | | | | | .0 | .0 |
| 12. Medical incentive pools and bonus amounts | | | | | .0 | .0 |
| 13. Totals (Lines 9 - 10 + 11 + 12) | 6,186,600 | 32,760,069 | 134,488 | 950,672 | 6,321,088 | 6,434,189 |

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2005 | 2 2006 | 3 2007 | 4 2008 | 5 2009 |
| 1. Prior | 745,443 | 745,268 | 745,266 | 745,256 | 745,256 |
| 2. 2005 | 172,615 | 198,233 | 198,785 | 198,779 | 198,779 |
| 3. 2006 | XXX | 160,597 | 175,164 | 175,284 | 175,294 |
| 4. 2007 | XXX | XXX | 89,918 | 98,599 | 98,605 |
| 5. 2008 | XXX | XXX | XXX | 66,678 | 72,849 |
| 6. 2009 | XXX | XXX | XXX | XXX | 32,760 |

Section B – Incurred Health Claims - Title XIX Medicaid

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2005 | 2 2006 | 3 2007 | 4 2008 | 5 2009 |
| 1. Prior | | 225,515 | 225,496 | 225,486 | 225,486 |
| 2. 2005 | | 198,922 | 198,919 | 198,918 | 198,898 |
| 3. 2006 | XXX | 174,705 | 175,883 | 175,284 | 175,294 |
| 4. 2007 | XXX | XXX | 99,837 | 98,607 | 98,605 |
| 5. 2008 | XXX | XXX | XXX | 72,966 | 72,864 |
| 6. 2009 | XXX | XXX | XXX | XXX | 33,711 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 Col. (3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 Col. (5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 Col. (9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2005 | 226,640 | 198,779 | 1,971 | 1.0 | 200,750 | 88.6 | 119 | | 200,869 | 88.6 |
| 2. 2006 | 228,418 | 175,294 | 2,284 | 1.3 | 177,578 | 77.7 | .0 | | 177,578 | 77.7 |
| 3. 2007 | 129,814 | 98,605 | 1,298 | 1.3 | 99,903 | 77.0 | .0 | | 99,903 | 77.0 |
| 4. 2008 | 88,108 | 72,849 | 881 | 1.2 | 73,730 | 83.7 | 15 | | 73,745 | 83.7 |
| 5. 2009 | 32,369 | 32,760 | 320 | 1.0 | 33,080 | 102.2 | 951 | | 34,031 | 105.1 |

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims - Grand Total

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2005 | 2 2006 | 3 2007 | 4 2008 | 5 2009 |
| 1. Prior | 745,443 | 745,268 | 745,266 | 745,256 | 745,256 |
| 2. 2005 | 172,615 | 198,233 | 198,785 | 198,779 | 198,779 |
| 3. 2006 | XXX | 160,597 | 175,164 | 175,284 | 175,294 |
| 4. 2007 | XXX | XXX | 89,918 | 98,599 | 98,605 |
| 5. 2008 | XXX | XXX | XXX | 66,678 | 72,849 |
| 6. 2009 | XXX | XXX | XXX | XXX | 32,760 |

Section B - Incurred Health Claims - Grand Total

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2005 | 2 2006 | 3 2007 | 4 2008 | 5 2009 |
| 1. Prior | .0 | 225,515 | 225,496 | 225,486 | 225,486 |
| 2. 2005 | .0 | 198,922 | 198,919 | 198,918 | 198,898 |
| 3. 2006 | XXX | 174,705 | 175,883 | 175,284 | 175,294 |
| 4. 2007 | XXX | XXX | 99,837 | 98,607 | 98,605 |
| 5. 2008 | XXX | XXX | XXX | 72,966 | 72,864 |
| 6. 2009 | XXX | XXX | XXX | XXX | 33,711 |

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 Col. (3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 Col. (5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 Col. (9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2005 | 226,640 | 198,779 | 1,971 | 1.0 | 200,750 | 88.6 | 119 | .0 | 200,869 | 88.6 |
| 2. 2006 | 228,418 | 175,294 | 2,284 | 1.3 | 177,578 | 77.7 | .0 | 177,578 | 177,578 | 77.7 |
| 3. 2007 | 129,814 | 98,605 | 1,298 | 1.3 | 99,903 | 77.0 | .0 | 99,903 | 99,903 | 77.0 |
| 4. 2008 | 88,108 | 72,849 | 881 | 1.2 | 73,730 | 83.7 | 15 | .0 | 73,745 | 83.7 |
| 5. 2009 | 32,369 | 32,760 | 320 | 1.0 | 33,080 | 102.2 | 951 | 0 | 34,031 | 105.1 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|-------|--|------------------------|-------------|-------------|--|-------------------------|-----------------------|-------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| 1. Unearned premium reserves | .0 | | | | | | | | |
| 2. Additional policy reserves (a) | .0 | | | | | | | | |
| 3. Reserve for future contingent benefits | .0 | | | | | | | | |
| 4. Reserve for rate credits or experience rating refunds (including \$ for investment income) | .0 | | | | | | | | |
| 5. Aggregate write-ins for other policy reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 6. Totals (Gross) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 7. Reinsurance ceded | .0 | | | | | | | | |
| 8. Totals (Net) (Page 3, Line 4) | .0 | | | | | | | | |
| 9. Present value of amounts not yet due on claims | .0 | | | | | | | | |
| 10. Reserve for future contingent benefits | .0 | | | | | | | | |
| 11. Aggregate write-ins for other claim reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12. Totals (Gross) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 13. Reinsurance ceded | .0 | | | | | | | | |
| 14. Totals (Net) (Page 3, Line 7) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 0501. | | | | | | | | | |
| 0502. | | | | | | | | | |
| 0503. | | | | | | | | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1101. | | | | | | | | | |
| 1102. | | | | | | | | | |
| 1103. | | | | | | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |

NONE

(a) Includes \$ premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

| | Claim Adjustment Expenses | | 3 General Administrative Expenses | 4 Investment Expenses | 5 Total |
|--|--------------------------------------|--|--|-----------------------------|------------|
| | 1 Cost Containment Expenses | 2 Other Claim Adjustment Expenses | | | |
| 1. Rent (\$ for occupancy of own building)..... | | | 40,748 | | 40,748 |
| 2. Salaries, wages and other benefits..... | | | 1,465,674 | | 1,465,674 |
| 3. Commissions (less \$ ceded plus \$ assumed.....) | | | 4,413 | | 4,413 |
| 4. Legal fees and expenses..... | | | 16,826 | | 16,826 |
| 5. Certifications and accreditation fees..... | | | 126 | | 126 |
| 6. Auditing, actuarial and other consulting services..... | | | 212,260 | | 212,260 |
| 7. Traveling expenses..... | | | 53,469 | | 53,469 |
| 8. Marketing and advertising..... | | | 35,115 | | 35,115 |
| 9. Postage, express and telephone..... | | | 65,412 | | 65,412 |
| 10. Printing and office supplies..... | | | 77,810 | | 77,810 |
| 11. Occupancy, depreciation and amortization..... | | | 669,839 | | 669,839 |
| 12. Equipment..... | | | 1,037 | | 1,037 |
| 13. Cost or depreciation of EDP equipment and software..... | | | | | 0 |
| 14. Outsourced services including EDP, claims, and other services..... | | | (1,178) | | (1,178) |
| 15. Boards, bureaus and association fees..... | | | 8,752 | | 8,752 |
| 16. Insurance, except on real estate..... | | | | | 0 |
| 17. Collection and bank service charges..... | | | 38,215 | | 38,215 |
| 18. Group service and administration fees..... | | | | | 0 |
| 19. Reimbursements by uninsured plans..... | | | | | 0 |
| 20. Reimbursements from fiscal intermediaries..... | | | | | 0 |
| 21. Real estate expenses..... | | | | | 0 |
| 22. Real estate taxes..... | | | 778 | | 778 |
| 23. Taxes, licenses and fees: | | | | | |
| 23.1 State and local insurance taxes..... | | | | | 0 |
| 23.2 State premium taxes..... | | | 1,048,215 | | 1,048,215 |
| 23.3 Regulatory authority licenses and fees..... | | | | | 0 |
| 23.4 Payroll taxes..... | | | | | 0 |
| 23.5 Other (excluding federal income and real estate taxes)..... | | | 140,587 | | 140,587 |
| 24. Investment expenses not included elsewhere..... | | | | | 0 |
| 25. Aggregate write-ins for expenses..... | 10,895 | 309,534 | 0 | 0 | 320,429 |
| 26. Total expenses incurred (Lines 1 to 25)..... | 10,895 | 309,534 | 3,878,098 | 0 | 4,198,527 |
| 27. Less expenses unpaid December 31, current year..... | | | 85,010 | | 85,010 |
| 28. Add expenses unpaid December 31, prior year..... | 0 | 0 | 85,010 | 0 | 85,010 |
| 29. Amounts receivable relating to uninsured plans, prior year..... | 0 | 0 | 0 | 0 | 0 |
| 30. Amounts receivable relating to uninsured plans, current year..... | | | | | 0 |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) | 10,895 | 309,534 | 3,878,098 | 0 | 4,198,527 |
| DETAIL OF WRITE-INS | | | | | |
| 2501. Claims processing expense allocated from parent..... | 10,895 | 309,534 | | | 320,429 |
| 2502. | | | | | |
| 2503. | | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0 | 0 | 0 | 0 | 0 |
| 2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above) | 10,895 | 309,534 | 0 | 0 | 320,429 |

(a) Includes management fees of \$2,883,858 to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds | (a) 95,000 | 54,017 |
| 1.1 Bonds exempt from U.S. tax | (a) | |
| 1.2 Other bonds (unaffiliated) | (a) | |
| 1.3 Bonds of affiliates | (a) 0 | |
| 2.1 Preferred stocks (unaffiliated) | (b) 0 | |
| 2.11 Preferred stocks of affiliates | (b) 0 | |
| 2.2 Common stocks (unaffiliated) | 0 | |
| 2.21 Common stocks of affiliates | 0 | |
| 3. Mortgage loans | (c) | |
| 4. Real estate | (d) | |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e) 7,180 | 7,180 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | | |
| 9. Aggregate write-ins for investment income | 0 | 0 |
| 10. Total gross investment income | 102,180 | 61,197 |
| 11. Investment expenses | | (g) |
| 12. Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. Interest expense | | (h) |
| 14. Depreciation on real estate and other invested assets | | (i) |
| 15. Aggregate write-ins for deductions from investment income | | 0 |
| 16. Total deductions (Lines 11 through 15) | | 0 |
| 17. Net investment income (Line 10 minus Line 16) | | 61,197 |
| DETAILS OF WRITE-INS | | |
| 0901. | | |
| 0902. | | |
| 0903. | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above) | 0 | 0 |
| 1501. | | |
| 1502. | | |
| 1503. | | |
| 1598. Summary of remaining write-ins for Line 15 from overflow page | | 0 |
| 1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above) | | 0 |

- (a) Includes \$ accrual of discount less \$ 42,303 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 Realized Gain (Loss) On Sales or Maturity | 2 Other Realized Adjustments | 3 Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4 Change in Unrealized Capital Gain (Loss) | 5. Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|--|---|---------------------------------------|---|--|---|
| 1. U.S. Government bonds | 0 | 0 | 0 | 0 | 0 |
| 1.1 Bonds exempt from U.S. tax | 0 | 0 | 0 | 0 | 0 |
| 1.2 Other bonds (unaffiliated) | 0 | 0 | 0 | 0 | 0 |
| 1.3 Bonds of affiliates | 0 | 0 | 0 | 0 | 0 |
| 2.1 Preferred stocks (unaffiliated) | 0 | 0 | 0 | 0 | 0 |
| 2.11 Preferred stocks of affiliates | 0 | 0 | 0 | 0 | 0 |
| 2.2 Common stocks (unaffiliated) | 0 | 0 | 0 | 0 | 0 |
| 2.21 Common stocks of affiliates | 0 | 0 | 0 | 0 | 0 |
| 3. Mortgage loans | 0 | 0 | 0 | 0 | 0 |
| 4. Real estate | 0 | 0 | 0 | 0 | 0 |
| 5. Contract loans | 0 | 0 | 0 | 0 | 0 |
| 6. Cash, cash equivalents and short-term investments | 0 | 0 | 0 | 0 | 0 |
| 7. Derivative instruments | 0 | 0 | 0 | 0 | 0 |
| 8. Other invested assets | 0 | 0 | 0 | 0 | 0 |
| 9. Aggregate write-ins for capital gains (losses) | 0 | 0 | 0 | 0 | 0 |
| 10. Total capital gains (losses) | 0 | 0 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | |
| 0901. | | | | | |
| 0902. | | | | | |
| 0903. | | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above) | 0 | 0 | 0 | 0 | 0 |

NONE

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|--|--|----------------------------------|--|
| | Current Year Total Nonadmitted Assets | Prior Year Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D)..... | 0 | 0 | 0 |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | 0 | 0 | 0 |
| 2.2 Common stocks | 0 | 0 | 0 |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | 0 | 0 | 0 |
| 3.2 Other than first liens | 0 | 0 | 0 |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | 0 | 0 | 0 |
| 4.2 Properties held for the production of income..... | 0 | 0 | 0 |
| 4.3 Properties held for sale | 0 | 0 | 0 |
| 5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA)..... | 0 | 0 | 0 |
| 6. Contract loans | 0 | 0 | 0 |
| 7. Other invested assets (Schedule BA) | 0 | 0 | 0 |
| 8. Receivables for securities | 0 | 0 | 0 |
| 9. Aggregate write-ins for invested assets | 0 | 0 | 0 |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 0 | 0 | 0 |
| 11. Title plants (for Title insurers only)..... | 0 | 0 | 0 |
| 12. Investment income due and accrued | 0 | 0 | 0 |
| 13. Premiums and considerations: | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | 0 | 0 | 0 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due..... | 0 | 0 | 0 |
| 13.3 Accrued retrospective premiums..... | 0 | 0 | 0 |
| 14. Reinsurance: | | | |
| 14.1 Amounts recoverable from reinsurers | 0 | 0 | 0 |
| 14.2 Funds held by or deposited with reinsured companies | 0 | 0 | 0 |
| 14.3 Other amounts receivable under reinsurance contracts | 0 | 0 | 0 |
| 15. Amounts receivable relating to uninsured plans | 0 | 0 | 0 |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | 0 | 0 | 0 |
| 16.2 Net deferred tax asset..... | 0 | 0 | 0 |
| 17. Guaranty funds receivable or on deposit | 0 | 0 | 0 |
| 18. Electronic data processing equipment and software..... | 0 | 0 | 0 |
| 19. Furniture and equipment, including health care delivery assets..... | 0 | 0 | 0 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | 0 | 0 | 0 |
| 21. Receivables from parent, subsidiaries and affiliates | 32,768 | 172,745 | 139,977 |
| 22. Health care and other amounts receivable..... | 0 | 0 | 0 |
| 23. Aggregate write-ins for other than invested assets | 0 | 0 | 0 |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)..... | 32,768 | 172,745 | 139,977 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 | 0 |
| 26. Total (Lines 24 and 25) | 32,768 | 172,745 | 139,977 |
| DETAILS OF WRITE-INS | | | |
| 0901. | | | |
| 0902. | | | |
| 0903. | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above) | 0 | 0 | 0 |
| 2301. | | | |
| 2302. | | | |
| 2303. | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above) | 0 | 0 | 0 |

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | Total Members at End of | | | | | 6 Current Year Member Months |
|---|-------------------------|--------------------|---------------------|--------------------|-------------------|------------------------------------|
| | 1 Prior Year | 2 First Quarter | 3 Second Quarter | 4 Third Quarter | 5 Current Year | |
| 1. Health Maintenance Organizations..... | .0 | | | | | |
| 2. Provider Service Organizations..... | .0 | | | | | |
| 3. Preferred Provider Organizations..... | .0 | | | | | |
| 4. Point of Service..... | .0 | | | | | |
| 5. Indemnity Only..... | .0 | | | | | |
| 6. Aggregate write-ins for other lines of business | 64,573 | 72,338 | 71,442 | 0 | 0 | 564,027 |
| 7. Total | 64,573 | 72,338 | 71,442 | 0 | 0 | 564,027 |
| DETAILS OF WRITE-INS | | | | | | |
| 0601. Behavioral Health Organization..... | 64,573 | 72,338 | 71,442 | 0 | 0 | 564,027 |
| 0602. | | | | | | |
| 0603. | | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | .0 | .0 | .0 | .0 | .0 | .0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 64,573 | 72,338 | 71,442 | 0 | 0 | 564,027 |

EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

| Description | 1 Cost | 2 Improvements | 3 Accumulated Depreciation | 4 Book Value Less Encumbrances | 5 Assets Not Admitted | 6 Net Admitted Assets |
|--|-------------|-------------------|----------------------------------|--------------------------------------|-----------------------------|--------------------------|
| 1. Administrative furniture and equipment | NONE | | | | | |
| 2. Medical furniture, equipment and fixtures | | | | | | |
| 3. Pharmaceuticals and surgical supplies | | | | | | |
| 4. Durable medical equipment | | | | | | |
| 5. Other property and equipment | | | | | | |
| 6. Total | 0 | 0 | 0 | 0 | 0 | 0 |

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. ("PBS" or the "Company") 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).

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State. Effective January 1, 2001, the State required that insurance companies domiciled in the State of Tennessee prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Tennessee insurance commissioner.

B. USE OF ESTIMATES IN PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

C. ACCOUNTING POLICY

1. CASH AND SHORT TERM INVESTMENTS: Cash and short-term investments consist of cash on hand and in banks, along with commercial paper whose maturities at time of acquisition were one year or less and whose carrying value approximate their fair market value.
2. INVESTMENTS: Investment securities at December 31, 2009, consist of two U.S. Treasury Notes whose maturities at time of acquisition were less than one year and whose carrying value approximates the fair market value.
3. COMMON STOCK: Not applicable.
4. PREFERRED STOCK: Not applicable.
5. MORTGAGE LOANS: Not applicable.
6. LOAN BACKED SECURITIES: Not applicable
7. INVESTMENTS IN SUBSIDIARIES: Not applicable
8. INVESTMENTS IN JOINT VENTURE: Not applicable
9. ACCOUNTING POLICY FOR DERIVATIVES: Not applicable
10. INVESTMENT INCOME IN PREMIUM DEFICIENCY RESERVE CALCULATION: Not applicable
11. MEDICAL CLAIMS PAYABLE: The liability for medical claims payable includes estimated medical costs as of December 31, 2009 and expenses necessary to cover the ultimate net costs of investigating and settling all claims. The estimated medical claims payable includes the accumulation of estimates for claims reported prior to year-end and estimates of claims incurred but not reported.

Medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon authorized healthcare services and past claims payment experience, together with historical utilization experience and management judgment. Estimates are monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected by the Company in current operations.

12. PHARMACEUTICAL REBATE RECEIVABLES: Not applicable
13. REVENUE AND PREMIUMS RECEIVABLE: Capitation payments are recognized as revenue in the month due to the Company. The State of Tennessee TennCare mental health services program ("TennCare") retains a one month withhold – currently at 2.5% - on premiums paid to Premier pursuant to Section 4.7.2 of the Provider Risk Contract (the "Contract"). The purpose of this withhold is to assure the Contractor's compliance with all terms and conditions of the Contract. Additionally, retroactive membership adjustments are paid over a twelve month period. As these retroactive membership adjustments are material to the Company's results, the Company records an estimated receivable, based on historical payment patterns. This receivable is included as a component of Uncollected Premiums in the accompanying financial statements.

Per Section 4.7.1.2 of the Contract, the Company elected to participate in a profit/loss risk banding arrangement with the State of Tennessee. Effective January 2002, the company elected to use profit/loss risk banding option 2, under which losses up to ten percent are shared equally by the Company and the State ("option 2"). In January 2003, the company changed its election to Option 4, under which the states absorbs 100% of profits and losses. Effective January 2006, the profit/loss risk banding terms between the Company and the State were amended. Under the terms of the amendment, the Company and the State share gains above a medical loss ratio of 85% and losses above a medical loss ratio of 91%, equally. Risk share revenue is recognized on a monthly basis consistent with the applicable

NOTES TO FINANCIAL STATEMENTS

terms. The receivable related to the profit/loss risk banding is evaluated monthly, based on current estimates of medical costs. Based on this review, any required adjustment for prior period risk share revenue is recognized.

Note 2 - Accounting Changes and Corrections of Errors

- A. During 2009, there were no material changes in accounting principle and/or correction of errors.

Note 3 - Business Combinations and Goodwill

- A. Statutory Purchase Method – Not applicable.
- B. Statutory Merger - Not applicable.
- C. Assumption Reinsurance - Not applicable.
- D. Impairment Loss - Not applicable.

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

- A. Mortgage Loan, including Mezzanine Real Estate Loans – Not applicable.
- B. Debt Restructuring – Not applicable.
- C. Reverse Mortgages – Not applicable.
- D. Loan Backed Securities – Not applicable.
- E. Repurchase Agreements – Not applicable.
- F. Real Estate – Not applicable.
- G. Investments in low-income tax credits – Not applicable.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

The Company does not have any Investments in Joint Ventures, Partnerships, or Limited Liability Companies.

Note 7 - Investment Income

- A. No investment income was non admitted
- B. No investment income was excluded from Surplus.

Note 8 - Derivative Instruments

- A. Market risk, credit risk and cash requirements of the derivative – Not applicable.
- B. Objectives for using derivatives – Not applicable.
- C. Accounting policies for recognizing and measuring derivatives used – Not applicable.
- 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 – Not applicable.
- 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 – Not applicable.
- F. Derivatives accounted for as cash flow hedges of a forecasted transaction – Not applicable.

Note 9 - Income Taxes

No provision has been made for federal and state income taxes since such taxes are the responsibility of the individual members.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship -

The Company was organized in May 1996 by Premier Holdings, Inc (a wholly-owned subsidiary of AdvoCare), Columbia Behavioral Health, LLC ("CBH") and Managed Health Network, Inc. ("Foundation") for the purposes of contracting with the State of Tennessee Department of Mental Health and Mental Retardation to deliver mental health and substance abuse services to participants of TennCare. The contract was effective and operations of the Company commenced July 1, 1996 with the contract, as amended, having ended on August 31, 2009. Therefore, the Company has no on-going business as of December 31, 2009.

NOTES TO FINANCIAL STATEMENTS

In September 1997, the Company amended and restated its operating agreement by and between Premier Holdings, Inc and CBH whereby each of these entities would have both financial and governance rights equal to 50%. On April 11, 2006, Premier Holdings, Inc, purchased Columbia Behavioral Health, LLC.'s fifty percent ownership interest in the Company. As of April 1, 2006, Premier Holdings, ultimately a fully owned subsidiary of Magellan Health Services, has full ownership interest in the Company. The transaction was approved by the Department of Commerce and Insurance.

The State generally regulates the Company as a Health Maintenance Organization and the Company was licensed during October 2002 as a prepaid limited health service organization. The Company's contract with the State represents its only customer.

Magellan was required to implement the provisions of fresh-start reporting, as prescribed by the American Institute of Certified Public Accountants' Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*. The effects of Magellan's adoption of fresh-start reporting did not impact the Company's financial statements.

- B. Description of transactions – The Company generally has the following transactions with affiliated entities:
 - a. Accounts payable paid by the parent (Magellan Health Service) - \$14,680
 - b. Management fees paid to Magellan and AdvoCare of Tennessee (“AdvoCare”) – see F. below description and amounts.
- C. Dollar amount of transactions – see B
- D. Amounts due to/from related parties – Balances as of December 31, 2009
 - a. Due from Magellan – \$32,768
 - b. Due to Advocare – (\$30,251)
- E. Guarantees or undertakings for benefit of affiliate – Not applicable.
- F. Material management or service contracts and cost sharing arrangements with related parties –

The Company contracts with AdvoCare of Tennessee, Inc. (“AdvoCare”), a related party, to manage the operations, administrative services and clinical services related to the provision of all mental health benefits, to provide case management services and to arrange primary care and outpatient services. For the year ended December 31, 2009, the Company incurred expense of approximately \$2,563,430 related to these services.

The Company contracts with Magellan Behavioral Health Systems, LLC. to process and pay medical claims. For the year ended December 31, 2009 the Company incurred expense of approximately \$320,429 related to these services.

- G. Common ownership or control – Not applicable.
- H. No significant change
- I. Investment in SCA that exceeds 10% - Not applicable.
- J. Investments in impaired SCA entities – Not applicable.
- K. Investment in a foreign insurance subsidiary – Not applicable.
- L. Investment in downstream noninsurance company – Not applicable.

Note 11 - Debt

The Company does not have any debt.

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

- A. Defined Benefit Plan – Not applicable.
- B. Defined Contribution Plans – Not applicable.
- C. Multiemployer Plan – Not applicable.
- D. Consolidated/Holding Company plans – Not applicable.
- E. Post-employment Benefits and Compensated Absences – Not applicable.
- F. Impact of Medicare Modernization Act on postretirement benefit – Not applicable.

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

The Company must establish and maintain a net worth and working capital which is the greater of either the amount as required by applicable statute; or four percent (4%) of the first one hundred fifty million dollars (\$150,000,000) of annual projected premium revenue plus one and one half percent (1.5%) of annual projected premium revenue over one hundred fifty million dollars (\$150,000,000) where net worth is calculated as net admitted assets in excess of liability as reported in accordance with statutory accounting principles. The Contractor shall establish and maintain the net worth and working capital balances required by applicable statute throughout the term of the contract As of December 31, 2009, the Company is subject to the minimum statutory requirement of \$1,500,000. The Company is in compliance with this requirement.

In October 2008, the Company issued a dividend of \$11,000,000 to its parent. The transaction was approved by the Department of Commerce and Insurance.

In July 2009, the Company issued a dividend of \$3,300,000 to its parent. The transaction was approved by the Department of Commerce and Insurance.

NOTES TO FINANCIAL STATEMENTS

Note 14 - Contingencies

The Company is party to various other legal proceedings incidental to its business. In the opinion of management, any ultimate liability with respect to these actions will not materially affect the financial position or results of the Company.

The Company is covered under Magellan's professional liability insurance. Coverage is limited to the period in which a claim is asserted, rather than when the incident giving rise to such claim occurred. Management has the intent to renew the insurance coverage, and historically has been able to renew such coverage. In the event Magellan was unable to obtain professional liability insurance at the expiration of the current policy period, it is possible that the Company would be uninsured for claims asserted after the expiration of the current policy period. The claims-made policy has been renewed through June 17, 2010.

Note 15 - Leases

- A. Lessee Operating Lease – Not applicable.
- B. Lessor Leases and Leveraged Leases – Not applicable.

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

The Company does not have any financial instruments with off-balance sheet risk. Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments and uncollected premiums. The Company maintains its cash and cash equivalents with what it believes to be high quality financial instruments. The fair value of the Company's investments is substantially equivalent to their carrying value and, although there is some credit risk associated with these investments, the Company believes the risk to be minimal. The Company's uncollected premiums as of year-end are current.

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

- A. Transfers of Receivables reported as Sales – Not applicable.
- B. Transfer and Servicing of Financial Assets – Not applicable
- 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 – Not applicable.
- B. ASC Plans – Not applicable
- C. Medicare of Similarly Structured Cost Based Reimbursement contract – Not applicable.

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

Not applicable

Note 20 - Other Items

- A. Extraordinary items – Not applicable.
- B. Troubled Debt Restructuring: Debtor – Not applicable
- C. Other Disclosures –
 - a. On July 26, 2006, TennCare announced the managed care organizations which were awarded the contracts to provide integrated behavioral and physical health services in the Middle Region of the State. Since the Company was not a party to either of the contract awards, effective April 1, 2007, the Company will ceased providing services to TennCare members in the Middle region.
 - b. 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 ceased providing services in the East Grand and West Grand regions after the implementation dates for the new contracts. The Company continued to manage TennCare Select Children in the East, Middle, and West Grand regions through August 31, 2009, at which time its contract with the State ended.
- D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – Not applicable.
- E. Business Interruption Insurance Recoveries – Not applicable..
- F. State Transferable Tax Credits – Not applicable.
- G. Amount of deposits admitted under Section 6603 of Internal Revenue Service Code – Not applicable
- H. Hybrid Securities – Not applicable.

Note 21 - Events Subsequent

NOTES TO FINANCIAL STATEMENTS

In January 2010, the Company completed an interim settlement with TennCare. As part of the settlement, the Company remitted \$12.1 million in outstanding risk sharing funds.

Note 22 - Reinsurance

- A. Ceded Reinsurance Report – Not applicable.
- B. Uncollectible Reinsurance – Not applicable.
- C. Commutation of Ceded Reinsurance – Not applicable.

Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

Note 24 - Change in Incurred Claims and Claims Adjustment Expenses

Reserves as of December 31, 2008 were \$6,434,188. As of December 31, 2009, \$6,186,600 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$134,488 as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been \$113,101 in favorable prior year development. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 25 - Intercompany Pooling Arrangements

Not applicable.

Note 26 - Structured Settlements

Not applicable.

Note 27 - Health Care Receivables

The Company has certain health care receivables generated in the normal course of doing business. As of December 31, 2009, the Company has no health care receivables. Any such receivables are accounted for consistently with the appropriate NAIC regulations.

Note 28 - Participating Policies

Not applicable.

Note 29 - Premium Deficiency Reserves

Not applicable.

Note 30 - Anticipated Salvage and Subrogation

Not applicable.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] NA []
- 1.3 State Regulating?
- 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 []
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.06/30/2006
- 3.2 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
- 3.3 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
- 3.4 By what department or departments? Tennessee Department of Commerce and Insurance.....
- 3.5 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 []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] NA []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 - 4.11 sales of new business? Yes [] No []
 - 4.12 renewals? Yes [] No []
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 - 4.21 sales of new business? Yes [] No []
 - 4.22 renewals? Yes [] No []
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No []
- 5.2 If yes, provide the name of the 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 |
|---------------------|------------------------|------------------------|
| | | |
| | | |
| | | |
| | | |

- 6.1 Has the 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 []
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No []
- 7.2 If yes,
 - 7.21 State the percentage of foreign control
 - 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |
| | |

GENERAL INTERROGATORIES

- 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 the names and locations (city and state of the main office) of any affiliates regulated by a federal financial 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 |
|---------------------|--------------------------------|----------|----------|----------|-----------|----------|
| | | | | | | |

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP, 621 Pratt Street, Baltimore MD 212
- 10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Michael J. Cellini, Senior Manager and Consulting Actuary, Ernst & Young LLP
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 - 11.11 Name of real estate holding company
 - 11.12 Number of parcels involved.....
 - 11.13 Total book/adjusted carrying value..... \$.....
- 11.2 If yes, provide explanation
- 12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] NA []
- 13.1 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 []
 - Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and
 - a. 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.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?..... Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

- 14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
- 15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
- 16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?..... Yes [X] No []

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers .. \$0
 - 18.12 To stockholders not officers ... \$0
 - 18.13 Trustees, supreme or grand (Fraternal only) \$0
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers ... \$0
 - 18.22 To stockholders not officers \$0
 - 18.23 Trustees, supreme or grand (Fraternal only) \$0
- 19.1 Were any assets reported in the statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$
 - 19.22 Borrowed from others \$
 - 19.23 Leased from others \$
 - 19.24 Other \$
- 20.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$
 - 20.22 Amount paid as expenses \$
 - 20.23 Other amounts paid \$
- 21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 32,768

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)..... Yes [X] No []
- 22.2 If no, give full and complete information relating thereto:
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?..... Yes [] No [] NA [X]
- 22.5 If answer to 22.4 is YES, report amount of collateral \$
- 22.6 If answer to 22.4 is NO, report amount of collateral..... \$
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [] No [X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements \$
 - 23.22 Subject to reverse repurchase agreements..... \$
 - 23.23 Subject to dollar repurchase agreements..... \$
 - 23.24 Subject to reverse dollar repurchase agreements..... \$
 - 23.25 Pledged as collateral..... \$
 - 23.26 Placed under option agreements..... \$
 - 23.27 Letter stock or securities restricted as to sale..... \$
 - 23.28 On deposit with state or other regulatory body..... \$
 - 23.29 Other..... \$
- 23.3 For category (23.27) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |
| | | |
| | | |

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA [X]
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E-Part 3-Special Deposits, 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, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [] No []

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

| 1 Name of Custodian(s) | 2 Custodian's Address |
|---------------------------|--------------------------|
| | |
| | |

26.02 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) |
|--------------|------------------|------------------------------|
| | | |
| | | |

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No []

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

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

26.05 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 Number(s) | 2 Name | 3 Address |
|--|-----------|--------------|
| | | |
| | | |

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No []

27.2 If yes, complete the following schedule:

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------|--------------------------|-----------------------------------|
| | | |
| | | |
| 27.2999 TOTAL | | 0 |

27.3 For each mutual fund listed in the table above, complete the following schedule:

| 1 Name of Mutual Fund (from above table) | 2 Name of Significant Holding Of the Mutual Fund | 3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4 Date of Valuation |
|--|--|---|------------------------|
| | | | |
| | | | |

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

| | 1 Statement (Admitted) Value | 2 Fair Value | 3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+) |
|----------------------------|------------------------------------|-----------------|--|
| 28.1 Bonds..... | 1,908,229 | 1,917,214 | 8,985 |
| 28.2 Preferred stocks..... | 0 | | 0 |
| 28.3 Totals | 1,908,229 | 1,917,214 | 8,985 |

28.4 Describe the sources or methods utilized in determining the fair values:

Fair values provided by US Bank Trust Division.....

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [X] No []

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?..... Yes [X] No []

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

30.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?..... Yes [X] No []

30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$0

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |
| | |

32.1 Amount of payments for legal expenses, if any?.....\$16,826

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |
| | |

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$0

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |
| | |

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
 1.2 If yes, indicate premium earned on U. S. business only \$0
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$0
 1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$0
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$0
 1.6 Individual policies:

Most current three years:
 1.61 Total premium earned \$0
 1.62 Total incurred claims \$0
 1.63 Number of covered lives0
 All years prior to most current three years:
 1.64 Total premium earned \$0
 1.65 Total incurred claims \$0
 1.66 Number of covered lives0

1.7 Group policies:
 Most current three years:
 1.71 Total premium earned \$0
 1.72 Total incurred claims \$0
 1.73 Number of covered lives0
 All years prior to most current three years:
 1.74 Total premium earned \$0
 1.75 Total incurred claims \$0
 1.76 Number of covered lives0

2. Health Test:

| | 1 Current Year | | 2 Prior Year | |
|-----------------------------|-------------------|------------|-----------------|------------|
| 2.1 Premium Numerator | \$ | 32,368,665 | \$ | 88,108,209 |
| 2.2 Premium Denominator | \$ | 32,368,665 | \$ | 88,108,209 |
| 2.3 Premium Ratio (2.1/2.2) | | 1.000 | | 1.000 |
| 2.4 Reserve Numerator | \$ | 1,085,160 | \$ | 6,434,189 |
| 2.5 Reserve Denominator | \$ | 1,085,160 | \$ | 6,434,188 |
| 2.6 Reserve Ratio (2.4/2.5) | | 1.000 | | 1.000 |

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
 3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]
 5.1 Does the reporting entity have stop-loss reinsurance? Yes [] No [X]
 5.2 If no, explain:

The Company is a behavioral health organization not a health maintenance organization (HMO). There is no market for obtaining reinsurance.

5.3 Maximum retained risk (see instructions)
 5.31 Comprehensive Medical \$
 5.32 Medical Only \$
 5.33 Medicare Supplement \$
 5.34 Dental and vision \$
 5.35 Other Limited Benefit Plan \$
 5.36 Other \$

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
 The majority of our members are covered under Medicaid. Providers agree to accept our payment in full and not balance bill members.
 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] No []
 7.2 If no, give details:

8. Provide the following information regarding participating providers:
 8.1 Number of providers at start of reporting year4,437
 8.2 Number of providers at end of reporting year0

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
 9.2 If yes, direct premium earned:
 9.21 Business with rate guarantees between 15-36 months
 9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?..... Yes [] No [X]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$.....
- 10.22 Amount actually paid for year bonuses \$.....
- 10.23 Maximum amount payable withholds \$.....
- 10.24 Amount actually paid for year withholds \$.....
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [] No [X]
- 11.13 An Individual Practice Association (IPA), or, Yes [] No [X]
- 11.14 A Mixed Model (combination of above) ?..... Yes [] No [X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []
- 11.3 If yes, show the name of the state requiring such net worth.
Tennessee
- 11.4 If yes, show the amount required. \$.....1,500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation.

12.1 List service areas in which reporting entity is licensed to operate:

| 1 Name of Service Area |
|---------------------------|
| Tennessee..... |

- 13.1 Do you act as a custodian for health savings accounts?..... Yes [] No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date..... \$.....
- 13.3 Do you act as an administrator for health savings accounts?..... Yes [] No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date..... \$.....

FIVE-YEAR HISTORICAL DATA

| | 1 2009 | 2 2008 | 3 2007 | 4 2006 | 5 2005 |
|--|--------------|--------------|-------------|-------------|--------------|
| Balance Sheet (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 26) | 18,081,519 | 32,320,441 | 41,234,536 | 54,004,161 | 39,605,958 |
| 2. Total liabilities (Page 3, Line 22) | 13,806,432 | 23,597,092 | 26,773,392 | 26,510,613 | 28,538,890 |
| 3. Statutory surplus | (18,970,193) | (14,521,930) | (8,784,135) | 4,248,269 | (12,178,211) |
| 4. Total capital and surplus (Page 3, Line 31) | 4,275,086 | 8,723,349 | 14,461,144 | 27,493,548 | 11,067,068 |
| Income Statement (Page 4) | | | | | |
| 5. Total revenues (Line 8) | 36,446,731 | 86,267,398 | 124,457,272 | 218,418,128 | 223,617,997 |
| 6. Total medical and hospital expenses (Line 18) | 33,597,641 | 71,126,264 | 100,492,100 | 175,623,421 | 197,594,684 |
| 7. Claims adjustment expenses (Line 20) | 320,429 | 881,082 | 1,298,142 | 2,284,181 | 2,266,397 |
| 8. Total administrative expenses (Line 21) | 3,878,098 | 9,330,364 | 13,770,796 | 23,844,732 | 24,490,061 |
| 9. Net underwriting gain (loss) (Line 24) | (1,349,436) | 4,929,688 | 8,896,234 | 16,665,794 | (733,145) |
| 10. Net investment gain (loss) (Line 27) | 61,197 | 505,262 | 2,071,362 | 2,060,686 | 733,145 |
| 11. Total other income (Lines 28 plus 29) | 0 | 0 | 0 | 0 | 0 |
| 12. Net income (loss) (Line 32) | (1,288,239) | 5,434,949 | 10,967,596 | 18,726,480 | 0 |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11) | (9,834,504) | 2,040,845 | 13,315,970 | 19,686,425 | 0 |
| Risk - Based Capital Analysis | | | | | |
| 14. Total adjusted capital | 4,275,086 | 8,723,349 | 14,461,144 | 27,493,548 | 11,067,068 |
| 15. Authorized control level risk-based capital | 2,616,310 | 3,266,488 | 4,357,670 | 6,836,843 | 6,519,223 |
| Enrollment (Exhibit 1) | | | | | |
| 16. Total members at end of period (Column 5, Line 7) | 0 | 64,573 | 254,154 | 606,786 | 589,687 |
| 17. Total member months (Column 6, Line 7) | 564,027 | 2,657,890 | 4,058,012 | 7,265,772 | 7,408,990 |
| Operating Percentage (Page 4) | | | | | |
| (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0 | | | | | |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 19. Total hospital and medical plus other non-health (Lines 18 plus 19) | 103.8 | 80.7 | 77.4 | 76.9 | 87.2 |
| 20. Cost containment expenses | 0.0 | 0.0 | 0.0 | 0.0 | XXX |
| 21. Other claims adjustment expenses | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 22. Total underwriting deductions (Line 23) | 116.8 | 92.3 | 89.0 | 88.3 | 99.0 |
| 23. Total underwriting gain (loss) (Line 24) | (4.2) | 5.6 | 6.9 | 7.3 | (0.3) |
| Unpaid Claims Analysis | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. Total claims incurred for prior years (Line 13, Col. 5) | 6,321,088 | 8,931,553 | 15,969,698 | 26,649,561 | 14,858,658 |
| 25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] | 6,434,189 | 10,771,583 | 15,314,598 | 25,731,403 | 14,853,530 |
| Investments In Parent, Subsidiaries And Affiliates | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7) | 0 | 0 | 0 | 0 | 0 |
| 30. Affiliated mortgage loans on real estate | 0 | 0 | 0 | 0 | 0 |
| 31. All other affiliated | 0 | 0 | 0 | 0 | 0 |
| 32. Total of above Lines 26 to 31 | 0 | 0 | 0 | 0 | 0 |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No []

If no, please explain:



ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

Premier Behavioral Systems of Tennessee, LLC

2.

(LOCATION)

| NAIC Group Code | 0000 | BUSINESS IN THE STATE OF Tennessee | | DURING THE YEAR 2009 | | | | | | NAIC Company Code | 00000 |
|---|------------|---------------------------------------|------------|-----------------------------|---------------------|---------------------|---|------------------------------|----------------------------|-------------------|-------|
| | 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 | 64,573 | | | | | | | | 64,573 | | |
| 2. First Quarter | 72,338 | | | | | | | | 72,338 | | |
| 3. Second Quarter | 71,442 | | | | | | | | 71,442 | | |
| 4. Third Quarter | 0 | | | | | | | | 0 | | |
| 5. Current Year | 0 | | | | | | | | 0 | | |
| 6. Current Year Member Months | 564,027 | | | | | | | | 564,027 | | |
| Total Member Ambulatory Encounters for Year: | | | | | | | | | | | |
| 7. Physician | 93,629 | | | | | | | | 93,629 | | |
| 8. Non-Physician | 115,107 | | | | | | | | 115,107 | | |
| 9. Total | 208,736 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 208,736 | 0 | |
| 10. Hospital Patient Days Incurred | 22,708 | | | | | | | | 22,708 | | |
| 11. Number of Inpatient Admissions | 1,213 | | | | | | | | 1,213 | | |
| 12. Health Premiums Written (b)..... | 32,368,665 | | | | | | | | 32,368,665 | | |
| 13. Life Premiums Direct | 0 | | | | | | | | 0 | | |
| 14. Property/Casualty Premiums Written..... | 0 | | | | | | | | 0 | | |
| 15. Health Premiums Earned..... | 32,368,665 | | | | | | | | 32,368,665 | | |
| 16. Property/Casualty Premiums Earned..... | 0 | | | | | | | | 0 | | |
| 17. Amount Paid for Provision of Health Care Services | 38,946,669 | | | | | | | | 38,946,669 | | |
| 18. Amount Incurred for Provision of Health Care Services | 33,597,641 | | | | | | | | 33,597,641 | | |

(a) For health business: number of persons insured under PPO managed care products _____ and number of persons under indemnity only products _____

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

29.TN



ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

Premier Behavioral Systems of Tennessee, LLC

2.

(LOCATION)

| NAIC Group Code | 0000 | BUSINESS IN THE STATE OF Consolidated | | DURING THE YEAR 2009 | | | | | | | NAIC Company Code | 00000 |
|---|------------|---------------------------------------|------------|-----------------------------|---------------------|---------------------|---|------------------------------|----------------------------|-------------|-------------------|-------|
| | 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 | 64,573 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 64,573 | 0 | | |
| 2. First Quarter | 72,338 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 72,338 | 0 | | |
| 3. Second Quarter | 71,442 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 71,442 | 0 | | |
| 4. Third Quarter | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 5. Current Year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 6. Current Year Member Months | 564,027 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 564,027 | 0 | | |
| Total Member Ambulatory Encounters for Year: | | | | | | | | | | | | |
| 7. Physician | 93,629 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 93,629 | 0 | | |
| 8. Non-Physician | 115,107 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 115,107 | 0 | | |
| 9. Total | 208,736 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 208,736 | 0 | | |
| 10. Hospital Patient Days Incurred | 22,708 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22,708 | 0 | | |
| 11. Number of Inpatient Admissions | 1,213 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,213 | 0 | | |
| 12. Health Premiums Written (b)..... | 32,368,665 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 32,368,665 | 0 | | |
| 13. Life Premiums Direct | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 14. Property/Casualty Premiums Written..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 15. Health Premiums Earned..... | 32,368,665 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 32,368,665 | 0 | | |
| 16. Property/Casualty Premiums Earned..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 17. Amount Paid for Provision of Health Care Services | 38,946,669 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38,946,669 | 0 | | |
| 18. Amount Incurred for Provision of Health Care Services | 33,597,641 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33,597,641 | 0 | | |

(a) For health business: number of persons insured under PPO managed care products 0 and number of persons under indemnity only products 0

(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes of fees \$ 0

29.GT

Schedule S - Part 1 - Section 2

NONE

Schedule S - Part 2

NONE

Schedule S - Part 3 - Section 2

NONE

Schedule S - Part 4

NONE

Schedule S - Part 5

NONE

SCHEDULE S-PART 6

Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

| | 1 | 2 | 3 |
|--|-------------------------------|----------------------------|------------------------------|
| | As Reported (net of ceded) | Restatement Adjustments | Restated (gross of ceded) |
| ASSETS (Page 2, Col. 3) | | | |
| 1. Cash and invested assets (Line 10)..... | 17,575,155 | | 17,575,155 |
| 2. Accident and health premiums due and unpaid (Line 13)..... | 475,225 | | 475,225 |
| 3. Amounts recoverable from reinsurers (Line 14.1)..... | 0 | | 0 |
| 4. Net credit for ceded reinsurance..... | XXX | 0 | 0 |
| 5. All other admitted assets (Balance)..... | 31,139 | | 31,139 |
| 6. Total assets (Line 26) | 18,081,519 | 0 | 18,081,519 |
| LIABILITIES, CAPITAL AND SURPLUS (Page 3) | | | |
| 7. Claims unpaid (Line 1)..... | 1,085,160 | 0 | 1,085,160 |
| 8. Accrued medical incentive pool and bonus payments (Line 2)..... | 0 | | 0 |
| 9. Premiums received in advance (Line 8)..... | 0 | | 0 |
| 10. Funds held under reinsurance treaties with authorized and unauthorized reinsurers (Line 17)..... | 0 | | 0 |
| 11. Reinsurance in unauthorized companies (Line 18)..... | 0 | | 0 |
| 12. All other liabilities (Balance)..... | 12,721,272 | | 12,721,272 |
| 13. Total liabilities (Line 22)..... | 13,806,432 | 0 | 13,806,432 |
| 14. Total capital and surplus (Line 31)..... | 4,275,086 | XXX | 4,275,086 |
| 15. Total liabilities, capital and surplus (Line 32) | 18,081,519 | 0 | 18,081,519 |
| NET CREDIT FOR CEDED REINSURANCE | | | |
| 16. Claims unpaid..... | 0 | | |
| 17. Accrued medical incentive pool..... | 0 | | |
| 18. Premiums received in advance..... | 0 | | |
| 19. Reinsurance recoverable on paid losses..... | 0 | | |
| 20. Other ceded reinsurance recoverables..... | 0 | | |
| 21. Total ceded reinsurance recoverables..... | 0 | | |
| 22. Premiums receivable..... | 0 | | |
| 23. Funds held under reinsurance treaties with authorized and unauthorized reinsurers..... | 0 | | |
| 24. Unauthorized reinsurance..... | 0 | | |
| 25. Other ceded reinsurance payables/offsets..... | 0 | | |
| 26. Total ceded reinsurance payables/offsets..... | 0 | | |
| 27. Total net credit for ceded reinsurance | 0 | | |

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

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 | | | | | | | | 0 | 0 |
| 2. Alaska | AK | | | | | | | | 0 | 0 |
| 3. Arizona | AZ | | | | | | | | 0 | 0 |
| 4. Arkansas | AR | | | | | | | | 0 | 0 |
| 5. California | CA | | | | | | | | 0 | 0 |
| 6. Colorado | CO | | | | | | | | 0 | 0 |
| 7. Connecticut | CT | | | | | | | | 0 | 0 |
| 8. Delaware | DE | | | | | | | | 0 | 0 |
| 9. District of Columbia | DC | | | | | | | | 0 | 0 |
| 10. Florida | FL | | | | | | | | 0 | 0 |
| 11. Georgia | GA | | | | | | | | 0 | 0 |
| 12. Hawaii | HI | | | | | | | | 0 | 0 |
| 13. Idaho | ID | | | | | | | | 0 | 0 |
| 14. Illinois | IL | | | | | | | | 0 | 0 |
| 15. Indiana | IN | | | | | | | | 0 | 0 |
| 16. Iowa | IA | | | | | | | | 0 | 0 |
| 17. Kansas | KS | | | | | | | | 0 | 0 |
| 18. Kentucky | KY | | | | | | | | 0 | 0 |
| 19. Louisiana | LA | | | | | | | | 0 | 0 |
| 20. Maine | ME | | | | | | | | 0 | 0 |
| 21. Maryland | MD | | | | | | | | 0 | 0 |
| 22. Massachusetts | MA | | | | | | | | 0 | 0 |
| 23. Michigan | MI | | | | | | | | 0 | 0 |
| 24. Minnesota | MN | | | | | | | | 0 | 0 |
| 25. Mississippi | MS | | | | | | | | 0 | 0 |
| 26. Missouri | MO | | | | | | | | 0 | 0 |
| 27. Montana | MT | | | | | | | | 0 | 0 |
| 28. Nebraska | NE | | | | | | | | 0 | 0 |
| 29. Nevada | NV | | | | | | | | 0 | 0 |
| 30. New Hampshire | NH | | | | | | | | 0 | 0 |
| 31. New Jersey | NJ | | | | | | | | 0 | 0 |
| 32. New Mexico | NM | | | | | | | | 0 | 0 |
| 33. New York | NY | | | | | | | | 0 | 0 |
| 34. North Carolina | NC | | | | | | | | 0 | 0 |
| 35. North Dakota | ND | | | | | | | | 0 | 0 |
| 36. Ohio | OH | | | | | | | | 0 | 0 |
| 37. Oklahoma | OK | | | | | | | | 0 | 0 |
| 38. Oregon | OR | | | | | | | | 0 | 0 |
| 39. Pennsylvania | PA | | | | | | | | 0 | 0 |
| 40. Rhode Island | RI | | | | | | | | 0 | 0 |
| 41. South Carolina | SC | | | | | | | | 0 | 0 |
| 42. South Dakota | SD | | | | | | | | 0 | 0 |
| 43. Tennessee | TN | L | | 32,368,665 | | | | | 32,368,665 | 0 |
| 44. Texas | TX | | | | | | | | 0 | 0 |
| 45. Utah | UT | | | | | | | | 0 | 0 |
| 46. Vermont | VT | | | | | | | | 0 | 0 |
| 47. Virginia | VA | | | | | | | | 0 | 0 |
| 48. Washington | WA | | | | | | | | 0 | 0 |
| 49. West Virginia | WV | | | | | | | | 0 | 0 |
| 50. Wisconsin | WI | | | | | | | | 0 | 0 |
| 51. Wyoming | WY | | | | | | | | 0 | 0 |
| 52. American Samoa | AS | | | | | | | | 0 | 0 |
| 53. Guam | GU | | | | | | | | 0 | 0 |
| 54. Puerto Rico | PR | | | | | | | | 0 | 0 |
| 55. U.S. Virgin Islands | VI | | | | | | | | 0 | 0 |
| 56. Northern Mariana Islands | MP | | | | | | | | 0 | 0 |
| 57. Canada | CN | | | | | | | | 0 | 0 |
| 58. Aggregate Other Alien | OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. Subtotal | XXX | 0 | 0 | 32,368,665 | 0 | 0 | 0 | 0 | 32,368,665 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | | | | | | | 0 | |
| 61. Total (Direct Business) | (a) 1 | 0 | 0 | 32,368,665 | 0 | 0 | 0 | 0 | 32,368,665 | 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 |

Explanation of basis of allocation by states, premiums by state, etc.

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

**SCHEDULE T – PART 2
INTERSTATE COMPACT – EXHIBIT OF PREMIUMS WRITTEN**

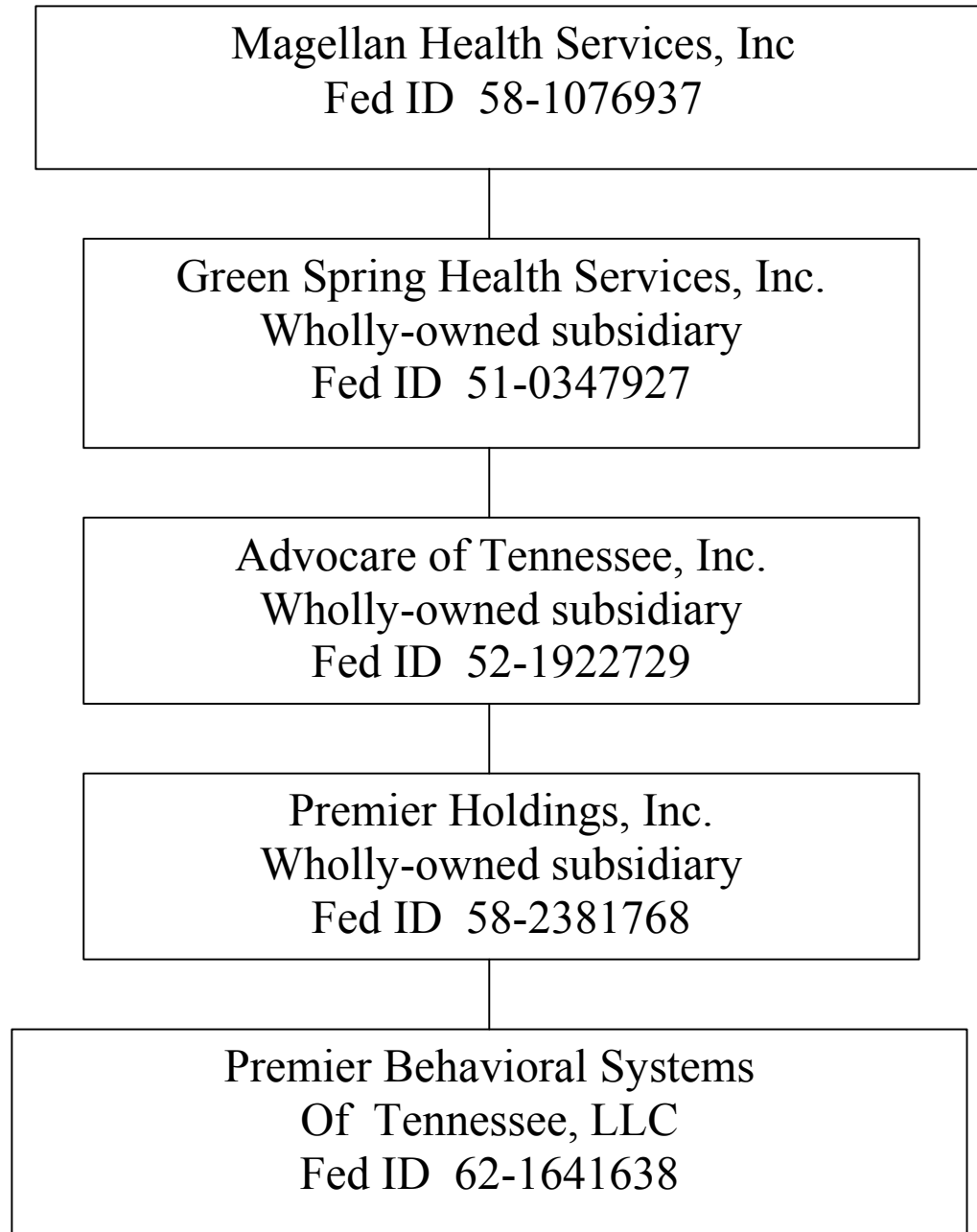
Allocated by States and Territories

| States, Etc. | Direct Business Only | | | | | Totals |
|---------------------------------|-------------------------------------|---------------------------------------|--|---|-----------------------------|--------|
| | 1 Life (Group and Individual) | 2 Annuities (Group and Individual) | 3 Disability Income (Group and Individual) | 4 Long-Term Care (Group and Individual) | 5 Deposit-Type Contracts | |
| 1. Alabama AL | | | | | | 0 |
| 2. Alaska AK | | | | | | 0 |
| 3. Arizona AZ | | | | | | 0 |
| 4. Arkansas AR | | | | | | 0 |
| 5. California CA | | | | | | 0 |
| 6. Colorado CO | | | | | | 0 |
| 7. Connecticut CT | | | | | | 0 |
| 8. Delaware DE | | | | | | 0 |
| 9. District of Columbia DC | | | | | | 0 |
| 10. Florida FL | | | | | | 0 |
| 11. Georgia GA | | | | | | 0 |
| 12. Hawaii HI | | | | | | 0 |
| 13. Idaho ID | | | | | | 0 |
| 14. Illinois IL | | | | | | 0 |
| 15. Indiana IN | | | | | | 0 |
| 16. Iowa IA | | | | | | 0 |
| 17. Kansas KS | | | | | | 0 |
| 18. Kentucky KY | | | | | | 0 |
| 19. Louisiana LA | | | | | | 0 |
| 20. Maine ME | | | | | | 0 |
| 21. Maryland MD | | | | | | 0 |
| 22. Massachusetts MA | | | | | | 0 |
| 23. Michigan MI | | | | | | 0 |
| 24. Minnesota MN | | | | | | 0 |
| 25. Mississippi MS | | | | | | 0 |
| 26. Missouri MO | | | | | | 0 |
| 27. Montana MT | | | | | | 0 |
| 28. Nebraska NE | | | | | | 0 |
| 29. Nevada NV | | | | | | 0 |
| 30. New Hampshire NH | | | | | | 0 |
| 31. New Jersey NJ | | | | | | 0 |
| 32. New Mexico NM | | | | | | 0 |
| 33. New York NY | | | | | | 0 |
| 34. North Carolina NC | | | | | | 0 |
| 35. North Dakota ND | | | | | | 0 |
| 36. Ohio OH | | | | | | 0 |
| 37. Oklahoma OK | | | | | | 0 |
| 38. Oregon OR | | | | | | 0 |
| 39. Pennsylvania PA | | | | | | 0 |
| 40. Rhode Island RI | | | | | | 0 |
| 41. South Carolina SC | | | | | | 0 |
| 42. South Dakota SD | | | | | | 0 |
| 43. Tennessee TN | | | | | | 0 |
| 44. Texas TX | | | | | | 0 |
| 45. Utah UT | | | | | | 0 |
| 46. Vermont VT | | | | | | 0 |
| 47. Virginia VA | | | | | | 0 |
| 48. Washington WA | | | | | | 0 |
| 49. West Virginia WV | | | | | | 0 |
| 50. Wisconsin WI | | | | | | 0 |
| 51. Wyoming WY | | | | | | 0 |
| 52. American Samoa AS | | | | | | 0 |
| 53. Guam GU | | | | | | 0 |
| 54. Puerto Rico PR | | | | | | 0 |
| 55. U.S. Virgin Islands VI | | | | | | 0 |
| 56. Northern Mariana Islands MP | | | | | | 0 |
| 57. Canada CN | | | | | | 0 |
| 58. Aggregate Other Alien OT | | | | | | 0 |
| 59. Totals | 0 | 0 | 0 | 0 | 0 | 0 |

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

**SCHEDULE Y
PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|------------------------|-------------------|--|-----------------------|-----------------------|--|--|---|---|-----|--|-----------|--|
| NAIC Company Code | Federal ID Number | Names of Insurers and Parent, Subsidiaries or Affiliates | Shareholder Dividends | Capital Contributions | Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments | Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s) | Management Agreements and Service Contracts | Income/ (Disbursements) Incurred Under Reinsurance Agreements | * | Any Other Material Activity Not in the Ordinary Course of the Insurer's Business | Totals | Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability) |
| | 52-1922729 | AdvoCare of Tennessee, Inc | | | | | 2,883,858 | | | | 2,883,858 | |
| | 62-1641638 | Premier Behavioral Systems of Tennessee | | | | | 0 | | | | 0 | |
| | 58-1076937 | Magellan Health Services | 3,300,000 | | | | | | | | 3,300,000 | |
| | 62-1641638 | Premier Behavioral Systems of Tennessee | 0 | | | | | | | | 0 | |
| 9999999 Control Totals | | | 3,300,000 | 0 | 0 | 0 | 2,883,858 | 0 | XXX | 0 | 6,183,858 | 0 |

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SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

Responses

- 1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?YES.....
- 2. Will an actuarial opinion be filed by March 1?YES.....
- 3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1?SEE EXPLANATION.....
- 4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required by March 1?YES.....

APRIL FILING

- 5. Will Management's Discussion and Analysis be filed by April 1?YES.....
- 6. Will the Supplemental Investment Risks Interrogatories be filed by April 1?YES.....
- 7. Will the Accident and Health Policy Experience Exhibit be filed by April 1?SEE EXPLANATION.....

JUNE FILING

- 8. Will an audited financial report be filed by June 1?YES.....
- 9. Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1?YES.....

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 supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

- 10. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?NO.....
- 11. Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC?NO.....
- 12. Will the Supplemental Property/Casualty data due March 1 be filed with the state of domicile and the NAIC?NO.....
- 13. Will the Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?NO.....
- 14. Will the actuarial opinion on participating and non-participating policies as required in Interrogatories 1 and 2 on Exhibit 5 to Life Supplement be filed with the state of domicile and electronically with the NAIC by March 1?NO.....
- 15. Will the actuarial opinion on non-guaranteed elements as required in Interrogatories 3 to Exhibit 5 to Life Supplement be filed with the state of domicile and electronically with the NAIC by March 1?NO.....
- 16. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1?NO.....

APRIL FILING

- 17. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?NO.....
- 18. Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC?NO.....
- 19. Will the Supplemental Property/Casualty Insurance Expense Exhibit due April 1 be filed with any state that requires it, and, if so, the NAIC?NO.....

EXPLANATION:

3. Company is not required to file.

7. Company is not required to file.

10.

11.

12.

13.

14.

15.

16.

17.



18.

19.

BAR CODE:



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

- 13. 
0 0 0 0 0 2 0 0 9 4 2 0 0 0 0 0 0
- 14. 
0 0 0 0 0 2 0 0 9 3 7 1 0 0 0 0 0
- 15. 
0 0 0 0 0 2 0 0 9 3 7 0 0 0 0 0 0
- 16. 
0 0 0 0 0 2 0 0 9 3 6 5 0 0 0 0 0
- 17. 
0 0 0 0 0 2 0 0 9 3 0 6 0 0 0 0 0
- 18. 
0 0 0 0 0 2 0 0 9 2 1 1 5 9 0 0 0
- 19. 
0 0 0 0 0 2 0 0 9 2 1 3 0 0 0 0 0

OVERFLOW PAGE FOR WRITE-INS

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | |
|---|---------------------------|-----------------|---|-----------------|
| | 1 Amount | 2 Percentage | 3 Amount | 4 Percentage |
| 1. Bonds: | | | | |
| 1.1 U.S. treasury securities | | .000 | | .000 |
| 1.2 U.S. government agency obligations (excluding mortgage-backed securities): | | | | |
| 1.21 Issued by U.S. government agencies | 1,908,229 | 10.858 | 1,908,229 | 10.858 |
| 1.22 Issued by U.S. government sponsored agencies | | .000 | | .000 |
| 1.3 Non-U.S. government (including Canada, excluding mortgaged-backed securities) | | .000 | | .000 |
| 1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.: | | | | |
| 1.41 States, territories and possessions general obligations | | .000 | | .000 |
| 1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations | | .000 | | .000 |
| 1.43 Revenue and assessment obligations | | .000 | | .000 |
| 1.44 Industrial development and similar obligations | | .000 | | .000 |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS): | | | | |
| 1.51 Pass-through securities: | | | | |
| 1.511 Issued or guaranteed by GNMA | | .000 | | .000 |
| 1.512 Issued or guaranteed by FNMA and FHLMC | | .000 | | .000 |
| 1.513 All other | | .000 | | .000 |
| 1.52 CMOs and REMICs: | | | | |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA | | .000 | | .000 |
| 1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 | | .000 | | .000 |
| 1.523 All other | | .000 | | .000 |
| 2. Other debt and other fixed income securities (excluding short-term): | | | | |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities) | | .000 | | .000 |
| 2.2 Unaffiliated non-U.S. securities (including Canada) | | .000 | | .000 |
| 2.3 Affiliated securities | | .000 | | .000 |
| 3. Equity interests: | | | | |
| 3.1 Investments in mutual funds | | .000 | | .000 |
| 3.2 Preferred stocks: | | | | |
| 3.21 Affiliated | | .000 | | .000 |
| 3.22 Unaffiliated | | .000 | | .000 |
| 3.3 Publicly traded equity securities (excluding preferred stocks): | | | | |
| 3.31 Affiliated | | .000 | | .000 |
| 3.32 Unaffiliated | | .000 | | .000 |
| 3.4 Other equity securities: | | | | |
| 3.41 Affiliated | | .000 | | .000 |
| 3.42 Unaffiliated | | .000 | | .000 |
| 3.5 Other equity interests including tangible personal property under lease: | | | | |
| 3.51 Affiliated | | .000 | | .000 |
| 3.52 Unaffiliated | | .000 | | .000 |
| 4. Mortgage loans: | | | | |
| 4.1 Construction and land development | | .000 | | .000 |
| 4.2 Agricultural | | .000 | | .000 |
| 4.3 Single family residential properties | | .000 | | .000 |
| 4.4 Multifamily residential properties | | .000 | | .000 |
| 4.5 Commercial loans | | .000 | | .000 |
| 4.6 Mezzanine real estate loans | | .000 | | .000 |
| 5. Real estate investments: | | | | |
| 5.1 Property occupied by the company | | .000 | 0 | .000 |
| 5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt) | | .000 | 0 | .000 |
| 5.3 Property held for sale (including \$ property acquired in satisfaction of debt) | | .000 | 0 | .000 |
| 6. Contract loans | | .000 | 0 | .000 |
| 7. Receivables for securities | | .000 | 0 | .000 |
| 8. Cash, cash equivalents and short-term investments | 15,666,926 | 89.142 | 15,666,926 | 89.142 |
| 9. Other invested assets | | .000 | | .000 |
| 10. Total invested assets | 17,575,155 | 100.000 | 17,575,155 | 100.000 |

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

| | |
|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year..... | 0 |
| 2. Cost of acquired: | |
| 2.1 Actual cost at time of acquisition (Part 2, Column 6)..... | 0 |
| 2.2 Additional investment made after acquisition (Part 2, Column 7)..... | 0 |
| 3. Current year change in encumbrances: | |
| 3.1 Totals, Part 1, Column 13..... | 0 |
| 3.2 Totals, Part 3, Column 11..... | 0 |
| 4. Total gain (loss) on disposals, Part 3, Column 18..... | 0 |
| 5. Deduct amounts received on disposals, Part 3, Column 15..... | 0 |
| 6. Total foreign exchange change in book/adjusted carrying value: | |
| 6.1 Totals, Part 1, Column 15..... | 0 |
| 6.2 Totals, Part 3, Column 13..... | 0 |
| 7. Deduct current year's other than temporary impairment recognized: | |
| 7.1 Totals, Part 1, Column 12..... | 0 |
| 7.2 Totals, Part 3, Column 10..... | 0 |
| 8. Deduct current year's depreciation: | |
| 8.1 Totals, Part 1, Column 11..... | 0 |
| 8.2 Totals, Part 3, Column 9..... | 0 |
| 9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)..... | 0 |
| 10. Deduct total nonadmitted amounts..... | 0 |
| 11. Statement value at end of current period (Line 9 minus Line 10)..... | 0 |

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

| | |
|--|---|
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year..... | 0 |
| 2. Cost of acquired: | |
| 2.1 Actual cost at time of acquisition (Part 2, Column 7)..... | 0 |
| 2.2 Additional investment made after acquisition (Part 2, Column 8)..... | 0 |
| 3. Capitalized deferred interest and other: | |
| 3.1 Totals, Part 1, Column 12..... | 0 |
| 3.2 Totals, Part 3, Column 11..... | 0 |
| 4. Accrual of discount..... | 0 |
| 5. Unrealized valuation increase (decrease): | |
| 5.1 Totals, Part 1, Column 9..... | 0 |
| 5.2 Totals, Part 3, Column 8..... | 0 |
| 6. Total gain (loss) on disposals, Part 3, Column 18..... | 0 |
| 7. Deduct amounts received on disposals, Part 3, Column 15..... | 0 |
| 8. Deduct amortization of premium and mortgage interest points and commitment fees..... | 0 |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest: | |
| 9.1 Totals, Part 1, Column 13..... | 0 |
| 9.2 Totals, Part 3, Column 13..... | 0 |
| 10. Deduct current year's other than temporary impairment recognized: | |
| 10.1 Totals, Part 1, Column 11..... | 0 |
| 10.2 Totals, Part 3, Column 10..... | 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 |
| 12. Total valuation allowance..... | 0 |
| 13. Subtotal (Line 11 plus Line 12)..... | 0 |
| 14. Deduct total nonadmitted amounts..... | 0 |
| 15. Statement value of mortgages owned at end of current period (Line 13 minus Line 14)..... | 0 |

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Other Long-Term Invested Assets

| | | |
|---|---|---|
| 1. Book/adjusted carrying value, December 31 of prior year..... | | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition (Part 2, Column 8)..... | 0 | |
| 2.2 Additional investment made after acquisition (Part 2, Column 9)..... | 0 | 0 |
| 3. Capitalized deferred interest and other: | | |
| 3.1 Totals, Part 1, Column 16..... | 0 | |
| 3.2 Totals, Part 3, Column 12..... | 0 | 0 |
| 4. Accrual of discount..... | | |
| 5. Unrealized valuation increase (decrease): | | |
| 5.1 Totals, Part 1, Column 13..... | 0 | |
| 5.2 Totals, Part 3, Column 9..... | 0 | 0 |
| 6. Total gain (loss) on disposals, Part 3, Column 19..... | | 0 |
| 7. Deduct amounts received on disposals, Part 3, Column 16..... | | 0 |
| 8. Deduct amortization of premium and depreciation..... | | |
| 9. Total foreign exchange change in book/adjusted carrying value: | | |
| 9.1 Totals, Part 1, Column 17..... | 0 | |
| 9.2 Totals, Part 3, Column 14..... | 0 | 0 |
| 10. Deduct current year's other than temporary impairment recognized: | | |
| 10.1 Totals, Part 1, Column 15..... | 0 | |
| 10.2 Totals, Part 3, Column 11..... | 0 | 0 |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)..... | | 0 |
| 12. Deduct total nonadmitted amounts..... | | |
| 13. Statement value at end of current period (Line 11 minus Line 12)..... | | 0 |

NONE

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

| | | |
|--|---|-----------|
| 1. Book /adjusted carrying value, December 31 of prior year..... | | 1,950,532 |
| 2. Cost of bonds and stocks acquired, Part 3, Column 7..... | | 0 |
| 3. Accrual of discount..... | | 0 |
| 4. Unrealized valuation increase (decrease): | | |
| 4.1 Part 1, Column 12..... | 0 | |
| 4.2 Part 2, Section 1, Column 15..... | 0 | |
| 4.3 Part 2, Section 2, Column 13..... | 0 | |
| 4.4 Part 4, Column 11..... | 0 | 0 |
| 5. Total gain (loss) on disposals, Part 4, Column 19..... | | 0 |
| 6. Deduction consideration for bonds and stocks disposed of, Part 4, Column 7..... | | 0 |
| 7. Deduct amortization of premium..... | | 42,303 |
| 8. Total foreign exchange change in book/adjusted carrying value: | | |
| 8.1 Part 1, Column 15..... | 0 | |
| 8.2 Part 2, Section 1, Column 19..... | 0 | |
| 8.3 Part 2, Section 2, Column 16..... | 0 | |
| 8.4 Part 4, Column 15..... | 0 | 0 |
| 9. Deduct current year's other than temporary impairment recognized: | | |
| 9.1 Part 1, Column 14..... | 0 | |
| 9.2 Part 2, Section 1, Column 17..... | 0 | |
| 9.3 Part 2, Section 2, Column 14..... | 0 | |
| 9.4 Part 4, Column 13..... | 0 | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)..... | | 1,908,229 |
| 11. Deduct total nonadmitted amounts..... | | |
| 12. Statement value at end of current period (Line 10 minus Line 11)..... | | 1,908,229 |

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

| Description | | 1 Book/Adjusted Carrying Value | 2 Fair Value | 3 Actual Cost | 4 Par Value of Bonds |
|---|-----------------------------------|--------------------------------------|-----------------|------------------|-------------------------|
| BONDS | | | | | |
| Governments (Including all obligations guaranteed by governments) | 1. United States | 1,908,229 | 1,917,214 | 1,987,039 | 1,900,000 |
| | 2. Canada | | | | |
| | 3. Other Countries | | | | |
| | 4. Totals | 1,908,229 | 1,917,214 | 1,987,039 | 1,900,000 |
| U. S. States, Territories and Possessions (Direct and guaranteed) | 5. Totals | 0 | 0 | 0 | 0 |
| U.S. Political Subdivisions of States, Territories and Possessions (Direct and guaranteed) | 6. Totals | 0 | 0 | 0 | 0 |
| U.S. Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions | 7. Totals | 0 | 0 | 0 | 0 |
| Industrial and Miscellaneous and Credit Tenant Loans and Hybrid Securities (unaffiliated) | 8. United States..... | | | | |
| | 9. Canada..... | | | | |
| | 10. Other Countries | | | | |
| | 11. Totals | 0 | 0 | 0 | 0 |
| Parent, Subsidiaries and Affiliates | 12. Totals | 0 | 0 | 0 | 0 |
| | 13. Total Bonds | 1,908,229 | 1,917,214 | 1,987,039 | 1,900,000 |
| PREFERRED STOCKS | | | | | |
| Industrial and Miscellaneous (unaffiliated) | 14. United States | | | | |
| | 15. Canada | | | | |
| | 16. Other Countries | | | | |
| | 17. Totals | 0 | 0 | 0 | 0 |
| Parent, Subsidiaries and Affiliates | 18. Totals | 0 | 0 | 0 | 0 |
| | 19. Total Preferred Stocks | 0 | 0 | 0 | 0 |
| COMMON STOCKS | | | | | |
| Industrial and Miscellaneous (unaffiliated) | 20. United States | | | | |
| | 21. Canada | | | | |
| | 22. Other Countries | | | | |
| | 23. Totals | 0 | 0 | 0 | 0 |
| Parent, Subsidiaries and Affiliates | 24. Totals | 0 | 0 | 0 | 0 |
| | 25. Total Common Stocks | 0 | 0 | 0 | 0 |
| | 26. Total Stocks | 0 | 0 | 0 | 0 |
| | 27. Total Bonds and Stocks | 1,908,229 | 1,917,214 | 1,987,039 | |

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| Quality Rating per the NAIC Designation | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
|--|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|
| 1. U.S. Governments | | | | | | | | | | | |
| 1.1 Class 1 | | 1,908,229 | | | | 1,908,229 | 100.0 | | | 1,908,229 | |
| 1.2 Class 2 | | | | | | .0 | 0.0 | | | | |
| 1.3 Class 3 | | | | | | .0 | 0.0 | | | | |
| 1.4 Class 4 | | | | | | .0 | 0.0 | | | | |
| 1.5 Class 5 | | | | | | .0 | 0.0 | | | | |
| 1.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 1.7 Totals | 0 | 1,908,229 | 0 | 0 | 0 | 1,908,229 | 100.0 | | | 1,908,229 | 0 |
| 2. All Other Governments | | | | | | | | | | | |
| 2.1 Class 1 | | | | | | .0 | 0.0 | | | | |
| 2.2 Class 2 | | | | | | .0 | 0.0 | | | | |
| 2.3 Class 3 | | | | | | .0 | 0.0 | | | | |
| 2.4 Class 4 | | | | | | .0 | 0.0 | | | | |
| 2.5 Class 5 | | | | | | .0 | 0.0 | | | | |
| 2.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 2.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 3. U.S. States, Territories and Possessions etc., Guaranteed | | | | | | | | | | | |
| 3.1 Class 1 | | | | | | .0 | 0.0 | | | | |
| 3.2 Class 2 | | | | | | .0 | 0.0 | | | | |
| 3.3 Class 3 | | | | | | .0 | 0.0 | | | | |
| 3.4 Class 4 | | | | | | .0 | 0.0 | | | | |
| 3.5 Class 5 | | | | | | .0 | 0.0 | | | | |
| 3.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 3.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed | | | | | | | | | | | |
| 4.1 Class 1 | | | | | | .0 | 0.0 | | | | |
| 4.2 Class 2 | | | | | | .0 | 0.0 | | | | |
| 4.3 Class 3 | | | | | | .0 | 0.0 | | | | |
| 4.4 Class 4 | | | | | | .0 | 0.0 | | | | |
| 4.5 Class 5 | | | | | | .0 | 0.0 | | | | |
| 4.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 4.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 5. U.S. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed | | | | | | | | | | | |
| 5.1 Class 1 | | | | | | .0 | 0.0 | | | | |
| 5.2 Class 2 | | | | | | .0 | 0.0 | | | | |
| 5.3 Class 3 | | | | | | .0 | 0.0 | | | | |
| 5.4 Class 4 | | | | | | .0 | 0.0 | | | | |
| 5.5 Class 5 | | | | | | .0 | 0.0 | | | | |
| 5.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 5.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |

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ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| Quality Rating per the NAIC Designation | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|
| 6. Industrial and Miscellaneous (unaffiliated) | | | | | | | | | | | |
| 6.1 Class 1 | | | | | | .0 | .0.0 | | | | |
| 6.2 Class 2 | | | | | | .0 | .0.0 | | | | |
| 6.3 Class 3 | | | | | | .0 | .0.0 | | | | |
| 6.4 Class 4 | | | | | | .0 | .0.0 | | | | |
| 6.5 Class 5 | | | | | | .0 | .0.0 | | | | |
| 6.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 6.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 7. Credit Tenant Loans | | | | | | | | | | | |
| 7.1 Class 1 | | | | | | .0 | .0.0 | | | | |
| 7.2 Class 2 | | | | | | .0 | .0.0 | | | | |
| 7.3 Class 3 | | | | | | .0 | .0.0 | | | | |
| 7.4 Class 4 | | | | | | .0 | .0.0 | | | | |
| 7.5 Class 5 | | | | | | .0 | .0.0 | | | | |
| 7.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 7.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 8. Hybrid Securities | | | | | | | | | | | |
| 8.1 Class 1 | | | | | | .0 | .0.0 | | | | |
| 8.2 Class 2 | | | | | | .0 | .0.0 | | | | |
| 8.3 Class 3 | | | | | | .0 | .0.0 | | | | |
| 8.4 Class 4 | | | | | | .0 | .0.0 | | | | |
| 8.5 Class 5 | | | | | | .0 | .0.0 | | | | |
| 8.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 8.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 9. Parent, Subsidiaries and Affiliates | | | | | | | | | | | |
| 9.1 Class 1 | | | | | | .0 | .0.0 | | | | |
| 9.2 Class 2 | | | | | | .0 | .0.0 | | | | |
| 9.3 Class 3 | | | | | | .0 | .0.0 | | | | |
| 9.4 Class 4 | | | | | | .0 | .0.0 | | | | |
| 9.5 Class 5 | | | | | | .0 | .0.0 | | | | |
| 9.6 Class 6 | | | | | | 0 | 0.0 | | | | |
| 9.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |

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ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| Quality Rating per the NAIC Designation | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|
| 10. Total Bonds Current Year | | | | | | | | | | | |
| 10.1 Class 1 | (d) 0 | 1,908,229 | 0 | 0 | 0 | 1,908,229 | 100.0 | XXX | XXX | 1,908,229 | 0 |
| 10.2 Class 2 | (d) 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.3 Class 3 | (d) 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.4 Class 4 | (d) 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.5 Class 5 | (d) 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.6 Class 6 | (d) 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.7 Totals | 0 | 1,908,229 | 0 | 0 | 0 | 1,908,229 | 100.0 | XXX | XXX | 1,908,229 | 0 |
| 10.8 Line 10.7 as a % of Col. 6 | 0.0 | 100.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | 0.0 |
| 11. Total Bonds Prior Year | | | | | | | | | | | |
| 11.1 Class 1 | | | | | | XXX | XXX | | | | |
| 11.2 Class 2 | | | | | | XXX | XXX | | | | |
| 11.3 Class 3 | | | | | | XXX | XXX | | | | |
| 11.4 Class 4 | | | | | | XXX | XXX | | | | |
| 11.5 Class 5 | | | | | | XXX | XXX | (c) | | | |
| 11.6 Class 6 | | | | | | XXX | XXX | (c) | | | |
| 11.7 Totals | | | | | | XXX | XXX | (b) | | 0 | 0 |
| 11.8 Line 11.7 as a % of Col. 8 | | | | | | XXX | XXX | | XXX | | |
| 12. Total Publicly Traded Bonds | | | | | | | | | | | |
| 12.1 Class 1 | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.2 Class 2 | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.3 Class 3 | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.4 Class 4 | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.5 Class 5 | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.6 Class 6 | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | XXX |
| 12.8 Line 12.7 as a % of Col. 6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | 0.0 | XXX |
| 12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | 0.0 | XXX |
| 13. Total Privately Placed Bonds | | | | | | | | | | | |
| 13.1 Class 1 | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.2 Class 2 | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.3 Class 3 | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.4 Class 4 | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.5 Class 5 | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.6 Class 6 | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | XXX | 0 |
| 13.8 Line 13.7 as a % of Col. 6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |
| 13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |

(a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
 (b) Includes \$ current year, \$ prior year of bonds with Z designations and \$, current year, \$ prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
 (c) Includes \$ current year, \$ prior year of bonds with 5* designations and \$, current year, \$ prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.
 (d) 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 \$.....

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ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|--|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|-------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| 1. U.S. Governments | | | | | | | | | | | |
| 1.1 Issuer Obligations | | 1,908,229 | | | | 1,908,229 | 100.0 | 1,950,531 | 100.0 | 1,908,229 | |
| 1.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | | | | |
| 1.7 Totals | 0 | 1,908,229 | 0 | 0 | 0 | 1,908,229 | 100.0 | 1,950,531 | | 1,908,229 | 0 |
| 2. All Other Governments | | | | | | | | | | | |
| 2.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 2.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 2.3 Defined | | | | | | 0 | 0.0 | | | | |
| 2.4 Other | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 2.5 Defined | | | | | | 0 | 0.0 | | | | |
| 2.6 Other | | | | | | 0 | 0.0 | | | | |
| 2.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 3. U.S. States, Territories, and Possessions Guaranteed | | | | | | | | | | | |
| 3.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 3.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 3.3 Defined | | | | | | 0 | 0.0 | | | | |
| 3.4 Other | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 3.5 Defined | | | | | | 0 | 0.0 | | | | |
| 3.6 Other | | | | | | 0 | 0.0 | | | | |
| 3.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 4. U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed | | | | | | | | | | | |
| 4.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 4.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 4.3 Defined | | | | | | 0 | 0.0 | | | | |
| 4.4 Other | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 4.5 Defined | | | | | | 0 | 0.0 | | | | |
| 4.6 Other | | | | | | 0 | 0.0 | | | | |
| 4.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 5. U.S. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed | | | | | | | | | | | |
| 5.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 5.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 5.3 Defined | | | | | | 0 | 0.0 | | | | |
| 5.4 Other | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 5.5 Defined | | | | | | 0 | 0.0 | | | | |
| 5.6 Other | | | | | | 0 | 0.0 | | | | |
| 5.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |

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ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 2 (continued)

| Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues | | | | | | | | | | | |
|--|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
| 6. Industrial and Miscellaneous | | | | | | | | | | | |
| 6.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 6.2 Single Class Mortgage-Backed/Asset-Based Securities | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES | | | | | | | | | | | |
| 6.3 Defined | | | | | | 0 | 0.0 | | | | |
| 6.4 Other | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 6.5 Defined | | | | | | 0 | 0.0 | | | | |
| 6.6 Other | | | | | | 0 | 0.0 | | | | |
| 6.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 7. Credit Tenant Loans | | | | | | | | | | | |
| 7.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 7.2 Single Class Mortgage-Backed/Asset-Based Securities | | | | | | 0 | 0.0 | | | | |
| 7.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 8. Hybrid Securities | | | | | | | | | | | |
| 8.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 8.2 Single Class Mortgage-Backed/Asset-Based Securities | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES | | | | | | | | | | | |
| 8.3 Defined | | | | | | 0 | 0.0 | | | | |
| 8.4 Other | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 8.5 Defined | | | | | | 0 | 0.0 | | | | |
| 8.6 Other | | | | | | 0 | 0.0 | | | | |
| 8.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |
| 9. Parents, Subsidiaries and Affiliates | | | | | | | | | | | |
| 9.1 Issuer Obligations | | | | | | 0 | 0.0 | | | | |
| 9.2 Single Class Mortgage-Backed/Asset-Based Securities | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES | | | | | | | | | | | |
| 9.3 Defined | | | | | | 0 | 0.0 | | | | |
| 9.4 Other | | | | | | 0 | 0.0 | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 9.5 Defined | | | | | | 0 | 0.0 | | | | |
| 9.6 Other | | | | | | 0 | 0.0 | | | | |
| 9.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | 0 | 0 |

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ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total From Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|----------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| 10. Total Bonds Current Year | | | | | | | | | | | |
| 10.1 Issuer Obligations | 0 | 1,908,229 | 0 | 0 | 0 | 1,908,229 | 100.0 | XXX | XXX | 1,908,229 | 0 |
| 10.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.3 Defined | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.5 Defined | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.6 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.7 Totals | 0 | 1,908,229 | 0 | 0 | 0 | 1,908,229 | 100.0 | XXX | XXX | 1,908,229 | 0 |
| 10.8 Line 10.7 as a % of Col. 6 | 0.0 | 100.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | 0.0 |
| 11. Total Bonds Prior Year | | | | | | | | | | | |
| 11.1 Issuer Obligations | | | | | | XXX | XXX | 1,950,531 | | | |
| 11.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | XXX | XXX | | | | |
| 11.3 Defined | | | | | | XXX | XXX | | | | |
| 11.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | | | | | | XXX | XXX | | | | |
| 11.5 Defined | | | | | | XXX | XXX | | | | |
| 11.6 Other | | | | | | XXX | XXX | | | | |
| 11.7 Totals | 0 | 0 | 0 | 0 | 0 | XXX | XXX | | | 0 | 0 |
| 11.8 Line 11.7 as a % of Col. 8 | | | | | | XXX | XXX | | XXX | | |
| 12. Total Publicly Traded Bonds | | | | | | | | | | | |
| 12.1 Issuer Obligations | | 1,908,229 | | | | 1,908,229 | 100.0 | | | 1,908,229 | XXX |
| 12.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.3 Defined | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.5 Defined | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.6 Other | | | | | | 0 | 0.0 | | | 0 | XXX |
| 12.7 Totals | 0 | 1,908,229 | 0 | 0 | 0 | 1,908,229 | 100.0 | | | 1,908,229 | XXX |
| 12.8 Line 12.7 as a % of Col. 6 | 0.0 | 100.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | XXX |
| 12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10 | 0.0 | 100.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | XXX |
| 13. Total Privately Placed Bonds | | | | | | | | | | | |
| 13.1 Issuer Obligations | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.3 Defined | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.5 Defined | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.6 Other | | | | | | 0 | 0.0 | | | XXX | 0 |
| 13.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | | | XXX | 0 |
| 13.8 Line 13.7 as a % of Col. 6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |
| 13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |

S110

Schedule DA - Verification

NONE

Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY

NONE

Schedule DB - Part C - VBY

NONE

Schedule DB - Part D - VBY

NONE

Schedule DB - Part E - VBY

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule E - Verification

NONE

Schedule A - Part 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

| 1 CUSIP Identification | 2 Description | Codes | | | 6 NAIC Designation | 7 Actual Cost | Fair Value | | 10 Par Value | 11 Book / Adjusted Carrying Value | Change in Book Adjusted Carrying Value | | | | Interest | | | | | Dates | | |
|---------------------------|--|-----------|--------------------------------------|----------------|-----------------------|------------------|-------------------------------------|-----------------|-----------------|--------------------------------------|---|--|---|--|---------------|-------------------------|-----------------|-------------------------------------|-------------------------------|----------------|----------------|-----|
| | | 3 Code | 4 F o r e i g n | 5 Bond CHAR | | | 8 Rate Used To Obtain Fair Value | 9 Fair Value | | | 12 Unrealized Valuation Increase/ (Decrease) | 13 Current Year's (Amortization)/ Accretion | 14 Current Year's Other Than Temporary Impairment Recognized | 15 Total Foreign Exchange Change in B./A.C.V. | 16 Rate of | 17 Effective Rate of | 18 When Paid | 19 Admitted Amount Due & Accrued | 20 Amount Rec. During Year | 21 Acquired | 22 Maturity | |
| 3133XJ-US-5 | FHLB Bond | | | | 1 | 1,987,039 | 1,917,214 | 1,900,000 | 1,908,229 | | | (42,303) | | 5.000 | 2.699 | MAT | 31,139 | 95,000 | 02/20/2008 | 03/12/2010 | | |
| 0199999 | Total Bonds - U.S. Government - Issuer Obligations | | | | | 1,987,039 | 1,917,214 | 1,900,000 | 1,908,229 | | | (42,303) | | XXX | XXX | XXX | 31,139 | 95,000 | XXX | XXX | | |
| 0399999 | Total - U.S. Government Bonds | | | | | 1,987,039 | 1,917,214 | 1,900,000 | 1,908,229 | | | (42,303) | | XXX | XXX | XXX | 31,139 | 95,000 | XXX | XXX | | |
| 7799999 | Total - Issuer Obligations | | | | | 1,987,039 | 1,917,214 | 1,900,000 | 1,908,229 | | | 0 | (42,303) | 0 | 0 | XXX | XXX | XXX | 31,139 | 95,000 | XXX | XXX |
| 8399999 Totals | | | | | | 1,987,039 | 1,917,214 | 1,900,000 | 1,908,229 | 0 | (42,303) | 0 | 0 | XXX | XXX | XXX | 31,139 | 95,000 | XXX | XXX | | |

E10

Schedule D - Part 2 - Section 1

NONE

Schedule D - Part 2 - Section 2

NONE

Schedule D - Part 3

NONE

Schedule D - Part 4

NONE

Schedule D - Part 5

NONE

Schedule D - Part 6 - Section 1

NONE

Schedule D - Part 6 - Section 2

NONE

Schedule DA - Part 1

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part A - Section 2

NONE

Schedule DB - Part A - Section 3

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part B - Section 2

NONE

Schedule DB - Part B - Section 3

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Part C - Section 3

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DB - Part D - Section 3

NONE

Schedule DB - Part E - Section 1

NONE

Schedule E - Part 2 - Cash Equivalents

NONE

Schedule E - Part 3

NONE

Premier Behavioral Health of TN, LLC.
BHO TennCare Operations Statement of Revenue and Expenses
For the Year Ending December 31, 2009
Report 2A

| | Current Quarter Total | Year to Date Total |
|--|--------------------------|-----------------------|
| Member Months | 0 | 564,027 |
| Revenues | | |
| TennCare Capitation | 204,855 | 32,042,869 |
| Risk Share Revenue | (483,895) | 4,078,066 |
| Investment (Interest) | 13,615 | 61,197 |
| Other Revenues | 325,796 | 325,796 |
| Total Revenues | 60,372 | 36,507,928 |
| Expenses | | |
| Mental Health & Substance Services | | |
| Inpatient Psychiatric Facility services | 0 | 7,369,837 |
| Inpatient Substance Abuse Treatment and Detox | 0 | 405,943 |
| Outpatient Mental Health Services | (231,777) | 12,760,511 |
| Outpatient Substance Abuse Treatment and Detox | (13,963) | 768,600 |
| Housing/Residential Treatment | 0 | 4,708,604 |
| Specialized Crisis Services | 0 | 725,443 |
| Psychiatric Rehab and Support Services | 0 | 242,000 |
| Case Management | (5,952) | 5,629,884 |
| Forensics | | |
| Other Judicial | | |
| Pharmacy | | |
| Lab Services | (4,718) | 160,462 |
| Transportation | (7,016) | 826,357 |
| Medical Incentive Pool and Withhold Adjustments | | |
| Occupancy, Depreciation and Amortization | | 0 |
| Other Mental Health and Substance Abuse Services | | 0 |
| PCP and Specialists Services | | |
| Subtotal | (263,426) | 33,597,641 |
| Reinsurance Expense Net of Recoveries | | |
| Less: | | |
| Copayments | | |
| Subrogation | | |
| Coordination of Benefits | | |
| Subtotal | | |
| Total Medical and Substance Abuse | (263,426) | 33,597,641 |
| Claim Adjustment Expense | 2,049 | 320,429 |
| Administration ¹ | | |
| Rent | 261 | 40,748 |
| Salaries and Wages | 9,370 | 1,465,674 |
| Contributions for benefit plans for employees | | |
| Payments to employees under non-funded benefit plans | | |
| Other employee welfare | 28 | 4,413 |
| Legal fees and expenses | 108 | 16,826 |
| Medical examination fees | | |
| Utilization management | | |
| Certifications and accreditation | 1 | 126 |
| Auditing, actuarial and other consulting services | 14,019 | 212,260 |
| Traveling expenses | 342 | 53,469 |
| Marketing and advertising | 224 | 35,115 |
| Postage, express, telegraph and telephone | 418 | 65,412 |
| Printing and stationary | (25,119) | 77,810 |
| Occupancy, depreciation and amortization | 4,271 | 669,839 |
| Rental of equipment | 7 | 1,037 |
| Outsourced services includes EDP, claims, and other services | (8) | (1,178) |
| Books and periodicals | | |
| Boards, bureaus and association fees | 56 | 8,752 |
| Insurance, except on real estate | | - |
| Collection and bank service charges | 7,047 | 38,215 |
| Group service and administration fees | | |
| Reimbursements from fiscal intermediaries | | |
| Real estate expenses | 5 | 778 |
| Real estate taxes | | |
| Bad Debt Expense | | |
| Taxes, licenses and fees: | | |
| State and local insurance taxes | | |
| State premium taxes | 320,215 | 1,048,215 |
| Insurance department licenses and fees | | |
| Payroll taxes | | |
| Other (excluding federal income and real estate taxes) | 37,841 | 140,587 |
| Investment expenses not included elsewhere | | |
| Total Administrative Expenses | 369,086 | 3,878,098 |
| Total Expenses | 107,709 | 37,796,167 |
| Net Income (Loss) | (47,337) | (1,288,240) |

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