

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	903,399		903,399	1,908,229
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$4,402,770), cash equivalents (\$0) and short-term investments (\$0)	4,402,770		4,402,770	15,666,926
6. Contract loans (including \$premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	0		0	0
9. Receivables for securities			0	0
10. Aggregate write-ins for invested assets	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10)	5,306,169	0	5,306,169	17,575,155
12. Title plants less \$ charged off (for Title insurers only)			0	0
13. Investment income due and accrued	3,263		3,263	31,139
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	19,778		19,778	386,648
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
14.3 Accrued retrospective premiums			0	0
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers			0	0
15.2 Funds held by or deposited with reinsured companies			0	0
15.3 Other amounts receivable under reinsurance contracts			0	0
16. Amounts receivable relating to uninsured plans			0	0
17.1 Current federal and foreign income tax recoverable and interest thereon			0	0
17.2 Net deferred tax asset			0	0
18. Guaranty funds receivable or on deposit			0	0
19. Electronic data processing equipment and software			0	0
20. Furniture and equipment, including health care delivery assets (\$)			0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
22. Receivables from parent, subsidiaries and affiliates	92,029	92,029	0	0
23. Health care (\$) and other amounts receivable			0	0
24. Aggregate write-ins for other than invested assets	0	0	0	0
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	5,421,238	92,029	5,329,210	17,992,942
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
27. Total (Lines 25 and 26)	5,421,238	92,029	5,329,210	17,992,942
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)	0	0	0	0
2401. Risk Share Receivable.....			0	0
2402. ASO Receivable.....			0	0
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	582,511		582,511	1,085,160
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	85,010		85,010	85,010
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	22,441		22,441	22,564
16. Derivatives			0	0
17. Payable for securities			0	0
18. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
19. Reinsurance in unauthorized companies			0	0
20. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
21. Liability for amounts held under uninsured plans			0	0
22. Aggregate write-ins for other liabilities (including \$ current)	369,524	0	369,524	12,534,391
23. Total liabilities (Lines 1 to 22)	1,059,487	0	1,059,487	13,727,125
24. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
25. Common capital stock	XXX	XXX	0	0
26. Preferred capital stock	XXX	XXX	0	0
27. Gross paid in and contributed surplus	XXX	XXX	20,945,279	20,945,279
28. Surplus notes	XXX	XXX	0	0
29. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
30. Unassigned funds (surplus)	XXX	XXX	(16,675,556)	(16,679,462)
31. Less treasury stock, at cost:				
31.1 shares common (value included in Line 25) \$)	XXX	XXX	0	0
31.2 shares preferred (value included in Line 26) \$)	XXX	XXX	0	0
32. Total capital and surplus (Lines 24 to 30 minus Line 31)	XXX	XXX	4,269,723	4,265,817
33. Total liabilities, capital and surplus (Lines 23 and 32)	XXX	XXX	5,329,210	17,992,942
DETAILS OF WRITE-INS				
2201. Premium Tax Payable	(248,704)		(248,704)	(211,165)
2202. Risk Share Payable	465,792		465,792	12,617,010
2203. Stale Check Liability	152,437		152,437	128,546
2298. Summary of remaining write-ins for Line 22 from overflow page	0	0	0	0
2299. Totals (Lines 2201 through 2203 plus 2298) (Line 22 above)	369,524	0	369,524	12,534,391
2401.	XXX	XXX		
2402.	XXX	XXX		
2403.	XXX	XXX		
2498. Summary of remaining write-ins for Line 24 from overflow page	XXX	XXX	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	XXX	XXX	0	0
2901.	XXX	XXX		
2902.	XXX	XXX		
2903.	XXX	XXX		
2998. Summary of remaining write-ins for Line 29 from overflow page	XXX	XXX	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months.....	XXX	.0	422,986	564,027
2. Net premium income (including \$ non-health premium income).....	XXX	14,660	23,945,221	32,280,088
3. Change in unearned premium reserves and reserve for rate credits	XXX		.0	.0
4. Fee-for-service (net of \$ medical expenses)	XXX		.0	.0
5. Risk revenue	XXX		.0	.0
6. Aggregate write-ins for other health care related revenues	XXX	13,725	142,919	4,146,177
7. Aggregate write-ins for other non-health revenues	XXX	.0	.0	.0
8. Total revenues (Lines 2 to 7)	XXX	28,384	24,088,140	36,426,265
Hospital and Medical:				
9. Hospital/medical benefits		(9,800)	14,653,580	20,670,738
10. Other professional services		(47,573)	9,617,592	12,926,903
11. Outside referrals .....			.0	.0
12. Emergency room and out-of-area .....			.0	.0
13. Prescription drugs .....			.0	.0
14. Aggregate write-ins for other hospital and medical.....	.0	.0	.0	.0
15. Incentive pool, withhold adjustments and bonus amounts.....			.0	.0
16. Subtotal (Lines 9 to 15) .....	.0	(57,373)	24,271,172	33,597,641
Less:				
17. Net reinsurance recoveries .....			.0	.0
18. Total hospital and medical (Lines 16 minus 17) .....	.0	(57,373)	24,271,172	33,597,641
19. Non-health claims (net).....			.0	.0
20. Claims adjustment expenses, including \$ cost containment expenses.....		(14)	239,452	319,575
21. General administrative expenses.....		31,182	2,516,271	3,867,755
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	(26,205)	27,026,895	37,784,971
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	54,589	(2,938,755)	(1,358,706)
25. Net investment income earned		8,577	33,967	61,197
26. Net realized capital gains (losses) less capital gains tax of \$.....			.0	.0
27. Net investment gains (losses) (Lines 25 plus 26) .....	.0	8,577	33,967	61,197
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$ ..... ) .....			.0	.0
29. Aggregate write-ins for other income or expenses .....	.0	.0	.0	.0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	63,167	(2,904,788)	(1,297,509)
31. Federal and foreign income taxes incurred	XXX		.0	.0
32. Net income (loss) (Lines 30 minus 31)	XXX	63,167	(2,904,788)	(1,297,509)
DETAILS OF WRITE-INS				
0601. Risk Share Revenue.....	XXX	13,725	142,919	4,146,177
0602.	XXX			
0603.	XXX			
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	13,725	142,919	4,146,177
0701.	XXX			
0702.	XXX			
0703.	XXX			
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	.0	.0	.0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	.0	.0	.0
1401.				
1402.				
1403.				
1498. Summary of remaining write-ins for Line 14 from overflow page .....	.0	.0	.0	.0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	.0	.0	.0	.0
2901.				
2902.				
2903.				
2998. Summary of remaining write-ins for Line 29 from overflow page .....	.0	.0	.0	.0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	.0	.0	.0	.0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT:			
33. Capital and surplus prior reporting year.....	4,265,817	8,723,349	8,723,349
34. Net income or (loss) from Line 32.....	63,167	(2,904,788)	(1,297,509)
35. Change in valuation basis of aggregate policy and claim reserves.....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....		0	0
37. Change in net unrealized foreign exchange capital gain or (loss).....		0	0
38. Change in net deferred income tax.....		0	0
39. Change in nonadmitted assets.....	(59,261)	24,033	139,977
40. Change in unauthorized reinsurance.....	0	0	0
41. Change in treasury stock.....		0	0
42. Change in surplus notes.....	0	0	0
43. Cumulative effect of changes in accounting principles.....		0	0
44. Capital Changes:			
44.1 Paid in.....		0	0
44.2 Transferred from surplus (Stock Dividend).....		0	0
44.3 Transferred to surplus.....		0	0
45. Surplus adjustments:			
45.1 Paid in.....		0	0
45.2 Transferred to capital (Stock Dividend).....	0	0	0
45.3 Transferred from capital.....		0	0
46. Dividends to stockholders.....		0	(3,300,000)
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	3,906	(2,880,755)	(4,457,532)
49. Capital and surplus end of reporting period (Line 33 plus 48)	4,269,723	5,842,594	4,265,817
DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	(11,755,965)	24,739,238	33,432,100
2. Net investment income.....	45,151	54,680	102,180
3. Miscellaneous income.....	0	0	0
4. Total (Lines 1 to 3).....	(11,710,814)	24,793,918	33,534,280
5. Benefit and loss related payments.....	445,262	24,116,836	39,266,243
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	104,212	2,625,754	4,102,541
8. Dividends paid to policyholders.....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0	0
10. Total (Lines 5 through 9).....	549,475	26,742,590	43,368,784
11. Net cash from operations (Line 4 minus Line 10).....	(12,260,289)	(1,948,671)	(9,834,504)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	1,900,000	0	0
12.2 Stocks.....	0	0	0
12.3 Mortgage loans.....	0	0	0
12.4 Real estate.....	0	0	0
12.5 Other invested assets.....	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0	0
12.7 Miscellaneous proceeds.....	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,900,000	0	0
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....	903,867	0	0
13.2 Stocks.....	0	0	0
13.3 Mortgage loans.....	0	0	0
13.4 Real estate.....	0	0	0
13.5 Other invested assets.....	0	0	0
13.6 Miscellaneous applications.....	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	903,867	0	0
14. Net increase (or decrease) in contract loans and premium notes.....	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	996,133	0	0
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds.....	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0	0
16.5 Dividends to stockholders.....	0	0	3,300,000
16.6 Other cash provided (applied).....	0	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	0	0	(3,300,000)
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).....	(11,264,156)	(1,948,671)	(13,134,504)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	15,666,927	28,801,430	28,801,430
19.2 End of period (Line 18 plus Line 19.1).....	4,402,771	26,852,759	15,666,927

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

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

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. First Quarter .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. Second Quarter .....	.0									
4. Third Quarter .....	.0									
5. Current Year .....	.0									
6. Current Year Member Months .....	.0								.0	
Total Member Ambulatory Encounters for Period:										
7. Physician .....	.0								.0	
8. Non-Physician .....	.0								.0	
9. Total .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
10. Hospital Patient Days Incurred .....	.0								.0	
11. Number of Inpatient Admissions .....	.0								.0	
12. Health Premiums Written(a)	14,660								14,660	
13. Life Premiums Direct .....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned	14,660								14,660	
16. Property/Casualty Premiums Earned .....	.0									
17. Amount Paid for Provision of Health Care Services	445,276								445,276	
18. Amount Incurred for Provision of Health Care Services	(57,373)								(57,373)	

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

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims unpaid (Reported)						
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0199999 Individually listed claims unpaid	0	0	0	0	0	0
0299999 Aggregate accounts not individually listed-uncovered						0
0399999 Aggregate accounts not individually listed-covered						0
0499999 Subtotals	0	0	0	0	0	0
0599999 Unreported claims and other claim reserves	XXX	XXX	XXX	XXX	XXX	582,511
0699999 Total amounts withheld	XXX	XXX	XXX	XXX	XXX	
0799999 Total claims unpaid	XXX	XXX	XXX	XXX	XXX	582,511
0899999 Accrued medical incentive pool and bonus amounts	XXX	XXX	XXX	XXX	XXX	

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STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

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

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec. 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital 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 .....					.0	.0
6. Title XVIII - Medicare .....					.0	.0
7. Title XIX - Medicaid	445,276	.0	582,511	.0	1,027,787	1,085,160
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	445,276	.0	582,511	.0	1,027,787	1,085,160
10. Healthcare receivables (a) .....					.0	.0
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals	445,276	0	582,511	0	1,027,787	1,085,160

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

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NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

Note 2 - Accounting Changes and Corrections of Errors

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

Note 3 - Business Combinations and Goodwill

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

Note 4 - Discontinued Operations

No significant change.

Note 5 - Investments

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

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

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

Note 7 - Investment Income

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

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

NOTES TO FINANCIAL STATEMENTS

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

F. Consolidated federal income tax – No significant change.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship – No significant change.
B. Description of transactions –
 a. Accounts payable paid by the parent (Magellan Health Service) - \$59,261
 b. Management fees paid to Magellan and AdvoCare of Tennessee (“AdvoCare”) – see below.
C. Dollar amount of transactions – The Company returned \$123 in management fees to the parent for the six months ended June 30, 2010.
D. Amounts due to/from related parties – Balances as of June 30, 2010
 a. Due from TBH – \$0
 b. Due to Advocare – (\$22,441)
 c. Due from Magellan – \$492,029
E. Guarantees or undertakings for benefit of affiliate – No significant change
F. Material management or service contracts and cost sharing arrangements with related parties – No significant change.
G. Common ownership or control – No significant change.
H. No significant change
I. Investment in SCA that exceeds 10% - No significant change.
J. Investments in impaired SCA entities – No significant change.
K. Investment in a foreign insurance subsidiary – No significant change.

Note 11 - Debt

No significant change.

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

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

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

No significant change.

Note 14 - Contingencies

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

Note 15 - Leases

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

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

No significant change.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

No significant change.

Note 20 - Other Items

- A. Extraordinary items - No significant change.
B. Troubled Debt Restructuring: Debtor - No significant change.
C. Other Disclosures – No significant change.
 a. 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, with the exception of TennCare Select Children, which it continued to manage through August 31, 2009. As of September 1, 2009, the Company no longer manages any TennCare recipients.
 b. Effective February 2009, all TennCare Select members that was enrolled with Tennessee Behavioral Health, an affiliate of the Company, was moved to Premier.
D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – No significant change
E. Business Interruption Insurance Recoveries – No significant change.
F. Hybrid Securities – No significant change.
G. State Transferable tax credits – No significant change.
H. Impact of Medicare Modernization Act – No significant change.

Note 21 - Events Subsequent

None

Note 22 - Reinsurance

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

Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

Note 24 - Change in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2009 were \$1,085,160. As of June 30, 2010 \$445,276 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$582,511 as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been \$57,373 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 know regarding individual claims.

Note 25 - Intercompany Pooling Arrangements

No significant change.

Note 26 - Structured Settlements

No significant change.

Note 27 - Health Care Receivables

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

Note 28 - Participating Policies

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

NOTES TO FINANCIAL STATEMENTS

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

Note 29 - Premium Deficiency Reserves

No significant change.

Note 30 - Anticipated Salvage and Subrogation

No significant change.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

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

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

- 9.2 Has the code of ethics for senior managers been amended?..... Yes No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes No

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes No

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 92,029

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes No

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

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0

13. Amount of real estate and mortgages held in short-term investments: \$ 0

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes No

14.2 If yes, please complete the following:

	1		2	
	Prior Year-End Book/Adjusted Carrying Value		Current Quarter Book/Adjusted Carrying Value	
14.21 Bonds	\$		\$	
14.22 Preferred Stock	\$		\$	
14.23 Common Stock	\$		\$	
14.24 Short-Term Investments	\$		\$	
14.25 Mortgage Loans on Real Estate	\$		\$	
14.26 All Other	\$		\$	
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$0		\$0	
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$		\$	

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No

- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No
 If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - 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 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes [] No [X]

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

1 Name of Custodian(s)	2 Custodian Address

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

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

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

Yes [] No [X]

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address

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

Yes [X] No []

17.2 If no, list exceptions:

.....

GENERAL INTERROGATORIES
PART 2 - HEALTH

1.		1 Amount
	1. Operating Percentages:	
	1.1 A&H loss percent.....	(391.4) %
	1.2 A&H cost containment percent.....	0.0%
	1.3 A&H expense percent excluding cost containment expenses.....	%
	2.1 Do you act as a custodian for health savings accounts?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
	2.2 If yes, please provide the amount of custodial funds held as of the reporting date.	\$.....
	2.3 Do you act as an administrator for health savings accounts?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
	2.4 If yes, please provide the balance of funds administered as of the reporting date.	\$.....

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Location	6 Type of Reinsurance Ceded	7 Is Insurer Authorized? (Yes or No)
			ACCIDENT AND HEALTH AFFILIATES			
			ACCIDENT AND HEALTH NON-AFFILIATES			
			LIFE AND ANNUITY AFFILIATES			
			LIFE AND ANNUITY NON-AFFILIATES			
			PROPERTY/CASUALTY AFFILIATES			
			PROPERTY/CASUALTY NON-AFFILIATES			
NONE						

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

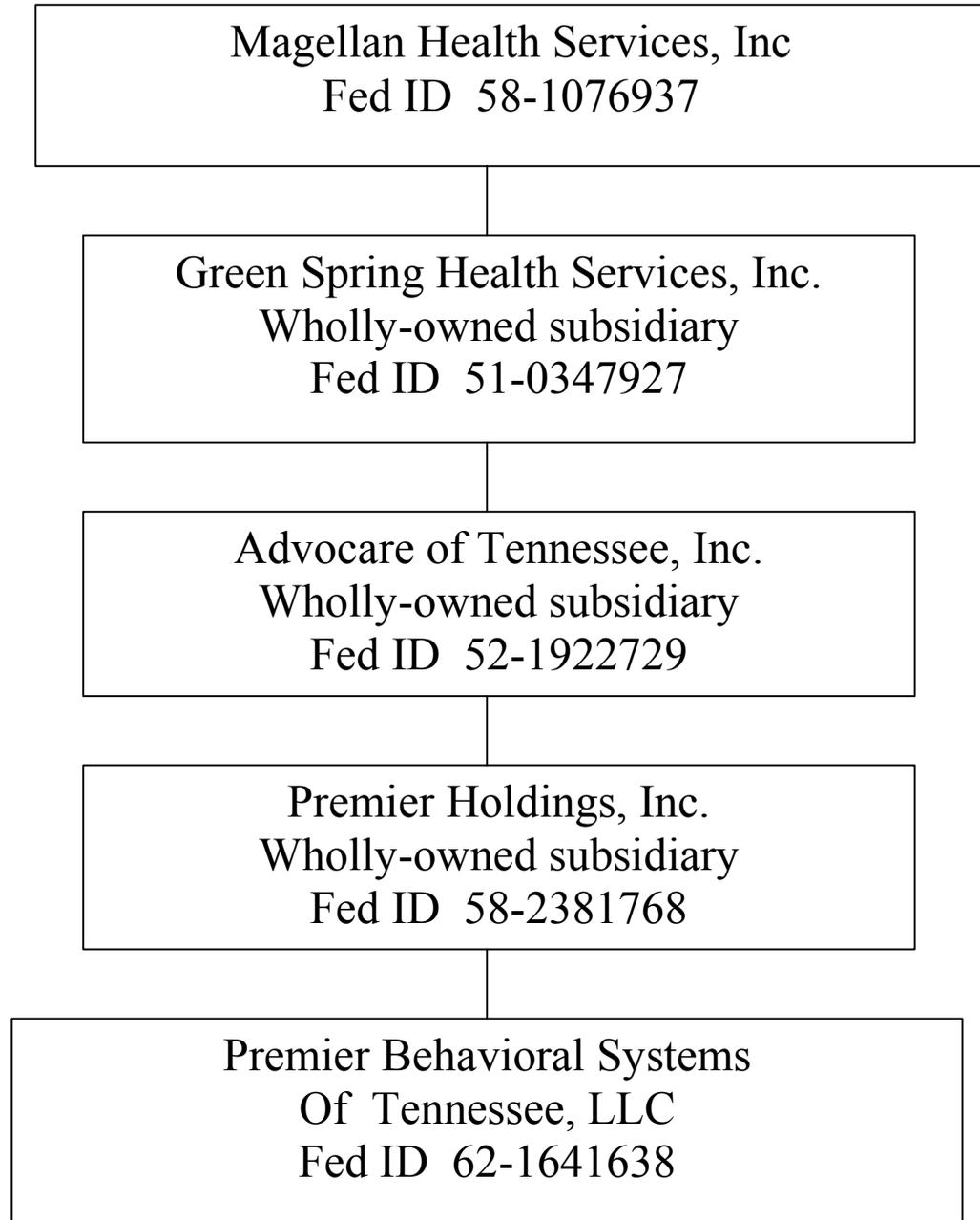
Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL								.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. Dist. 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	L		14,660					14,660	
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	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Subtotal		XXX	.0	.0	14,660	.0	.0	.0	14,660	.0
60. Reporting entity contributions for Employee Benefit Plans		XXX							.0	
61. Total (Direct Business)	(a) 1	0	0	14,660	0	0	0	0	14,660	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
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		XXX	0	0	0	0	0	0	0	0

(L) Licensed or Chartered – Licensed Insurance Carrier or Domiciled RRG; (R) Registered – Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible – Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above – Not allowed to write business in the state.

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

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



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

RESPONSE

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

.....NO.....

Explanation:

1.

Bar Code:

1. 
0 0 0 0 0 2 0 1 0 3 6 5 0 0 0 0 2

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION

Real Estate

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

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance	0	0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

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

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	1,908,229	1,950,532
2. Cost of bonds and stocks acquired	903,867	0
3. Accrual of discount	0	0
4. Unrealized valuation increase (decrease)	0	0
5. Total gain (loss) on disposals	0	0
6. Deduct consideration for bonds and stocks disposed of	1,900,000	0
7. Deduct amortization of premium	8,697	42,303
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	903,399	1,908,229
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	903,399	1,908,229

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	.0	903,867	.0	(469)	.0	903,398	.0	1,908,229
2. Class 2 (a).....	.0				.0	.0	.0	.0
3. Class 3 (a).....	.0				.0	.0	.0	.0
4. Class 4 (a).....	.0				.0	.0	.0	.0
5. Class 5 (a).....	.0				.0	.0	.0	.0
6. Class 6 (a).....	0				0	0	0	0
7. Total Bonds	0	903,867	0	(469)	0	903,398	0	1,908,229
PREFERRED STOCK								
8. Class 1.....	.0				.0	.0	.0	.0
9. Class 2.....	.0				.0	.0	.0	.0
10. Class 3.....	.0				.0	.0	.0	.0
11. Class 4.....	.0				.0	.0	.0	.0
12. Class 5.....	.0				.0	.0	.0	.0
13. Class 6.....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	0	903,867	0	(469)	0	903,398	0	1,908,229

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

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SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Carrying Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	NONE				
		XXX			

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	.0	.0
2. Cost of short-term investments acquired .....		.0
3. Accrual of discount.....		.0
4. Unrealized valuation increase (decrease).....		.0
5. Total gain (loss) on disposals.....		.0
6. Deduct consideration received on disposals.....		.0
7. Deduct amortization of premium.....		.0
8. Total foreign exchange change in book/adjusted carrying value.....		.0
9. Deduct current year's other than temporary impairment recognized.....		.0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	.0	.0
11. Deduct total nonadmitted amounts.....		.0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

SCHEDULE DB - PART A - VERIFICATION

Options, Calls, Puts, Collars, Swaps, Forwards

NONE

1. Book/Adjusted Carrying Value, December 31, prior year (Line 8 of prior year)	.....
2. Cost (Paid)/Consideration Received on additions	.....
3. Unrealized Valuation increase/(decrease)	.....
4. Total gain (loss) on termination recognized	.....
5. Considerations received/(paid) on terminations	.....
6. Amortization	.....
7. Adjustment to the Book/Adjusted Carrying Value of hedged item	.....
8. Total foreign exchange change in Book/Adjusted Carrying Value	.....
9. Book/Adjusted Carrying Value at End of Current Period (Lines 1+2+3+4-5+6+7+8)	.....	0
10. Deduct nonadmitted assets	.....
11. Statement value at end of current period (Line 9 minus Line 10)	.....	0

SCHEDULE DB - PART B - VERIFICATION

Futures Contracts

1. Book/Adjusted carrying value, December 31 of prior year	.....
2. Net cash deposits (Section 1, Broker Name/Net Cash Deposits Footnote)	.....	0
3.1 Change in variation margin on open contracts	.....
3.2 Add:		
Change in adjustment to basis of hedged item		
3.21 Section 1, Column 16, current year to date minus	.....	0
3.22 Section 1, Column 16, prior year	.....	0
Change in amount recognized		
3.23 Section 1, Column 15, current year to date minus	.....	0
3.24 Section 1, Column 15, prior year	.....	0
3.3 Subtotal (Line 3.1 minus Line 3.2)	.....	0
4.1 Variation margin on terminated contracts during the year	.....
4.2 Less:		
4.21 Amount used to adjust basis of hedged item	.....
4.22 Amount recognized	.....	0
4.3 Subtotal (Line 4.1 minus Line 4.2)	.....	0
5. Dispositions gains (losses) on contracts terminated in prior year:		
5.1 Recognized	.....
5.2 Used to adjust basis of hedged items	.....
6. Book/Adjusted carrying value at end of current period (Lines 1+2+3.3-4.3-5.1-5.2)	.....	0
7. Deduct total nonadmitted amounts	.....
8. Statement value at end of current period (Line 6 minus Line 7)	.....	0

SCHEDULE DB - PART C- SECTION 1

Replication (Synthetic Asset) Transactions Open as of Current Statement Date

Replication (Synthetic Asset) Transactions								Components of the Replication (Synthetic Asset) Transactions										
1 Number	2 Description	3 NAIC Designation or Other Description	4 Notional Amount	5 Book/Adjusted Carrying Value	6 Fair Value	7 Effective Date	8 Maturity Date	Derivative Instruments Open			Cash Instrument(s) Held							
								9 Description	10 Book/Adjusted Carrying Value	11 Fair Value	12 CUSIP	13 Description	14 NAIC Designation or Other Description	15 Book/Adjusted Carrying Value	16 Fair Value			
NONE																		
9999999 Totals																		
						XXX	XXX	XXX				XXX	XXX	XXX				

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE DB - PART C - SECTION 2

Replication (Synthetic Asset) Transactions Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date		
	1 Number of Positions	2 Total Replication (Synthetic Assets) Transactions Statement Value	3 Number of Positions	4 Total Replication (Synthetic Assets) Transactions Statement Value	5 Number of Positions	6 Total Replication (Synthetic Assets) Transactions Statement Value	7 Number of Positions	8 Total Replication (Synthetic Assets) Transactions Statement Value	9 Number of Positions	10 Total Replication (Synthetic Assets) Transactions Statement Value	
1. Beginning Inventory .....	.0	.0	NONE		.0	.0	.0	.0	.0	.0	
2. Add: Opened or Acquired Transactions .....					.0	.0	.0	.0	.0	.0	.0
3. Add: Increases in Replication(Synthetic Asset) Transactions Statement Value	XXX				XXX	XXX	XXX	XXX	XXX	XXX	.0
4. Less: Closed or Disposed of Transactions .....										.0	.0
5. Less: Positions Disposed of for Failing Effectiveness Criteria .....										.0	.0
6. Less: Decreases in Replication (Synthetic Asset)Transactions Statement Value	XXX				XXX	XXX	XXX	XXX	XXX	XXX	.0
7. Ending Inventory	0	0			0	0	0	0	0	0	0

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE DB - VERIFICATION

Verification of Book/Adjusted Carrying Value, Fair Value and Potential Exposure of all Open Derivative Contracts

Book/Adjusted Carrying Value Check

1. Part A, Section 1, Column 14.....	0
2. Part B, Section 1, Net Broker Cash Deposit Write-in (Footnote).....	
3. Part B, Section 1 Column 17.....	0
4. Subtotal (Line 2 minus Line 3).....	0
5. Total (Line 1 plus Line 4).....	0
6. Part D, Column 5.....	0
7. Part D, Column 6.....	0
8. Total (Line 5 minus Line 6 minus Line 7).....	0

NONE

Fair Value Check

9. Part A, Section 1, Column 16.....	0
10. Part B, Section 1, Column 2 (Number of Contracts) multiplied by Column 12 (Reporting Date Price).....	
11. Total (Line 9 plus Line 10).....	0
12. Part D, Column 8.....	0
13. Part D, Column 9.....	0
14. Total (Line 11 minus Line 12 minus Line 13).....	0

Potential Exposure Check

15. Part A, Section 1, Column 21.....	0
16. Part B, Section 1, Column 18.....	0
17. Part D, Column 11.....	0
18. Total (Line 15 plus Line 16 minus Line 17).....	0

7107

SCHEDULE E-VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	0
2. Cost of cash equivalents acquired.....		0
3. Accrual of discount.....		0
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals.....		0
7. Deduct amortization of premium.....		0
8. Total foreign exchange change in book/adjusted carrying value.....		0
9. Deduct current year's other than temporary impairment recognized.....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	0	0
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

NONE

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE A - PART 2

Showing All Real Estate ACQUIRED AND ADDITIONS MADE During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost at Time of Acquisition	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Additional Investment Made After Acquisition
	2 City	3 State						
NONE								
0399999 - Totals								

SCHEDULE A - PART 3

Showing All Real Estate DISPOSED During the Quarter, Including Payments During the Final Year on "Sales under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Expended for Additions, Permanent Improvements and Changes in Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances Prior Year	Change in Book/Adjusted Carrying Value Less Encumbrances					14 Book/Adjusted Carrying Value Less Encumbrances on Disposal	15 Amounts Received During Year	16 Foreign Exchange Gain (Loss) on Disposal	17 Realized Gain (Loss) on Disposal	18 Total Gain (Loss) on Disposal	19 Gross Income Earned Less Interest Incurred on Encumbrances	20 Taxes, Repairs and Expenses Incurred
	2 City	3 State						9 Current Year's Depreciation	10 Current Year's Other Than Temporary Impairment Recognized	11 Current Year's Change in Encumbrances	12 Total Change in B./A.C.V. (11-9-10)	13 Total Foreign Exchange Change in B./A.C.V.							
NONE																			
0399999 Totals																			

EO1

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE B - PART 2

Showing All Mortgage Loans ACQUIRED AND ADDITIONS MADE During the Current Quarter

1	Location		4	5	6	7	8	9
Loan Number	City	State	Loan Type	Date Acquired	Rate of Interest	Actual Cost at Time of Acquisition	Additional Investment Made after Acquisitions	Value of Land and Buildings
NONE								
3399999 Totals								

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

1	Location		4	5	6	7	Change in Book Value/Recorded Investment						14	15	16	17	18
Loan Number	City	State	Loan Type	Date Acquired	Disposal Date	Book Value/Recorded Investment Excluding Accrued Interest Prior Year	8	9	10	11	12	13	14	15	16	17	18
							Unrealized Valuation Increase (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Capitalized Deferred Interest and Other	Total Change in Book Value (8+9-10+11)	Total Foreign Exchange Change in Book Value	Book Value/Recorded Investment Excluding Accrued Interest on Disposal	Consideration	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal
NONE																	
0599999 Totals																	

E02

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets ACQUIRED AND ADDITIONS MADE During the Current Quarter

1 CUSIP Identification	2 Name or Description	Location		5 Name of Vendor or General Partner	6 NAIC Designation	7 Date Originally Acquired	8 Type and Strategy	9 Actual Cost at Time of Acquisition	10 Additional Investment Made After Acquisition	11 Amount of Encumbrances	12 Commitment for Additional Investment	13 Percentage of Ownership
		3 City	4 State									
NONE												
3999999 – Subtotals Unaffiliated								0	0	0	0	XXX
4099999 – Subtotals Affiliated								0	0	0	0	XXX
4199999 TOTALS								0	0	0	0	XXX

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets **DISPOSED, Transferred or Repaid During the Current Quarter**

1 CUSIP Identification	2 Name or Description	Location		5 Name of Purchaser or Nature of Disposal	6 Date Originally Acquired	7 Disposal Date	8 Book/Adjusted Carrying Value Less Encumbrances, Prior Year	Change in Book/Adjusted Carrying Value				13 Total Change in B./A.C.V. (9+10-11+12)	14 Total Foreign Exchange Change in B./A.C.V.	15 Book/Adjusted Carrying Value Less Encumbrances on Disposal	16 Consideration	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Investment Income
		3 City	4 State					9 Unrealized Valuation Increase (Decrease)	10 Current Year's (Depreciation) or (Amortization)/ Accretion	11 Current Year's Other Than Temporary Impairment Recognized	12 Capitalized Deferred Interest and Other								
3999999 – Subtotals Unaffiliated																			
4099999 – Subtotals Affiliated																			
NONE																			
4199999 TOTALS																			

E03.1

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator ^(a)
3133XJ-US-5	U.S. Treasury Note		05/19/2010	US Bank		903,867	900,000	2,349	1
0399999	- Total - Bonds - U.S. Government					903,867	900,000	2,349	XXX
8399997	- Total - Bonds - Part 3					903,867	900,000	2,349	XXX
8399999	- Total - Bonds					903,867	900,000	2,349	XXX
8999999	- Total - Preferred Stocks					0	XXX	0	XXX
9799999	- Total - Common Stocks					0	XXX	0	XXX
9899999	- Total - Preferred and Common Stocks					0	XXX	0	XXX
9999999	- Totals					903,867	XXX	2,349	XXX

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

E04

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 4

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

1 CUSIP Identi- fication	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Maturity Date	22 NAIC Desig- nation or Market Indicator (a)	
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11 + 12 - 13)	15 Total Foreign Exchange Change in B./A.C.V.								
NONE																						
9999999 Totals						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX

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

E05

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors, Collars, Swaps and Forwards Open as of Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23							
Description	Description of Items Hedged or Used For Income Generation	Schedule/ Exhibit Identifier	Type(s) of Risk(s)	Exchange or Counterparty	Trade Date	Date of Maturity or Expiration	Number of Contracts	Notional Amount	Strike Price, Rate or Index Received (Paid)	Prior Year Initial Cost of Premium Received (Paid)	Current Year Initial Cost of Premium Received (Paid)	Current Year Income	Book/ Adjusted Carrying Value	Code	Fair Value	Unrealized Valuation Increase/ (Decrease)	Total Foreign Exchange Change in B./A.C.V.	Current Year's (Amortization)/ Accretion	Adjustment To Carry Value of Hedged Item	Potential Exposure	Credit Quality of Reference Entity	Hedge Effectiveness at Inception and at Quarter-end (a)							
NONE																													
1399999	Subtotal - Hedging Effective										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX					
1409999	Subtotal - Hedging Other										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX					
1419999	Subtotal - Replication										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX					
1429999	Subtotal - Income Generation										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX					
1439999	Subtotal - Other										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX					
1449999	Total										0	0	0	0	XXX	0	0	0	0	0	0	0	XXX	XXX					

(a)	Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE DB - PART B - SECTION 1

Future Contracts Open as of the Current Statement Date

1 Ticker Symbol	2 Number of Contracts	3 Notional Amount	4 Description	5 Description of Hedged Item(s)	6 Schedule/ Exhibit Identifier	7 Type(s) of Risk(s)	8 Date of Maturity or Expiration	9 Exchange	10 Trade Date	11 Transaction Price	12 Reporting Date Price	13 Book/ Adjusted Carrying Value	Change in Valuation Margin				18 Potential Exposure	19 Hedge Effectiveness at Inception and at Quarter-end (a)								
													14 Cumulative	15 Gain (Loss) Recognized in Current Year	16 Gain (Loss) Used to Adjust Basis of Hedged Item	17 Deferred										
NONE																										
1399999 - Subtotal - Hedging Effective																									XXX	
1409999 - Subtotal - Hedging Other																										XXX
1419999 - Subtotal - Replication																										XXX
1429999 - Subtotal - Income Generation																										XXX
1439999 - Subtotal - Other																										XXX
1449999 - Total													0	0	0	0	0	0	0	0	0	0	0	0	0	XXX

E07

Broker Name	Net Cash Deposits
9999999	

(a)	Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period

STATEMENT AS OF JUNE 30, 2010 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE DB - PART D

Counterparty Exposure for Derivative Instruments Open as of Current Statement Date

1	2	3	4	Statement Value			Fair Value			11	12
Description Counterparty or Exchange Traded	Master Agreement (Y or N)	Credit Support Annex (Y or N)	Fair Value of Acceptable Collateral	5 Contracts With Book/ Adjusted Carrying Value > 0	6 Contracts With Book/ Adjusted Carrying Value < 0	7 Exposure Net of Collateral	8 Contracts With Fair Value > 0	9 Contracts With Fair Value < 0	10 Exposure Net of Collateral	Potential Exposure	Off-Balance Sheet Exposure
0199999 - Aggregate Sum of Exchange Traded Derivatives						0			0		0
NONE											
0899999 Totals											

E08

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Totals					0	0	0

E10

Premier Behavioral Health of TN, LLC.
BHO TennCare Operations Statement of Revenue and Expenses
For the Quarter Ending June 30, 2010
Report 2A

	Current Quarter Total	Year to Date Total
Member Months	-	-
Revenues		
TennCare Capitation	(1,362)	(1,362)
Risk Share Revenue	(36,049)	13,725
Investment (Interest)	8,577	8,577
Other Revenues	7,889	16,021
Total Revenues	(20,945)	36,961
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	-	-
Inpatient Substance Abuse Treatment and Detox	-	-
Outpatient Mental Health Services	(44,366)	(31,682)
Outpatient Substance Abuse Treatment and Detox	(2,672)	(1,908)
Housing/Residential Treatment	-	-
Specialized Crisis Services	-	-
Psychiatric Rehab and Support Services	-	-
Case Management	(21,118)	(23,594)
Forensics	-	-
Other Judicial	-	-
Pharmacy	-	-
Lab Services	(503)	(189)
Transportation	-	-
Medical Incentive Pool and Withhold Adjustments	-	-
Occupancy, Depreciation and Amortization	-	-
Other Mental Health and Substance Abuse Services	-	-
PCP and Specialists Services	-	-
Subtotal	(68,660)	(57,373)
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	(68,660)	(57,373)
Claim Adjustment Expense	(14)	(14)
Administration ¹		
Rent	-	-
Salaries and Wages	-	-
Contributions for benefit plans for employees	-	-
Payments to employees under non-funded benefit plans	-	-
Other employee welfare	-	-
Legal fees and expenses	-	-
Medical examination fees	-	-
Utilization management	-	-
Certifications and accreditation	-	-
Auditing, actuarial and other consulting services	-	-
Traveling expenses	-	-
Marketing and advertising	-	-
Postage, express, telegraph and telephone	8	8
Printing and stationary	-	-
Occupancy, depreciation and amortization	1,785	1,785
Rental of equipment	-	-
Outsourced services includes EDP, claims, and other services	-	-
Books and periodicals	-	-
Boards, bureaus and association fees	-	200
Insurance, except on real estate	-	-
Collection and bank service charges	6,341	13,028
Group service and administration fees	-	-
Reimbursements from fiscal intermediaries	-	-
Real estate expenses	-	-
Real estate taxes	-	-
Bad Debt Expense	-	-
Taxes, licenses and fees:		
State and local insurance taxes	-	-
State premium taxes	15,273	16,269
Insurance department licenses and fees	-	-
Payroll taxes	-	-
Other (excluding federal income and real estate taxes)	(109)	(109)
Investment expenses not included elsewhere	-	-
Total Administrative Expenses	23,298	31,182
Total Expenses	(45,375)	(26,205)
Net Income (Loss)	24,430	63,167

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

Statement as of June 30, 2010 of the Premier Behavioral Systems of TN, LLC

Accident and Health Premiums Due and Unpaid

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

Name of Debtor	1	2	3	4	5	6	
	Not Currently Due	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
INDIVIDUALLY LIST ASSETS							
State of Tennessee	-	-	-	-	19,778	-	19,778
Subtotal- Individually Listed Receivables 0199999	-	-	-	-	19,778	-	19,778
Subtotal- Receivables not Individually Listed 0299999							
Subtotal- Gross Premium Receivable 0399999	-	-	-	-	19,778	-	19,778
Less- Allowance for Doubtful Accounts 0499999							
Total Premiums Receivable (Page 2, Line 12.1) 0599999	-	-	-	-	19,778	-	19,778

Statement as of June 30, 2010 of the Premier Behavioral Systems of TN, LLC

HEALTH CARE RECEIVABLES

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

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted
None	-	-	-	-	-	-
0199999 Individually Listed Receivables	-	-	-	-	-	-
0299999 Receivables Not Individually Listed						
0399999 Gross Health Care Receivable	-	-	-	-	-	-
0499999 Less Allowance for Doubtful Accounts						
0599999 Health Care Receivables (Page 2, Line 21)				-	-	-

Statement as of June 30, 2010 of the Premier Behavioral Systems of TN, LLC

Amounts due from Parent, Subsidiaries and Affiliates

Name of Debtor	1	2	3	4	5	Admitted	
	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	6 Current	7 Non-Current
Magellan Health Services	-	-	-	92,029	92,029	-	-
0199999 Gross Amounts Due from Affiliates	-	-	-	92,029	92,029	-	-
0399999 Amounts Due from Affiliates	-	-	-	92,029	92,029	-	-

Statement as of June 30, 2010 of the Premier Behavioral Systems of TN, LLC

Amounts due to Parent, Subsidiaries and Affiliates

Name of Creditor	1 Description	2 Amount	2 Current	4 Non-Current
AdvoCare of Tennessee	Management Fees	22,441	22,441	-
		22,441	22,441	-
0199999 Gross Amounts Due to Affiliates		22,441	22,441	-
0399999 Amounts Due to Affiliates	-	22,441	22,441	-