QUARTERLY STATEMENT

OF THE

Tennessee Behavioral Health, Inc.

2010

OF

Nashville

IN THE STATE OF

Tennessee

TO THE

INSURANCE DEPARTMENT

OF THE

STATE OF

AS OF

MARCH 31, 2010

HEALTH

2010

9 5 7 8 0 2 0 1 0 2 0 1 0 0 1 0 1

QUARTERLY STATEMENT

AS OF MARCH 31, 2010

OF THE CONDITION AND AFFAIRS OF THE

Tennessee Behavioral Health, Inc.

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code 95780 Employer's ID Number 62-1621636

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

Country of Domicile United States

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

Incorporated/Organized 12/15/1995 Commenced Business 07/01/1996

Statutory Home Office 6950 Columbia Gateway Drive (Street and Number), Columbia, MD 21046 (City, State and Zip Code)

Main Administrative Office 6950 Columbia Gateway Drive (Street and Number) Columbia, MD 21046 (City or Town, State and Zip Code) 410-953-1643 (Area Code) (Telephone Number)

Mail Address 6950 Columbia Gateway Drive (Street and Number or P.O. Box), Columbia, MD 21046 (City or Town, State and Zip Code)

Primary Location of Books and Records 6950 Columbia Gateway Drive (Street and Number) Columbia, MD 21046 (City, State and Zip Code) 410-953-1643 (Area Code) (Telephone Number)

Internet Web Site Address N/A

Statutory Statement Contact Michael Fotinos (Name) 410-953-1643 (Area Code) (Telephone Number) (Extension)

mdfotinos@magellanhealth.com (E-Mail Address) 410-953-5205 (Fax Number)

OFFICERS

Name	Title	Name	Title
Jonathan Rubin	Vice President and Treasurer	Andrew Mark Cummings	Secretary

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Jonathan Rubin, Ann McCabe

State of .....
County of ..... ss

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 Vice President and Treasurer	Andrew Mark Cummings Secretary	

Subscribed and sworn to before me this
_____ day of _____, _____

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

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

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	2,400,394		2,400,394	2,401,238
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 ($ 5,205,154), cash equivalents ($ 0) and short-term investments ($ 0)	5,205,154		5,205,154	15,508,850
6. Contract loans (including $ ..... premium notes)			0	0
7. Derivatives			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)	7,605,548	0	7,605,548	17,910,089
12. Title plants less $ ..... charged off (for Title insurers only)			0	0
13. Investment income due and accrued	13,379		13,379	9,649
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection			0	0
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	478,022		478,022	484,504
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	46,804	46,804	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)	8,143,753	46,804	8,096,949	18,404,241
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
27. Total (Lines 25 and 26)	8,143,753	46,804	8,096,949	18,404,241
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.			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)	438,936		438,936	511,626
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	6,207		6,207	428,220
9. General expenses due or accrued			0	0
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			0	0
16. Derivatives			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)	117,503	0	117,503	9,904,111
23. Total liabilities (Lines 1 to 22)	562,647	0	562,647	10,843,957
24. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
25. Common capital stock	XXX	XXX	1,000	1,000
26. Preferred capital stock	XXX	XXX		0
27. Gross paid in and contributed surplus	XXX	XXX	12,682,036	12,682,036
28. Surplus notes	XXX	XXX		0
29. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
30. Unassigned funds (surplus)	XXX	XXX	(5,148,734)	(5,122,752)
31. Less treasury stock, at cost:				
31.1 ..... shares common (value included in Line 25) $ .....)	XXX	XXX		0
31.2 ..... shares preferred (value included in Line 26) $ .....)	XXX	XXX		0
32. Total capital and surplus (Lines 24 to 30 minus Line 31)	XXX	XXX	7,534,302	7,560,284
33. Total liabilities, capital and surplus (Lines 23 and 32)	XXX	XXX	8,096,949	18,404,241
DETAILS OF WRITE-INS				
2201. Premium Tax Payable	(206,935)		(206,935)	(206,939)
2202. Unclaimed Property	179,697		179,697	179,439
2203. Payable to State of Tennessee/Risk Share Payable	144,742		144,742	9,931,610
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)	117,503	0	117,503	9,904,111
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	10,485	10,484
2. Net premium income (including $ ..... non-health premium income)	XXX		755,092	(75,336)
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	159	(54,143)	63,419
7. Aggregate write-ins for other non-health revenues	XXX	0	0	0
8. Total revenues (Lines 2 to 7)	XXX	159	700,949	(11,917)
Hospital and Medical:				
9. Hospital/medical benefits		1,920	2,911,137	2,376,519
10. Other professional services			(532,032)	(911,099)
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	1,920	2,379,105	1,465,421
Less:				
17. Net reinsurance recoveries			0	0
18. Total hospital and medical (Lines 16 minus 17)	0	1,920	2,379,105	1,465,421
19. Non-health claims (net)			0	0
20. Claims adjustment expenses, including $ ..... cost containment expenses			7,551	(753)
21. General administrative expenses		(16,577)	100,088	(50,477)
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	(14,657)	2,486,744	1,414,190
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	14,816	(1,785,795)	(1,426,107)
25. Net investment income earned		3,704	27,321	41,812
26. Net realized capital gains (losses) less capital gains tax of $			0	0
27. Net investment gains (losses) (Lines 25 plus 26)	0	3,704	27,321	41,812
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	18,520	(1,758,474)	(1,384,295)
31. Federal and foreign income taxes incurred	XXX	6,482	(691,290)	(484,503)
32. Net income (loss) (Lines 30 minus 31)	XXX	12,038	(1,067,184)	(899,792)
DETAILS OF WRITE-INS				
0601. Risk Share Revenue	XXX	159	(54,143)	63,419
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	159	(54,143)	63,419
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	7,560,284	19,468,860	19,468,860
34.	Net income or (loss) from Line 32	12,038	(1,067,184)	(899,792)
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	(38,020)	0	(8,784)
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	(11,000,000)
47.	Aggregate write-ins for gains or (losses) in surplus	0	0	0
48.	Net change in capital and surplus (Lines 34 to 47)	(25,982)	(1,067,184)	(11,908,576)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	7,534,302	18,401,676	7,560,284
	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	(10,208,722)	2,596,540	2,751,677
2. Net investment income	817	67,825	74,309
3. Miscellaneous income	0	0	0
4. Total (Lines 1 to 3)	(10,207,905)	2,664,365	2,825,986
5. Benefit and loss related payments	74,352	15,551,028	19,303,579
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	21,440	618,071	1,496,252
8. Dividends paid to policyholders		0	0
9. Federal and foreign income taxes paid (recovered) net of $ ..... tax on capital gains (losses)	0	0	8,586,321
10. Total (Lines 5 through 9)	95,792	16,169,099	29,386,151
11. Net cash from operations (Line 4 minus Line 10)	(10,303,697)	(13,504,734)	(26,560,166)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	0	2,400,000	2,400,000
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)	0	2,400,000	2,400,000
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	0	2,402,879
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)	0	0	2,402,879
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)	0	2,400,000	(2,879)
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
16.5 Dividends to stockholders	0	0	11,000,000
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	(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)	(10,303,697)	(11,104,734)	(37,563,045)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	15,508,849	53,071,895	53,071,895
19.2 End of period (Line 18 plus Line 19.1)	5,205,153	41,967,161	15,508,849

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

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	0	0	0	0	0	0	0	0	0	0
2 First Quarter	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)	0								0	
13. Life Premiums Direct	0									
14. Property/Casualty Premiums Written	0									
15. Health Premiums Earned	0								0	
16. Property/Casualty Premiums Earned	0									
17. Amount Paid for Provision of Health Care Services	74,609								74,609	
18. Amount Incurred for Provision of Health Care Services	1,920								1,920	

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

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)						
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	438,936
0699999 Total amounts withheld	XXX	XXX	XXX	XXX	XXX	
0799999 Total claims unpaid	XXX	XXX	XXX	XXX	XXX	438,936
0899999 Accrued medical incentive pool and bonus amounts	XXX	XXX	XXX	XXX	XXX	

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	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability Dec. 31 of Prior 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	74,609		438,936		513,545	511,625
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	74,609	0	438,936	0	513,545	511,625
10. Healthcare receivables (a)					0	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals	74,609	0	438,936	0	513,545	511,625

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices – The accompanying financial statements of Tennessee Behavioral Health, Inc. ("TBH" 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).
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
   1. For federal income tax reporting purposes, the Company's operations are included in Magellan Health Services, Inc.'s (Magellan's) consolidated federal tax returns. The Company files a separate state income tax return.
   2. The Company maintains federal tax sharing arrangements with Magellan. Through these arrangements, Magellan has allocated $6,482 of income tax expense for the three months ended March 31, 2010. The current arrangement calls for an allocation based on Magellan's effective tax rate before reflecting the allocation and after effecting for permanent differences. This amount is included in the accompanying statement of revenue and expenses. Income taxes receivable and payable are included in due to affiliates in the accompanying statement of liabilities, capital and surplus.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of relationship - The Company is a wholly owned subsidiary of Magellan Behavioral Health, Inc., which is directly owned by Magellan. The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.
B. Description of transactions – No significant change.
   a. Accounts payable paid by the parent (Magellan Health Service) - $0
   b. Management fees paid to Magellan and AdvoCare of Tennessee ("AdvoCare") – see below.
C. Dollar amount of transactions – The Company paid no management fees to the parent for the three months ended March 31, 2010.
D. Amounts due to/from relates parties – Balances as of March 31, 2010
   a. Due from Magellan - $42,303
   b. Due from Advocare – $4,501
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.

NOTES TO FINANCIAL STATEMENTS

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.
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 –
    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. The Company continued to manage TennCare Select Children in the East, Middle, and West Grand regions through January 31, 2009, at which time they were transitioned to Premier Behavioral Systems, an affiliate of the Company.
    b. The Company's contract with TennCare officially ended on June 30, 2009. However, the Company has not served any TennCare membership January 31, 2009.
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. Additional disclosures for Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Plans – 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 $511,626. As of March 31, 2010, $74,609 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now $438,936 as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been $1,920 in unfavorable prior year development. The increase 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

NOTES TO FINANCIAL STATEMENTS

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [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 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

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

9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

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

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

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

FINANCIAL

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

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 46,804

INVESTMENT

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

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

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

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

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

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 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 [X]

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

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - 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	0.0%
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 [ ] No [X]
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 [ ] No [X]
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

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
States, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	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. 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							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	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	0	0	0	0	0	0	0	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	0	0	0	0	0	0	0	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. 9 5 7 8 0 2 0 1 0 3 6 5 0 0 0 0 1

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION

Real Estate

NONE

	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 acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Current year change in encumbrances		0
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other than temporary impairment recognized		0
8. Deduct current year's depreciation		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

NONE

	1 Year to Date	2 Prior Year Ended December 31
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
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and mortgage interest points and commitment fees		0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance		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

NONE

	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 acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and depreciation		0
9. Total foreign exchange change in book/adjusted carrying value		0
10. Deduct current year's other than temporary impairment recognized		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	2,401,238	2,400,230
2. Cost of bonds and stocks acquired		2,402,880
3. Accrual of discount		0
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		0
6. Deduct consideration for bonds and stocks disposed of		2,400,000
7. Deduct amortization of premium	844	1,872
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)	2,400,394	2,401,238
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	2,400,394	2,401,238

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)	2,401,238			(844)	2,400,394	0	0	2,401,238
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	2,401,238	0	0	(844)	2,400,394	0	0	2,401,238
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	2,401,238	0	0	(844)	2,400,394	0	0	2,401,238

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

Schedule DA - Part 1

NONE

Schedule DA - Verification

NONE

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

Schedule D - Part 3

NONE

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

NONE

Schedule DB - Part B - Section 1

NONE

Sch. DB - Pt. B - Sn. 1 - Footnotes

NONE

Schedule DB - Part D

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
US Bank.....Nashville TN.....			817	0	5,293,342	5,285,126	5,205,154	XXX
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Totals - Open Depositories	XXX	XXX	817		5,293,342	5,285,126	5,205,154	XXX
0399999 Total Cash on Deposit	XXX	XXX	817		5,293,342	5,285,126	5,205,154	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999 Total	XXX	XXX	817		5,293,342	5,285,126	5,205,154	XXX

Schedule E - Part 2 - Cash Equivalents

NONE

Medicare Part D Coverage Supplement

NONE

Tennessee Behavioral Health, Inc. - Middle/West Regions
BHO TennCare Operations Statement of Revenue and Expenses
For the Quarter Ending March 31, 2010
Report 2A

	Current Quarter	Year to Date Total
Member Months	-	-
Revenues		
TennCare Capitation	-	-
Risk Share	159	159
Investment (Interest)	1,056	1,056
Other Revenues	-	-
Total Revenues	1,215	1,215
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	-	-
Inpatient Substance Abuse Treatment and Detox	-	-
Outpatient Mental Health Services	4,353	4,353
Outpatient Substance Abuse Treatment and Detox	352	352
Housing/Residential Treatment	-	-
Specialized Crisis Services	-	-
Psychiatric Rehab and Support Services	-	-
Case Management	-	-
Forensics	-	-
Other Judicial	-	-
Pharmacy	-	-
Lab Services	95	95
Transportation	-	-
Medical Incentive Pool and Withhold Adjustments	-	-
Occupancy, Depreciation and Amortization	-	-
Other Mental Health and Substance Abuse Services	-	-
PCP and Specialists Services	-	-
Subtotal	4,800	4,800
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	4,800	4,800
Claim Adjustment Expense	-	-
Administration [1]		
Rent	-	-
Salaries and Wages	-	-
Commissions	-	-
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	(6,124)	(6,124)
Traveling expenses	-	-
Marketing and advertising	-	-
Postage, express, telegraph and telephone	-	-
Printing and stationary	-	-
Occupancy, depreciation and amortization	-	-
Rental of equipment	-	-
Outsourced services includes EDP, claims, and other services	-	-
Books and periodicals	-	-
Boards, bureaus and association fees	57	57
Insurance, except on real estate	-	-
Collection and bank service charges	1,342	1,342
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	3	3
Insurance department licenses and fees	-	-
Payroll taxes	-	-
Other (excluding federal income and real estate taxes)	-	-
Investment expenses not included elsewhere	-	-
Write-Ins	-	-
Total Administrative Expenses	(4,722)	(4,722)
Total Expenses	78	78
Income/(loss) before allocated income taxes	1,137	1,137
Benefit (provision) for income taxes	(398)	(398)
Net Income (Loss)	739	739

Tennessee Behavioral Health, Inc. - East Region
BHO TennCare Operations Statement of Revenue and Expenses
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	Current Quarter	Year to Date Total
Member Months	-	-
Revenues		
TennCare Capitation	-	-
Risk Share	-	-
Investment (Interest)	2,648	2,648
Other Revenues	-	-
Total Revenues	2,648	2,648
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	-	-
Inpatient Substance Abuse Treatment and Detox	-	-
Outpatient Mental Health Services	(2,612)	(2,612)
Outpatient Substance Abuse Treatment and Detox	(211)	(211)
Housing/Residential Treatment	-	-
Specialized Crisis Services	-	-
Psychiatric Rehab and Support Services	-	-
Case Management	-	-
Forensics	-	-
Other Judicial	-	-
Pharmacy	-	-
Lab Services	(57)	(57)
Transportation	-	-
Medical Incentive Pool and Withhold Adjustments	-	-
Occupancy, Depreciation and Amortization	-	-
Other Mental Health and Substance Abuse Services	-	-
PCP and Specialists Services	-	-
Subtotal	(2,880)	(2,880)
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	(2,880)	(2,880)
Claim Adjustment Expense	-	-
Administration [1]		
Rent	-	-
Salaries and Wages	-	-
Commissions	-	-
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	(15,364)	(15,364)
Traveling expenses	-	-
Marketing and advertising	-	-
Postage, express, telegraph and telephone	-	-
Printing and stationary	-	-
Occupancy, depreciation and amortization	-	-
Rental of equipment	-	-
Outsourced services includes EDP, claims, and other services	-	-
Books and periodicals	-	-
Boards, bureaus and association fees	143	143
Insurance, except on real estate	-	-
Collection and bank service charges	3,366	3,366
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	-	-
Insurance department licenses and fees	-	-
Payroll taxes	-	-
Other (excluding federal income and real estate taxes)	-	-
Investment expenses not included elsewhere	-	-
Write-Ins	-	-
Total Administrative Expenses	(11,855)	(11,855)
Total Expenses	(14,735)	(14,735)
Income/(loss) before allocated income taxes	17,383	17,383
Benefit (provision) for income taxes	(6,084)	(6,084)
Net Income (Loss)	11,299	11,299

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

Accident and Health Premiums Due and Unpaid

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

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

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)				-	-	-

Amounts due from Parent, Subsidiaries and Affiliates

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted Current	7 Non-Current
MAGELLAN HEALTH SERVICES	-	-	-	42,303	42,303	-	-
ADVOCARE OF TENNESSEE	-	-	-	4,501	4,501		
	-	-	-	46,804	46,804	-	-
0199999 Gross Amounts Due from Affiliates	-	-	-	46,804	46,804	-	
0399999 Amounts Due from Affiliates	-		-	46,804	46,804	-	-

Amounts due to Parent, Subsidiaries and Affiliates

Name of Creditor	1 Description	2 Amount	3 Current	4 Non-Current
NONE		-	-	-
		-	-	-
0199999 Gross Amounts Due to Affiliates		-	-	-
0399999 Amounts Due to Affiliates		-	-	-

Tennessee Behavioral Health, Inc. - East Region
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	Current Quarter	Year to Date Total
Member Months	10,440	10,440
Revenues		
TennCare Capitation	593,733	593,733
Risk Share	0	0
Investment (Interest)	23,340	23,340
Other Revenues	0	0
Total Revenues	617,073	617,073
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	151,216	151,216
Inpatient Substance Abuse Treatment and Detox	8,038	8,038
Outpatient Mental Health Services	2,098,776	2,098,776
Outpatient Substance Abuse Treatment and Detox	169,910	169,910
Housing/Residential Treatment	170,744	170,744
Specialized Crisis Services	15,251	15,251
Psychiatric Rehab and Support Services	5,088	5,088
Case Management	(239,000)	(239,000)
Forensics		
Other Judicial		
Pharmacy		
Lab Services	50,742	50,742
Transportation	23,654	23,654
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	2,454,417	2,454,417
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	2,454,417	2,454,417
Claim Adjustment Expense	5,937	5,937
Administration [1]		
Rent	755	755
Salaries and Wages	27,158	27,158
Commissions	82	82
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	312	312
Medical examination fees		
Utilization management		
Certifications and accreditation	2	2
Auditing, actuarial and other consulting services	13,801	13,801
Traveling expenses	1,582	1,582
Marketing and advertising	651	651
Postage, express, telegraph and telephone	1,212	1,212
Printing and stationary	10,851	10,851
Occupancy, depreciation and amortization	12,380	12,380
Rental of equipment	19	19
Outsourced services includes EDP, claims, and other services	(22)	(22)
Books and periodicals		
Boards, bureaus and association fees	6,093	6,093
Insurance, except on real estate	0	
Collection and bank service charges	140	140
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	14	14
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	11,875	11,875
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	(4,470)	(4,470)
Investment expenses not included elsewhere		
Write-Ins		
Total Administrative Expenses	82,435	82,435
Total Expenses	2,542,790	2,542,790
Income/(loss) before allocated income taxes	(1,925,717)	(1,925,717)
Benefit (provision) for income taxes	749,823	749,823
Net Income (Loss)	(1,175,894)	(1,175,894)

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