Trilogy Health Insurance, Inc.

(A Wholly-Owned Subsidiary of Trilogy Health Holdings, LLC)

STATUTORY FINANCIAL REPORT

December 31, 2014 and 2013

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Strohm Ballweg

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Trilogy Health Insurance, Inc.
Brookfield, Wisconsin

We have audited the accompanying statutory balance sheets of Trilogy Health Insurance, Inc. (the Company) as of December 31, 2014 and 2013, and the related statutory statements of income, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibilities for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Company in accordance with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the state of Wisconsin.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flow for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flow for the years then ended, in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the statutory financial statements, in January of 2014 and with the approval from the Office of the Commissioner of Insurance of the State of Wisconsin, the Company amended its certificate of authority pursuant to a change to do business as a Wisconsin Health Maintenance Organization with a focus on Medicaid and maintaining a contract with the Wisconsin Department of Health Services to provide health services to certain eligible members. In connection with the change in business plan, the Company restructured its capital and surplus notes during 2014 following approval from the Office of the Commissioner of Insurance of the State of Wisconsin. Further, in order to meet continuing capital and surplus requirements, the Company acknowledges that additional surplus will be required if the Company is successful in continuing to expand its membership. Due to these significant changes, there is significant uncertainty surrounding future operating results of the Company subsequent to December 31, 2014.

Our opinion is not modified with respect to these matters.

Strohm Ballweg, LLP

Madison, Wisconsin
March 17, 2015

STATUTORY BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ADMITTED ASSETS		
Bonds	**$ 787,761**	$ 764,824
Cash	**2,081,546**	1,081,163
Cash and invested assets	**2,869,307**	1,845,987
Investment income due and accrued	**13,704**	13,641
Electronic data processing equipment	**35,066**	4,765
Other receivables	**192,222**	488
Network access fees receivable	**-**	124,000
Total admitted assets	**$ 3,110,299**	$ 1,988,881
LIABILITIES AND CAPITAL AND SURPLUS		
Liabilities:		
Claims payable, net of reinsurance	**$ 1,704,700**	$ 205,000
Unpaid claim adjustment expenses	**45,630**	-
Accounts payable and other liabilities	**151,830**	275,886
Federal income tax payable	**-**	7,655
Amounts withheld or retained for the accounts of others	**3,309**	-
Amounts due to affiliates	**920**	-
Total liabilities	**1,906,389**	488,541
Capital and surplus:		
Common stock, $1 par value, 2,000,000 shares authorized, 1,000,000 shares issued and outstanding	**1,000,000**	1,000,000
Gross paid in and contributed surplus	**5,408,000**	2,770,000
Surplus notes	**750,000**	2,000,000
Unassigned surplus (deficit)	**(5,954,090)**	(4,269,660)
Total capital and surplus	**1,203,910**	1,500,340
Total liabilities and capital and surplus	**$ 3,110,299**	$ 1,988,881

See Notes to Statutory Financial Statements.

TRILOGY HEALTH INSURANCE, INC.

STATUTORY STATEMENTS OF INCOME
Years Ended December 31, 2014 and 2013

	2014	2013
Premiums earned, net of reinsurance	**$ 5,145,842**	$ -
Benefits incurred, net of reinsurance	**4,476,421**	(688,593)
Claims adjustment expenses	**381,144**	-
General administrative expenses	**1,107,121**	2,043,166
Total underwriting deductions	**5,964,686**	1,354,573
Net underwriting loss	**(818,844)**	(1,354,573)
Net investment income earned	**24,757**	26,991
Network fee income	**-**	2,517,689
Other income	**-**	129,146
Surplus note interest expense	**(855,960)**	-
Total investment and other income	**(831,203)**	2,673,826
Net income (loss) before federal income taxes	**(1,650,047)**	1,319,253
Federal income tax expense	**2,023**	13,655
Net income (loss)	**$ (1,652,070)**	$ 1,305,598

See Notes to Statutory Financial Statements.

STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

Years Ended December 31, 2014 and 2013

	Common Stock	Gross Paid In and Contributed Surplus	Surplus Notes	Unassigned Surplus (Deficit)	Total
Balance, January 1, 2013	$ 1,000,000	$ 2,770,000	$ 2,175,000	$ (5,680,690)	$ 264,310
Net income	-	-	-	1,305,598	1,305,598
Change in net deferred income tax	-	-	-	(485,713)	(485,713)
Change in nonadmitted assets	-	-	-	591,145	591,145
Change in surplus notes	-	-	(175,000)	-	(175,000)
Balance, December 31, 2013	1,000,000	2,770,000	2,000,000	(4,269,660)	1,500,340
Net loss	-	-	-	(1,652,070)	(1,652,070)
Change in net deferred income tax	-	-	-	70,294	70,294
Change in nonadmitted assets	-	-	-	(102,654)	(102,654)
Change in surplus notes	-	-	(1,250,000)	-	(1,250,000)
Surplus paid in	-	2,638,000	-	-	2,638,000
Balance, December 31, 2014	$ 1,000,000	$ 5,408,000	$ 750,000	$ (5,954,090)	$ 1,203,910

STATUTORY STATEMENTS OF CASH FLOW

Years Ended December 31, 2014 and 2013

	2014	2013
Cash from operations:		
Net premiums collected	**$ 5,145,842**	$ 14,511
Net investment income received	**24,694**	28,487
Miscellaneous income received	**124,488**	2,940,521
Benefits and loss related payments	**(3,123,314)**	(3,281,637)
Commissions and other expenses paid	**(1,583,657)**	(2,513,270)
Federal and foreign income taxes paid	**(9,677)**	(6,000)
Net cash from operations	**578,376**	(2,817,388)
Cash from investments:		
Cost of investments acquired	**(22,937)**	(22,173)
Net cash from investments	**(22,937)**	(22,173)
Cash from financing and miscellaneous sources:		
Reduction of surplus notes	**(2,000,000)**	(175,000)
Issuance of surplus notes	**750,000**	-
Surplus paid in	**2,638,000**	-
Surplus note interest paid	**(855,960)**	-
Other cash applied	**(87,096)**	(2,124)
Net cash from financing and miscellaneous sources	**444,944**	(177,124)
Net change in cash	**1,000,383**	(3,016,685)
Cash:		
Beginning of year	**1,081,163**	4,097,848
End of year	**$ 2,081,546**	$ 1,081,163

See Notes to Statutory Financial Statements.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Trilogy Health Insurance, Inc. (the Company), a wholly-owned subsidiary of Trilogy Health Holdings, LLC (THH), was a Wisconsin health insurance company that served the needs of the small business fully-insured market, primarily in eastern Wisconsin. The Company was incorporated on July 27, 2006.

Effective January 1, 2013, US Health and Life Insurance Company, a Michigan insurance company (USHL) assumed all of the Company's in-force group health insurance policies. The Company retained all responsibility for the group health insurance policies prior to January 1, 2013. Additionally, the Company agreed to not issue or renew insurance policies or otherwise engage in the acceptance of any form of insurance risk until sufficient capital funding became available. The Company continued to maintain its provider network and make it available on a fee basis to insurers, self-funded employer groups, and third party administrators.

The Company received an amended Certificate of Authority pursuant to a change of business plan approved by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI) on January 16, 2014. The Company now operates as a Wisconsin Health Maintenance Organization with a focus on Medicaid and maintaining a contract with the Wisconsin Department of Health Services (DHS) to provide health services to BadgerCare Plus and Medicaid Supplemental Security Income eligible members.

In connection with the change in business plan, certain assets of the Company, including cash of $550,000 and non-insurance contract rights, were assigned to Trilogy Health Solutions, Inc., an affiliate of the Company, in exchange for the assumption of the Company's surplus notes of $2,000,000. On January 21, 2014 with OCI approval, the Company paid interest owed to the surplus note holders as of December 31, 2013 in the amount of $855,960. Also following the OCI's review and approval, THH received $1,198,000 from three parties on January 21, 2014. THH utilized $1,188,000 to capitalize the Company on January 22, 2014.

A summary of the Company's significant accounting policies follows:

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the OCI. Prescribed statutory accounting practices include state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company had no such specifically permitted practices. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) was adopted as a component of prescribed or permitted practices by the OCI.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- Investments in long-term certificates of deposit are classified and reported as bonds; under GAAP, these investments would be classified and reported as long-term investments.
- Certain assets designated as "nonadmitted assets" (principally deferred tax assets, furniture and fixtures, electronic data processing equipment, nonoperating software, and prepaid expenses) are charged against surplus; under GAAP, furniture and fixtures, electronic data processing equipment, and nonoperating software would be recognized as assets net of accumulated depreciation; and prepaid expenses would be recorded as an asset. Deferred taxes would be accounted for as reflected later in this note.
- Acquisition costs, including salaries and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the policies.
- Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities. However, limitations are placed on the admissibility of deferred tax assets and all changes in deferred tax assets and liabilities are reported as changes in surplus, and state income taxes are excluded from the calculation. Under GAAP, deferred income taxes would be provided for differences between the financial statement and the tax bases of assets and liabilities and any deferred tax assets would be reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized and changes in deferred tax assets and liabilities would be reported through operations and/or surplus depending on their characteristics, and state income taxes would be included in the calculation.
- Surplus notes are classified as a component of capital and surplus, and interest is not accrued until the payment of the interest is approved by the OCI; under GAAP, surplus notes would be classified as liabilities and interest would be accrued through the financial statement date.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Company filed with the NAIC and state regulatory authorities which differ from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

Accounting Estimates. The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term due to relatively little development experience are the liabilities for claims payable and unpaid claim adjustment expenses. In estimating these liabilities, management uses the methodology discussed in the claims payable and unpaid claim adjustment expenses paragraph of this note. In addition, management estimates the amount of deferred tax assets expected to be realized in future years.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Risk and Uncertainties. The Company's operating results and financial condition are affected by numerous factors and circumstances unique to the insurance industry, some of which it can neither predict nor control. Among them are (1) statutorily imposed regulatory capital requirements can limit an insurer's ability to underwrite new business or retain otherwise desirable risks; (2) an insurer's ability to enter into suitable reinsurance agreements is subject to prevailing conditions in reinsurance markets; (3) fluctuations in interest rates affect the value and income yield of an insurer's investment portfolio in the short-term, and often affect default and prepayment rates over time; and (4) inflationary pressures and medical costs affect the magnitude of claims and claim adjustment expenses.

Bonds. Bonds consisting of investments in long-term certificates of deposit, are carried at cost, which approximates fair value. Bonds are the Company's only financial instruments and are categorized at Level 2 in a fair value hierarchy based on the reliability of inputs to the valuation techniques.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company does not have any financial instruments in Level 1 or Level 3. The Company does not have any liabilities measured at fair value at December 31, 2014 and 2013. The Company also did not have any transfers between levels in 2014 and 2013.

Cash. For purposes of reporting cash flows, the Company follows statutory accounting practices and considers cash in checking accounts, certain money markets, and other highly liquid debt instruments purchased with a remaining maturity of one year or less to be cash. Total deposits of $2,869,307 were held at two financial institutions at December 31, 2014, which exceed the amount insured by the Federal Deposit Insurance Corporation. The Company does not believe it is exposed to any significant credit risk on the amounts not insured.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Furniture and Equipment. Electronic Data Processing equipment is recorded as an admitted asset at cost less accumulated depreciation of $247,933 and $218,560 at December 31, 2014 and 2013, respectively. Depreciation is calculated using the straight-line method over the lesser of the assets' useful lives or three years.

Furniture and equipment and nonoperating software are considered nonadmitted assets for statutory financial statement reporting purposes. Straight-line depreciation is calculated on these assets and charged to expense over their useful lives, which vary from three to seven years. Leasehold improvements are also considered nonadmitted assets for statutory financial reporting purposes. Straight-line depreciation is calculated on leasehold improvements and charged to expense over the life of the lease. The net change in book value (cost less depreciation) is charged or credited directly to surplus.

Depreciation expense for all depreciable assets was $31,864 and $39,090 in 2014 and 2013, respectively.

Other Receivables. Receivables are stated at net realizable value, based upon management's judgment of the ultimate collectability of the accounts. Collection trends are monitored and any adjustments required are reflected in current earnings.

Claims Payable and Unpaid Claim Adjustment Expenses. The liabilities for claims payable and unpaid claim adjustment expenses include amounts determined by using company experience and industry averages to estimate amounts incurred but unpaid. Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liabilities will differ from the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are annually reviewed, and any adjustments are reflected in income currently.

Recognition of Premium. The Company recognizes premiums as revenue in the period in which the coverage relates.

Reinsurance. Reinsurance premiums, claims and claims adjustment expense recoveries, and receivables related to reinsured business, are accounted for based on the terms of the reinsurance contracts.

Federal Income Taxes. The Company is taxed as an insurance company under Section 831 of the Internal Revenue Code. The Company files both federal and Wisconsin income tax returns. The Company records deferred income taxes on temporary differences between the financial and tax bases of the Company's assets and liabilities based upon enacted tax rates.

Subsequent Events. Subsequent events were evaluated through March 17, 2015, which is the date the financial statements were available to be issued.

Note 2 ~ Claims Payable and Unpaid Claim Adjustment Expenses

Activity in the liabilities for claims payable and unpaid claims adjustment expenses for the years ended December 31, 2014 and 2013, are summarized as shown below:

	2014	2013
Balance at January 1	$ 205,000	$ 7,081,245
Less reinsurance recoveries	-	2,783,647
Net balance at January 1	205,000	4,297,598
Incurred related to:		
Current year	4,857,565	-
Prior years	-	(688,593)
Total incurred	4,857,565	(688,593)
Paid related to:		
Current year	3,107,235	-
Prior years	205,000	3,404,005
Total paid	3,312,235	3,404,005
Net balance at December 31	1,750,330	205,000
Plus reinsurance recoveries	-	-
Balance at December 31	$ 1,750,330	$ 205,000

The Company began its new business plan as a health maintenance organization in 2014 while its prior year's group health business was in run-off. There was no change in estimates on prior year net losses and claim adjustment expenses incurred as amounts were assumed under the agreement with Trilogy Health Solutions during run-off. However, as a result of changes in estimates of insured events in prior years, net losses and claim adjustment expenses incurred were decreased by $688,593 in 2013, due to fluctuations in anticipated medical claims and related expenses.

Note 3 ~ Reinsurance

The Company utilizes a reinsurance agreement to reduce its exposure to large losses. Reinsurance permits recovery of a portion of large losses, but it does not discharge the primary liability of the Company as direct insurer of the risks reinsured. The Company purchases excess of loss reinsurance coverage for any individual's claims that exceeded $200,000 on a cumulative basis during the contract period.

The following table presents the effects of this excess of loss reinsurance contract on financial statement amounts as of and for the year ended December 31, 2014 and 2013:

	2014	2013
Premiums ceded	$ 46,159	$ -
Benefits recovered	-	79,563
Claims recoverable	-	-

Note 4 ~ Income Taxes

Federal income tax expense differs from the amount obtained by applying the federal income tax rate of 34 percent to pretax income for the years ended December 31, 2014 and 2013, due to the following:

	2014	2013
Computed expected federal income tax (benefit)	$ (561,016)	$ 448,546
Increase (decrease) in taxes resulting from:		
Discounting of claim liabilities	4,515	(19,926)
Gain on surplus notes assumed by affiliate	493,000	-
Net operating loss carryforward (utilized)	-	(368,143)
HIRSP liability	-	(67,320)
Alternative minimum tax	-	13,655
Current net operating loss carryforward	72,988	-
Other	(7,464)	6,843
Federal income tax expense	$ 2,023	$ 13,655

The components of the net deferred tax assets at December 31, 2014 and 2013, were as follows:

	2014			2013			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	Total
Gross deferred tax asset	$ 1,461,905	$ -	$ 1,461,905	$ 1,391,611	$ -	$ 1,391,611	$ 70,294
Statutory Valuation Allowance Adjustments	-	-	-	-	-	-	-
	1,461,905	-	1,461,905	1,391,611	-	1,391,611	70,294
Deferred tax assets nonadmitted	1,461,905	-	1,461,905	1,391,611	-	1,391,611	70,294
	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Note 4 ~ Income Taxes (Continued)

The major components of current income taxes incurred and net deferred tax assets as of December 31, 2014 and 2013, were as follows:

	2014	2013	Change
Current income tax:			
Federal	$ 2,023	$ 368,143	$ (366,120)
Alternative minimum tax	-	13,655	(13,655)
Utilization of capital loss carry-forwards	-	(368,143)	368,143
Federal income taxes incurred	2,023	13,655	(11,632)
Deferred tax assets:			
Ordinary:			
Unpaid loss and LAE	5,256	741	4,515
Fixed assets	23,554	26,638	(3,084)
Compensation and benefit accruals	8,115	8,087	28
Receivables nonadmitted	5,526	3,314	2,212
Net operating loss carry-forward	1,354,039	1,314,747	39,292
Other	65,415	38,084	27,331
Total ordinary deferred tax assets	1,461,905	1,391,611	70,294
Statutory valuation allowance adjustment	-	-	-
Nonadmitted	1,461,905	1,391,611	70,294
Admitted ordinary deferred tax assets	-	-	-
Capital:			
Other	-	-	-
Statutory valuation allowance adjustment	-	-	-
Nonadmitted	-	-	-
Admitted capital deferred tax assets	-	-	-
Admitted deferred tax assets	-	-	-
Deferred tax liabilities:			
Capital:			
Unrealized investment gains	-	-	-
Total deferred tax liabilities	-	-	-
Net deferred tax assets/ liabilities	$ -	$ -	$ -

The Company had no federal income taxes incurred in 2014 and 2013 which are available for recoupment in the event of future tax losses. The Company has a federal net operating loss carryforward of $3,982,469 at December 31, 2014, which expires in various amounts through 2034. In addition, the Company has $15,678 of alternative minimum tax credit carryforward that can be used to offset future federal income tax expense.

The Company also pays Wisconsin income taxes at a rate of 7.9 percent of Wisconsin taxable income. The Company incurred no Wisconsin state income taxes for the years ended December 31, 2014 and 2013.

Note 4 ~ Income Taxes (Continued)

As of December 31, 2014, the Company had not identified any material loss contingencies arising from uncertain tax positions. The Company has no tax-planning strategies that had a material impact on adjusted gross and net admitted deferred tax assets.

Note 5 ~ Hospital Assessment Revenue

During 2014, the Company received $664,406 in Hospital Assessment revenue from DHS. This same amount was distributed to providers in accordance with the DHS contract requirements.

Note 6 ~ Related Party Transactions

In connection with the change in business plan described in Note 1, certain assets of the Company, including cash of $550,000 and non-insurance contract rights, were assigned to Trilogy Health Solutions, Inc. (THS), an affiliate of the Company, in exchange for the assumption of the Company's surplus notes of $2,000,000. The difference of $1,450,000 was an addition to Gross Paid In Surplus.

Following OCI's review and approval, THH received $1,198,000 from three parties on January 21, 2014. THH utilized $1,188,000 to capitalize the Company on January 22, 2014.

Under a January 1, 2014, Administrative Services Agreement, the Company provides personnel and certain administrative services to THS. During 2014, the Company allocated and charged THS $1,140,637 under this agreement.

Under a January 1, 2014, Administrative and Management Services Agreement with Scas Management Group (SMG), SMG provides certain administrative services to the Company. During 2014, the Company was charged $522,350 under this agreement.

Under a January 1, 2014, Administrative Services Agreement with Independent Physician's Network (IPN), IPN provides certain administrative services to the Company. During 2014, the Company was charged $139,299 under this agreement.

Network Fee Income and Other Fee Income. In 2014, all network fee income and other fee income was assigned to Trilogy Health Solutions, an affiliate. The Company collects network fees and remits these fees directly to Trilogy Health Solutions within a reasonable time period as specified in the administrative services agreement. At December 31, 2013, network fee income and other fee income, including management and consulting fees, are recognized as revenue in the period in which the fees are earned.

Note 7 ~ 401(k) Plan

The Company provides eligible employees with a 401(k) qualified retirement plan as a means of savings for retirement. Employees become eligible to participate in the plan in the first month following their date of hire. Subject to certain limitations, employees may contribute up to 96 percent of their pre-tax salaries. The Company matches 100 percent of employee contributions up to the first 3 percent of salaries and 50 percent of employee contributions between 3 percent and 5 percent of salaries. Employees immediately vest in the employer matching contribution. The total contribution to the 401(k) plan was $38,416 and $26,843 in 2014 and 2013, respectively.

Note 8 ~ Commitments and Contingencies

The Company leases office space under a noncancelable operating lease agreement. Rental expense, including base rent and common area maintenance charges, was $117,737 and $134,626 in 2014 and 2013, respectively.

The Company also leases copier equipment under noncancelable operating lease agreements. Rental expense for copier leases was $9,894 and $10,101 in 2014 and 2013, respectively.

The minimum aggregate rental commitments including base rent and common area maintenance charges are as follows:

Years Ending December 31,	
2015	$ 108,267
2016	5,576

Note 9 ~ Capital and Surplus

The Company is required to maintain minimum capital and surplus established by OCI including calculations for compulsory and security surplus. The compulsory surplus calculation requires the Company to maintain a minimum surplus of $750,000. The security surplus calculation requires the Company to have surplus in excess of 140 percent of the minimum compulsory surplus. In addition, the Company is subject to Risk-Based Capital (RBC) requirements promulgated by the NAIC and adopted by OCI. The RBC standards establish uniform minimum capital and surplus requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk.

Effective January 1, 2013, the Company is also subject to a stipulation and order from the OCI that states the Company must meet prescribed compulsory and security surplus standards and maintain an RBC ratio of not less than 200 percent through December 31, 2014, and 250 percent thereafter. If these requirements are not met, the Company must cease accepting any form of new insurance risk until the OCI lifts the stipulation. At December 31, 2014, the Company met all capital and surplus requirements.

Note 9 ~ Capital and Surplus (Continued)

The Company's unassigned surplus was reduced by the following cumulative amounts at December 31:

	2014	2013
Nonadmitted assets	$ 1,514,958	$ 1,412,304

In connection with the change in business plan described in Note 1, certain assets of the Company, including cash of $550,000 and non-insurance contract rights, were assigned to Trilogy Health Solutions, Inc., an affiliate of the Company, in exchange for the assumption of the Company's surplus notes of $2,000,000. The difference of $1,450,000 was an addition to Gross Paid In Surplus. Cash received from THH on January 22, 2014, in the amount of $1,188,000, was also an addition to Gross Paid In Surplus.

On January 21, 2014, with OCI approval, the Company paid interest owed to the surplus note holders as of December 31, 2013, in the amount of $855,960.

For cash received, the Company issued surplus notes to two individual owners of THH. The surplus notes are subordinate to all policyholder claims, all creditors, and all obligations of the Company. Repayment of principal and/or interest may be made only with prior approval of the OCI. Additional information regarding the surplus notes is as follows:

Date Issued	Interest Rate	Par Value of Note	Carrying Value of Note	Principal and/or Interest Paid 2014	Total Principal and/or Interest Paid	Unapproved Principal and/or Interest	Date of Maturity
6/2/2014	7%	$ 500,000	$ 500,000	$ -	$ -	$ 20,417	6/1/2017
10/31/2014	7%	250,000	250,000	-	-	2,917	10/31/2017
		$ 750,000	$ 750,000	$ -	$ -	$ 23,334	

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Trilogy Health Insurance, Inc.
Brookfield, Wisconsin

Our audits were made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Company with the OCI. Such information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
March 17, 2015

INVESTMENT RISKS INTERROGATORIES
December 31, 2014

1. Reporting entity's total admitted assets as reported on page two of the annual statement. $ 3,110,299

2. Ten largest exposures to a single issuer/borrower/investment.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 Park Bank	Cash and Money Market	$ 2,068,516	66.505%
2.02 BMO Harris Bank	CD and Money Market	$ 800,791	25.746%
2.03		$	%
2.04		$	%
2.05		$	%
2.06		$	%
2.07		$	%
2.08		$	%
2.09		$	%
2.10		$	%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds			Preferred Stocks		
3.01 NAIC – 1	$ 787,761	25.328%	3.07 P/RP – 1	$	%
3.02 NAIC – 2	$	%	3.08 P/RP – 2	$	%
3.03 NAIC – 3	$	%	3.09 P/RP – 3	$	%
3.04 NAIC – 4	$	%	3.10 P/RP – 4	$	%
3.05 NAIC – 5	$	%	3.11 P/RP – 5	$	%
3.06 NAIC – 6	$	%	3.12 P/RP – 6	$	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

4.02	Total admitted assets held in foreign investments	$ ______	______ %
4.03	Foreign-currency-denominated investments	$ ______	______ %
4.04	Insurance liabilities denominated in that same foreign currency	$ ______	______ %

(If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries rated NAIC – 1	$ ______	______ %
5.02	Countries rated NAIC – 2	$ ______	______ %
5.03	Countries rated NAIC – 3 or below	$ ______	______ %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

6.01	$ ______	______ %
6.02	$ ______	______ %

Countries rated NAIC – 2

6.03	$ ______	______ %
6.04	$ ______	______ %

Countries rated NAIC – 3 or below

6.05	$ ______	______ %
6.06	$ ______	______ %

7. Aggregate unhedged foreign currency exposure $ ______ ______ %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries rated NAIC – 1	$ ______	______ %
8.02	Countries rated NAIC – 2	$ ______	______ %
8.03	Countries rated NAIC – 3 or below	$ ______	______ %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

9.01	$	%
9.02	$	%

Countries rated NAIC – 2

9.03	$	%
9.04	$	%

Countries rated NAIC – 3 or below

9.05	$	%
9.06	$	%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percent
10.01		$	%
10.02		$	%
10.03		$	%
10.04		$	%
10.05		$	%
10.06		$	%
10.07		$	%
10.08		$	%
10.09		$	%
10.10		$	%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.)

11.02 Total admitted assets held in Canadian investments	$	%
11.03 Canadian-currency-denominated investments	$	%
11.04 Canadian-denominated insurance liabilities	$	%
11.05 Unhedged Canadian currency exposure	$	%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restriction:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.)

12.02 Aggregate statement value of investments with contractual sales restrictions $ ______ ______%

Largest 3 investments with contractual sales restrictions:

12.03		$	%
12.04		$	%
12.05		$	%

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.)

Assets held in equity interests:

13.02		$	%
13.03		$	%
13.04		$	%
13.05		$	%
13.06		$	%
13.07		$	%
13.08		$	%
13.09		$	%
13.10		$	%
13.11		$	%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities $ ______ ______%

Largest 3 investments held in nonaffiliated, privately placed equities:

14.03		$	%
14.04		$	%
14.05		$	%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.)

15.02 Aggregate statement value of investments held in general partnership interests $ ________ ________ %

Largest 3 investments held in general partnership interests:

15.03 ________________ $ ________ ________ %

15.04 ________________ $ ________ ________ %

15.05 ________________ $ ________ ________ %

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 16.01 above is yes, responses are not required for the remainder of Interrogatories 16 and 17.)

Total admitted assets held in Mortgage Loans:

16.02	$	%
16.03	$	%
16.04	$	%
16.05	$	%
16.06	$	%
16.07	$	%
16.08	$	%
16.09	$	%
16.10	$	%
16.11	$	%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12 Construction loans	$	%
16.13 Mortgage loans over 90 days past due	$	%
16.14 Mortgage loans in the process of foreclosure	$	%
16.15 Mortgage loans foreclosed	$	%
16.16 Restructured mortgage loans	$	%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
17.01 Above 95%	$	%	$	%	$	%
17.02 91% to 95%	$	%	$	%	$	%
17.03 81% to 90%	$	%	$	%	$	%
17.04 71% to 80%	$	%	$	%	$	%
17.05 below 70%	$	%	$	%	$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.)

Assets held in the 5 Largest Real Estate Holdings:

18.02		$	%
18.03		$	%
18.04		$	%
18.05		$	%
18.06		$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]
(If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine loans $ ______ %

Largest three investments held in mezzanine real estate loans:

19.03		$	%
19.04		$	%
19.05		$	%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter 1st Qtr	2nd Qtr	3rd Qtr
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	%	$	$	$
20.02 Repurchase agreements	$	%	$	$	$
20.03 Reverse repurchase agreements	$	%	$	$	$
20.04 Dollar repurchase agreements	$	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
21.01 Hedging	$	%	$	%
21.02 Income generation	$	%	$	%
21.03 Other	$	%	$	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter 1st Qtr	2nd Qtr	3rd Qtr
22.01 Hedging	$	%	$	$	$
22.02 Income generation	$	%	$	$	$
22.03 Replications	$	%	$	$	$
22.04 Other	$	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter 1st Qtr	2nd Qtr	3rd Qtr
23.01 Hedging	$	%	$	$	$
23.02 Income generation	$	%	$	$	$
23.03 Replications	$	%	$	$	$
23.04 Other	$	%	$	$	$

SUMMARY INVESTMENT SCHEDULE

December 31, 2014

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
1. Bonds				
1.1 U.S. treasury securities	$	%	$	%
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	$	%	$	%
1.22 Issued by U.S. government-sponsored agencies	$	%	$	%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	$	%	$	%
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 State, territory, and possession general obligations	$	%	$	%
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations	$	%	$	%
1.43 Revenue and assessment obligations	$	%	$	%
1.44 Industrial development and similar obligations	$	%	$	%
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA	$	%	$	%
1.512 Issued or guaranteed by FNMA and FHLMC	$	%	$	%
1.513 All other	$	%	$	%
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	$	%	$	%
1.522 Issued by non-U.S. government issuers and collateralized by MBS issued or guaranteed by agencies shown in Line 1.521	$	%	$	%
1.523 All other	$	%	$	%
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	$ 787,761	27.455%	$ 787,761	27.455%
2.2 Unaffiliated non-U.S. securities (including Canada)	$	%	$	%
2.3 Affiliated securities	$	%	$	%

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
3. Equity interests:				
3.1 Investments in mutual funds	$	%	$	%
3.2 Preferred stocks:				
3.21 Affiliated	$	%	$	%
3.22 Unaffiliated	$	%	$	%
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	$	%	$	%
3.32 Unaffiliated	$	%	$	%
3.4 Other equity securities:				
3.41 Affiliated	$	%	$	%
3.42 Unaffiliated	$	%	$	%
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	$	%	$	%
3.52 Unaffiliated	$	%	$	%
4. Mortgage loans:				
4.1 Construction and land development	$	%	$	%
4.2 Agricultural	$	%	$	%
4.3 Single family residential properties	$	%	$	%
4.4 Multifamily residential properties	$	%	$	%
4.5 Commercial loans	$	%	$	%
4.6 Mezzanine real estate loans	$	%	$	%
5. Real estate investments:				
5.1 Property occupied by company	$	%	$	%
5.2 Property held for production of income (includes $_________ of property acquired in satisfaction of debt)	$	%	$	%
5.3 Property held for sale (including $_________ property acquired in satisfaction of debt)	$	%	$	%
6. Contract loans	$	%	$	%
7. Derivatives	$	%	$	%
8. Receivables for securities	$	%	$	%
9. Securities lending	$	%	$	%
10. Cash, cash equivalents, and short-term investments	$ 2,081,546	72.545%	$ 2,081,546	72.545%
11. Other invested assets	$	%	$	%
12. Total invested assets	$ 2,869,307	100.000%	$ 2,869,307	100.000%

*Gross Investment Holdings as valued in compliance with NAIC *Accounting Practices & Procedures Manual.*
** The Company has no admitted assets in reinvested collateral related to securities lending.