TRILOGY HEALTH INSURANCE, INC.

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

STATUTORY FINANCIAL STATEMENTS

December 31, 2016 and 2015

Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of Trilogy Health Insurance, Inc. (the Company), which are comprised of the statutory balance sheets as of December 31, 2016 and 2015, and the related statutory statements of income, changes in capital and surplus, and cash flows 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.

Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

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, 2016 and 2015, and the results of its operations and its cash flows 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, 2016 and 2015, and the results of its operations and its cash flows 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.

Strohm Ballweg, LLP

Madison, Wisconsin
March 16, 2017

	2016	2015
ADMITTED ASSETS		
Bonds (long-term certificates of deposit)	$ 236,671	$ 235,000
Cash	5,990,736	6,229,727
Cash and invested assets	6,227,407	6,464,727
Investment income due and accrued	256	747
Amounts recoverable from reinsurers	-	20,346
Net deferred tax asset	131,136	331,990
Electronic data processing equipment	6,861	35,160
Health care and other receivables	925,432	440,040
Total admitted assets	$ 7,291,092	$ 7,293,010
LIABILITIES AND CAPITAL AND SURPLUS		
Liabilities:		
Claims unpaid	$ 3,191,143	$ 2,392,829
Unpaid claim adjustment expenses	82,600	59,182
Accounts payable and other liabilities	228,534	168,652
Federal income tax payable	-	6,770
Amounts due to affiliates	4,616	8,900
Total liabilities	3,506,893	2,636,333
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	5,408,000
Surplus notes	-	750,000
Unassigned surplus (deficit)	(2,623,801)	(2,501,323)
Total capital and surplus	3,784,199	4,656,677
Total liabilities and capital and surplus	$ 7,291,092	$ 7,293,010

See Notes to Statutory Financial Statements.

	2016	2015
UNDERWRITING OPERATIONS		
Premiums earned, net of reinsurance	**$ 20,398,672**	$ 17,718,056
Benefits incurred, net of reinsurance	**17,419,695**	12,282,093
Claims adjustment expenses	**1,018,465**	743,902
General administrative expenses	**1,876,109**	1,475,354
Total underwriting deductions	**20,314,269**	14,501,349
Net underwriting gain	**84,403**	3,216,707
INVESTMENT AND OTHER INCOME		
Net investment income earned	**17,066**	18,468
Surplus note interest expense	**(21,875)**	(75,833)
Total investment and other expense	**(4,809)**	(57,365)
Net income before federal income taxes	**79,594**	3,159,342
Federal income tax expense	**-**	62,770
Net income	**$ 79,594**	$ 3,096,572

See Notes to Statutory Financial Statements.

	Common Stock	Gross Paid In and Contributed Surplus	Surplus Notes	Unassigned Surplus (Deficit)	Total
Balance, January 1, 2015	$ 1,000,000	$ 5,408,000	$ 750,000	$ (5,954,090)	$ 1,203,910
Net income	-	-	-	3,096,572	3,096,572
Change in net deferred income tax	-	-	-	(1,075,482)	(1,075,482)
Change in nonadmitted assets	-	-	-	1,431,677	1,431,677
Balance, December 31, 2015	1,000,000	5,408,000	750,000	(2,501,323)	4,656,677
Net income	-	-	-	79,594	79,594
Change in net deferred income tax	-	-	-	(27,768)	(27,768)
Change in nonadmitted assets	-	-	-	(174,304)	(174,304)
Repayment of surplus notes	-	-	(750,000)	-	(750,000)
Balance, December 31, 2016	$ 1,000,000	$ 5,408,000	$ -	$ (2,623,801)	$ 3,784,199

	2016	2015
Cash from operations:		
Net premiums collected	**$ 19,913,280**	$ 17,470,238
Net investment income received	**17,557**	31,425
Benefits and loss related payments	**(16,577,191)**	(11,600,758)
Commissions and other expenses paid	**(2,805,941)**	(2,172,233)
Federal income taxes paid	**(6,770)**	(56,000)
Net cash from operations	**540,935**	3,672,672
Cash from investments:		
Proceeds from bonds sold	**-**	787,761
Cost of bonds acquired	**(1,671)**	(235,000)
Net cash from investments	**(1,671)**	552,761
Cash from financing and miscellaneous sources:		
Repayment of surplus notes	**(750,000)**	-
Surplus note interest paid	**(21,875)**	(75,833)
Other cash applied	**(6,380)**	(1,419)
Net cash from financing and miscellaneous sources	**(778,255)**	(77,252)
Net change in cash	**(238,991)**	4,148,181
Cash:		
Beginning of year	**6,229,727**	2,081,546
End of year	**$ 5,990,736**	$ 6,229,727

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

Nature of Business. Trilogy Health Insurance, Inc. (the Company) is a wholly-owned subsidiary of Trilogy Health Holdings, LLC (THH). The Company is a health maintenance organization that provides health services to Medicaid recipients under a contract with the Wisconsin Department of Health Services (DHS), specifically BadgerCare Plus and Medicaid Supplemental Security Income eligible recipients.

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 Office of the Commissioner of Insurance of the State of Wisconsin (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:

- Investments in bonds (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, nonoperating software, and prepaid expenses) are charged against surplus; under GAAP, furniture and fixtures and nonoperating software would be recognized as assets net of accumulated depreciation and amortization, prepaid expenses would be recorded as an asset, and 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 and are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets would not be realized. Additionally, under statutory accounting practices, limitations are placed on the admissibility of deferred tax assets. All changes in ordinary deferred tax assets and liabilities are reported as changes in surplus, and state income taxes are not included in deferred tax calculations; under GAAP, there is no admissibility concept, 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 deferred tax calculation.

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

- 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 unpaid 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 and health care and other receivables are based upon management's judgement of the ultimate collectability of the accounts.

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; and (3) inflationary pressures and medical costs affect the magnitude of claims and claim adjustment expenses.

Bonds. Bonds consist of investments in long-term certificates of deposit and 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.

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

- 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, 2016 and 2015. The Company also did not have any transfers between levels in 2016 or 2015.

Cash. For purposes of reporting cash flows, the Company follows statutory accounting practices and considers cash in checking accounts and certain money market accounts to be cash. Total deposits of $6,227,407 were held at two financial institutions at December 31, 2016, with balances that 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.

Furniture and Equipment. Electronic data processing equipment is recorded as an admitted asset at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the useful lives or three years of the respective assets.

Furniture and equipment and nonoperating software are considered nonadmitted assets for statutory financial statement reporting purposes. Straight-line depreciation and amortization 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 amortization is calculated on leasehold improvements and charged to expense over the life of the lease. The net change in book value (cost less depreciation or amortization) is charged or credited directly to surplus.

Depreciation expense for all depreciable assets was $35,485 and $33,372 in 2016 and 2015, respectively.

Health Care and Other Receivables. Receivables from DHS 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 income currently.

Claims Unpaid and Unpaid Claim Adjustment Expenses. The liabilities for claims unpaid 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.

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

Contract with the Wisconsin Department of Health Services. The Plan has a contract with DHS to provide services to qualified Medicaid recipients in exchange for monthly interim payments. The contract represents the majority of the Company's source of premium income for the years ended December 31, 2016 and 2015.

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

Medicaid Pass-Through Payments. The Company receives certain payments from the Medicaid program, which are fully passed through to designated providers. The Company, therefore, serves as a fiscal conduit between the State of Wisconsin and providers and does not assume insurance risk in such arrangements. The Company received instruction from the OCI to exclude such payments from the statutory statements of income. The Company received pass-through payments amounting to $3,653,374 and $2,380,685 in 2016 and 2015, respectively. The Company records a liability when funding is received from the state, and relieves the liability when payments are made to providers.

Reinsurance. Reinsurance premiums, claim and claim 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 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 16, 2017, which is the date the financial statements were available to be issued.

Note 2 ~ 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, subject to a maximum benefit of $2,000,000.

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, 2016 and 2015:

	2016	2015
Premiums earned	$ 211,272	$ 146,730
Benefits incurred	114,926	143,647
Claims unpaid recoverable	-	20,346

Note 3 ~ Claims Unpaid and Unpaid Claim Adjustment Expenses

Activity in the liabilities for claims unpaid and unpaid claims adjustment expenses for the years ended December 31, 2016 and 2015, are summarized as shown below:

	2016	2015
Balance at January 1	$ 2,452,011	$ 1,750,330
Less reinsurance recoveries	-	-
Net balance at January 1	2,452,011	1,750,330
Incurred related to:		
Current year	19,157,503	13,460,199
Prior years	(719,343)	(434,204)
Total incurred	18,438,160	13,025,995
Paid related to:		
Current year	15,883,761	11,008,188
Prior years	1,732,667	1,316,126
Total paid	17,616,428	12,324,314
Net balance at December 31	3,273,743	2,452,011
Plus reinsurance recoveries	-	-
Balance at December 31	$ 3,273,743	$ 2,452,011

In 2016 and 2015, the liability for claims unpaid developed favorably, primarily due to lower than anticipated medical claims.

Note 4 ~ Federal 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, 2016 and 2015, due to the following:

	2016	2015
Computed expected federal income tax	$ 27,062	$ 1,074,176
Increase (decrease) in taxes resulting from:		
Discounting of claim liabilities	1,666	1,660
Net operating loss carryforward utilized	(26,476)	(1,067,087)
Alternative minimum tax	-	62,770
Other	(2,252)	(8,749)
Federal income tax expense	$ -	$ 62,770

Note 4 ~ Federal Income Taxes (Continued)

The components of the net deferred tax asset/(liability) at December 31, 2016 and 2015, were as follows:

	Ordinary	Capital	Total
2016			
Gross deferred tax assets	$ 358,655	$ -	$ 358,655
Statutory valuation allowance	-	-	-
	358,655	-	358,655
Deferred tax asset nonadmitted	(227,519)	-	(227,519)
	131,136	-	131,136
Deferred tax liability	-	-	-
	$ 131,136	$ -	$ 131,136
2015			
Gross deferred tax assets	$ 386,423	$ -	$ 386,423
Statutory valuation allowance	-	-	-
	386,423	-	386,423
Deferred tax asset nonadmitted	(54,433)	-	(54,433)
	331,990	-	331,990
Deferred tax liability	-	-	-
	$ 331,990	$ -	$ 331,990

The admitted deferred tax asset was determined using the guidance related to admissibility provided in the following paragraphs of NAIC *Statement of Statutory Accounting Principles No. 101 (SSAP 101)*:

	Ordinary	Capital	Total
2016			
11a. Ability to recover taxes paid in prior years	$ -	$ -	$ -
11b. Expected to be realized, after application of threshold limitations	131,136	-	131,136
11c. Offset of deferred tax liabilities	-	-	-
	$ 131,136	$ -	$ 131,136
2015			
11a. Ability to recover taxes paid in prior years	$ -	$ -	$ -
11b. Expected to be realized, after application of threshold limitations	331,990	-	331,990
11c. Offset of deferred tax liabilities	-	-	-
	$ 331,990	$ -	$ 331,990

Note 4 ~ Federal Income Taxes (Continued)

	2016	2015
Ratio Used to Determine Recovery Period and Threshold Limitation amount under paragraph 11b	328%	555%
Amount of Adjusted Capital And Surplus Used to Determine Recovery Period and Threshold Limitation under paragraph 11b	$ 3,653,063	$ 4,324,687

The major components of current income taxes incurred and net deferred tax assets as of December 31, 2016 and 2015, were as follows:

	2016	2015	Change
Current income tax:			
Federal	$ -	$ 62,770	$ (62,770)
Federal income tax on net capital gains	-	-	-
Utilization of capital loss carryforwards	-	-	-
Federal income taxes incurred	-	62,770	(62,770)
Deferred tax assets:			
Claims unpaid	8,582	6,916	1,666
Fixed assets	19,199	20,007	(808)
Compensation and benefit accruals	12,152	9,393	2,759
Nonadmitted assets	7,624	5,480	2,144
Net operating loss carryforward	259,789	286,265	(26,476)
Other	51,309	58,362	(7,053)
Total deferred tax assets	358,655	386,423	(27,768)
Nonadmitted deferred tax assets	227,519	54,433	173,086
Total admitted deferred tax assets	131,136	331,990	(200,854)
Deferred tax liabilities:			
Other	-	-	-
Total deferred tax liabilities	-	-	-
Net deferred tax assets	$ 131,136	$ 331,990	$ (200,854)

At December 31, 2016, the Company had no income taxes incurred in the current and prior year that are available for recoupment in the event of future net operating losses. At December 31, 2016, the Company had a federal net operating loss carryforward of $764,083, which expires in various amounts through 2034. In addition, the Company has $78,448 of alternative minimum tax credit carryforward that can be used to offset future regular federal income tax expense.

Note 4 ~ Federal Income Taxes (Continued)

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, 2016 and 2015.

As of December 31, 2016, the Company had not identified any material loss contingencies arising from uncertain tax positions. The Company had no tax-planning strategies that had a material impact on adjusted gross and net admitted deferred tax assets.

Note 5 ~ Related Party Transactions

Under Administrative Services Agreements, the Company provides personnel and certain administrative services to Trilogy Health Solutions (THS) and receives certain administrative services from Scas Management Group (SMG) and Independent Physician's Network (IPN). SMG and IPN are voting members of THH.

Net expenses charged to (from) the Company's related parties were as follows for the years ended December 31:

	2016	2015
THS	$ 1,424,991	$ 1,531,004
SMG	(1,167,015)	(938,138)
IPN	(591,660)	(466,436)

Amounts due to THS are $4,616 and $8,900 at December 31, 2016 and 2015, respectively. Amounts due to SMG are $2,851 and $3,465 at December 31, 2016 and 2015, respectively.

Note 6 ~ 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 $44,980 and $45,311 in 2016 and 2015, respectively.

Note 7 ~ Commitments and Contingencies

The Company leases office space under a noncancelable operating lease agreement which expires in 2019. Rental expense, including base rent and common area maintenance charges, was $118,450 in 2016 and 2015. A portion of the expense is charged to THS under the Administrative Services Agreement. The portion of the expense remaining with THI was $35,535 in 2016 and 2015.

The Company also leases copier equipment under noncancelable operating lease agreements that expire in 2021. Rental expense for copier leases was $9,196 and $9,805 in 2016 and 2015, respectively.

Future minimum lease payments under these leases are as follows:

Years Ending December 31,	
2017	$ 127,599
2018	129,124
2019	110,145
2020	8,894
2021	2,224
	$ 377,986

Note 8 ~ Capital and Surplus

The Company is required to maintain minimum capital and surplus established by the 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 the 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.

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 250 percent. 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, 2016, the Company met all capital and surplus requirements.

Note 8 ~ Capital and Surplus (Continued)

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

	2016	2015
Nonadmitted assets	$ 257,585	$ 83,281

For cash received, the Company issued surplus notes to two individual owners of THH in 2014. With approval of the OCI, the Company repaid the principal of $750,000 in 2016, and paid interest of $21,875 and $75,833 in 2016 and 2015, respectively, to the surplus note holders.

Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Stockholder and 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 16, 2017

1. Reporting entity's total admitted assets as reported on page two of the annual statement. $ 7,291,092

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	$ 4,404,181	60.405%
2.02	BMO Harris Bank	CD and Money Market	$ 1,823,226	25.006%
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	$ 236,671	3.246%	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	$	%

1. 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	$	%	$	$	$

	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)	$ 236,671	3.800%	$ 236,671	3.800%
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	$ 5,990,736	96.200%	$ 5,990,736	96.200%
11. Other invested assets	$	%	$	%
12. Total invested assets	$ 6,227,407	100.000%	$ 6,227,407	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.