BRIDGEWAY HEALTH SOLUTIONS
OF ARIZONA, LLC

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION

Years Ended September 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

We have audited the accompanying balance sheets of ***Bridgeway Health Solutions of Arizona, LLC*** at September 30, 2011 and 2010, and the related statements of operations, member's equity and cash flows for the years then ended. These financial statements are the responsibility of the management of ***Bridgeway Health Solutions of Arizona, LLC***. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Bridgeway Health Solutions of Arizona, LLC*** at September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
January 27, 2012

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

BALANCE SHEETS

September 30, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 37,558,197	$ 42,052,320
Receivables:		
Reinsurance receivables	4,449,659	6,571,627
Capitation and supplement receivables	2,192,498	(4,981,219)
Pharmacy receivable	259,882	264,008
Interest receivable	9,533	14,392
Due from affiliated companies	9,168,852	5,886,688
Income tax receivable	348,859	-
Provider advances	327,122	857,230
Prepaid expenses	156,779	256,268
Deferred income tax asset	5,555,525	1,737,485
TOTAL CURRENT ASSETS	60,026,906	52,658,799
PROPERTY AND EQUIPMENT, net	883,278	223,883
INVESTMENTS	1,500,000	1,500,000
DEFERRED INCOME TAX ASSET	10,710	-
DEPOSITS	9,500	10,763
TOTAL ASSETS	$ 62,430,394	$ 54,393,445

LIABILITIES AND MEMBER'S EQUITY

	2011	2010
CURRENT LIABILITIES		
Payable to providers	$ 27,808,609	$ 34,132,666
Payable to Arizona Health Care Cost Containment System	702,636	1,194,261
Accounts payable and accrued expenses	2,907,509	1,026,251
Deferred revenue	3,779,406	-
Due to affiliated companies	13,942,600	9,871,437
Income tax payable	-	1,291,271
TOTAL CURRENT LIABILITIES	49,140,760	47,515,886
DEFERRED INCOME TAX LIABILITY	-	10,104
TOTAL LIABILITIES	49,140,760	47,525,990
MEMBER'S EQUITY	13,289,634	6,867,455
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 62,430,394	$ 54,393,445

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

STATEMENTS OF OPERATIONS

Years Ended September 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Capitation premiums	$ 231,469,821	$ 212,020,738
Delivery supplement	3,440,839	3,104,887
Service	10,709,383	-
Reinsurance	8,194,862	9,751,452
Other	105,200	117,312
TOTAL OPERATING REVENUES	253,920,105	224,994,389
HEALTH CARE EXPENSES		
Hospitalization	36,071,058	33,657,953
Medical compensation	26,617,948	26,110,912
Ancillary and other medical services	59,392,960	52,698,807
Third party liability	(30,265)	-
Institutional	105,824,674	96,030,544
TOTAL HEALTH CARE EXPENSES	227,876,375	208,498,216
GENERAL AND ADMINISTRATIVE EXPENSES	21,773,169	18,421,591
COSTS OF SERVICES	7,898,820	-
PREMIUM TAX EXPENSE	3,908,953	3,812,522
TOTAL EXPENSES	261,457,317	230,732,329
OPERATING LOSS	(7,537,212)	(5,737,940)
NONOPERATING INCOME		
Interest income	312,237	281,206
NET LOSS BEFORE TAXES	(7,224,975)	(5,456,734)
BENEFIT FOR INCOME TAXES	(2,647,154)	(1,936,282)
NET LOSS	$ (4,577,821)	$ (3,520,452)

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

STATEMENTS OF MEMBER'S EQUITY

Years Ended September 30, 2011 and 2010

	Investment by CenCorp Health Solutions	Retained Earnings (Deficit)	Total
Balance, September 30, 2009	$ 7,400,000	$ 2,987,907	$ 10,387,907
Net loss	-	(3,520,452)	(3,520,452)
Balance, September 30, 2010	7,400,000	(532,545)	6,867,455
Member contributions	11,000,000	-	11,000,000
Net loss	-	(4,577,821)	(4,577,821)
Balance, September 30, 2011	$ 18,400,000	$ (5,110,366)	$ 13,289,634

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (4,577,821)	$ (3,520,452)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	208,526	138,978
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Reinsurance receivables	2,121,968	1,311,764
Reconciliation receivables	-	1,921,708
Capitation and supplement receivables	(7,173,717)	6,590,383
Pharmacy receivable	4,126	(66,472)
Interest receivable	4,859	611
Income tax receivable	(348,859)	-
Other receivable	-	26,504
Provider advances	530,108	(857,230)
Prepaid expenses	99,489	(212,803)
Deferred income tax asset	(3,828,750)	482,281
Increase (decrease) in:		
Payable to providers	(6,324,057)	6,916,506
Payable to Arizona Health Care Cost Containment System	(491,625)	278,486
Accounts payable and accrued expenses	1,881,258	(1,191,616)
Deferred revenue	3,779,406	-
Due to/from affiliated companies	788,999	369,978
Income tax payable	(1,291,271)	(2,352,845)
Deferred income tax liability	(10,104)	(58,371)
Other deferred liability	-	(12,013)
Net cash (used in) provided by operating activities	(14,627,465)	9,765,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(867,921)	(3,952)
Change in deposits	1,263	1,195
Net cash used in investing activities	(866,658)	(2,757)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member contributions	11,000,000	-
Net cash provided by financing activities	11,000,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,494,123)	9,762,640
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,052,320	32,289,680
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 37,558,197	$ 42,052,320
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income taxes paid	$ -	$ -

See Notes to Financial Statements

(1) Organization operations and summary of significant accounting policies

Nature of operations - Effective May 16, 2006, ***Bridgeway Health Solutions of Arizona, LLC*** ("Bridgeway" or the "Company"), was incorporated in the State of Arizona. Located in Tempe, Arizona, Bridgeway is a licensed managed care organization and is wholly owned by CenCorp Health Solutions, a subsidiary of Centene Corporation ("Centene"). Bridgeway was initially funded through a $5.0 million capital contribution from CenCorp Health Solutions which was funded through a capital contribution from Centene.

In 2006, Bridgeway was awarded a contract (the "Contract") with the Arizona Health Care Cost Containment System (AHCCCS) which commenced October 1, 2006 and was renewed after its expiration on September 30, 2010 (see Note 9). In accordance with the Contract, Bridgeway has been designated as a Program Contractor for Maricopa, Yuma, and LaPaz Counties. Bridgeway is responsible for managing and maintaining an organized, comprehensive managed care system for the benefit of enrolled, eligible members within its geographic service area under AHCCCS' Arizona Long-Term Care System (ALTCS) program. The ALTCS program provides inpatient and outpatient medical and nursing services in addition to managed institutional and home- and community-based long-term care services to eligible enrollees of the ALTCS program.

In 2008, Bridgeway was awarded an Acute care contract with AHCCCS which commenced October 1, 2008 and expired September 30, 2011. The contract was renewed for the period from October 1, 2011 through September 30, 2012. In accordance with the Contract, Bridgeway has been designated as a Program Contractor for Yavapai County. Bridgeway is responsible for managing and maintaining an organized, comprehensive managed care system for the benefit of enrolled and eligible members within its geographic service area.

Effective January 1, 2008, Bridgeway entered into a Medicare Advantage Plan (Medicare Advantage) with the Centers for Medicare and Medicaid Services (CMS). Medicare Advantage offers medical and prescription drug benefits to qualified members. Medicare Advantage operates as a special needs plan under CMS guidelines. The populations covered under Medicare Advantage are members who are eligible for both Medicare and Medicaid coverage. Virtually all of the members of Medicare Advantage receive their Medicaid benefits through an AHCCCS plan.

Effective January 1, 2011, Bridgeway entered into a service agreement with Pima County to provide certain administrative services related to various health care contracts Pima County currently holds. The agreement ceased September 30, 2011.

In August 2011, Bridgeway's ALTCS contract was renewed through reprocurement. Effective October 1, 2011, Bridgeway will serve ALTCS members in Cochise, Gila, Graham, Greenlee and Pinal counties, as well as continuing as a Program Contractor in Maricopa County. Effective October 1, 2011, Bridgeway will no longer serve ALTCS members in Yuma and La Paz counties.

Bridgeway functions as a health management organization and, except for member services functions and limited utilization management functions, does not provide direct healthcare services to eligible members. Direct healthcare services are provided to eligible members by a network of subcontracted providers. Substantially all of Bridgeway's revenues are from its contracts with AHCCCS, CMS, and Pima County.

The Financial Accounting Standards Board ("FASB") sets generally accepted accounting principles ("GAAP") to ensure consistent reporting. References to GAAP issued by the FASB in the accompanying footnotes are to the *FASB Accounting Standards Codification* ("FASB ASC").

(1) Organization operations and summary of significant accounting policies (continued)

The significant accounting policies followed by Bridgeway are as follows:

Management's use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Capitation premiums - Bridgeway receives from AHCCCS and CMS fixed capitation payments, generally in advance, based on certain rates for each member enrolled with Bridgeway. At September 30, 2011, Bridgeway received capitation payments in advance totaling $3,779,406. Those amounts are included in deferred revenues at September 30, 2011. Bridgeway is required to provide all covered health care services to their members, regardless of the cost of care. If there are funds remaining, Bridgeway retains the funds as profit; if the costs are higher than the amount of capitation payments from AHCCCS and CMS, Bridgeway absorbs the loss. Capitation premiums are recognized in the month that enrollees are entitled to health care services. Certain provisions of the AHCCCS Acute and ALTCS contracts include a risk band whereby Bridgeway and the AHCCCS programs share in the profits and losses of the contract, as defined in the respective contracts (reconciliation revenue). Bridgeway has recorded an estimate of the reconciliation revenue, within capitation premiums, based on the operational performance of the AHCCCS Acute and ALTCS lines of business. Bridgeway may recover certain losses for those cases eligible for reinsurance payments. Capitation premiums are recognized in accordance with Bridgeway's contracts with AHCCCS and CMS.

Capitation is paid prospectively as well as for prior period coverage (PPC). The PPC period is from the initial application to the time of enrollment with a contracted health plan. The risk under PPC is shared by both Bridgeway and AHCCCS for the contract years ended September 30, 2011 and 2010. AHCCCS reconciles the actual PPC medical costs to the PPC capitation paid during the contract year. The reconciliation limits the contractor's profits and losses to 2%. At September 30, 2011 the Company has recorded an estimated receivable of $253,000 due from AHCCCS for the PPC reconciliation for contract years 2011 and 2010 which is included in capitation and supplement receivables at September 30, 2011. At September 30, 2010 the Company has recorded an estimated liability of $3,050,000 due to AHCCCS for the PPC reconciliation for contract years 2010 and 2009 which is included in capitation and supplement receivables at September 30, 2010.

Capitation and supplement and reconciliation receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to capitation and supplement and reconciliation receivables. Capitation and supplement and reconciliation receivables at September 30, 2011 and 2010 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Delivery supplement - As part of the AHCCCS Acute care contract, AHCCCS supplements capitation premiums with lump-sum payments for births by women eligible under the Medicaid program. This delivery supplement represents childbirth delivery reimbursement which is recorded when the delivery occurs. Delivery revenue of approximately $3,441,000 and $3,105,000 was recognized for the years ended September 30, 2011 and 2010, respectively. At September 30, 2011 and 2010, approximately $32,000 and $67,000 was due from AHCCCS related to delivery supplement, respectively.

(1) Organization operations and summary of significant accounting policies (continued)

Share of costs - Bridgeway's members covered under the ALTCS program who do not meet certain eligibility criteria are required to pay for a portion of the care they receive. AHCCCS reduces the contracted capitation rate with Bridgeway by the estimated amount of participant shared costs. After contract year end, AHCCCS analyzes the amount that Bridgeway should have received from members for share of costs. If Bridgeway receives less money from the participants in payment of their share of the costs than AHCCCS anticipated, AHCCCS reimburses Bridgeway for the difference. If Bridgeway receives more money from the participants in payment of their share of the costs than AHCCCS anticipated, Bridgeway reimburses AHCCCS for the difference. At September 30, 2011, Bridgeway had approximately $903,000 due from AHCCCS related to share of costs, which is included in the capitation and supplement receivables. At September 30, 2010, Bridgeway had approximately $72,000 due to AHCCCS related to share of costs, which is included in the payable to AHCCCS. At September 30, 2011, management believes the receivable was fully collectible and accordingly, an allowance was not established.

Share of cost receivables/payables are based on assumptions and estimates, and while management believes the receivables/payables are reasonable, the ultimate share of cost payment for the 2011 and 2010 contract years may be less than or in excess of the amount estimated once AHCCCS completes the contract year reconciliations. In May 2011, the 2010 share of cost payable was settled for approximately $105,000, net of premium taxes.

Reinsurance revenue - AHCCCS provides a stop-loss reinsurance program for Bridgeway for partial reimbursement of reinsurable covered medical services incurred for members. The program includes a deductible, which varies based on Bridgeway's enrollment and the eligibility category of the members. AHCCCS reimburses Bridgeway based on a coinsurance amount for reinsurable covered services incurred above the deductible. Coinsurance percentages vary by nature of the claim for the Medicare contract. Bridgeway contracts with a commercial reinsurer to provide reinsurance for the Medicare Advantage Plan. Reinsurance revenue is stated at the actual and estimated amounts due to Bridgeway pursuant to the AHCCCS Acute, ALTCS and Medicare Advantage Plan contracts. Below are the reinsurance thresholds by line of business:

Line of Business	Annual Deductible Effective October 1, 2011	Annual Deductible Effective Prior to October 1, 2011	Coinsurance
AHCCCS Acute – Prospective Only	$ 20,000	$ 20,000	75%
Title XIX Waiver Group – Prospective Only	20,000	20,000	75%
ALTCS with Medicare	20,000	10,000	75%
ALTCS without Medicare	30,000	20,000	75%
Medicare Advantage	700,000	700,000	various

To be eligible for reinsurance billing, qualified healthcare expenses must be incurred during the contract year. Reinsurance revenue is recorded based on actual billed reinsurance claims adjusted for medical cost completion factors and Bridgeway's historical collection experience. Reinsurance revenue is subject to review by AHCCCS, and as a result, there is at least a reasonable possibility that recorded reinsurance revenue will change by a material amount in the near future.

(1) Organization operations and summary of significant accounting policies (continued)

Reinsurance receivable is the expected payment from AHCCCS to Bridgeway for certain enrollees whose qualifying medical expenses paid by Bridgeway were in excess of specified deductible limits. Reinsurance claims receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to reinsurance receivables. Reinsurance receivables at September 30, 2011 and 2010 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Service revenue - Service revenue consists of fees charged for administrative services (primarily case management and claims payment) provided under Bridgeway's service agreement with Pima County. In accordance with the agreement, Bridgeway receives a set percentage of Pima County's premium revenue. Service revenue is recognized as administrative services are provided. The agreement was effective January 1, 2011 and ceased as of September 30, 2011.

Cash and cash equivalents - Cash includes cash deposits in banks and cash equivalents. Bridgeway considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2011 and 2010, cash and cash equivalents consisted of cash, commercial paper and certificates of deposit with original maturities of three months or less. Commercial paper and certificates of deposit totaled approximately $26 million and $15 million at September 30, 2011 and 2010, respectively.

Cash management - The Company utilizes a cash management system whereby all deposits and disbursements are reconciled daily. As a result, checks issued but not presented to banks are classified in accounts payable in the balance sheets. The total of checks issued but not presented was $0 and $346,541 at September 30, 2011 and 2010, respectively.

Pharmacy receivable - Bridgeway receives rebates from its pharmacy benefit manager based on the volume of drugs purchased. Bridgeway records a receivable and a reduction of medical expenses for estimated rebates due based on purchase information. At September 30, 2011 and 2010, management believes these balances are fully collectible and accordingly, an allowance has not been established.

Provider advances - Upon request, Bridgeway, in accordance with AHCCCS contract limitations, may advance monies to high-volume providers based on cash flow needs and timing of claims payments. Advances are stated at the amount management expects to collect or offset against future claims. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to provider advances receivable. At September 30, 2011, management believes these balances are fully collectible and accordingly, an allowance has not been established.

Investments - Investments are classified as held to maturity and are carried at amortized cost. Unrealized gains and losses on investments available for sale, if any, are excluded from earnings and reported as a separate component of member's equity, net of income tax effects. Premiums and discounts are amortized or accreted over the life of the related security using the effective interest method. Bridgeway monitors the difference between the cost and fair value of investments.

(1) Organization operations and summary of significant accounting policies (continued)

Investments that experience a decline in value that is judged to be other than temporary are written down to fair value and a realized loss is recorded in investment and other income. To calculate realized gains and losses on the sale of investments, Bridgeway uses the specific amortized cost of each investment sold. Realized gains and losses are recorded in investment income.

At September 30, 2011 and 2010 investments consisted entirely of municipal bonds valued at the principal amount of the bonds. Accordingly, there were no realized or unrealized gains or losses on investments for the years ended September 30, 2011 and 2010.

Property and equipment - Property and equipment is recorded at cost. Maintenance and repairs are charged to operations when incurred. Individual additions and improvements in excess of $3,000 and group purchases in excess of $30,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations. Depreciation is computed using the straight-line method over the following general range of estimated useful lives:

	Estimated Useful Lives
Leasehold improvements	1 - 20 years
Furniture and equipment	5 - 10 years
Computer hardware and software	3 - 7 years

Impairment of long-lived assets - Bridgeway accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of cost or fair value less costs to sell. No impairment charges were recorded for the years ended September 30, 2011 and 2010.

Payable to providers - Bridgeway compensates providers for authorized healthcare services to covered beneficiaries. Bridgeway uses a variety of methods to estimate the amount payable to providers including authorizations for services to be provided, payments to be made under contract arrangements currently in force, and correspondence with significant providers to ascertain the level of care being provided to beneficiaries for which a claim has not yet been submitted.

The liability for payable to providers includes estimates of amounts due on reported claims and claims that have been incurred but were not reported as of September 30, 2011 and 2010. Such liabilities represent Bridgeway's best estimate of amounts that are reasonable and adequate to discharge Bridgeway's obligations for claims incurred but unpaid as of September 30, 2011 and 2010. Such estimates are, however, subject to a significant degree of inherent variability. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

The estimate for unreported services payable is developed using methods based on historical experience. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

(1) Organization operations and summary of significant accounting policies (continued)

Healthcare service cost recognition - Bridgeway contracts with various at-risk providers for the provision of a full range of healthcare services to eligible members under fee-for-service agreements. Fee for service expenses are accrued as incurred.

Expense allocation - Certain direct, indirect and administrative expenses are incurred which benefit more than one member type or county. Such common expenses are allocated based upon an AHCCCS approved cost allocation plan as submitted by Bridgeway, which is primarily based upon enrollment, claims and costs by lines of business.

Advertising costs - Bridgeway uses advertising, within AHCCCS guidelines, to promote its programs among the communities it serves. Advertising costs are expensed as incurred, and are included in general and administrative expenses on the statements of operations. Advertising expense for the years ended September 30, 2011 and 2010 was approximately $133,000 and $84,000, respectively.

Income taxes - Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of the tax rate change.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In determining if a deductible temporary difference or net operating loss can be realized, Bridgeway considers future reversals of existing taxable temporary differences, future taxable income, taxable income in prior year carryback periods and tax planning strategies.

Bridgeway evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

Bridgeway is subject to a 2% premium tax on all payments received from AHCCCS for premiums, reinsurance, and reconciliations. Total premium tax expense for the years ended September 30, 2011 and 2010 was $3,908,953 and $3,812,522, respectively.

Reclassifications - Certain amounts have been reclassified in the 2010 financial statements to conform to the presentation of the 2011 financial statements. The reclassifications were made to conform to the contract reporting requirements of the ALTCS contract. The reclassifications were to gross up the due to/from affiliated companies. The net effect of the reclassifications was to increase due from affiliates by $5,886,688 and to increase due to affiliates by $5,886,688. The reclassification had no effect on member's equity for 2010.

Subsequent events - Bridgeway has evaluated events through January 27, 2012, which is the date the financial statements were available to be issued. Except as described above and in Note 9, management is not aware of any events that have occurred subsequent to the date of the balance sheet that would require adjustment to, or disclosure in, the financial statements.

(2) Contract performance bond

In accordance with the terms of its contracts with AHCCCS, Bridgeway is required to post performance bonds equal to 80% of the first monthly payment to Bridgeway each fiscal year based on gross capitation payments, as specified in the contracts. The amount of the bonds is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bonds must be maintained to guarantee payment of Bridgeway's obligations under the contract. The total AHCCCS performance bond requirement was $12,486,399 and $11,791,183 for 2011 and 2010, respectively. To meet Medicare requirements, Bridgeway purchased and posted a performance bond in the amount of $2,100,000 for 2011 and 2010 for the CMS contract. In 2011 and 2010, the performance bond requirements were met through the annual purchase of a surety bond in the required amounts.

(3) Property and equipment

Property and equipment consists of:	2011	2010
Leasehold improvements	$ 561,095	$ 295,000
Furniture and equipment	552,181	200,962
Computer hardware	388,133	200,518
Computer software	11,664	11,664
Construction in progress	50,626	-
Total cost and donated value	1,563,699	708,144
Accumulated depreciation	(680,421)	(484,261)
Net property and equipment	$ 883,278	$ 223,883

Depreciation expense charged to operations was $208,526 and $138,978 for 2011 and 2010, respectively.

(4) Income taxes

Federal income tax returns are filed on a consolidated basis with Centene, the parent corporation, and other subsidiaries. A provision (benefit) for income taxes has been provided for under a separate return method. This results in each component company of the consolidated group showing tax provision (benefit) solely on the results of its own operations. Current taxes which would have been due on a separate company basis have either been paid to or will be paid to the parent company. Deferred income tax assets and liabilities are computed based upon cumulative temporary differences in financial reporting and taxable income based on enacted tax law in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets result primarily from reserves established for financial reporting purposes but not deductible for tax purposes.

Income tax benefits provided by the Company to the consolidated group as a result of utilizing operating losses will be reimbursed by the parent corporation pursuant to a signed agreement between the companies. The income tax provision (benefit) consists of the following for the years ended September 30:

Current provision (benefit):	2011	2010
Federal	$ 1,151,421	$ (1,125,729)
State and local	36,740	(4,212)
Total current provision (benefit)	1,188,161	(1,129,941)
Deferred benefit	(3,835,315)	(806,341)
Total benefit for income taxes	$ (2,647,154)	$ (1,936,282)

(4) Income taxes (continued)

The components of deferred income tax assets (liabilities) included in the accompanying balance sheets are as follows:

Current deferred income tax assets (liabilities):		
Loss reserves	$ 2,166,437	$ 1,747,636
Prepaid expenses	(31,734)	(31,405)
Unearned premium revenue	1,355,219	-
Accrued liabilities	2,065,603	21,254
Net current deferred tax assets	$ 5,555,525	$ 1,737,485
Noncurrent deferred income tax assets (liabilities):		
Depreciation	$ 10,710	$ (10,104)
Net noncurrent deferred income tax assets (liabilities)	$ 10,710	$ (10,104)

The effective tax rate is different than the amount that would be computed by applying the United States corporate income tax rate to the income (loss) before income taxes. The differences for 2011 and 2010 are due primarily to changes in the deferred tax assets associated with amounts payable to providers which are not currently deductible for tax purposes.

(5) Related-party transactions

Centene, CenCorp Health Solutions and affiliated companies provide administrative and other services to Bridgeway, including systems functions, accounts payable and payroll processing. Included in general and administrative expenses is a management fee to cover the costs of the administrative services provided by these affiliated companies. Management fees included in general and administrative expenses were approximately $10.1 million and $8.9 million for the years ended September 30, 2011 and 2010, respectively.

Amounts due to affiliated companies at September 30, 2011 and 2010 primarily represent payroll and trade accounts payable, which are payable to Centene and subsidiaries.

Under the provisions of the contracts with AHCCCS, member distributions may be paid only with prior approval of AHCCCS. For the years ended September 30, 2011 and 2010, no distributions were declared or paid.

Bridgeway contracted with NurseWise, an affiliated company wholly owned by CenCorp Health Solutions, to provide after hours nurse triage and call center services to eligible enrollees that are served under the AHCCCS contract. The Company paid NurseWise approximately $449,000 and $407,000 through a capitation payment for the years ended September 30, 2011 and 2010, respectively for these services. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

US Script, an affiliated company wholly owned by CenCorp Health Solutions, provides pharmacy benefit management services to eligible enrollees. Bridgeway paid US Script approximately $23.8 million and $18.6 million for these services for the years ended September 30, 2011 and 2010, respectively. Claims encounters are submitted to AHCCCS and CMS to substantiate these payments. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

(5) Related-party transactions (continued)

Cenpatico Behavioral Health (Cenpatico), an affiliated company wholly owned by CenCorp Health Solutions, provides a network and manages the behavioral health benefits for eligible enrollees utilizing behavioral health services. Bridgeway paid Cenpatico approximately $363,000 and $312,000 and for these services during the years ended September 30, 2011 and 2010, respectively. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

OptiCare, an affiliated company wholly owned by CenCorp Health Solutions, provides a vision network and manages the vision benefits for eligible enrollees. Bridgeway paid OptiCare approximately $474,000 and $906,000 for these services during the years ended September 30, 2011 and 2010, respectively. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

Nurtur, an affiliated company wholly owned by CenCorp Health Solutions, provides disease management services for eligible enrollees. Under the Acute contract, Bridgeway paid Nurtur approximately $1.2 million and $1.1 million for these services during the years ended September 30, 2011 and 2010, respectively. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

(6) Retirement plan

Bridgeway participates in the retirement plan of its parent company, Centene. Centene has a defined contribution plan which covers substantially all of its employees who work at least 1,000 hours in a twelve consecutive month period and are at least twenty-one years of age. Under the plan, eligible employees may contribute a percentage of their base salary, subject to certain limitations. Centene may elect to match a portion of the employees' contribution. Bridgeway's expense related to matching contributions to the plan was $144,296 and $118,267 during the years ended September 30, 2011 and 2010, respectively.

(7) Commitments and contingencies

Operating Leases - Bridgeway leases office space in Arizona for their headquarters and various satellite offices and leases certain equipment. These operating lease agreements expire at various dates through January 2018. Certain operating leases contain escalation provisions. The rental expense related to these leases is recorded on a straight-line basis over the lease term, including rent holidays. The difference between rent expense and rent paid due to recording expenses on the straight-line method of approximately $229,000 and $33,000 at September 30, 2011 and 2010, respectively is included in accounts payable and accrued expenses in the accompanying balance sheets.

In the normal course of business, operating leases are generally renewed or replaced by other leases. Minimum future payments under these non-cancelable operating leases as of September 30, 2011 are as follows:

Years Ending September 30,	
2012	$ 540,474
2013	544,585
2014	545,730
2015	497,638
2016	509,419
Thereafter	631,124
Total minimum lease payments	$ 3,268,970

Rent expense for the years ended September 30, 2011 and 2010 was approximately $430,000 and $405,000, respectively.

(7) Commitments and contingencies (continued)

Liability insurance - Bridgeway, through Centene, maintains professional and general liability insurance coverage under claims-made policies. Centene is insured for losses up to $10 million per claim and in the aggregate, with a self-insured retention of $1 million under its professional liability policy. Centene is insured for losses up to $1 million per claim and $2 million in the aggregate under its general liability policy. Bridgeway is also covered under an umbrella policy providing for professional and general liability coverage up to $15 million per claim and in the aggregate. Claims reported endorsement (tail coverage) is available if the policy is not renewed to cover claims incurred but not reported. Bridgeway anticipates that renewal coverage will be available at the expiration of the current policy. Bridgeway participates in the above policy with its affiliates. Per claim and aggregate limits are applicable to all covered entities as a group.

Litigation - Periodically, Bridgeway is involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

Healthcare regulation - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Bridgeway is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

Health reform legislation at both the federal and state levels continues to evolve. Changes continue to impact existing and future laws and rules. Such changes may impact the way the Company does business, restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase medical, administration and capital costs, and expose the Company to increased risk of loss or further liabilities. The Company's operating results, financial position and cash flows could be adversely impacted by such changes.

AHCCCS enrollment freeze - Effective July 8, 2011, AHCCCS placed an enrollment freeze on the childless adult population preventing any new members to enroll. Childless adult members enrolled prior to July 8, 2011 continuing to meet eligibility requirements will continue to receive coverage. As a result, Bridgeway's operating results, financial position and cash flows could be impacted by such changes.

(8) Contract requirements

In accordance with its contracts with AHCCCS and CMS, Bridgeway is required to maintain certain minimum financial reporting and viability measures.

Pursuant to its ALTCS contract with AHCCCS, Bridgeway must meet a minimum capitalization requirement for each Geographic Service Area (GSA) bid as specified in the contract. The capitalization requirement is subject to a $5.0 million ceiling regardless of the number of GSAs awarded. At September 30, 2011, Bridgeway was in compliance with this requirement.

Pursuant to its Acute care contract with AHCCCS, Bridgeway must meet a minimum capitalization requirement for each GSA bid as specified in the contract. The capitalization requirement is subject to a $10.0 million ceiling regardless of the number of GSAs awarded. At September 30, 2011, Bridgeway was in compliance with this requirement.

(8) Contract requirements (continued)

Bridgeway's contract with AHCCCS contains various quarterly financial viability standards and performance guidelines, including required minimum liquidity ratio, equity per member ratio, medical expense ratio, administrative cost percentages and received but unpaid claims days outstanding calculation.

As of September 30, 2011, Bridgeway was not in compliance with the Medicare Advantage contract's required current ratio or with the equity per member requirement. Subsequent to September 30, 2011, Centene contributed capital of $1.0 million to the Medicare Advantage line of business in the form of a cash contribution. After the contribution, Bridgeway meets the minimum capitalization requirement, equity per member and current ratio standards for the Medicare Advantage contract.

As of September 30, 2011 and 2010, Bridgeway is in compliance with the AHCCCS covenants with the exception of the administrative ratio under the ALTCS contract. Bridgeway's management believes the noncompliance is the direct result of current levels of enrollment in Maricopa County. The current administrative ratio is necessary, in the opinion of Bridgeway management, to maintain the appropriate level of care and involvement with members and providers. As membership increases in Maricopa County, management represents that the administrative expense ratio will continue to improve. Bridgeway has informed AHCCCS of the reasons for this variance and AHCCCS has not informed Bridgeway of any required corrective action.

Should Bridgeway be in default of any material obligations under its contracts with AHCCCS, AHCCCS may, at its discretion, in addition to other remedies, either adjust the amount of future payment or withhold future payment until they have received satisfactory resolution of the default or exception. In addition, although it has not expressed an intention to do so, AHCCCS has the right to terminate the contracts in whole or in part without cause by giving Bridgeway 90 days written notice. Further, if monies are not appropriated by the state or are not otherwise available, the contracts with AHCCCS may be cancelled upon written notice until such monies are so appropriated or available.

(9) Concentration of credit risk

Future contract awards are contingent upon the continuation of the AHCCCS Acute and ALTCS programs by the State of Arizona and Bridgeway's ability and desire to retain its status as a contractor under these programs. The ALTCS contract expired on September 30, 2011 and was renewed for three years through a reprocurement process with two additional one year renewal options. Through a bid process, Bridgeway was awarded an AHCCCS Acute contract effective October 1, 2008 through September 30, 2011 with two additional one year renewal options. The Acute contract was renewed to cover the October 1, 2011 through September 30, 2012 period. The Medicare Advantage contract is renewed annually by CMS. Effective January 1, 2011, Bridgeway entered into a service agreement with Pima County to provide certain administrative services. The Pima County services agreement ceased as of September 30, 2011. Bridgeway Management expects contracts with AHCCCS to be renewed through the respective renewal process. If each contract is not renewed, Bridgeway's operations would be materially impacted.

ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

The Management of

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

We have audited the financial statements of ***Bridgeway Health Solutions of Arizona, LLC*** as of and for the year ended September 30, 2011, and have issued our report thereon dated January 27, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information on pages 18 through 33 is presented for the purposes of additional analysis and is not a required part of the financial statements. These schedules are required in accordance with the AHCCCS Contracts. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Phoenix, Arizona
January 27, 2012

Mayer Hoffman McCann P.C.

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

SUPPLEMENTAL BALANCE SHEET

September 30, 2011

ASSETS

	ALTCS	Acute	Medicare	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 31,395,263	$ 6,162,934	$ -	$ 37,558,197
Receivables:				
Reinsurance receivables	2,604,145	1,845,514	-	4,449,659
Capitation and supplement receivables	918,342	1,274,156	-	2,192,498
Pharmacy receivable	8,857	98,644	152,381	259,882
Interest receivable	9,367	166	-	9,533
Due from affiliated companies	171,009	-	8,997,843	9,168,852
Income tax receivable	(6,014,459)	3,247,430	3,115,888	348,859
Provider Advances	60,870	20,883	245,369	327,122
Prepaid expenses	110,503	34,995	11,281	156,779
Deferred income tax asset	5,555,525	-	-	5,555,525
TOTAL CURRENT ASSETS	34,819,422	12,684,722	12,522,762	60,026,906
PROPERTY AND EQUIPMENT, net	838,786	43,015	1,477	883,278
INVESTMENTS	1,500,000	-	-	1,500,000
DEFERRED INCOME TAX ASSET	10,710	-	-	10,710
OTHER NON CURRENT ASSETS	9,500	-	-	9,500
TOTAL ASSETS	$ 37,178,418	$ 12,727,737	$ 12,524,239	$ 62,430,394

LIABILITIES AND MEMBER'S EQUITY

	ALTCS	Acute	Medicare	Total
CURRENT LIABILITIES				
Payable to providers	$ 13,851,762	$ 7,171,454	$ 6,785,393	$ 27,808,609
Payable to Arizona Health Care Cost Containment System	702,636	-	-	702,636
Accounts payable and accrued expenses	532,941	151,840	2,222,728	2,907,509
Deferred revenue	-	-	3,779,406	3,779,406
Due to affiliated companies	13,146,799	795,801	-	13,942,600
TOTAL CURRENT LIABILITIES	28,234,138	8,119,095	12,787,527	49,140,760
TOTAL LIABILITIES	28,234,138	8,119,095	12,787,527	49,140,760
MEMBER'S EQUITY	8,944,280	4,608,642	(263,288)	13,289,634
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 37,178,418	$ 12,727,737	$ 12,524,239	$ 62,430,394

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

SUPPLEMENTAL STATEMENT OF OPERATIONS

Year Ended September 30, 2011

	ALTCS	Acute	Medicare	Total
OPERATING REVENUES				
Capitation premiums	$ 120,870,730	$ 70,195,148	$ 40,403,943	$ 231,469,821
Delivery supplement	-	3,440,839	-	3,440,839
Service	10,709,383	-	-	10,709,383
Reinsurance	6,012,428	2,182,434	-	8,194,862
Other	105,200	-	-	105,200
TOTAL OPERATING REVENUES	137,697,741	75,818,421	40,403,943	253,920,105
HEALTH CARE EXPENSES				
Hospitalization	-	16,999,569	19,071,489	36,071,058
Medical compensation	-	18,245,666	8,372,282	26,617,948
Ancillary and other medical services	5,303,576	37,662,472	16,426,912	59,392,960
Third party liability	-	(30,265)	-	(30,265)
Institutional	105,824,674	-	-	105,824,674
TOTAL HEALTH CARE EXPENSES	111,128,250	72,877,442	43,870,683	227,876,375
GENERAL AND ADMINISTRATIVE EXPENSES	13,904,241	6,136,220	1,732,708	21,773,169
COST OF SERVICES	7,898,820	-	-	7,898,820
PREMIUM TAX EXPENSE	2,432,078	1,476,875	-	3,908,953
TOTAL EXPENSES	135,363,389	80,490,537	45,603,391	261,457,317
OPERATING INCOME (LOSS)	2,334,352	(4,672,116)	(5,199,448)	(7,537,212)
NONOPERATING INCOME (EXPENSES)				
Interest income	265,534	46,703	-	312,237
NET INCOME (LOSS) BEFORE TAXES	2,599,886	(4,625,413)	(5,199,448)	(7,224,975)
PROVISION FOR INCOME TAXES	952,571	(1,694,704)	(1,905,021)	(2,647,154)
NET INCOME (LOSS)	$ 1,647,315	$ (2,930,709)	$ (3,294,427)	$ (4,577,821)