

**FORM A**

**STATEMENT REGARDING THE  
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC  
INSURER**

**COMMUNITY CHOICE MICHIGAN**

Name of Domestic Insurer

BY

**CARESOURCE USA HOLDING COMPANY**

Name of Acquiring Person (Applicant)

FILED WITH THE OFFICE OF FINANCIAL AND INSURANCE SERVICES OF THE  
STATE OF MICHIGAN.

Dated: September 24, 2007

Name, Title, Address and Telephone Number of Individual to Whom Notices and  
Correspondence Concerning this Statement should be Addressed:

Janet R. Grant  
Executive Vice President  
CareSource USA Holding Co.  
One Dayton Centre  
One South Main Street  
Dayton, OH 45402  
(937) 531-2200

With a copy to:

Mark R. Chilson, Esq.  
Bricker & Eckler LLP  
9075 Centre Point Drive  
Suite 440  
West Chester, OH 45069  
(513) 870-6570

## **ITEM 1. METHOD OF ACQUISITION**

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

**The name of the domestic insurer to which this application relates is COMMUNITY CHOICE MICHIGAN, a Michigan nonprofit health maintenance organization (the "Domestic Insurer"), with offices located at 2369 Woodlake Drive, Suite 200, Okemos, MI 48864.**

**The Domestic Insurer is a nonprofit corporation, and under the Non-Profit Corporation Act of the State of Michigan (the "Non-Profit Act"), the Domestic Insurer has no shareholders. The Domestic Insurer is controlled by members, who exercise certain voting rights which would typically be exercised by shareholders of a for profit corporation. Control of the Domestic Insurer will be acquired by the Applicant pursuant to a Membership Interest Transfer Agreement, Exhibit A attached hereto (the "Transfer Agreement"), among CareSource USA Holding Co., an Ohio nonprofit tax exempt corporation (the "Applicant"), and the current holders of all membership interests in the Domestic Insurer (the "Members"). Under the terms of the Transfer Agreement, the Applicant will become the sole voting member of the Domestic Insurer, and the Domestic Insurer will become part of the Applicant's insurance holding company system.**

**In order to transfer the membership interests in the Domestic Insurer to the Applicant, the Members will amend the Articles of Incorporation and the Bylaws of the Domestic Insurer to designate the Applicant as the sole voting member of the Domestic Insurer.**

**As consideration for the transfer of their membership interests, the Applicant shall pay to each Member or the Member's designated representative (the "Member LLC") the Member's pro-rata share of (i) \$24,750, 000 (the "Transfer Payment"), subject to adjustments based on the number of Medicaid enrollees in the Domestic Insurer immediately prior to the transfer of the membership interests (the "Closing") and changes in monthly premium revenue of the Domestic Insurer as of the Closing and (ii) the net capital and surplus" of the Domestic Insurer as of the Closing, less certain amounts withheld to pay for incurred but not reported claims liabilities as of the Closing ("IBNR Liabilities") and other pre-Closing liabilities of the Domestic Insurer. (the "Adjusted Net Capital & Surplus Payment").**

**CareSource shall pay (or cause the Domestic Insurer to pay) an Adjusted Net Capital & Surplus Payment, representing the net capital and surplus of the Domestic Insurer as calculated pursuant to statutory accounting principles as of the Closing, reduced by (a) Holdback Funds (equal to \$6,300,000), (b) any transaction costs incurred but not paid by the Domestic Insurer prior to the Closing, (c) IBNR Cushion (i.e.,15% of the IBNR Liabilities), and (d) \$500,000 to cover the cost of run-out of the IBNR Liabilities after the Closing. Amounts can only be estimated at the**

filing of this application, and final amounts cannot be determined with certainty until the Closing. The Domestic Insurer will remain legally responsible for all IBNR Liabilities.

The Applicant will have a right of set-off under the Transfer Agreement against the Holdback Funds for certain pre-Closing liabilities which are identified or become due and payable after the Closing, and the Applicant's recourse for indemnification claims against the Members, including those arising out of breaches of representations and warranties in the Transfer Agreement by the Members as to themselves and as to the Domestic Insurer will be limited to the amount of the Holdback Funds. A portion of the Holdback Funds will be held by the Domestic Insurer until certain litigation to which the Domestic Insurer is a party has been concluded, and any liabilities of the Domestic Insurer as a result of such litigation will be paid from the Holdback Funds and the remaining amount, if any, distributed to the Members. All other Holdback Funds not applied to satisfy Members' indemnification obligations will be distributed pro rata to or for the benefit of the Members on May 31, 2009.

After the Closing, the Members may receive additional funds if there is a remaining balance in any of the following: (a) the IBNR Reserve after the 24-month run-out of the IBNR Liabilities, and (b) the Holdback Funds not used to indemnify the Applicant before the end of the applicable survival period.

As credit enhancement for distribution of the Holdback Funds, as of the Closing the Applicant will deliver an irrevocable letter of credit issued by a financial institution (the "LOC") to the Member LLC. On behalf of the Members, the Member LLC can draw on the LOC if post-Closing payment of the Holdback Funds is not timely made or caused to be made by the Applicant under the Transfer Agreement (but the LOC does not permit draws with respect to payment of the excess IBNR Reserve or the IBNR Cushion).

The description above is a summary of material terms and provisions of the Transfer Agreement and is qualified in its entirety by reference to the copy of the Transfer Agreement that is attached hereto as Exhibit A.

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

(a) State the name and address of the applicant seeking to acquire control over the insurer.

**The name of the Applicant is CARESOURCE USA HOLDING CO., an Ohio nonprofit tax exempt corporation with offices at One Dayton Centre, One South Main St., Dayton, OH 45402.**

(b) If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall

have been in existence. Describe the business intended to be done by the applicant and the applicant's subsidiaries.

**The common mission of the Applicant and its affiliated companies is to "make a difference in the lives of underserved people by improving their health care." The Applicant is a holding company for several other corporations whose business operations are related to the delivery of health care services to the underserved population. The transactions contemplated by the Transfer Agreement are consistent with the Applicant's mission and the current business operations of the Applicant and its affiliates.**

**The Applicant was incorporated on April 15, 1999, in the State of Ohio and is organized and operated as a nonprofit tax exempt corporation organized exclusively for charitable purposes in accordance with Chapter 1702 of the Ohio Revised Code and Section 501(c)(3) of the Internal Revenue Code.**

**Since inception the Applicant has operated as the holding company for CareSource, an Ohio Medicaid health maintenance organization ("CareSource"), and subsequently as the parent corporation of CareSource Management Group Co., CareSource Indiana, Inc., and the CareSource Foundation. This structure was developed to support the offering of diversified products and services to underserved populations, and to allow CareSource USA Holding Co. to extend its reach to underserved populations. The acquisition of the Domestic Insurer is consistent with and supports the common mission of the Applicant and its affiliated companies.**

**CareSource is a nonprofit tax exempt health insuring corporation licensed by the Ohio Department of Insurance. For more than 18 years CareSource has served Medicaid consumers in Ohio under a contract with the Ohio Department of Jobs and Family Services. CareSource has grown to be the largest Medicaid HMO in the State of Ohio and the seventh largest Medicaid managed care organization in the United States. CareSource currently serves more than 542,000 Medicaid consumers across Ohio, including TANF, SCHIP and ABD eligibles. CareSource has a long history of strong financial performance, with low administrative costs and strong net worth ensuring its long-term financial stability. CareSource has statutory capital and surplus in excess of \$122 million through the end of 2006 and Risk Based Capital (RBC) of 368 percent of the authorized control level RBC.**

**CareSource Management Group Co. is a for-profit corporation that is licensed as a third party administrator by the insurance departments in the States of Ohio, Michigan and Indiana. CareSource Management Group Co. provides health plan operation and administrative services for CareSource and the Domestic Insurer. Separate management agreements exist between CareSource Management Group Co. and CareSource, and CareSource Management Group Co. and the Domestic Insurer. In 2005 CareSource Management Group Co. received full accreditation from URAC for its health plan operations and health call center.**

**The CareSource Foundation is a nonprofit philanthropic foundation that advances innovative solutions and addresses the healthcare needs of the underserved through various grants, outreach programs, medical expertise, strategic community partnerships and volunteerism.**

**The Applicant believes that the acquisition of control of the Domestic Insurer will increase the ability of the CareSource affiliated companies to preserve and enhance access to comprehensive quality health care for the medically underserved. It will also enhance the Domestic Insurer's position and performance in a competitive marketplace by allowing the Domestic Insurer to continue to access and utilize the experience, competence and operational resources of the Applicant and its affiliated companies. As an affiliate of the Applicant, the Domestic Insurer will become part of an organization with considerable experience and success in public sector health care programs.**

**The Domestic Insurer's current and historical relationship with CareSource Management Group Co. further demonstrates the benefits of the proposed acquisition. In 2003, CareSource Management Group Co. began administering the operations of the Domestic Insurer through a management contract. At the time, the Domestic Insurer had a deficit of over \$6 million and had been ordered into rehabilitation by Office of Financial and Insurance Services ("OFIS"). CareSource Management Group Co. was appointed as the deputy co-rehabilitator and worked diligently with OFIS to rehabilitate the Domestic Insurer. Through strategic application of the services of the Applicant and its affiliates, the Domestic Insurer was stabilized and recapitalized, emerging from rehabilitation after 13 months. The Domestic Insurer is now operating with a surplus. CareSource Management Group Co. was also instrumental in assisting the Domestic Insurer in obtaining full accreditation from URAC for the domestic Insurer's health call center and health plan programs.**

(c) **Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant, including the ultimate controlling person(s). No affiliate need be identified if its total assets are equal to less than 1/2 of 1% of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership), primary business (e.g. holding company, insurance agency, manufacturer) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.**

**Refer to Exhibit B to Form A, a Chart Presenting the Identities of the Interrelationships among the Applicant and all Affiliates. CareSource Management**

**Group Co. and CareSource Indiana, Inc. are not identified in the chart because each affiliate's total assets are less than ½ of 1% of the total assets of the ultimate controlling.**

**There are no court proceedings involving a reorganization or liquidation pending with respect to the Applicant or its affiliated companies.**

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

State the following with respect to 1) the applicant if she or he is an individual 2) if the applicant is not an individual, all persons who are, or who have been selected to be, directors, executive officers (or others who perform or will perform functions appropriate to those positions), or owners of 10% or more of the voting securities of the applicant, and, 3) in all instances where individuals will be the direct or indirect source of funding for the acquisition:

(a) Name and business address;

**As a nonprofit corporation, the Applicant has no shareholders or owners. The Applicant is controlled by voting members, who are the members of its board of trustees. There are no individuals who will be the direct source of funding for the acquisition. Exhibit C to this Form A application provides the requested information for each director and executive officer of the Applicant.**

(b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;

**Refer to Exhibit C to Form A, the Identity and Background of Individuals Associated with the Applicant.**

(c) All occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.

**Refer to Exhibit C to Form A, the Identity and Background of Individuals Associated with the Applicant.**

(d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years and, if so, give the date,

nature of conviction, name and location of court, and penalty imposed or other disposition of the case. Whether or not such person has had any civil judgments against the person resulting in \$25,000 or more in civil fines or penalties or injunctive or other equitable relief.

**Refer to Exhibit C to Form A, the Identity and Background of Individuals Associated with the Applicant.**

(e) Upon the request of the Commissioner, individuals shall provide fingerprint cards pursuant to Section 249a for state, multi-state, and federal criminal history record checks.

**Fingerprint cards for individuals associated with the Applicant, officers of CareSource Management Group, and Board members of Community Choice Michigan are incorporated herein. Refer to Exhibit D to Form A.**

**NAIC Biographical Affidavits for each person identified in Exhibit C are included with this application. The biographical statements contain extensive personal data. The Applicant requests that the biographical affidavits be treated as CONFIDENTIAL by the Office of Financial and Insurance Services and that advance notice of any request for disclosure of the statements be provided to the Applicant. Refer to Exhibit E to Form A**

#### **ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. Describe any transaction where funds were or are to be obtained for such purpose, including any pledge of the insurer's stock or pledge of the stock of any of its subsidiaries or controlling affiliates. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

**Amount of Funds. Item 1 summarizes the financial terms of the Transfer Agreement by which the Applicant intends to acquire control of the Domestic Insurer at the Closing. Capitalized terms not otherwise defined in this Item 4 shall have the same meanings assigned to them in Item 1.**

**As of the Closing under the Transfer Agreement, CareSource shall pay to the Members or to the Member LLC) a Transfer Payment of \$24,750,000, subject to adjustments described in Item 1, with the 16 corporate Members of the Domestic Insurer each receiving a pro-rata share. In addition, CareSource shall pay (or cause the Domestic Insurer to pay) an Adjusted Net Capital & Surplus Payment (summarized in Item 1), representing the net capital and surplus of the Domestic**

Insurer as calculated pursuant to statutory accounting principles as of the Closing, reduced by (a) the Holdback Funds (equal to \$6,300,000), (b) any transaction costs incurred but not paid by the Domestic Insurer prior to the Closing, (c) the IBNR Cushion (i.e., 15% of the IBNR Liabilities), and (d) \$500,000 to cover the cost of run-out of the IBNR Liabilities after the Closing. Amounts can only be estimated at the filing of this application, and final amounts cannot be determined with certainty until the Closing. As of June 30, 2007 the Domestic Insurer's net capital and surplus was approximately \$12 million dollars. Based on the June 30, 2007 calculation of net capital and surplus and IBNR Liabilities, the estimated IBNR Cushion (15% of IBNR Liabilities) would be approximately \$2.1 million dollars, and the estimated Adjusted Net Capital & Surplus Payment would be approximately \$3.1 million dollars. When the estimated Adjusted Net Capital & Surplus Payment is aggregated with the \$24,750,000 Transfer Payment, the total estimated consideration payable to the Members under the Transfer agreement will be approximately \$27.85 million dollars.

After the Closing, the Members may receive additional funds if there is a remaining balance in any of the following: (a) the IBNR Reserve after the 24-month run-out of the IBNR Liabilities, and (b) the Holdback Funds not used before the end of the applicable survival period. Under the above financial assumptions, the aggregate amount of these additional funds could be up to \$8.4 million dollars.

**Nature of Funds.** All payments to be delivered to the Members or to the Member LLC pursuant to the Transfer Agreement will be paid by delivery of bank check or other form of payment reasonably satisfactory to each Member and the Member LLC.

**Source of Funds.** The Applicant will utilize cash on hand (approximately \$16 million dollars) and a draw on an existing line of credit with Fifth Third Bank (approximately \$12 million dollars) as the source of funds to be paid at Closing. The Domestic Insurer will deliver the Adjusted Net Capital & Surplus Payment as of the Closing from existing funds. Post-Closing funds to be paid to the Member LLC (will be paid by the Domestic Insurer as set forth in the Transfer Agreement, secured by an irrevocable letter of credit to be obtained as of the Closing from Fifth Third Bank by the Applicant for the benefit of the Member LLC, as required by the Transfer Agreement.

(b) Explain the criteria used in determining the nature and amount of such consideration.

The Domestic Insurer and CareSource Management Group Co., an affiliate of the Applicant ("CSMG"), are parties to an Amended and Restated Management Agreement (the "Management Agreement"), which in Section 12.12 grants CSMG a right of first refusal to purchase the Domestic Insurer. The right of first refusal provides that CSMG has "the absolute right to purchase the Domestic Insurer's Assets or Membership Shares ("CCM Assets") in the event the Domestic Insurer receives an offer to purchase CCM Assets which the Domestic Insurer deems



acceptable." The Management Agreement further provides that the right of first refusal is to be at the amount of the offer, less an applicable discount that reflects the discounted management fee paid by the Domestic Insurer to CareSource Management Group Co. during the first two years of health plan operation and management services provided by CareSource Management Group Co. On April 10, 2007, legal counsel for the Domestic Insurer notified CSMG that the Domestic Insurer had accepted an offer from a third-party to purchase the CCM Assets, subject to CSMG's right of first refusal. Under the Management Agreement, CSMG had 30 days to match the third-party offer. On May 10, 2007, CSMG matched this third-party offer (as required by the Management Agreement) and exercised its right of first refusal to purchase the CCM Assets, subject to the applicable discount, assigning such right to the Applicant, and the parties negotiated the Transfer Agreement to document specific terms and conditions. In summary, the consideration to be paid was determined by (a) the third-party offer received by the Domestic Insurer, (b) the requirements of the Management Agreement, and (c) arms-length negotiations among the parties to the Transfer Agreement. Legal Counsel for the Domestic Insurer has also represented to the Applicant that the Domestic Insurer solicited offers from various prospective purchasers, and the third party offer which was deemed acceptable to the Domestic Insurer and that was the subject of the right of first refusal was obtained as a result of the solicitation process.

(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, the applicant must specifically request that the identity be kept confidential.

**The Applicant does not request that the identity of the lender be maintained confidential.**

#### **ITEM 5. FUTURE PLANS FOR INSURER**

(a) Describe any plans or proposals which the applicant may have for the Domestic Insurer to declare a dividend, (whether or not extraordinary), to liquidate the insurer, to sell its assets, to merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management.

**The Applicant plans for the Domestic Insurer to continue its operations as a health maintenance organization in accordance with Chapter 35 Health Maintenance Organizations of PA. 218 of 1956, the Michigan Insurance Code.**

**The Applicant does not plan to make any material changes in the business operations of the Domestic Insurer. An affiliate of the Applicant, CSMG, has been managing the Domestic Insurer since 2003 pursuant to a Management Agreement with the Domestic Insurer, and the Applicant intends to continue that management arrangement, subject to appropriate adjustments in the terms of the amended and restated Management Agreement. Accordingly, it is anticipated that there will be**

**no immediate changes, material or otherwise, in operational personnel or procedures. From the perspective of Medicaid enrollees served by the Domestic Insurer and its contracted providers, there should be no apparent changes and the change in control should be transparent. The Applicant does anticipate that the name of the Domestic Insurer will be changed at a yet to be determined time after Closing.**

**Upon receipt of all necessary regulatory approvals, the Domestic Insurer will become an affiliate of the Applicant that retains its own separate Board of Trustees. As the sole voting member of the Domestic Insurer, however, the Applicant will have the authority to appoint a majority of the Domestic Insurer's Board. The Board of Trustees of the Domestic Insurer is responsible under the Non-Profit Act for the policy making decisions of the corporation and to implement organizational business plans.**

**Refer to Exhibit C for the identification of the proposed board of trustees of the Domestic Insurer.**

(b) Provide a 5 year business plan which describes the types of business to be written by the insurer, marketing plan, projected direct, assumed, ceded, and net written premiums by line, pro-forma statutory balance sheets and income statements. Also, describe proposed changes to the insurer's reinsurance program (if any), amount, timing, and type of capital contributions (if any), proposed changes to the insurer's executive officers and directors, and compliance plan with the "books and records in Michigan" requirement of Section 5256.

**The Applicant's 5-year business plan is attached as Exhibit F. Because the Domestic Insurer has been managed by an affiliate of the Applicant since 2003, the business plan does not reflect material changes in the type of business to be written or any other aspects of the Domestic Insurer's operations.**

**The Applicant intends to keep in place the Domestic Insurer's current reinsurance program.**

#### **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

**Not applicable. Under the Non-Profit Act, the Domestic Insurer is not authorized to issue (and has not issued) any equity securities of any kind or nature. In lieu of voting securities, the Domestic Insurer, as a nonprofit corporation, has voting members. There are currently 16 Members, and the Applicant plans to acquire 100% of the interests of all 16 Members. As a result, the Applicant will become the**

**sole voting member of the Domestic Insurer, and the current 16 Members will, after the Closing, have no further interest or voting rights in the Domestic Insurer.**

#### **ITEM 7. OWNERSHIP OF VOTING SECURITIES**

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

**Not applicable. Under the Non-Profit Act, the Domestic Insurer is not authorized to issue (and has not issued) any equity securities of any kind or nature. See response to Item 6 above for further detail.**

#### **ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom the contracts, arrangements or understanding have been entered into.

**Not applicable. Under the Non-Profit Act, the Domestic Insurer is not authorized to issue (and has not issued) any equity securities of any kind or nature. See response to Item 6 above for further detail. There are no contracts, arrangements or other understandings with the Members, except to transfer the Members interests to the Applicant as described above.**

#### **ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefore. State whether any shares so purchased are hypothecated.

**Not applicable. Under the Non-Profit Act, the Domestic Insurer is not authorized to issue (and has not issued) any equity securities of any kind or nature. See response to Item 6 above for further detail.**

## **ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

**Not applicable. Under the Non-Profit Act, the Domestic Insurer is not authorized to issue (and has not issued) any equity securities of any kind or nature. See response to Item 6 above for further detail.**

## **ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

**Not applicable. Under the Non-Profit Act, the Domestic Insurer is not authorized to issue (and has not issued) any equity securities of any kind or nature. See response to Item 6 above for further detail.**

## **ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

(a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

**Refer to Exhibit G to Form A.**

**The financial statements of the Domestic Insurer are on file with OFIS and incorporated herein by reference.**

(b) The financial statements shall include the audited annual financial statements of the persons (both corporate and individual) identified in Item 2(c), including individuals who are applying to be the ultimate controlling persons, for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year as of a date not earlier than 90 days prior to the filing of the statement. The statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business. The consolidated financial statements shall include the consolidating work sheets. The annual financial statements of the applicant corporate entity shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial positions of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other

accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

(c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory, managing general agent, controlling producer, or management contracts concerning the insurer, annual reports and proxy statements to the stockholders of the insurer and the applicant for the last two fiscal years, and any additional documents or papers required Form A forms and instructions Section 4 and 6.

**Under the Non-Profit Act, the Domestic Insurer is not authorized to issue (and has not issued) any equity securities of any kind or nature. See response to Item 6 above for further detail.**

**Other than as set forth in Exhibit A, there are no tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting membership interests of the insurer. .**

**Refer to Exhibit H to Form A, Amended and Restated Management Agreement which delineates the proposed management contract concerning the Domestic Insurer.**

**The Applicant and the Domestic Insurer are each non-profit corporations. As such, no annual reports or proxy statements have been issued to the Members of the Domestic Insurer or the voting members of the Applicant.**

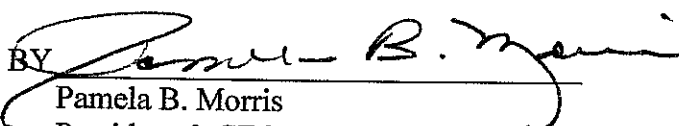
### ITEM 13. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:


#### SIGNATURE

Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, CareSource USA Holding Co. has caused this application to be duly signed on its behalf in the City of Dayton and State of Ohio on the 25<sup>th</sup> day of September, 2007.

CARESOURCE USA HOLDING CO.


BY   
Pamela B. Morris  
President & CEO  
Board Member  
CareSource USA Holding Co.

Attest:

  
Thomas G. Breitenbach  
Chairperson, CareSource USA Holding Co.

#### CERTIFICATION

The undersigned deposes and says that she or he has duly executed the attached application dated September 25, 2007, for and on behalf of CareSource USA Holding Co.; that she or he is a Board Member of such company and that she or he is authorized to execute and file such instrument. Deponent further says that she or he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his or her knowledge, information and belief.

  
Pamela B. Morris  
President & CEO  
Board Member  
CareSource USA Holding Co.