

**MAGELLAN**  
**STATEMENT OF FINANCIAL POSITION**  
AS OF: March 31, 2009

**ASSETS**

**CURRENT ASSETS**

|  |                     |
|--|---------------------|
| 101 Cash (Disclose on Schedule A)                      | \$20,849,321        |
| 102 Current Investments                                | \$58,111,046        |
| 103 Accounts Receivable (net) (Disclose on Schedule A) | \$11,513,643        |
| 104 Notes Receivable (current portion)                 |                     |
| 105 Prepaid Expenses                                   | 2,122,723           |
| 106 Other Current Assets (Disclose on Schedule A)      | \$4,595,364         |
| 107 Total Current Assets                               | <u>\$97,192,097</u> |

**NON-CURRENT ASSETS**

|  |                     |
|--|---------------------|
| 108 Land   | -                   |
| 109 Building   | -                   |
| 110 Leasehold Improvements                           | 2,930,788           |
| 111 Furniture and Equipment                          | 6,587,694           |
| 112 Vehicles   | -                   |
| 113 Total Property and Equipment                     | <u>\$9,518,482</u>  |
| 114 Less: Accumulated Depreciation                   | <u>7,389,527</u>    |
| 115 Net Property and Equipment                       | <u>\$2,128,955</u>  |
| 116 Notes Receivable (net of current portion)        | -                   |
| 117 Performance Bond (Disclose on Schedule A)        | -                   |
| 118 Long Term Investments                            | 11,761,271          |
| 119 Deposits   | -                   |
| 120 Other Noncurrent Assets (Disclose on Schedule A) | \$2,558,708         |
| 121 Total Noncurrent Assets                          | <u>\$16,448,934</u> |

|                  |                             |
|------------------|-----------------------------|
| 122 TOTAL ASSETS | <u><u>\$113,641,031</u></u> |
|------------------|-----------------------------|

**LIABILITIES AND NET ASSETS/EQUITY**

**CURRENT LIABILITIES**

|   |                     |
|---|---------------------|
| 201 Incurred But Not Reported Claims (Disclose on Sch. A) | \$15,713,186        |
| 202 Reported But Unpaid Claims                            | 1,983,238           |
| 203 Payable to ADHS (Disclose on Schedule A)              | \$20,166,158        |
| 204 Other Amounts Payable to Providers                    | 894,038             |
| 205 Trade Accounts Payable                                | 1,770,707           |
| 206 Accrued Salaries and Benefits                         | -                   |
| 207 Long-term Debt (current portion)                      | 6,524               |
| 208 Deferred Revenue (Disclose on Schedule A)             | \$0                 |
| 209 Risk Pool Payable                                     | -                   |
| 210 Other Current Liabilities (Disclose on Schedule A)    | \$14,539,255        |
| 211 Total Current Liabilities                             | <u>\$55,073,106</u> |

**NON-CURRENT LIABILITIES**

|   |                  |
|---|------------------|
| 212 Long-term debt (net of current portion)               | 14,343           |
| 213 Loss Contingencies (Disclosed on Schedule A)          | \$0              |
| 214 Other Noncurrent Liabilities (Disclose on Schedule A) | \$886,930        |
| 215 Total Noncurrent Liabilities                          | <u>\$901,273</u> |

|                       |                     |
|-----------------------|---------------------|
| 216 TOTAL LIABILITIES | <u>\$55,974,379</u> |
|-----------------------|---------------------|

**217 NET ASSETS/EQUITY**

|  |            |
|--|------------|
| Unrestricted Net Assets                        | 57,666,652 |
| Restricted Net Assets (Disclose on Schedule A) | \$0        |

|   |                             |
|---|-----------------------------|
| 218 TOTAL LIABILITIES AND NET ASSETS/EQUITY | <u><u>\$113,641,031</u></u> |
|---|-----------------------------|

**MAGELLAN  
STATEMENT OF FINANCIAL POSITION  
AS OF:  
Schedule A Disclosures**

March 31, 2009

**ASSETS:**

**Cash**

|              |            |
|--------------|------------|
| Unrestricted | 19,962,391 |
| Restricted   | 886,930    |

**Total Cash**

**\$20,849,321**

**Accounts Receivable**

**ADHS**

Current Year

| Program ID              | Category ID                     |           |
|-------------------------|---------------------------------|-----------|
| NTXIX/XXI SMI           | SMI Services/Tobacco Tax        | 2,195,935 |
| NTXIX/XXI SMI           | Dual Eligible Part D - SMI      | (43,210)  |
| NTXIX/XXI SMI           | MHBG                            | 56,068    |
| NTXIX/XXI SMI           | Arnold v Sam                    | (279,400) |
| NTXIX/XXI SMI           | ASH Supervised Care Moves       | (633,167) |
| NTXIX/XXI Child         | Children's Treatment            | (81,927)  |
| NTXIX/XXI Child         | MHBG                            | (290,491) |
| Substance Abuse         | SA/Alcohol - Adult              | (254,692) |
| Substance Abuse         | Meth Initiative                 | 24,875    |
| Substance Abuse         | Substance Abuse TX Children     | 20,646    |
| Substance Abuse         | Alcohol Abuse TX                | (11,420)  |
| Substance Abuse         | Substance Abuse Prevention TX   | 4,677,052 |
| Substance Abuse         | SAPT Pregnant Women             | 797,061   |
| Substance Abuse         | SAPT 07 HIV/Aids Alcohol        | (157,874) |
| Substance Abuse         | Meth Initiative SAPT            | (166,667) |
| Substance Abuse         | Maricopa City IGA               | 31,425    |
| Substance Abuse         | City of Phoenix - LARC 08       | 209,797   |
| Mental Health           | Mental Health-Adult             | (41,666)  |
| Mental Health           | Dual Eligible Part D - SMI      | (16,804)  |
| Prevention Intervention | Children's Prevention           | (12,979)  |
| Prevention Intervention | SA Prevention TX                | 1,624,140 |
| PASRR                   | PASARR                          | 3,900     |
| Other                   | CER-ACRA                        | 880       |
| Other                   | CER-Youth Transition Pilot Prog | 12,092    |

Prior Year

**Non-ADHS &/or Unrelated Business**

Current Year

|   |           |
|---|-----------|
| Interest Receivable on Investments                  | 766,111   |
| Tax Benefit Receivable                              | \$757,621 |
| Hope Housing Receivable                             | 115,015   |
| ABC Housing Receivable                              | 3,424     |
| MCRN Receivable                                     | 30,093    |
| Southwest Network - Post-Transition Clinic Expenses | 39,115    |
| CHOICES - Post-Transition Clinic Expenses           | 223,093   |
| Provider Receivable - Tobacco Tax Funding Reduction | 777,451   |
| Rx America - Risk Share Receivable (Dec-Mar)        | 904,000   |

Prior Year

|                         |                   |         |
|-------------------------|-------------------|---------|
| Identify Program        | Identify Category |         |
| Tax Benefit Receivable  |                   | 150,544 |
| ABC Housing Receivable  |                   | 385     |
| Hope Housing Receivable |                   | 83,216  |

**Allowance for Doubtful Accounts**

**LIABILITIES:**

**IBNR Claims Estimate**

Current Year 15,564,194

Prior Year(s) 148,992

**Total IBNR**

**\$15,713,186**

**Payable to ADHS (Detail of Line 203)**

| Program ID       | Category ID          |           |
|------------------|----------------------|-----------|
| TXIX Child       | Profit/Risk Corridor | 2,834,052 |
| TXIX CMDP        | Profit/Risk Corridor | 1,340,516 |
| TXIX Child       | Withhold             | 2,323,037 |
| TXIX SMI         | Withhold             | 3,831,992 |
| TXIX GMHSA       | Withhold             | 1,332,412 |
| TXIX Child       | Withhold             | 108,602   |
| HIFA II SMI      | Withhold             | 13,974    |
| HIFA II GMH      | Withhold             | 9,713     |
| Admin & Mgmt Gen | Sanctions            | 116,175   |
| HIFA II SMI      | Profit/Risk Corridor | 351,136   |
| NTXIX/XXI Child  | Profit/Risk Corridor | 138,760   |
| TXIX Child       | Withhold             | 2,294,867 |
| TXIX SMI         | Withhold             | 124,449   |
| TXIX GMHSA       | Withhold             | 3,720,678 |
| TXIX Child       | Withhold             | 30,298    |
| TXIX Adult       | Withhold             | 1,323,342 |
| HIFA II GMH      | Withhold             | 19,775    |
| Admin & Mgmt Gen | Sanctions            | 252,381   |

**Total Payable to ADHS**

**20,166,158**

**Deferred Revenue from: (Detail of Line 208)**

| Program ID       | Category ID       |     |
|------------------|-------------------|-----|
| Identify Program | Identify Category | \$0 |
| Identify Program | Identify Category | -   |
| Identify Program | Identify Category | -   |
| Identify Program | Identify Category | -   |

**Total Deferred Revenue**

**\$0**

**Total Accounts Receivable**

**11,513,643**

**Other Current Assets (Detail of Line 106)**

|                             |           |
|-----------------------------|-----------|
| Current Deferred Tax Asset  | 5,190,030 |
| Current Valuation Allowance | (594,666) |

**Total Other Current Assets**

**\$4,595,364**

**Other Current Liabilities (Detail of Line 210)**

|                                |         |
|--------------------------------|---------|
| Accrued Bonuses                | 7,500   |
| Sales & Use Tax                | 5,887   |
| Accrued Property & Other Taxes | 36,019  |
| Consulting Expenses            | 225,046 |
| LOC Interest Expense           | 5,485   |
| Telephone Expenses             | 66,133  |
| Self Insurance Retention       | 385,197 |

|   |           |
|---|-----------|
| Unclaimed Property                      | 30,500    |
| Sublease Security Deposits              | 204,940   |
| Maricopa Tail Ins Accrual               | 4,400,000 |
| PASARR Accrual                          | 6,600     |
| CEDA Food Boxes                         | 13,033    |
| Housing Accrual                         | 110,944   |
| Southwest Network - Sale of 3 Clinics   | 225,000   |
| Arnold vs Sarn                          | 273,836   |
| ABC Management Fee                      | 159,979   |
| FY08 Valuation Allowance on Investments | (347,516) |
| Intercompany Magellan Health Services   | 8,730,672 |

**Other Noncurrent Assets (Detail of Line 120)**

|                                 |           |
|---------------------------------|-----------|
| Clinic Security Deposits        | 355,653   |
| Utility Security Deposits       | 110,926   |
| Non-Current Deferred Tax Asset  | 2,382,344 |
| Non-Current Valuation Allowance | (290,215) |

**Total Other Noncurrent Assets**

**\$2,558,708**

**Total Other Current Liabilities**

**14,539,255**

**PERFORMANCE BOND:**

Type of Security & Amount -

|                                     |      |            |
|-------------------------------------|------|------------|
| Safeco Insurance Company of America | Bond | 36,000,000 |
| Deutsche Bank                       | LOC  | 9,605,403  |

**Loss Contingencies (Detail of Line 213)**

Identify Loss Contingencies

-

**Total Loss Contingencies**

**\$0**

**Adjustments:**

Disclose and describe any adjustments made to previously submitted financial statements, including those that affect the current period financial statements.

**Other Noncurrent Liabilities (Detail of Line 214)**

|                        |         |
|------------------------|---------|
| Maricopa Comcare Trust | 886,930 |
|------------------------|---------|

**Total Other Noncurrent Liabilities**

**\$886,930**

**Payables to ADHS - Other\* Category**

Disclose items recorded as "Other" in the category for Payable to ADHS Section

**Restricted Net Assets (Detail of Line 217)**

Identify Restricted Net Assets

-

**Total Restricted Net Assets**

**\$0**

**Explain ≥10% fluctuation in account from prior period**

Describe fluctuation in each account greater than 10%

|                                    |  |
|------------------------------------|--|
| Cash                               | Purchase of current investments (\$9.8M) & LT investments (\$5.2M); Payables to providers reduced (\$5.2M); Intercompany Liability reduced (\$2.0M) due to payments being made directly from Maricopa bank account instead of Magellan Corp account.   |
| Current Investments                | Purchase of current investments (\$9.8M).  |
| Prepaid Expenses                   | Prepays related to Jan-Mar were expensed in the quarter.   |
| Long Term Investments              | Purchase of LT investments (\$5.2M).   |
| Incurred But Not Reported Claims   | Increase in claims incurred but not reported - based on an actuarial estimate of the claims incurred.  |
| Reported But Unpaid Claims         | Reduction of claims received due to seasonality  |
| Payable to ADHS                    | Excess profit accrual reduced (\$5.5M); encounter withhold accrual increased (\$2.6M); performance sanction accrual increased (\$48.4K).   |
| Other Amounts Payable to Providers | Payables to providers accrued as of December were paid in the quarter.   |
| Trade Accounts Payable             | Increase in vendor invoices entered but not yet paid.  |
| Long-term Debt (current portion)   | Write off copier leases for clinic that have transitioned to PNO.  |
| Other Current Liabilities          | Intercompany payable reduced (\$2.0M); payable to PNOs related to sale of clinics reduced (\$77.4K); housing accrual reduced (\$191.6K); consulting expense accrual reduced (\$85.0K); self-insurance retention accrual increased (\$92.9K); sublease security deposit accrual related to sale of clinics increased (\$46.2K); ABC housing management fee accrual increased (\$67.0K). |
| Long-term debt                     | Write off copier leases for clinic that have transitioned to PNO.  |
| Other Noncurrent Liabilities       | Housing payments paid from Comcare Trust.  |

**MAGELLAN****STATEMENT OF CHANGES IN NET ASSETS / EQUITY**AS OF : **March 31, 2009**

|   |                 |                    | Net Assets / | Unrealized Gains |            |
|---|-----------------|--------------------|--------------|------------------|------------|
|   | Initial Capital | Additional Capital | Retained     | (Losses) on      | Total      |
|   |                 |                    | Earnings     | Securities       |            |
| Beginning Balance: July 1, 2008   | -               | 56,000,100         | (4,817,459)  |                  | 51,182,641 |
| * Net Surplus / Net Earning for the period ended: <b>March 31, 2009</b> | -               | 6,000,000          | 750,766      |                  | 6,750,766  |
| Other Comprehensive Income:   |                 |                    |              |                  |            |
| Unrealized Gains (Losses) on Securities                                 |                 |                    |              | (266,755)        | (266,755)  |
| Dividends Declared  |                 | -                  | -            |                  | -          |
| ** Prior Period Adjustments   | -               | -                  | -            |                  | -          |
| Ending Balance: <b>March 31, 2009</b>                                   |                 |                    |              |                  |            |
|   | <u>\$</u>       | <u>\$</u>          | <u>\$</u>    | <u>\$</u>        | <u>\$</u>  |
|   | -               | 62,000,100         | (4,066,693)  | (266,755)        | 57,666,652 |

\* Net of dividends declared

\*\* Disclosure of Prior Period Adjustments



\*DISCLOSE ON SCHEDULE A

|   | TXIX CHILD        | TXIX CMDP         | TXIX DD CHILD    | NTXIX/XXI CHILD  | TXXI CHILD       | HB2003 CHILD | TXIX SMI           | TXIX DD ADULT    | NTXIX/XXI SMI      | HIFA II SMI     | TXXI ADULT      | SSDI - TMC | TXIX GMHSA        | HIFA II GMH    | MENTAL HEALTH    | SUBSTANCE ABUSE   | PREVENTION INTERVENTION | PASRR         | ADHS DOC         | OTHER    | SUB TOTAL          | PROGRAM ADMIN & MGMT/GEN | TOTAL              |
|---|-------------------|-------------------|------------------|------------------|------------------|--------------|--------------------|------------------|--------------------|-----------------|-----------------|------------|-------------------|----------------|------------------|-------------------|-------------------------|---------------|------------------|----------|--------------------|--------------------------|--------------------|
| <b>Administrative Expenses:</b>               |                   |                   |                  |                  |                  |              |                    |                  |                    |                 |                 |            |                   |                |                  |                   |                         |               |                  |          |                    |                          |                    |
| 601 Salaries                                  | 1,842,329         | 977,218           | 152,131          | 148,507          | 154,088          | -            | 5,065,236          | 82,852           | 1,900,307          | 14,474          | 10,713          | -          | 1,915,997         | 11,767         | 58,453           | 465,403           | 94,106                  | -             | 25,084           | -        | 12,918,666         | -                        | 12,918,666         |
| 602 Employee Benefits                         | 610,525           | 323,838           | 50,414           | 49,213           | 51,063           | -            | 1,678,557          | 27,456           | 629,738            | 4,797           | 3,550           | -          | 634,938           | 3,899          | 19,371           | 154,229           | 31,186                  | -             | 8,312            | -        | 4,281,086          | -                        | 4,281,086          |
| 603 Professional & Outside Services           | 100,695           | 53,411            | 8,315            | 8,117            | 8,422            | -            | 276,846            | 4,528            | 103,863            | 791             | 586             | -          | 104,721           | 643            | 3,195            | 25,437            | 5,143                   | -             | 1,371            | -        | 706,084            | -                        | 706,084            |
| 604 Travel                                    | 30,178            | 16,007            | 2,492            | 2,433            | 2,524            | -            | 82,970             | 1,357            | 31,127             | 237             | 175             | -          | 31,384            | 193            | 957              | 7,623             | 1,541                   | -             | 411              | -        | 211,610            | -                        | 211,610            |
| 605 Occupancy                                 | 152,886           | 81,095            | 12,625           | 12,324           | 12,787           | -            | 420,341            | 6,876            | 157,598            | 1,201           | 889             | -          | 159,000           | 976            | 4,851            | 38,622            | 7,809                   | -             | 2,082            | -        | 1,072,061          | -                        | 1,072,061          |
| 606 Depreciation                              | 127,267           | 87,505            | 10,509           | 10,259           | 10,644           | -            | 349,902            | 5,723            | 131,272            | 1,000           | 740             | -          | 132,355           | 813            | 4,938            | 32,150            | 6,501                   | -             | 1,733            | -        | 892,411            | -                        | 892,411            |
| 607 All Other Operating*                      | 2,088,866         | 1,105,796         | 172,048          | 167,239          | 176,451          | -            | 5,924,517          | 96,783           | 2,158,138          | 17,404          | 12,155          | -          | 2,170,694         | 13,626         | 65,726           | 524,506           | 105,815                 | -             | 28,205           | -        | 14,827,968         | -                        | 14,827,968         |
| 608 Subtotal ADHS Administrative Expenses     | 4,952,746         | 2,624,870         | 408,534          | 398,092          | 415,979          | -            | 13,798,369         | 225,576          | 5,112,144          | 39,904          | 28,808          | -          | 5,149,089         | 31,918         | 156,590          | 1,247,970         | 252,101                 | -             | 67,197           | -        | 34,909,886         | -                        | 34,909,886         |
| 650 Encounter Withhold Expenses*              | 1,451,437         | 768,485           | 103,115          | -                | 108,602          | -            | 3,742,630          | 89,361           | -                  | 8,971           | 5,003           | -          | 1,332,412         | 9,713          | -                | -                 | -                       | -             | -                | -        | 7,619,729          | -                        | 7,619,729          |
| 651 Non ADHS and/or Unrelated Admin. Expense* | -                 | -                 | -                | -                | -                | -            | -                  | -                | -                  | -               | -               | -          | -                 | -              | -                | -                 | -                       | -             | -                | -        | -                  | -                        | -                  |
| 652 Subtotal Administrative Expense           | 6,404,183         | 3,393,355         | 511,649          | 398,092          | 524,581          | -            | 17,540,999         | 314,937          | 5,112,144          | 48,875          | 33,811          | -          | 6,481,501         | 41,631         | 156,590          | 1,247,970         | 252,101                 | -             | 67,197           | -        | 42,529,615         | -                        | 42,529,615         |
| 701 Unrelated Business Expenses*              | -                 | -                 | -                | -                | -                | -            | -                  | -                | -                  | -               | -               | -          | -                 | -              | -                | -                 | -                       | -             | -                | -        | -                  | -                        | -                  |
| <b>Income Tax Provisions</b>                  |                   |                   |                  |                  |                  |              |                    |                  |                    |                 |                 |            |                   |                |                  |                   |                         |               |                  |          |                    |                          |                    |
| 790 a ADHS Income Tax Provision               | 2,320,752         | 1,327,625         | (111,691)        | (22,939)         | (21,397)         | -            | 3,088,129          | 677,188          | (6,343,991)        | (29,758)        | (58,165)        | -          | (656,877)         | 29,902         | (248,490)        | (656,441)         | 239,049                 | -             | 55,678           | -        | (411,426)          | -                        | (411,426)          |
| 790 b Non ADHS Income Tax Provision           | -                 | -                 | -                | -                | -                | -            | 79,581             | -                | 65,112             | -               | -               | -          | -                 | -              | -                | -                 | -                       | -             | -                | -        | 144,693            | 809,675                  | 954,368            |
| 799 Subtotal Income Tax Provision             | 2,320,752         | 1,327,625         | (111,691)        | (22,939)         | (21,397)         | -            | 3,167,710          | 677,188          | (6,278,880)        | (29,758)        | (58,165)        | -          | (656,877)         | 29,902         | (248,490)        | (656,441)         | 239,049                 | -             | 55,678           | -        | (266,733)          | 809,675                  | 542,942            |
| <b>800 TOTAL EXPENSES</b>                     | <b>73,250,752</b> | <b>38,947,103</b> | <b>5,728,206</b> | <b>5,576,474</b> | <b>5,899,975</b> | <b>-</b>     | <b>198,113,759</b> | <b>3,893,941</b> | <b>65,389,694</b>  | <b>526,063</b>  | <b>350,848</b>  | <b>-</b>   | <b>72,930,577</b> | <b>483,662</b> | <b>1,965,349</b> | <b>16,891,836</b> | <b>3,787,121</b>        | <b>31,800</b> | <b>1,001,411</b> | <b>-</b> | <b>494,758,569</b> | <b>809,675</b>           | <b>485,568,244</b> |
| <b>801 INC(DEC) IN NET ASSETS/EQUITY</b>      | <b>3,209,062</b>  | <b>1,835,797</b>  | <b>(154,443)</b> | <b>(31,719)</b>  | <b>(29,586)</b>  | <b>-</b>     | <b>4,380,208</b>   | <b>936,393</b>   | <b>(8,682,232)</b> | <b>(41,148)</b> | <b>(80,430)</b> | <b>-</b>   | <b>(908,309)</b>  | <b>41,348</b>  | <b>(343,603)</b> | <b>(907,706)</b>  | <b>330,550</b>          | <b>-</b>      | <b>76,989</b>    | <b>-</b> | <b>(368,827)</b>   | <b>1,119,593</b>         | <b>750,766</b>     |

|  | TXIX CHILD       | TXIX CMDP        | TXIX DD CHILD  | NTXIX/XXI CHILD | TXXI CHILD     | HB2003 CHILD | TXIX SMI         | TXIX DD ADULT | NTXIX/XXI SMI    | HIFA II SMI   | TXXI ADULT    | SSDI - TMC | TXIX GMHSA       | HIFA II GMH   | MENTAL HEALTH | SUBSTANCE ABUSE | PREVENTION INTERVENTION | PASRR    | ADHS DOC      | OTHER    | SUB TOTAL         | PROGRAM ADMIN/MGMT/ GEN | TOTAL             |
|--|------------------|------------------|----------------|-----------------|----------------|--------------|------------------|---------------|------------------|---------------|---------------|------------|------------------|---------------|---------------|-----------------|-------------------------|----------|---------------|----------|-------------------|-------------------------|-------------------|
| <b>DISCLOSURE OF OTHER ADHS REVENUE</b>  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Other - Other Column</b>  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>DISCLOSURE OF OTHER GRANTS REPORTED ON LINE 402</b>                             |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Itemization of Items Reported on Line 402  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Other Grants</b>  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>DISCLOSURE OF OTHER REVENUE REPORTED ON LINE 406</b>                            |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Itemization of Items Reported on Line 406  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Other Revenue</b>   |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>UNRELATED BUSINESS ACTIVITIES REPORTED ON LINE 407</b>                          |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Itemization of Items Reported on Line 407  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Unrelated Business Activities</b>   |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES ON LINE 511</b>              |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| LARK Expenses  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| PASRR Expenses   |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         | 31,800   |               | 0        | 0                 |                         |                   |
| <b>Total All Other Behavioral Health Services</b>                                  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 31,800            |                         | 31,800            |
| <b>DISCLOSURE OF SERVICES EXPENSES FROM NON ADHS SOURCES ON LINE 520</b>           |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Itemization of Items Reported on Line 520  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Service Expenses Non-ADHS Sources</b>                                     |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>DISCLOSURE OF ALL OTHER OPERATING ON LINE 607</b>                               |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Telephone  | 37,733           | 20,015           | 3,116          | 3,042           | 3,156          | -            | 103,742          | 1,697         | 38,921           | 296           | 219           | -          | 39,242           | 241           | 1,197         | 9,532           | 1,927                   | -        | 514           | -        | 264,589           | 0                       | 264,589           |
| Training   | 26,289           | 13,944           | 2,171          | 2,119           | 2,199          | -            | 72,277           | 1,182         | 27,116           | 207           | 153           | -          | 27,340           | 168           | 834           | 6,641           | 1,343                   | -        | 358           | -        | 184,339           | 0                       | 184,339           |
| Supplies   | 28,238           | 14,978           | 2,332          | 2,276           | 2,362          | -            | 77,637           | 1,270         | 29,127           | 222           | 164           | -          | 29,367           | 180           | 896           | 7,133           | 1,442                   | -        | 384           | -        | 198,010           | 0                       | 198,010           |
| Repairs & Maint  | 17,227           | 9,138            | 1,423          | 1,389           | 1,441          | -            | 47,364           | 775           | 17,770           | 135           | 100           | -          | 17,916           | 110           | 547           | 4,352           | 880                     | -        | 235           | -        | 120,801           | 0                       | 120,801           |
| Postage  | 24,425           | 12,955           | 2,017          | 1,969           | 2,043          | -            | 67,152           | 1,098         | 25,193           | 192           | 142           | -          | 25,401           | 156           | 775           | 6,170           | 1,248                   | -        | 333           | -        | 171,269           | 0                       | 171,269           |
| Office Moving Expense  | 534              | 283              | 44             | 43              | 45             | -            | 1,467            | 24            | 550              | 4             | 3             | -          | 555              | 3             | 17            | 135             | 27                      | -        | 7             | -        | 3,741             | 0                       | 3,741             |
| Promotional  | 36,227           | 19,216           | 2,991          | 2,920           | 3,030          | -            | 99,601           | 1,629         | 37,367           | 285           | 211           | -          | 37,675           | 231           | 1,149         | 9,151           | 1,850                   | -        | 493           | -        | 254,027           | 0                       | 254,027           |
| Licenses & Reg Fees  | 3,811            | 2,022            | 315            | 307             | 319            | -            | 10,479           | 171           | 3,931            | 30            | 22            | -          | 3,964            | 24            | 121           | 963             | 195                     | -        | 52            | -        | 26,726            | 0                       | 26,726            |
| Ins & Bank Charges   | 57,757           | 30,636           | 4,769          | 4,656           | 4,831          | -            | 158,795          | 2,597         | 59,575           | 454           | 336           | -          | 60,966           | 369           | 1,832         | 14,590          | 2,950                   | -        | 786           | -        | 405,000           | 0                       | 405,000           |
| Interest Exp LOC Fees - Deutsche   | 7,564            | 4,012            | 625            | 610             | 633            | -            | 20,797           | 340           | 7,802            | 59            | 44            | -          | 7,867            | 48            | 240           | 1,911           | 386                     | -        | 103           | -        | 53,042            | 0                       | 53,042            |
| Premium/Discount Amort/Accretion   | 57,422           | 30,458           | 4,742          | 4,629           | 4,803          | -            | 157,875          | 2,582         | 59,229           | 451           | 334           | -          | 59,719           | 367           | 1,822         | 14,506          | 2,933                   | -        | 782           | -        | 402,654           | 0                       | 402,654           |
| Perf Sanction - Imposed  | 11,627           | 6,989            | 988            | -               | 2,868          | -            | 128,558          | 3,622         | 16,708           | 1,089         | 109           | -          | 12,839           | 351           | -             | -               | -                       | -        | -             | -        | 185,750           | 0                       | 185,750           |
| Perf Sanction Accrual  | 5,682            | -                | -              | 254             | 322            | -            | 100,491          | -             | 4,682            | 40            | -             | -          | 3,464            | 44            | -             | 1,196           | -                       | -        | -             | -        | 116,175           | 0                       | 116,175           |
| Other Exp (sum)  | 22,409           | 11,886           | 1,850          | 1,806           | 1,874          | -            | 61,610           | 1,008         | 23,114           | 176           | 130           | -          | 23,305           | 143           | 711           | 5,661           | 1,145                   | -        | 305           | -        | 157,134           | 0                       | 157,134           |
| SBU Allocation   | 112,944          | 59,908           | 9,326          | 9,104           | 9,446          | -            | 310,524          | 5,079         | 116,498          | 887           | 657           | -          | 117,460          | 721           | 3,583         | 28,532          | 5,769                   | -        | 1,538         | -        | 791,979           | 0                       | 791,979           |
| Corp Alloc (sum)   | 1,636,977        | 869,355          | 135,339        | 132,115         | 137,080        | -            | 4,506,147        | 73,707        | 1,690,555        | 12,877        | 9,530         | -          | 1,704,513        | 10,468        | 52,001        | 414,033         | 83,719                  | -        | 22,315        | -        | 11,492,733        | 0                       | 11,492,733        |
| <b>Total All Other Operating</b>   | <b>2,088,866</b> | <b>1,105,796</b> | <b>172,048</b> | <b>167,239</b>  | <b>176,451</b> | <b>0</b>     | <b>5,924,517</b> | <b>96,783</b> | <b>2,158,138</b> | <b>17,404</b> | <b>12,155</b> | <b>0</b>   | <b>2,170,694</b> | <b>13,626</b> | <b>65,728</b> | <b>524,506</b>  | <b>105,815</b>          | <b>0</b> | <b>28,205</b> | <b>0</b> | <b>14,827,968</b> | <b>0</b>                | <b>14,827,968</b> |
| <b>DISCLOSURE OF ENCOUNTER WITHHOLD EXPENSES ON LINE 650</b>                       |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Itemization of Items Reported on Line 650  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Encounter Withhold Accrual - Medical   | 1,342,580        | 710,849          | 95,381         | 0               | 100,457        | 0            | 3,461,933        | 82,659        | 0                | 8,298         | 4,628         | 0          | 1,232,481        | 8,984         | 0             | 0               | 0                       | 0        | 0             | 0        | 7,048,249         | 0                       | 7,048,249         |
| Encounter Withhold Accrual - Admin   | 108,858          | 57,636           | 7,734          | 0               | 8,145          | 0            | 280,697          | 6,702         | 0                | 673           | 375           | 0          | 99,931           | 728           | 0             | 0               | 0                       | 0        | 0             | 0        | 571,480           | 0                       | 571,480           |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Encounter Withhold Expenses</b>   |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 1,451,437         |                         | 768,485           |
| <b>DISCLOSURE OF NON ADHS AND/OR UNRELATED ADMINISTRATIVE EXPENSES ON LINE 651</b> |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Itemization of Items Reported on Line 651  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Non ADHS and/or Unrelated Adm Expenses</b>                                |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>DISCLOSURE OF UNRELATED BUSINESS EXPENSES LINE 701</b>                          |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
| Itemization of Items Reported on Line 701  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          |                   |                         |                   |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
|  |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |
| <b>Total Unrelated Business Expenses</b>   |                  |                  |                |                 |                |              |                  |               |                  |               |               |            |                  |               |               |                 |                         |          |               |          | 0                 |                         | 0                 |

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|  | TXIX CHILD | TXIX CMDP | TXIX DD CHILD | NTXIX/XXI CHILD | TXXI CHILD | HB2003 CHILD | TXIX SMI | TXIX DD ADULT | NTXIX/XXI SMI | HIFA II SMI | TXXI ADULT | SSDI - TMC | TXIX GMHSA | HIFA II GMH | MENTAL HEALTH | SUBSTANCE ABUSE | PREVENTION INTERVENTION | PASRR | ADHS DOC | OTHER | SUB TOTAL | PROGRAM ADMIN/MGMT/ GEN | TOTAL |
|--|------------|-----------|---------------|-----------------|------------|--------------|----------|---------------|---------------|-------------|------------|------------|------------|-------------|---------------|-----------------|-------------------------|-------|----------|-------|-----------|-------------------------|-------|
|--|------------|-----------|---------------|-----------------|------------|--------------|----------|---------------|---------------|-------------|------------|------------|------------|-------------|---------------|-----------------|-------------------------|-------|----------|-------|-----------|-------------------------|-------|

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ADJUSTMENTS

(Disclose and describe any adjustments to previously submitted financial statements including those that affect the current financial statements)

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Analysis:

**MAGELLAN  
STATEMENT OF CASH FLOWS  
YEAR TO DATE FOR PERIOD ENDED:**

March 31, 2009

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|  |             |
|--|-------------|
| Changes in Net Assets  | 750,766     |
| Adjustments to Reconcile Excess of Revenue Over/(Under) Expenses to<br>Net Cash Provided (Used) by Operating Activities: |             |
| Depreciation and Amortization  | 1,582,319   |
| Changes in Operating Assets and Liabilities  |             |
| <b>(Increases)/Decreases in Assets:</b>  |             |
| Receivables  | (5,172,448) |
| Interest Receivable  | (637,156)   |
| Tax Benefit Receivable   | (757,621)   |
| Inventory & Prepaid Expenses   | (787,997)   |
| Deposits   | (40,334)    |
| Other Assets   | 520,108     |
| <b>Increases/(Decreases) in Liabilities:</b>   |             |
| IBNR   | 4,132,569   |
| RBUK   | (3,489,795) |
| Accounts Payable to ADHS   | 11,774,931  |
| Accounts Payable to Providers  | 586,791     |
| Interest Payable   | -           |
| Trade Accounts Payable   | (524,305)   |
| Accrued Salaries & Benefits  | -           |
| Other Liabilities  | (3,529,409) |

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** 4,408,419

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |              |
|--|--------------|
| Proceeds from Sale of Property & Equipment | -            |
| Purchases of Property & Equipment          | 3,175,522    |
| Proceeds from Sales of Investments         | -            |
| Purchase of Investments                    | (55,899,468) |

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** (52,723,946)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|   |           |
|---|-----------|
| Acquisition of Debt (Describe on Schedule A)    | -         |
| Payment of Lease Obligations                    | -         |
| Payment of Other Debts (Describe on Schedule A) | -         |
| Additional Paid-In Capital from Parent Company  | 6,000,000 |
| Common Stock                                    | -         |

**NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES** 6,000,000

**NET INCREASE/(DECREASE) IN CASH** (42,315,527)

**BEGINNING CASH** 63,164,848

**ENDING CASH BALANCE \*** 20,849,321

**\*NOTE: ENDING CASH BALANCE MUST AGREE WITH TOTAL CASH BALANCE ON BALANCE SHEET**

**MAGELLAN**  
**STATEMENT OF CASH FLOWS**  
**YEAR TO DATE FOR PERIOD ENDED:** March 31, 2009  
**Schedule A Disclosure**

**Describe:**

1. Sources and amounts of cash received for other grants.

2. Underlying transactions for acquisition of debt.  
(Debtor, amount, purpose of loan, term, interest rate of debt acquired during the quarter.)

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3. Underlying transactions for retirement of debt.  
(Debtor, amount paid off.)

4. Cash Flows From Financing Activities - Payment of Other Debt

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5. Supplemental data or non-cash investing and financing activities, gifts, etc.