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ANNUAL STATEMENT

For the Year Ending December 31, 2005

of the Condition and Affairs of the

Molina Healthcare of Michigan, Inc.

NAIC Group Code.....1531, 1531 (Current Period) (Prior Period) NAIC Company Code..... 52630 Employer's ID Number..... 38-3341599

Organized under the Laws of Michigan State of Domicile or Port of Entry Michigan Country of Domicile US

Licensed as Business Type.....Health Maintenance Organization Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized..... February 10, 1997 Commenced Business..... January 1, 1998

Statutory Home Office	100 West Big Beaver, Suite 600… .Troy ..... MI ..... 48084-5209 *(Street and Number) (City, State and Zip Code)*	
Main Administrative Office	100 West Big Beaver, Suite 600… .Troy ..... MI ..... 48084-5209 *(Street and Number) (City, State and Zip Code)*	248-925-1700 *(Area Code) (Telephone Number)*
Mail Address	100 West Big Beaver, Suite 600… .Troy ..... MI ..... 48084-5209 *(Street and Number or P. O. Box) (City, State and Zip Code)*	
Primary Location of Books and Records	100 West Big Beaver, Suite 600… .Troy ..... MI ..... 48084-5209 *(Street and Number) (City, State and Zip Code)*	248-925-1700 *(Area Code) (Telephone Number)*
Internet Website Address	www.molinahealthcare.com	
Statutory Statement Contact	Michael Tegler *(Name)*	248-925-1700 *(Area Code) (Telephone Number) (Extension)*
	mike.tegler@molinahealthcare.com *(E-Mail Address)*	248-925-1722 *(Fax Number)*
Policyowner Relations Contact	100 West Big Beaver, Suite 600… .Troy ..... MI ..... 48084-5209 *(Street and Number) (City, State and Zip Code)*	248-925-1700 *(Area Code) (Telephone Number) (Extension)*

OFFICERS

Name	Title	Name	Title
1. Roman T Kulich	President	2. Mark L Andrews	Secretary
3. Michael Tegler	Treasurer	4. Terry B Bayer	Chairperson

OTHER

DIRECTORS OR TRUSTEES

Terry B Bayer #	John Jamian	Dean G Smith	Kathryn F Crawford
Sharon Marzicola	Roman T Kulich	Ron Nelson	Vernice D Anthony
Walter C Watkins, Jr.	Anna Marie Lang	William Anderson	

State of..... Michigan
County of..... Oakland

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Roman T Kulich	Mark L Andrews	Michael Tegler
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me

This _____ day of _____

a. Is this an original filing? Yes [X] No [ ]

b. If no 1. State the amendment number _____

2. Date filed _____

3. Number of pages attached _____

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)			0	
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)			0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....23,866,891, Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....67,985,868, Sch. DA)	91,852,759		91,852,759	65,851,362
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)			0	
8. Receivables for securities			0	
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	91,852,759	0	91,852,759	65,851,362
11. Title plants less $.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	5,660		5,660	1,469
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection			0	
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	
14.2 Funds held by or deposited with reinsured companies			0	
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans			0	
16.1 Current federal and foreign income tax recoverable and interest thereon			0	
16.2 Net deferred tax asset	3,342		3,342	166,454
17. Guaranty funds receivable or on deposit			0	
18. Electronic data processing equipment and software	37,259		37,259	
19. Furniture and equipment, including health care delivery assets ($.....0)	857,644	857,644	0	
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	
21. Receivables from parent, subsidiaries and affiliates			0	
22. Health care ($.....4,039,083) and other amounts receivable	4,039,083	368,924	3,670,159	2,319,186
23. Aggregate write-ins for other than invested assets	26,211,590	22,843,301	3,368,289	2,113,641
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	123,007,337	24,069,869	98,937,468	70,452,112
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	123,007,337	24,069,869	98,937,468	70,452,112

DETAILS OF WRITE-INS

0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Prepaid Expenses/Deposits	124,480	124,480	0	
2302. Intangible Assets (Goodwill/Patient Files)	26,087,110	22,718,821	3,368,289	2,113,641
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	26,211,590	22,843,301	3,368,289	2,113,641

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $.....0 reinsurance ceded)	48,946,278		48,946,278	39,525,811
2. Accrued medical incentive pool and bonus amounts			0	
3. Unpaid claims adjustment expenses	940,858		940,858	702,232
4. Aggregate health policy reserves			0	
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance			0	
9. General expenses due or accrued	588,415		588,415	5,655,646
10.1 Current federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses))	2,828,520		2,828,520	1,252,403
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others			0	
13. Remittances and items not allocated			0	
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	3,840,897		3,840,897	65,973
16. Payable for securities			0	
17. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
18. Reinsurance in unauthorized companies			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	
20. Liability for amounts held under uninsured accident and health plans			0	
21. Aggregate write-ins for other liabilities (including $.....0 current)	4,741,325	0	4,741,325	0
22. Total liabilities (Lines 1 to 21)	61,886,293	0	61,886,293	47,202,065
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	159,000	159,000
25. Preferred capital stock	XXX	XXX		
26. Gross paid in and contributed surplus	XXX	XXX	43,373,589	41,373,589
27. Surplus notes	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	(6,481,414)	(18,282,542)
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 $.....0)	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 $.....0)	XXX	XXX		
31. Total capital and surplus (Lines 23 to 28 minus Line 29)	XXX	XXX	37,051,175	23,250,047
32. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	98,937,468	70,452,112

DETAILS OF WRITE-INS

2101. Premium Taxes Due	4,741,325		4,741,325	
2102.			0	
2103.			0	
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	4,741,325	0	4,741,325	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	1,811,177	1,271,961
2. Net premium income (including $.....0 non-health premium income)	XXX	324,676,753	206,896,329
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	(20,038,271)	(10,735,872)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	304,638,482	196,160,457
Hospital and Medical:			
9. Hospital/medical benefits		162,391,893	101,849,649
10. Other professional services		6,498,656	4,934,222
11. Outside referrals		30,247,434	19,493,801
12. Emergency room and out-of-area		13,153,144	9,852,349
13. Prescription drugs		47,638,163	33,246,527
14. Aggregate write-ins for other hospital and medical	0	2,673,178	1,984,255
15. Incentive pool, withhold adjustments and bonus amounts		150,583	161,055
16. Subtotal (Lines 9 to 15)	0	262,753,051	171,521,858
Less:			
17. Net reinsurance recoveries		546,672	104,911
18. Total hospital and medical (Lines 16 minus 17)	0	262,206,379	171,416,947
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....0 cost containment expenses		7,355,211	3,369,022
21. General administrative expenses		25,338,695	12,474,596
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)	0	294,900,285	187,260,565
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	9,738,197	8,899,892
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,256,044	398,469
26. Net realized capital gains or (losses) less capital gains tax of $.....0			
27. Net investment gains or (losses) (Lines 25 plus 26)	0	2,256,044	398,469
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
29. Aggregate write-ins for other income or expenses	0	0	12
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	11,994,241	9,298,373
31. Federal and foreign income taxes incurred	XXX	4,029,048	2,983,271
32. Net income (loss) (Lines 30 minus 31)	XXX	7,965,193	6,315,102

DETAILS OF WRITE-INS

0601. Premium Tax	XXX	(20,038,271)	(10,735,872)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	(20,038,271)	(10,735,872)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Patient Transportation		2,481,764	1,806,555
1402. Quality Assurance		191,414	177,700
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	2,673,178	1,984,255
2901. Miscellaneous Income			12
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	12

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	23,250,047	12,151,345
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	7,965,193	6,315,102
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.....0		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	(284,818)	(172,435)
39. Change in nonadmitted assets	4,120,753	(16,269,633)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in	2,000,000	21,226,259
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	0	(591)
48. Net change in capital and surplus (Lines 34 to 47)	13,801,128	11,098,702
49. Capital and surplus end of reporting period (Line 33 plus 48)	37,051,175	23,250,047

DETAILS OF WRITE-INS

4701. Change in State DTA & DTL		(591)
4702. Rounding		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	(591)

CASH FLOW

		1 Current Year	2 Prior Year
	CASH FROM OPERATIONS		
1.	Premiums collected net of reinsurance	324,676,753	206,896,329
2.	Net investment income	2,251,853	398,356
3.	Miscellaneous income	(20,038,271)	(10,735,872)
4.	Total (Lines 1 through 3)	306,890,335	196,558,813
5.	Benefit and loss related payments	252,785,912	152,840,625
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	32,781,186	11,538,693
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) $.....0 net of tax on capital gains (losses)	2,452,931	2,556,721
10.	Total (Lines 5 through 9)	288,020,029	166,936,039
11.	Net cash from operations (Line 4 minus Line 10)	18,870,306	29,622,774
	CASH FROM INVESTMENTS		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds		20,000,000
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	0	20,000,000
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds		19,999,260
	13.2 Stocks		
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)	0	19,999,260
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	0	740
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock	2,000,000	21,226,259
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	5,131,091	(18,006,922)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	7,131,091	3,219,337
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	26,001,397	32,842,851
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	65,851,362	33,008,511
	19.2 End of year (Line 18 plus Line 19.1)	91,852,759	65,851,362

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001			

ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Net premium income	324,676,753							324,676,753					
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $.....0 medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	(20,038,271)	0	0	0	0	0	0	(20,038,271)	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	304,638,482	0	0	0	0	0	0	304,638,482	0	0	0	0	0
8. Hospital/medical benefits	162,391,893							162,391,893					XXX
9. Other professional services	6,498,656							6,498,656					XXX
10. Outside referrals	30,247,434							30,247,434					XXX
11. Emergency room and out-of-area	13,153,144							13,153,144					XXX
12. Prescription drugs	47,638,163							47,638,163					XXX
13. Aggregate write-ins for other hospital and medical	2,673,178	0	0	0	0	0	0	2,673,178	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	150,583							150,583					XXX
15. Subtotal (Lines 8 to 14)	262,753,051	0	0	0	0	0	0	262,753,051	0	0	0	0	XXX
16. Net reinsurance recoveries	546,672							546,672					XXX
17. Total hospital and medical (Lines 15 minus 16)	262,206,379	0	0	0	0	0	0	262,206,379	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....0 cost containment expenses	7,355,211							7,355,211					
20. General administrative expenses	25,338,695							25,338,695					
21. Increase in reserves for accident and health contracts	0												XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	294,900,285	0	0	0	0	0	0	294,900,285	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	9,738,197	0	0	0	0	0	0	9,738,197	0	0	0	0	0

DETAILS OF WRITE-INS

0501. Premium Tax	(20,038,271)							(20,038,271)					XXX
0502.	0												XXX
0503.	0												XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	(20,038,271)	0	0	0	0	0	0	(20,038,271)	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Patient Transportation	2,481,764							2,481,764					XXX
1302. Quality Assurance	191,414							191,414					XXX
1303.	0												XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	2,673,178	0	0	0	0	0	0	2,673,178	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				0
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid	325,650,660		973,907	324,676,753
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	325,650,660	0	973,907	324,676,753
13. Life				0
14. Property/casualty				0
15. Totals (Lines 12 to 14)	325,650,660	0	973,907	324,676,753

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Payments during the year:													
1.1 Direct	253,990,626							253,990,626					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	546,672							546,672					
1.4 Net	253,443,954	0	0	0	0	0	0	253,443,954	0	0	0	0	0
2. Paid medical incentive pools and bonuses	150,583							150,583					
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	48,946,278							48,946,278					
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	48,946,278	0	0	0	0	0	0	48,946,278	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0												
6. Net healthcare receivables (a)	(808,625)							(808,625)					
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	39,525,811							39,525,811					
8.2 Reinsurance assumed	0												
8.3 Reinsurance ceded	0												
8.4 Net	39,525,811	0	0	0	0	0	0	39,525,811	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0												
9.2 Reinsurance assumed	0												
9.3 Reinsurance ceded	0												
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0												
11. Amounts recoverable from reinsurers December 31, prior year	0												
12. Incurred benefits:													
12.1 Direct	262,602,468	0	0	0	0	0	0	262,602,468	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	546,672	0	0	0	0	0	0	546,672	0	0	0	0	0
12.4 Net	262,055,796	0	0	0	0	0	0	262,055,796	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	150,583	0	0	0	0	0	0	150,583	0	0	0	0	0

(a) Excludes $.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct	2,844,254							2,844,254					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	2,844,254	0	0	0	0	0	0	2,844,254	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct	46,102,024							46,102,024					
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	0												
2.4 Net	46,102,024	0	0	0	0	0	0	46,102,024	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct	0												
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct	48,946,278	0	0	0	0	0	0	48,946,278	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	48,946,278	0	0	0	0	0	0	48,946,278	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)					0	
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid	35,402,701	218,041,252	528,052	48,418,226	35,930,753	39,108,728
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	35,402,701	218,041,252	528,052	48,418,226	35,930,753	39,108,728
10. Healthcare receivables (a)				1,225,708	0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts		150,583			0	
13. Totals (Lines 9 - 10 + 11 + 12)	35,402,701	218,191,835	528,052	47,192,518	35,930,753	39,108,728

(a) Excludes $.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	23,513	8,459	212		
2. 2001	26,638	7,346	125	35	
3. 2002	XXX	35,064	7,661	181	46
4. 2003	XXX	XXX	59,774	18,922	189
5. 2004	XXX	XXX	XXX	132,981	30,051
6. 2005	XXX	XXX	XXX	XXX	218,041

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	32,174	8,214	236		
2. 2001	35,906	7,593	126		
3. 2002	XXX	46,392	7,740	196	58
4. 2003	XXX	XXX	80,493	19,304	2,112
5. 2004	XXX	XXX	XXX	171,728	30,544
6. 2005	XXX	XXX	XXX	XXX	265,234

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001	43,345	34,144	379	1.1	34,523	79.6			34,523	79.6
2. 2002	52,409	42,952	399	0.9	43,351	82.7			43,351	82.7
3. 2003	87,515	78,885	563	0.7	79,448	90.8			79,448	90.8
4. 2004	196,160	163,032	2,682	1.6	165,714	84.5	528	11	166,253	84.8
5. 2005	304,638	218,041	7,355	3.4	225,396	74.0	48,418	930	274,744	90.2

U & I Ex.-Pt.2C-Sn A-Paid Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	23,513	8,459	212		
2. 2001	26,638	7,346	125	35	
3. 2002	XXX	35,064	7,661	181	46
4. 2003	XXX	XXX	59,774	18,922	189
5. 2004	XXX	XXX	XXX	132,981	30,051
6. 2005	XXX	XXX	XXX	XXX	218,041

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	32,174	8,214	236		
2. 2001	35,906	7,593	126		
3. 2002	XXX	46,392	7,740	196	58
4. 2003	XXX	XXX	80,493	19,304	2,112
5. 2004	XXX	XXX	XXX	171,728	30,544
6. 2005	XXX	XXX	XXX	XXX	265,234

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001	43,345	34,144	379	1.1	34,523	79.6			34,523	79.6
2. 2002	52,409	42,952	399	0.9	43,351	82.7			43,351	82.7
3. 2003	87,515	78,885	563	0.7	79,448	90.8			79,448	90.8
4. 2004	196,160	163,032	2,682	1.6	165,714	84.5	528	11	166,253	84.8
5. 2005	304,638	218,041	7,355	3.4	225,396	74.0	48,418	930	274,744	90.2

U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE

U & I Ex.-Pt.2D
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($.....0 for occupancy of own building)			1,269,831		1,269,831
2. Salaries, wages and other benefits	2,970,384	2,174,835	8,715,908		13,861,127
3. Commissions (less $.....0 ceded plus $.....0 assumed)					0
4. Legal fees and expenses			416,903		416,903
5. Certifications and accreditation fees	66		46,894		46,960
6. Auditing, actuarial and other consulting services	338,309	15,795	1,348,014		1,702,118
7. Traveling expenses	16,716	3,844	293,970		314,530
8. Marketing and advertising	12,795	4	443,637		456,436
9. Postage, express and telephone	73,031	9,963	1,310,543		1,393,537
10. Printing and office supplies	83,619	23,499	778,103		885,221
11. Occupancy, depreciation and amortization			4,587,488		4,587,488
12. Equipment	626	2,511	900,866		904,003
13. Cost or depreciation of EDP equipment and software	654	125,810	(126,464)		0
14. Outsourced services including EDP, claims, and other services	434,916	606,643	2,858,887		3,900,446
15. Boards, bureaus and association fees	729		238,554		239,283
16. Insurance, except on real estate	10,909	82,552	730,665	82,306	906,432
17. Collection and bank service charges			98,035		98,035
18. Group service and administration fees					0
19. Reimbursements by uninsured accident and health plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes			47,647		47,647
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			116,805		116,805
23.2 State premium taxes	10,000		36,609		46,609
23.3 Regulator authority licenses and fees					0
23.4 Payroll taxes	213,723	130,609	906,525		1,250,857
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	10,461	2,208	319,275	0	331,944
26. Total expenses incurred (Lines 1 to 25)	4,176,938	3,178,273	25,338,695	82,306	(a) 32,776,212
27. Less expenses unpaid December 31, current year		940,858	588,415		1,529,273
28. Add expenses unpaid December 31, prior year		702,232	5,655,646		6,357,878
29. Amounts receivable relating to uninsured accident and health plans, prior year					0
30. Amounts receivable relating to uninsured accident and health plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	4,176,938	2,939,647	30,405,926	82,306	37,604,817

DETAILS OF WRITE-INS

2501. Contributions	7,653	2,208	94,205		104,066
2502. Continuing Education/Conferences	2,808		115,749		118,557
2503. Other Admin			109,321		109,321
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	10,461	2,208	319,275	0	331,944

(a) Includes management fees of $.....15,529,404 to affiliates and $.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a)	
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a)	
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 2,344,736	2,340,545
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	2,344,736	2,340,545
11.	Investment expenses		(g) 82,306
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 2,195
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		84,501
17.	Net investment income (Line 10 minus Line 16)		2,256,044

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1.	U.S. government bonds				0
1.1	Bonds exempt from U.S. tax				0
1.2	Other bonds (unaffiliated)				0
1.3	Bonds of affiliates				0
2.1	Preferred stocks (unaffiliated)				0
2.11	Preferred stocks of affiliates				0
2.2	Common stocks (unaffiliated)				0
2.21	Common stocks of affiliates				0
3.	Mortgage loans				0
4.	Real estate				0
5.	Contract loans				0
6.	Cash, cash equivalents and short-term investments				0
7.	Derivative instruments				0
8.	Other invested assets				0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0
10.	Total capital gains (losses)	0	0	0	0

NONE

DETAILS OF WRITE-INS

0901.					0
0902.					0
0903.					0
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset		121,707	121,707
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software			0
19. Furniture and equipment, including health care delivery assets	857,644	752,851	(104,793)
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable	368,924		(368,924)
23. Aggregate write-ins for other than invested assets	22,843,301	27,316,064	4,472,763
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	24,069,869	28,190,622	4,120,753
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. TOTALS (Lines 24 and 25)	24,069,869	28,190,622	4,120,753

DETAILS OF WRITE-INS

0901.			0
0902.			0
0903.			0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0
2301. Prepaid Expenses/Deposits	124,480	179,824	55,344
2302. Intangible Assets (Goodwill/Patient Files)	22,718,821	27,136,240	4,417,419
2303.			0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	22,843,301	27,316,064	4,472,763

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations	157,998	156,733	152,192	145,176	144,366	1,811,177
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service						
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	157,998	156,733	152,192	145,176	144,366	1,811,177

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Molina Healthcare of Michigan, Inc. (the "Company") are presented on the basis of accounting practices prescribed or permitted by the State of Michigan, Office of Financial & Insurance Services ("OFIS").

OFIS recognizes only statutory accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the Michigan Insurance Code. The National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures* manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Michigan.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

1. The Company's financial instruments include cash and cash equivalents and investments. The Company believes the carrying amounts of cash and cash equivalents approximate their fair value because of their high liquidity. The fair value of bonds and short-term investments are based on the fair values prescribed by the Securities Valuation Office ("SVO"). For certain investments for which the SVO does not provide an estimated fair value, the Company uses amortized cost as a substitute for estimated marked value, in accordance with prescribed guidance. As of December 31, 2005 and 2004, the estimated fair value of investments included investments totaling $1,319,940 and $1,286,325, respectively that were valued at amortized cost.

2. Unpaid losses and loss adjustment expenses include an amount determined from health care costs estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined.

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2001, the State of Michigan required that insurance companies domiciled in the State of Michigan prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual –Version effective January 1, 2001 subject to any deviations prescribed or permitted by OFIS.

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001, are reported as changes in accounting principles. There were no adjustments required to unassigned funds as a result of the adoption of the NAIC *Accounting Practices and Procedures* manual –Version effective January 1, 2001.

3. Business Combinations and Goodwill

The following summarizes the goodwill balance and current year activity:

Beginning balance	29,249,881
Current year additions	-
Current year amortization	(3,162,770)
Ending goodwill balance	26,087,111
Nonadmitted portion	(22,718,822)
Admitted Goodwill	3,368,289

NOTES TO FINANCIAL STATEMENTS

4. Discontinued Operations –None

5. Investments –None

6. Joint Ventures, Partnerships and Limited Liability Companies –None

7. Investment Income –

The Company had no investment income that was excluded. All the Company's investments and the income derived from such investments meet the criteria for admitted receivables.

8. Derivative Instruments –None

9. Income Taxes

A. The Company's net deferred tax asset is reflected on the following schedule:

		12/31/2005	12/31/2004
1)	Total of all deferred tax assets	422,502	395,908
2)	Total of all deferred tax liabilities	419,160	107,747
3)	Total deferred tax assets nonadmitted	-	121,707
4)	Net deferred tax assets admitted	3,342	166,454
5)	Change in nonadmitted Net DTAs	121,707	223,200

B. N/A

C. Current income taxes incurred consist of the following major components:

		12/31/2005	12/31/2004
1.	Current tax expense (benefit)	3,771,464	2,838,071
2.	Change in DTA's DTL's	284,819	172,435
3.	Utilization of NOL Carryforward	(27,235)	(27,235)

The Net deferred tax asset consists of the following major components:

	12/31/2005	12/31/2004
Deferred tax assets:		
NOL Carryforwards	229,247	256,483
State taxes	122,374	85,635
Compensation related payable	70,881	53,790
Other		-
Total deferred tax assets	422,502	395,908
Non-admitted deferred tax assets	-	(121,707)
Admitted deferred tax assets	422,502	274,201
Deferred tax liabilities:		
State taxes	-	-
Depreciation	(419,160)	(107,748)
Other	-	-
Total deferred tax liabilities	(419,160)	(107,748)
Non-admitted deferred tax liabilities	-	-
Admitted deferred tax liabilities	(419,160)	(107,748)
Net admitted deferred tax assets	3,342	166,453
Change in net non-admitted assets	121,707	223,200

D. There were no significant book to tax adjustments in 2005

E. 1. Net operating loss carryforward balance for 2005 forward is $654,991

2. The amount of federal income taxes incurred that will be available for recoupment in the event of future net losses is approximately $ 5,400,000

F. The Company's Federal Income Tax return is consolidated with the following entities:

NOTES TO FINANCIAL STATEMENTS

Molina Healthcare, Inc
Molina Healthcare of California
Molina Healthcare of California Partner Plan
Molina Healthcare of Utah, Inc
Molina Advantage, Inc
Health Care Horizons, Inc.
Molina Healthcare of New Mexico, Inc.
Molina Healthcare of Washington, Inc.
Molina Healthcare of Indiana, Inc.
Molina Healthcare of Texas, Inc.
Molina Healthcare of Ohio, Inc.

Molina Healthcare, Inc. (Molina) and its subsidiaries file a consolidated federal income tax return. Under a written Services agreement with Molina approved by the Board of Directors, Molina collects from or refunds to the subsidiaries the amount of taxes or benefits determined as if Molina and the subsidiaries filed separate returns.

10. Information Concerning Parent, Subsidiaries and Affiliates –

    A. The Company is a wholly owned subsidiary of Molina Healthcare, Inc. Molina Healthcare, Inc. also has other wholly owned subsidiaries located in the states of California, Indiana, New Mexico, Texas, Ohio, Utah and Washington.

    B. The Company has an agreement with Molina Healthcare, Inc. whereby Molina Healthcare, Inc. provides certain management and other support services to the Company. Expenses incurred relating to this agreement amounted to $15,529,404 in 2005 and $4,911,449 in 2004. Molina Healthcare, Inc. made capital contributions of $2,000,000 in 2005.

    C. The Company did not declare or pay dividends during 2005.

    D. At December 31, 2005, the Company reported $3,839,167 payable to Molina Healthcare, Inc. for administrative services and tax liability and $1,730 payable to Molina Healthcare of California for inter-company transfer.

    E. There are no guarantees or undertakings for the benefit of an affiliate or related party.

    F. None

    G. Molina Healthcare, Inc. owns all outstanding shares of the Company.

    H. The Company owns no shares of Molina Healthcare, Inc.

    I. The Company owns no interest in either Molina Healthcare, Inc. or any of the other subsidiaries of the Molina Healthcare, Inc.

    J. N/A

11. Debt –None

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans –

    A. Defined Benefit Plan –The Company does not have a Defined Benefit Plan.

    B. Defined Contribution Plan –Employees meeting certain eligibility requirements may participate in the Company' 401(k) plan. Contribution expense to the 401(k) plan totaled $133,124 in 2005 and $89,075 in 2004.

    C. Multiemployer Plans: The Company does not have a Multiemployer Plan.

    D. Consolidated/Holding Company Plans: The Company does not have a Consolidated/Holding Company Plan.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations –

    A. The Company has 200,000 shares of common stock authorized and 159,000 shares of common stock issued. Par value is $1.00.

    B. The Company has no preferred stock.

    C. The laws of the State of Michigan limit the payment and declaration of extraordinary and ordinary dividends. As set

NOTES TO FINANCIAL STATEMENTS

forth in Michigan Insurance Code, dividends require prior approval of OFIS. Additionally, OFIS does will not approve dividends that are greater than 10% of a Plans' surplus over one year period.

D. The Company did not declare or pay dividends in 2005.

E. There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

F. N/A.

G. There is no stock held by the Company.

H. N/A

I. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
   i. Unrealized gains or losses: $ 0
   ii. Non admitted asset values: $24,069,869
   iii. For stock purchase warrants: 0 shares

J. NA

K. N/A

L. N/A

14. Contingencies –

A. Contingent Commitments –None

B. Assessments –None

C. Gain Contingencies –None

D. All Other Contingencies

Currently, the Company is not involved in any legal proceedings. However, in the normal course of business, the Company has become aware of disputes and complaints that could result in litigation. In the opinion of management, based upon current facts and circumstances known by the Company, the resolution of these matters (whether or not resulting in litigation) should not have a material adverse effect on the financial position or results of operation of the Company.

15. Leases –

A. Lessee Operating Lease

The Company leases office space, furniture and fixtures and office equipment under various leasing agreements.

At December 31, 2005, the minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Leases
2006	$1,021,762
2007	$1,110,724
2008	$1,046,286
2009	$ 990,567
2010	$ 982,210
2011	$ 997,178
Total	$6,148,727

The Company is not involved in any material sales-leaseback transactions

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk –None

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

NOTES TO FINANCIAL STATEMENTS

A. Transfers of Receivables reported as Sales –None

B. Transfer and Servicing of Financial Assets –None

C. Wash Sales –None

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans – None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators –None

20. September 11 Events –None

21. Other Items –None

22. Events Subsequent –None

23. Reinsurance –

A. Ceded Reinsurance Report

Section 1-General Interrogatories

1. No

2. No

Section 2 Ceded Reinsurance Report-Part A

1. No

2. No

Section 3 Ceded Reinsurance Report Part B

1. $0.00

2. No

B. Uncollectible Reinsurance–None

C. Commutation of Reinsurance–None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination –None

25. Change in Incurred Claims and Claim Adjustment Expenses –

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has decreased by $3,177,975 in 2005 for prior years as a result of re-estimation of unpaid claims and claim adjustment expenses. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Inter-company Pooling Arrangements –None

27. Structured Settlements –Not Applicable

NOTES TO FINANCIAL STATEMENTS

28. Health Care Receivable–

Pharmaceutical rebate payments are received by the Company 180 days after billing, therefore, pharmaceutical rebates are considered non-admitted assets.

Quarter	Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2005	90,379				
9/30/2005	87,691				
6/30/2005	93,926				
3/31/2005	96,928				96,928
12/31/2004	96,731				96,731
9/30/2004	75,150				75,150
6/30/2004	87,179				87,179
3/31/2004	87,210				87,210
12/31/2003	28,103				28,103
9/30/2003	15,053				15,053
6/30/2003	22,514				22,514
3/31/2003	35,831				35,831

29. Participating Policies –Not Applicable

30. Premium Deficiency Reserves–None

31. Anticipated Salvage and Subrogation–None

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.0		0.0
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations		0.0		0.0
1.44 Industrial development and similar obligations		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.0		0.0
1.512 Issued or guaranteed by FNMA and FHLMC		0.0		0.0
1.513 All other		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.0		0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.0		0.0
1.523 All other		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.0		0.0
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated		0.0		0.0
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
4.6 Mezzanine real estate loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company		0.0		0.0
5.2 Property held for production of income (including $.....0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale (including $.....0 property acquired in satisfaction of debt)		0.0		0.0
6. Contract loans		0.0		0.0
7. Receivables for securities		0.0		0.0
8. Cash, cash equivalents and short-term investments	91,852,759	100.0	91,852,759	100.0
9. Other invested assets		0.0		0.0
10. Total invested assets	91,852,759	100.0	91,852,759	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State regulating? Michigan

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2001

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/25/2003

3.4 By what department or departments? Office of Financial and Insurance Services

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,
7.21 State the percentage of foreign control. .....%
7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young
725 S. Figueroa St. Los Angeles, CA 90017-5418

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Karen MacDonald, FSA,MAAA
One Golden Shore Dr, Long Beach , CA 90802

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
11.11 Name of real estate holding company:
11.12 Number of parcels involved .....
11.13 Total book/adjusted carrying value .....

11.2 If yes, provide explanation.

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

15. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
16.11 To directors or other officers $.....0
16.12 To stockholders not officers $.....0
16.13 Trustees, supreme or grand (Fraternal only) $.....0
16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
16.21 To directors or other officers $.....0
16.22 To stockholders not officers $.....0
16.23 Trustees, supreme or grand (Fraternal only) $.....0
17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
17.2 If yes, state the amount thereof at December 31 of the current year:
17.21 Rented from others $.....0
17.22 Borrowed from others $.....0
17.23 Leased from others $.....0
17.24 Other $.....0
18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
18.2 If answer is yes:
18.21 Amount paid as losses or risk adjustment $.....0
18.22 Amount paid as expenses $.....0
18.23 Other amounts paid $.....0
19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]
19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. .....

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 3-Special Deposits? Yes [X] No [ ]
20.2 If no, give full and complete information relating thereto.

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [ ] No [X]
21.2 If yes, state the amount thereof at December 31 of the current year:
21.21 Loaned to others .....
21.22 Subject to repurchase agreements .....
21.23 Subject to reverse repurchase agreements .....
21.24 Subject to dollar repurchase agreements .....
21.25 Subject to reverse dollar repurchase agreements .....
21.26 Pledged as collateral .....
21.27 Placed under option agreements .....
21.28 Letter stock or securities restricted as to sale .....
21.29 Other .....
21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.
23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]
23.2 If yes, state the amount thereof at December 31 of the current year: .....
24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]
24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Lasalle Bank	2600 W. Big Beaver Rd, Troy MI 48084

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [ ] No [X]
24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
Cadre Financial Services	Robert Brownlee	905 Marconi Avenue, Ronkonkoma, NY

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [ ] No [X]
25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

25.2999. TOTAL		0

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds			0
26.2 Preferred stocks			0
26.3 Totals	0	0	0

26.4 Describe the sources or methods utilized in determining the fair values:

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 55,046

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans	55,046

29.1 Amount of payments for legal expenses, if any? $ 416,903

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Legal support provided by corporate legal department	416,903

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 0

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only .....

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .....

1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....

1.6 Individual policies:

Most current three years:

1.61 Total premium earned .....

1.62 Total incurred claims .....

1.63 Number of covered lives .....

All years prior to most current three years:

1.64 Total premium earned .....

1.65 Total incurred claims .....

1.66 Number of covered lives .....

1.7 Group policies:

Most current three years:

1.71 Total premium earned .....

1.72 Total incurred claims .....

1.73 Number of covered lives .....

All years prior to most current three years:

1.74 Total premium earned .....

1.75 Total incurred claims .....

1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	324,676,753	206,896,329
2.2 Premium Denominator	324,676,753	206,896,329
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	48,946,278	39,108,728
2.5 Reserve Denominator	48,946,278	39,525,811
2.6 Reserve Ratio (2.4/2.5)	100.0	98.9

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....0

5.32 Medical only $.....150,000

5.33 Medicare supplement $.....0

5.34 Dental $.....0

5.35 Other limited benefit plan $.....0

5.36 Other $.....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Plan has hold harmless provisions in every provider agreement: PCP, Specialty, Hospital and Ancillary

7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] No [ ]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 3,188

8.2 Number of providers at end of reporting year 4,064

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

9.2 If yes, direct premium earned:

9.21 Business with the rate guarantees between 15-36 months .....

9.22 Business with rate guarantees over 36 months .....

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $.....0

10.22 Amount actually paid for year bonuses $.....0

10.23 Maximum amount payable withholds $.....0

10.24 Amount actually paid for year withholds $.....150,583

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]

11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]

11.3 If yes, show the name of the state requiring such net worth. Michigan

11.4 If yes, show the amount required. $.....30,463,848

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]

11.6 If the amount is calculated, show the calculation:
Greater of 10% subscription revenue or 200% of RBC

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Alcona, Allegan, Alpena, Arenac, Bay, Benzie, Crawford
Genesee, Gladwin, Gratiot, Huron, Ionia, Iosco, Kent
Lake, Macomb, Manistee, Mason, Mecosta, Midland
Missaukee, Montcalm, Montmorency, Muskegon
Newaygo, Oakland, Oceana, Ogemaw, Osceola
Oscoda, Otsego, Ottawa, Presque Isle, Roscommon
Saginaw, Sanilac, Tuscola, Wayne, Wexford

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	98,937,468	70,452,112	36,372,250	18,698,326	17,890,543
2. Total liabilities (Page 3, Line 22)	61,886,293	47,202,065	24,220,905	12,865,089	12,003,970
3. Statutory surplus	30,463,848	14,004,366	8,751,497	4,621,730	5,727,573
4. Total capital and surplus (Page 3, Line 31)	37,051,175	23,250,047	12,151,345	5,833,237	5,886,573
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	304,638,482	196,160,457	87,514,974	52,409,498	43,345,256
6. Total medical and hospital expenses (Line 18)	262,206,379	171,416,947	75,931,100	44,754,902	35,961,106
7. Claims adjustment expenses (Line 20)	7,355,211	3,369,022	577,587	398,798	
8. Total administrative expenses (Line 21)	25,338,695	12,474,596	7,700,179	7,770,269	6,014,265
9. Net underwriting gain (loss) (Line 24)	9,738,197	8,899,892	3,306,108	(514,471)	1,010,435
10. Net investment gain (loss) (Line 27)	2,256,044	398,469	138,043	188,963	352,227
11. Total other income (Lines 28 plus 29)		12			232,766
12. Net income or (loss) (Line 32)	7,965,193	6,315,102	1,933,041	135,512	1,595,428
Risk-Based Capital Analysis					
13. Total adjusted capital	37,051,175	23,250,047	12,151,345	5,833,237	5,886,573
14. Authorized control level risk-based capital	10,463,161	7,002,183	3,452,196	2,310,865	1,932,872
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	144,366	157,998	81,661	33,393	25,732
16 Total member months (Column 6, Line 7)	1,811,177	1,271,961	584,727	352,354	294,802
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100**					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19)	80.8	82.9	86.8	85.4	83.0
19. Cost containment expenses		1.0	XXX	XXX	XXX
20. Other claims adjustment expenses	1.0	1.6			
21. Total underwriting deductions (Line 23)	90.8	90.5	96.2	101.0	97.7
22. Total underwriting gain (loss) (Line 24)	3.0	4.3	3.8	(1.0)	2.3
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13 Col. 5)	35,930,753	19,569,617	8,068,822	8,311,160	8,417,270
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	39,108,728	19,810,571	11,844,573	10,013,491	8,660,936
Investments in Parent, Subsidiaries and Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
26. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
27. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30	0	0	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States				
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	0	0	0	0
	5. United States				
States, Territories and Possessions	6. Canada				
(Direct and guaranteed)	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States,	9. United States				
Territories and Possessions	10. Canada				
(Direct and guaranteed)	11. Other Countries				
	12. Totals	0	0	0	0
Special Revenue and Special Assessment	13. United States				
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	0	0	0	0
	17. United States				
Public Utilities	18. Canada				
(Unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States				
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	0	0	0	0
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States				
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States				
Industrial and Miscellaneous	50. Canada				
(Unaffiliated)	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	0	0	0	
	55. **Total Stocks**	0	0	0	
	56. **Total Bonds and Stocks**	0	0	0	

NONE

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year
2. Cost of bonds and stocks acquired, Column 7, Part 3
3. Accrual of discount
4. Increase (decrease) by adjustment:
   - 4.1 Columns 12 - 14, Part 1
   - 4.2 Columns 15 - 17, Part 2, Section 1
   - 4.3 Column 15, Part 2, Section 2
   - 4.4 Columns 11 - 13, Part 4 — 0
5. Total gain (loss), Column 19, Part 4
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4
7. Amortization of premium
8. Foreign exchange adjustment:
   - 8.1 Column 15, Part 1
   - 8.2 Column 19, Part 2, Section 1
   - 8.3 Column 16, Part 2, Section 2
   - 8.4 Column 15, Part 4 — 0
9. Book/adjusted carrying value at end of current period — 0
10. Total valuation allowance
11. Subtotal (Lines 9 plus 10) — 0
12. Total nonadmitted amounts
13. Statement value of bonds and stocks, current year — 0

NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	2	Direct Business Only					
			3	4	5	6	7	8
State, Etc.	Guaranty Fund (YES or NO)	Is Insurer Licensed? (YES or NO)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Deposit-Type Contract Funds	Property/ Casualty Premiums
1. Alabama AL	NO	NO						
2. Alaska AK	NO	NO						
3. Arizona AZ	NO	NO						
4. Arkansas AR	NO	NO						
5. California CA	NO	NO						
6. Colorado CO	NO	NO						
7. Connecticut CT	NO	NO						
8. Delaware DE	NO	NO						
9. District of Columbia DC	NO	NO						
10. Florida FL	NO	NO						
11. Georgia GA	NO	NO						
12. Hawaii HI	NO	NO						
13. Idaho ID	NO	NO						
14. Illinois IL	NO	NO						
15. Indiana IN	NO	NO						
16. Iowa IA	NO	NO						
17. Kansas KS	NO	NO						
18. Kentucky KY	NO	NO						
19. Louisiana LA	NO	NO						
20. Maine ME	NO	NO						
21. Maryland MD	NO	NO						
22. Massachusetts MA	NO	NO						
23. Michigan MI	NO	YES				325,650,660		
24. Minnesota MN	NO	NO						
25. Mississippi MS	NO	NO						
26. Missouri MO	NO	NO						
27. Montana MT	NO	NO						
28. Nebraska NE	NO	NO						
29. Nevada NV	NO	NO						
30. New Hampshire NH	NO	NO						
31. New Jersey NJ	NO	NO						
32. New Mexico NM	NO	NO						
33. New York NY	NO	NO						
34. North Carolina NC	NO	NO						
35. North Dakota ND	NO	NO						
36. Ohio OH	NO	NO						
37. Oklahoma OK	NO	NO						
38. Oregon OR	NO	NO						
39. Pennsylvania PA	NO	NO						
40. Rhode Island RI	NO	NO						
41. South Carolina SC	NO	NO						
42. South Dakota SD	NO	NO						
43. Tennessee TN	NO	NO						
44. Texas TX	NO	NO						
45. Utah UT	NO	NO						
46. Vermont VT	NO	NO						
47. Virginia VA	NO	NO						
48. Washington WA	NO	NO						
49. West Virginia WV	NO	NO						
50. Wisconsin WI	NO	NO						
51. Wyoming WY	NO	NO						
52. American Samoa AS	NO	NO						
53. Guam GU	NO	NO						
54. Puerto Rico PR	NO	NO						
55. U.S. Virgin Islands VI	NO	NO						
56. Canada CN	NO	NO						
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0	0	0
58. Subtotal	XXX	XXX	0	0	0	325,650,660	0	0
59. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
60. Total (Direct Business)	XXX	(a) 1	0	0	0	325,650,660	0	0

DETAILS OF WRITE-INS

5701.							
5702.							
5703.							
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE T - PART 2

INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

		Direct Business Only					
	States, Etc.	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	6 Totals
1.	Alabama AL						0
2.	Alaska AK						0
3.	Arizona AZ						0
4.	Arkansas AR						0
5.	California CA						0
6.	Colorado CO						0
7.	Connecticut CT						0
8.	Delaware DE						0
9.	District of Columbia DC						0
10.	Florida FL						0
11.	Georgia GA						0
12.	Hawaii HI						0
13.	Idaho ID						0
14.	Illinois IL						0
15.	Indiana IN						0
16.	Iowa IA						0
17.	Kansas KS						0
18.	Kentucky KY						0
19.	Louisiana LA						0
20.	Maine ME						0
21.	Maryland MD						0
22.	Massachusetts MA						0
23.	Michigan MI						0
24.	Minnesota MN						0
25.	Mississippi MS						0
26.	Missouri MO						0
27.	Montana MT						0
28.	Nebraska NE						0
29.	Nevada NV						0
30.	New Hampshire NH						0
31.	New Jersey NJ						0
32.	New Mexico NM						0
33.	New York NY						0
34.	North Carolina NC						0
35.	North Dakota ND						0
36.	Ohio OH						0
37.	Oklahoma OK						0
38.	Oregon OR						0
39.	Pennsylvania PA						0
40.	Rhode Island RI						0
41.	South Carolina SC						0
42.	South Dakota SD						0
43.	Tennessee TN						0
44.	Texas TX						0
45.	Utah UT						0
46.	Vermont VT						0
47.	Virginia VA						0
48.	Washington WA						0
49.	West Virginia WV						0
50.	Wisconsin WI						0
51.	Wyoming WY						0
52.	American Samoa AS						0
53.	Guam GU						0
54.	Puerto Rico PR						0
55.	US Virgin Islands VI						0
56.	Canada CN						0
57.	Aggregate Other Alien OT						0
58.	Totals	0	0	0	0	0	0

NONE

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Company Code	ST	Fed ID #	Name of Company
00000	CA	13-4204626	Molina Healthcare, Inc.
|-00000	CA	33-0342719	Molina Healthcare of California, Inc.
|-52630	MI	38-3341599	Molina Healthcare of Michigan, Inc.
|-95502	UT	33-0617992	Molina Healthcare of Utah, Inc.
|-96270	WA	91-1284790	Molina Healthcare of Washington, Inc.
|-00000	UT	87-0641493	Molina Advantage, Inc.
|-00000	NM	38-2623350	Health Care Horizons, Inc.
|-95739	NM	85-0408506	Molina Healthcare of New Mexico, Inc
|-12249	IN	20-1494455	Molina Healthcare of Indiana, Inc
|-10757	TX	20-1494502	Molina Healthcare of Texas Inc
|-12334	OH	20-0750134	Molina Healthcare of Ohio, Inc
|-00000	CA	20-2714545	Molina Healthcare of California Partner Plan, Inc.
|-00000	GA	20-3372390	Molina Healthcare of Georgia, Inc.
|-00000	NV	20-3567602	Molina Healthcare of Nevada, Inc.
|-69647	OH	31-0628424	Phoenix National Insurance Company