Report on Examination

of

Universal Health Care, Inc.

St. Petersburg, Florida

As of

June 30, 2007

By The

State of Florida

Office of Insurance Regulation

Buttner
Hammock
& Company, P.A.

October 31, 2007

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-0326

Commissioner McCarty:

Pursuant to your instructions, in compliance with Florida Statute § 641.27, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners, we have conducted a limited-scope examination as of June 30, 2007 of:

Universal Health Care, Inc.
150 2nd Avenue North, Suite 400
St. Petersburg, Florida 33701

Such report of the limited-scope examination is herewith respectfully submitted.

Certified Public Accountants • 4237 Salisbury Road, Suite 100 • Building 1 • Jacksonville, Florida 32216
Phone 904 281-0080 Fax 904 281-0518

Contents

Scope of Examination

On June 29, 2007, Buttner Hammock & Company, P.A. ("BHC") was engaged by the Florida Office of Insurance Regulation ("OIR") to prepare and submit a limited-scope examination report in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and Annual Statement Instructions as adapted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code ("FAC") with due regard to the requirements of the insurance laws and rules of the State of Florida. This examination was called for by the OIR pursuant to Florida Statute § 641.27 and notification of BHC's examination, including a copy of BHC's Scope of Services, was sent to a representative of Universal Health Care, Inc. ("UHC") prior to the commencement of the examination.

Planning for the current examination began on or around June 29, 2007 and the field work commenced on July 16, 2007 and concluded on October 25, 2007. The examination included any material events occurring subsequent to June 30, 2007 and noted during the course of the examination.

In this limited-scope examination, emphasis was directed to the quality, value, and integrity of UHC's assets and the determination of UHC's liabilities, as those admitted assets and liabilities affect UHC's solvency.

BHC valued and/or verified the admitted assets, liabilities and capital and surplus of UHC as reported in its Statutory-Basis Quarterly Statement at June 30, 2007. The limited-scope examination included a review of corporate and other selected records considered pertinent to UHC's financial condition, operations, and practices. Certain of UHC's accounting data subsequent to June 30, 2007 was reviewed where relevant and considered significant to UHC's financial condition at June 30, 2007. This limited-scope report of examination is confined to the statutory-basis statement of admitted assets, liabilities, and capital and surplus of UHC at June 30, 2007 and contains comments on matters that involve departures from laws, regulations or rules, or which require special explanation or description.

History

UHC is a Florida domiciled health maintenance organization ("HMO") and is a wholly owned subsidiary of Universal Health Care Group, Inc. ("Group"). UHC was incorporated on July 30, 2002 and was formed for the purpose of promoting and operating an HMO. UHC commenced revenue-generating activities in August 2003 and operates exclusively in Florida.

UHC has three contracts with the Department of Health and Human Services, Centers for Medicare & Medicaid Services ("CMS") to provide health care services to Medicare and Medicaid enrollees in various counties in Florida. Those contracts accounted for approximately 94% of UHC's revenues in the first six months of 2007. CMS awarded UHC the contracts for the period beginning July 1, 2003 and ending December 31, 2004 and has renewed the contracts through December 31, 2008. The contracts provide for annual extensions subject to agreement and approval by both parties.

UHC disclosed the following matters in its 2006 audited statutory-basis financial statements filed with OIR:

- Excerpt from Note 1 – "Pursuant to Section 641.225(1) of Florida Statutes, the Company is required to maintain a minimum surplus in an amount that is the greater of $1,500,000, or ten (10) percent of total liabilities, or two (2) percent of total annualized premiums. As of December 31, 2006, the Company's capital and surplus of $4,871,570 does not meet the $7,149,484 level prescribed by the statutes. Failure to maintain the minimum surplus requirements subjects the Company to risk of regulatory action from state and Federal authorities, including the potential loss of the ability to provide healthcare services in Florida, and raises substantial doubt about the Company's ability to continue as a going concern. As a result of the statutory short-fall, the Company is currently involved in capital raising activities. The Company's plan is to raise sufficient funds to meet both its statutory surplus and operating resource requirements through a combination of increased profitability, new equity investments, debt instruments or implementing a business downsizing strategy during 2007."

- Excerpt from Note 9 – "The Company is subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees, particularly with respect to government-sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among the other areas regulated by federal and state law are licensure requirements, premium rate increases, new product offerings, procedures for quality assurance, and the financial condition, including cash reserve requirements. Legislation mandating managed care for Medicaid recipients is often subject to change and may not initially be accompanied by administrative rules and guidelines. Changes in federal or state governmental regulation could affect the Plan's operations, cash flows, and business prospects. There can be no assurances that the Plan will maintain federal qualifications or state licensure."

UHC was unable to file its December 31, 2006 audited financial statements by April 1, 2007 as required by Florida Statutes § 641.26, and on March 8, 2007, UHC communicated the following to OIR:

- "Pursuant to rule 69O-191.075(7) Florida Administrative Code, Universal Health Care, Inc. ("UHC") would like to request a 60 day extension in filing audited financial statements for the year ending December 31, 2006."

  "The extension is necessary due to a combination of extraordinary events beginning with the unanticipated resignation of the Company's CFO on February 14th and including withdrawal of our previously designated audit firm (Deloitte & Touche). Further, with the demands that the current administrative supervision of Universal Health Care Insurance Company, Inc. ("UHCIC") has placed on our accounting staff, the additional responsibilities of meeting the April 1st filing would place a tremendous strain on our accounting resources."

On March 16, 2007, the OIR notified UHC that OIR was unable to grant your request for a 60 day extension and recommended that UHC file the audited financial statement as soon as possible. OIR further informed UHC that the audited financial statements for the year ended December 31, 2006, should be filed by April 1, 2007 and be accompanied by the Annual Statement and the required supplemental schedules and/or attachments.

On April 11, 2007, the OIR notified UHC that OIR had not received UHC's audited financial, actuarial certification, or management's discussion and analysis for the year ended December 31, 2006. OIR notified UHC of potential financial and other penalties that could be imposed on UHC.

On April 16, 2007, UHC communicated the following to OIR:

- "...Universal [UHC] has worked diligently to complete the report as quickly and accurately as possible under the circumstances."
- "Our [UHC] intention is to have the report completed not later than April 30, 2007.

On April 19, 2007, OIR notified UHC as follows:

- "Not withstanding the fact that on March 16, 2007, UHC notified our office that it voluntarily suspended all solicitation and acceptance of new or renewal contracts; UHC has failed to file a complete annual report and in accordance with Section 641.26(4), F.S., OIR hereby notifies the HMO that its authority to enroll new subscribers in this state shall cease while such default continues."

On April 30, 2007, UHC communicated the following to OIR:

- "Despite all our efforts, unfortunately we have not been able to satisfactorily complete the audit as of today. In speaking with the auditors, as well as Jim O'Drobinak, our Interim CFO, they believe we shall be able to file our audit with you no later than Friday, May 11, 2007."

On May 11, 2007, UHC communicated the following to OIR:

- "This is to inform you that, in spite of our staff and auditors working diligently for long hours, we have not been able to complete the 2006 audit for Universal Health Care, Inc. as of today."

- "It appears likely that the audit will be completed by next Friday." [BHC believes next Friday referred to May 18, 2007.]

On June 15, 2007, UHC communicated the following to OIR:

- "We have tonight filed our December 31, 2006 audit report for Universal Health Care with the state."

- "As the report shows, audit adjustments were made to the Company's December 31, 2006 Statutory Surplus sufficient to put the Company below the required surplus level."

During 2007, UHC experienced turnover of its officers and directors. In addition, Deloitte & Touche, LLC withdrew as UHC's designated accounting firm on or before March 8, 2007.

As described more fully in the foregoing Scope of Examination, during June 2007, OIR engaged BHC to perform a limited-scope examination of UHC's June 30, 2007 Balance Sheet. On July 12, 2007, OIR informed UHC's legal counsel, Mr. Daniel Nicholas of the law firm of Broad and Cassel ("Cassel") that "...financial examinations shall commence on Monday, July 16, 2007, and will be conducted on site by the firm of Buttner Hammock & Company ..."

On July 16, 2007, BHC arrived at UHC's offices to begin the examination and were met by UHC's legal counsel, Mr. Nicholas, his associate, Ms. Jennifer Simpson-Oliver, Mr. Stephen Bolling, in-house counsel for UHC, and Mr. Jim O'Drobinak, Interim Chief Financial Officer of UHC. During this initial meeting, Mr. Nicholas informed BHC that its presence was unexpected and requested BHC personnel leave the UHC offices. BHC left the premises as requested.

On July 17, 2007, after communications between OIR and Cassel, BHC was allowed to return to UHC's offices to begin the examination. Upon that return, BHC was informed that BHC would need to comply with the following rules:

- BHC was to be stationed in the 9th floor conference room (UHC's accounting department was located on the fourth floor).
- BHC was not allowed direct access to Universal personnel without the presence of UHC's legal counsel.

- BHC had to submit all document requests and questions to UHC in writing and submit them to UHC's in-house legal counsel, Mr. Bolling.
- Documents and responses presented to BHC were to be reviewed by Mr. Bolling and submitted to BHC in writing.
- All UHC documents were to be bates stamped prior to presentation to BHC.
- All e-mail and other correspondence with UHC were to be submitted to Mr. Bolling, Mr. O'Drobinak, Ms. Simpson-Oliver, Perry DeFreitas, Debra Wingo, and Lynn Phelps. After Mr. Bolling's resignation, these items were communicated to Mr. O'Drobinak and Ms. Simpson-Oliver. Telephone contact was with Mr. Bolling.
- BHC's work hours were restricted to 8:30 a.m. to 5:00 p.m., Monday through Friday.
- All meetings between any UHC and BHC personnel were attended by a representative from Cassel and Mr. Bolling, until his departure.

During the course of BHC's field work, all of BHC's contact with UHC was in the presence of one or more attorneys and meeting notes were always recorded by the attorneys. In total, BHC submitted 32 written document or accounting information requests to UHC that included 320 questions or document requests. In total, BHC received over 17,800 Bates stamped documents in response to questions related to UHC and other entities and numerous email responses not Bates stamped.

Management

Group and UHC's management consist as follows:

Universal Health Care Group, Inc. (UHC's parent)
Directors:

Akshay M. Desai, MD, MPH	
Zachariah P. Zachariah, MD	
Douglas Carlisle	Resigned, May 2007
Deepak Desai	
Joel Ackerman	Resigned, April 2007
Allen Wise	Resigned, April 2007
Tenno Tsai	Appointed, June 2007
Seema Desai	Appointed, August 2007

Officers:

A.M. Desai, MD, MPH – President & CEO, Secretary and Treasurer

J. Philip Sheesley – COO	Resigned, March 2007
David Weidner – CFO	Hired October 2006, Resigned February 2007
Jim O'Drobinak – Interim CFO	Contracted in February 2007

Stockholders:

Desai Limited Partnership
Zachariah P. Zachariah, MD
Warburg Pincas Private Equity IX, LP
Reserve for Employee Stock Options

Universal Health Care, Inc.
Directors:

A.M. Desai, MD, MPH
Zachariah P. Zachariah, MD
Deepak Desai – Appointed, August 2007 [1]
Seema Desai – Appointed, August 2007 [1]

[1] Appears as a Director on UHC's August 2007 Monthly Statement and September 2007 Quarterly Statement.

Stockholder:

Universal Health Care Group Inc. – 100%

Officers:

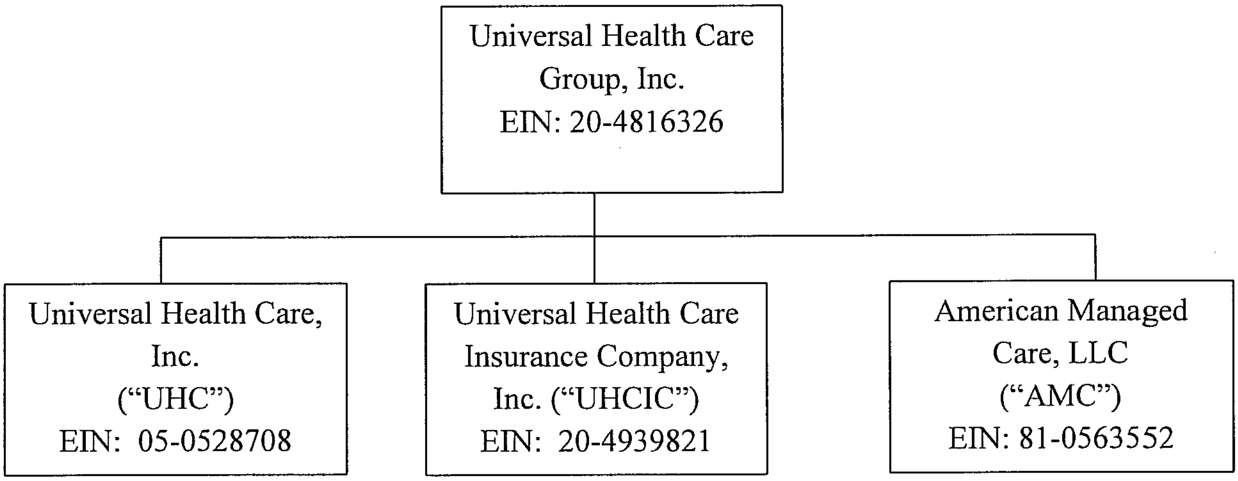
A.M. Desai, MD, MPH – President, CEO	
J. Philip Sheesley – COO	Resigned, March 2007
David Weidner – CFO	Hired October 2006, Resigned February 2007
Jim O'Drobinak – Interim CFO	Hired in February 2007
Steve Schaefer – Treasurer	Hired in August 2007

Others:

Stephen Bolling – In house legal counsel – hired in June 2007, resigned in September 2007
Lynn Phelps – Controller – hired in August 2007
Perry DeFreitas – Former Controller – Consultant during BHC's examination
Philip Sheesley – Former COO – consultant during BHC's examination

UHC experienced director, officer, and employee turnover in 2007.

Simplified
Corporate Organizational Chart



Accounts and Records

UHC's accounting records are maintained on a computerized system and UHC's administrative offices are located in St. Petersburg, Florida, where this limited-scope examination was conducted.

As part of BHC's examination, BHC requested copies of the minutes of the meetings of the Board of Directors. On September 7, 2007, BHC received copies of redacted minutes for Group and was informed that the Group minutes included each of the companies – Group, UHCIC, UHC and AMC. On October 24, 2007, BHC was allowed to read the following unredacted minutes:

November 10, 2006
January 8, 2007
February 14, 2007
February 15, 2007
February 21, 2007
March 22, 2007
June 11, 2007
June 27, 2007
August 3, 2007

During the review of the afore-identified minutes, BHC noted the following:

- None of the minutes were signed.
- Representatives from Cassel and/or Foley & Lardner were at each of the meetings.

Ms. Simpson-Oliver represented that the afore-identified minutes were complete and unaltered to the best of her knowledge. Ms. Simpson-Oliver also requested that BHC execute a Promise of Confidentiality regarding the contents of the unredacted minutes (See Exhibit C), however; BHC refused to execute that document.

Financial Statements Per Examination

During the course of this limited-scope examination, BHC and/or UHC identified several adjustments to the amounts contained in UHC's June 30, 2007 Quarterly Statement originally filed with OIR ("Original June 30, 2007 Balance Sheet"). UHC elected to prepare an amended June 30, 2007 Statutory-Basis Statement of Admitted Assets, Liabilities and Capital and Surplus ("Amended June 30, 2007 Balance Sheet") and submitted the Amended June 30, 2007 Balance Sheet to BHC via e-mail on December 3, 2007. That UHC Amended June 30, 2007 Balance Sheet is included herein as Exhibit A. The Amended June 30, 2007 Balance Sheet includes all the adjustments identified by BHC and/or UHC during this examination. Therefore, those adjustments made by UHC to the Original June 30, 2007 Balance Sheet are identified herein as "UHC Adjustments" on the following Schedules and Exhibits. UHC also informed BHC that UHC intended to submit amended quarterly and monthly statements for June 30, 2007, July 31, 2007, and August 31, 2007 to the OIR based on the information identified during this limited-scope examination.

Exhibit B to this Report on Examination contains a schedule prepared by BHC that identifies reclassifications made by UHC to certain account line items contained in the Original June 30, 2007 Balance Sheet and certain account line items in the Amended June 30, 2007 Balance Sheet. The reclassifications were necessary for comparison purposes between the Original and Amended June 30, 2007 Balance Sheets.

As part of this examination, BHC reviewed UHC's March 31, 2007 and June 30, 2007 Quarterly Statements filed with OIR and identified violations of Florida Statutes that are identified in the Conclusion section of this report.

The following pages contain UHC's financial position at June 30, 2007, as determined by this examination.

UNIVERSAL HEALTH CARE, INC.

ADMITTED ASSETS

JUNE 30, 2007

	As Reported Initially by UHC [1]	UHC Adjustments	Amended UHC Balances [2]	Additional Examiner Adjustments	Per Exam [3]
Cash and short-term investments	$ 70,446,283	$ (27,094,388)	$43,351,895	$ -	$ 43,351,895
Common stocks	-	6,437,360	6,437,360	-	6,437,360
Centers for Medicare and Medicaid Services receivable	8,347,756	3,226,124	11,573,880	-	11,573,880
Medical deposits and other current assets	600,000		600,000	-	600,000
Deposits - Florida Department of Financial Services	300,000		300,000	-	300,000
Deferred tax asset	861,364	(861,364)	-	-	-
Total admitted assets	$ 80,555,403	$ (18,292,268)	$62,263,135	$ -	$ 62,263,135

[1] See Exhibit B for reconciliation between UHC's June 30, 2007 Quarterly Statement and UHC's Amended June 30, 2007 Statutory Statement of Admitted Assets, Liabilities, and Capital and Surplus (Exhibit A).

[2] As presented to BHC by UHC in the Amended financial statement of admitted assets, liabilities, and capital and surplus. Exhibit A.

[3] See subsequent events section of this report.

UNIVERSAL HEALTH CARE, INC.

LIABILTIES AND CAPITAL AND SURPLUS
JUNE 30, 2007

	As Reported Initially by UHC [1]	UHC Adjustments	Amended UHC Balances [2]	Additional Examiner Adjustments	Per Exam [3]
LIABILITIES					
Medical claims payable	$ 43,553,252	$ 4,302,294	$ 47,855,546	$ -	$ 47,855,546
Unearned premiums	22,451,605		22,451,605	-	22,451,605
Centers for Medicare and Medicaid Services payable	-	3,226,124	3,226,124	-	3,226,124
Accounts payable and accrued expenses	4,592,594	(1,383,299)	3,209,295	-	3,209,295
Accrued loss adjustment expenses	324,623	25,377	350,000	-	350,000
Due to affiliates	219,830	(30,555)	189,275	-	189,275
Total liabilities	$ 71,141,904	$ 6,139,941	$ 77,281,845	$ -	$ 77,281,845
CAPITAL AND SURPLUS					
Common stock	$ 316	$ -	$ 316	$ -	$ 316
Gross paid-in and contributed surplus	11,640,684		11,640,684	-	11,640,684
Accumulated deficit	(18,977,501)	(26,432,205)	(45,409,709)	-	(45,409,709)
Surplus note payable, related party	16,750,000	2,000,000	18,750,000	-	18,750,000
Total Capital and Surplus (Deficit)	9,413,499	(24,432,208)	(15,018,709)	-	(15,018,709)
Total Liabilities and Capital and Surplus (Deficit)	$ 80,555,403	$ (18,292,268)	$ 62,263,135	$ -	$ 62,263,135

[1] See Exhibit B for reconciliation between UHC's June 30, 2007 Quarterly Statement and UHC's Amended June 30, 2007 Statutory Statement of Admitted Assets, Liabilities, and Capital and Surplus (Exhibit A).

[2] As presented to BHC by UHC in the Amended financial statement of admitted assets, liabilities, and capital and surplus. Exhibit A

[3] See subsequent events section of this report.

Comments on Financial Statements

Cash and Short-Term Investments

BHC's examination procedures included testing the reconciliations of UHC's cash accounts as reported in UHC's June 30, 2007 Quarterly Statement. The June 30, 2007 cash account balances were confirmed with financial institutions.

BHC's procedures identified investments in money market accounts not registered with the NAIC Security Valuation Office ("SVO"). That finding resulted in the reclassification of the money market funds in the amount of $27.1 million to common stock in accordance with the NAIC SVO manual.

BHC's procedures identified potentially stale dated checks and BHC requested UHC to review the checks in question. Subsequently, UHC identified approximately $389,000 of stale checks and reclassified that amount to an escheat liability account. BHC was also informed that UHC had established a policy and procedure for escheat of checks to state(s).

Common Stock

UHC's common stock ownership consists entirely of the admitted portion of the money market funds reclassified to common stock as described in the preceding Cash and Short-Term Investments section of this report. These balances were confirmed with financial institutions.

Florida Statute § 641.35(14)(a)4 limits the investment in common stock in any one corporation to 3% of UHC's admitted assets. BHC calculated the non-admitted portion of the common stock investment to be $20.7 million and proposed this adjustment to UHC. UHC has treated this balance as a non-admitted asset in the Amended June 30, 2007 Balance Sheet (Exhibit A). UHC recorded a similar amount in UHC's monthly financial statements submitted to the OIR for the month of August 2007.

See Subsequent Events section of this report.

CMS Receivable and Payable

These accounts represent the estimated amounts receivable from or payable to CMS due to timing differences on enrollments and disenrollments.

BHC reviewed the methodology used by UHC to estimate the CMS receivable and payable amounts and reviewed the calculations for reasonableness. BHC compared the results of UHC's estimate to subsequent collections from or payments to CMS for reasonableness of the original estimates. Based on BHC's analysis and comments, UHC prepared a revised estimate. BHC reviewed the revised amounts, accepted the amended calculations, and UHC recorded the adjustments in the Amended June 30, 2007 Balance Sheet (Exhibit A).

One of the adjustments made by the Company was to record a $3.2 million increase to both the CMS receivable and payable amounts, with no impact on surplus.

Medical Deposits and Deposits – Florida Department of Financial Services

UHC recorded amounts of medical deposits and statutory deposits of $900,000. These amounts represent deposits with various provider hospitals and the OIR of $600,000 and $300,000, respectively. These amounts were confirmed with financial institutions or departments of insurance, as appropriate. No adjustments were considered necessary.

Deferred Tax Asset

UHC admitted a deferred tax asset at June 30, 2007 in the amount of $861,364. BHC's procedures included review of the calculation of the portion of the deferred tax asset to be admitted. UHC has non-admitted this amount in the Amended June 30, 2007 Balance Sheet (Exhibit A). This adjustment to non-admit the deferred tax asset is in accordance with NAIC SSAP #10, *Income Taxes,* which limits the admitting of a deferred tax asset to 10% of adjusted capital and surplus. Due to the non-admitted portion of the Common Stock adjustment noted above, UHC's capital and surplus is negative at June 30, 2007. Therefore, the deferred tax asset is fully non-admitted.

See Subsequent Events section of this report.

Medical Claims Payable (including Pharmacy Reimbursement) and Accrued Loss Adjustment Expenses

Medical Claims Payable consisted of $35.8 million in medical claims payable and $12.1 million in pharmacy reimbursement due CMS at June 30, 2007. BHC's examination procedures included verifying with CMS the $12.1 million liability for pharmacy reimbursement.

An outside actuarial firm appointed by UHC issued an actuarial opinion on UHC's reserve for medical claims payable and loss adjustment expense at June 30, 2007. At June 30, 2007, UHC recorded the reserves for medical claims payable and loss adjustment expenses of $35.8 million and $350,000, respectively, based on this actuarial estimate.

BHC also engaged an actuary to review the calculation of the UHC actuary and to perform an independent calculation of the reserves for medical claims payable and loss adjustment expenses at June 30, 2007. Based on the results of the actuarial calculation and analysis performed by the BHC engaged actuary, BHC concluded that UHC's aggregate claims reserve were fairly stated in all material respects in the Amended June 30, 2007 Balance Sheets (Exhibit A).

Accounts Payable and Accrued Expenses

At June 30, 2007, UHC originally recorded accounts payable and accrued expenses of approximately $4.6 million. UHC accepted and recorded adjustments to reclassify approximately $1.8 million based on the actuary's estimate and to record approximately $0.4 million in escheat liability as discussed above. The amount on the Amended June 30, 2007 Balance Sheet of approximately $3.2 million was considered by BHC to be materially correct.

Unearned Premium

At June 30, 2007, UHC recorded unearned premiums of approximately $22.4 million that consisted primarily of an advance payment from CMS for July, 2007 capitation payments. BHC reviewed the advance payment from CMS and tested other adjustments to the unearned premiums and noted that the reported balance appeared reasonable.

Surplus Note

In 2006, UHC issued a surplus note of $18.75 million to Group. FAC Rule 69O-143.047 governs material transactions between affiliates and requires the loan to be filed with OIR prior to it being executed.

UHC failed to submit the $18.75 million surplus note to the OIR prior to its issuance in violation of FAC Rule 69O-143.047 regarding limitations for related party transactions. The surplus note was submitted to OIR in March 2007.

On February 22, 2007, UHC repaid $2 million of the 2006 surplus note to Group without the approval of the Florida OIR in violation of NAIC SSAP #41, *Surplus Notes,* FAC Rules 69O-191-088 relating to surplus notes and 69O-143.047 relating to limitation on related party transactions. This repayment was reclassified to the intercompany account at June 30, 2007 and non-admitted in accordance with Florida Statutes § 641.35(2)(i) and § 641.35(2)(b). UHC recorded this adjustment in the Amended June 30, 2007 Balance Sheet (Exhibit A).

Minimum Capital and Surplus

Florida Statute § 641.225 establishes minimum capital and surplus requirements for HMOs. At June 30, 2007, UHC capital and surplus was a deficit of approximately $(15.0) million compared to the minimum capital and surplus requirement of approximately $7.7 million. In addition, UHC's June 30, 2007 capital and surplus is below the minimum capital and surplus requirement whether or not the money market account is or is not considered a non-admitted asset.

Amounts due from Affiliate

At June 30, 2007, UHC non-admitted a $1.9 million receivable due from an affiliate that includes a $1 million advance made to the affiliate in June 2007. Transactions with this affiliate, in excess of the payment of certain management fees, are in violation of the Rule 69O-143.047.

Subsequent Events

Deposits of $27.1 million in money market accounts were reported as cash on Schedule E, Part 1 of UHC's June 30, 2007 Quarterly Statement filed with the OIR. After the June 30, 2007 Quarterly Statement was filed, UHC determined that these investments should have been reported as common stock investments in accordance with NAIC instructions.

Investments in common stocks are subject to limitation pursuant to Florida Statute § 641.35(14)(a)4. Applying these limitations resulted in UHC non-admitting approximately $20.7 million in common stock investments in the Amended June 30, 2007 Balance Sheet (Exhibit A).

Subsequent to June 30, 2007, UHC has reinvested its money market investments, at face value (i.e., without any principal loss), in an account that qualifies as cash pursuant to NAIC requirements.

On September 27, 2007, UHC memorialized its participation in the tax sharing arrangement by executing an Intercompany Tax Sharing Agreement (the "Agreement") with Group, UHCIC and AMC in filing a consolidated federal tax return starting in tax year 2007 and thereafter.

According to the Agreement, each company is responsible for and shall reimburse Group for its separately calculated share of the consolidated tax liability. Further, per the Agreement, each company shall pay promptly to Group, on a quarterly basis not later than the due date for the estimated quarterly payment of taxes, its share of such payment, estimated in the same manner as specified above. Any final adjustments to payments shall be made following the preparation of the consolidated federal income tax return.

As of June 30, 2007, UHC reported $7,593,456 as a non-admitted net Deferred Tax Asset in its Amended June 30, 2007 Balance Sheet (Exhibit A) due to UHC's deficit surplus resulting from non-admitting $20.7 million of common stock, as discussed above.

Based on the terms of the Agreement and in accordance with SSAP No. 10, *Income Taxes,* this Net Deferred Tax Asset should be classified as "Amounts due from Affiliates", although, in accordance with Florida Statute § 641.35(2)(b) and (i), UHC would not be able to admit the intercompany advance in its statutory-basis financial statements. On November 15, 2007, UHCIC wired $9,179,329 to Group to fulfill the then current amount of its tax liability, computed in accordance with the Agreement, and on November 20, 2007, Group wired $3,644,266 to UHC to fulfill the then current amount owed UHC under the Agreement.

The following schedule shows the pro forma effect on admitted assets and capital and surplus of the reinvestment of the money market funds and the receipt of monies relating to UHC's Net Deferred Tax Asset at June 30, 2007:

		Pro Forma Adjustments		
	June 30, 2007 As Reported	Reinvested Assets	Reimbursed Deferred Tax	June 30, 2007 Pro Forma
Admitted Assets	$62,263,135	$20,657,027	$3,644,266	$86,564,428
Liabilities	77,281,844			77,281,844
Surplus (Deficit)	$(15,018,709)	$20,657,027	$3,644,266	9,282,584
Minimum Statutory Surplus Requirement at June 30, 2007				7,728,184
Pro Forma Excess Surplus				$ 1,554,400

After giving pro forma effect to the foregoing adjustments, UHC's capital and surplus exceeds the required minimum requirements of the OIR by $1,554,400 at June 30, 2007.

BHC has not examined the calculation of the $9,179,329 wired to Group on November 15, 2007 or the $3,644,266 wired to UHC on November 20, 2007. Therefore, BHC has not verified the accuracy of that amount.

Independent Auditors' Workpapers

UHC's December 31, 2006 statutory-basis financial statements were audited by an independent certified public accounting firm ("CPA"). BHC reviewed the CPA's workpapers.

Letter of Representation

On November 20, 2007, BHC submitted a draft letter of representation in accordance with the NAIC Financial Condition Examiners Handbook. On December 11, 2007, UHC submitted a signed letter of representation, which letter is included herein as Exhibit D.

Universal Health Care, Inc.
Comparative Analysis of Changes in Capital and Surplus
June 30, 2007

The following is a reconciliation of capital and surplus between that reported by UHC and as determined by the limited-scope examination.

Capital and Surplus at June 30, 2007 per UHC's Quarterly Statement				$9,413,499
	As Reported Initially by UHC	Amended UHC Balances	Increase (Decrease) In Surplus	
Total assets	$80,555,403	$62,263,135	$(18,292,268)	
Total liabilities	$71,141,904	$77,281,845	(6,139,941)	
Net decrease in capital and surplus			$(24,432,209)	(24,432,209)
Capital and surplus at June 30, 2007, per limited-scope examination				$(15,018,710)

Note: See subsequent events section of this report.

Conclusions

The customary insurance examination practices and procedures as promulgated by the NAIC have been applied to the specific areas described in this report of limited-scope examination of Universal Health Care, Inc. as of June 30, 2007, consistent with the insurance laws of the State of Florida.

Capital and Surplus

At June 30, 2007, UHC's amended capital and surplus was a deficit balance of $(15,018,710) and was not in compliance with Florida Statute §641.225. UHC's required minimum capital and surplus at June 30, 2007 was $7,728,184. See Subsequent Event section.

Failure to Comply with Florida Statutes

Prescribed statutory accounting practices include certain publications of the NAIC as well as state laws, regulations, and general administrative rules applicable in those states under whose jurisdiction UHC is subject, as well as the rules and regulations of CMS.

The following items are violations of laws or regulations:

- At June 30, 2007 UHC did not file a full and true quarterly financial statements with OIR in accordance with the requirements of Florida Statute § 641.26. In addition, the March 31, 2007 quarterly financial statement filed with the OIR appears to include money market funds that should be non-admitted as common stock. If this is correct, UHC did not file a full and true quarterly financial statements with the OIR at March 31, 2007.

- At March 31, 2007 and June 30, 2007 UHC failed to have the quarterly financial statements signed by two executive officers as required by Florida Statute § 641.26.

- At June 30, 2007, UHC maintained deposits of $20.7 million in money market accounts that were in technical violation of Florida Statute § 641.35(14)(a)4 and were incorrectly reported as cash and admitted assets in UHC's June 30, 2007 Quarterly Statements filed with the OIR.

- $1.9 million was advanced to American Managed Care, LLC ("AMC") without the approval of the OIR in accordance with FAC Rule 69O-143.047.

- $2 million repayment of the surplus note without the approval of the OIR in accordance with FAC Rule 69O-191.088 and 69O-143.047.

- The $18.75 million surplus note executed in 2006 was not submitted to OIR in advance for approval in accordance with FAC Rule 69O-143.047.

- At June 30, 2007, the minimum capital and surplus is below the requirements set forth in the Florida Statute § 641.225(1).

<u>Internal Control Deficiency</u>

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. BHC believes that the following deficiency constitutes a material weakness.

The failures to comply with the laws or regulations described above indicate that UHC's regulatory compliance system does not reduce to a relative low level the risk of error in processing transactions accurately. UHC's failure to comply with the regulatory requirements contained in the Florida Statutes has resulted in an inability to prepare full and true financial reports as required by Florida Statutes. UHC should apply greater resources toward ensuring full compliance with Florida Statutes.

* * *

Respectfully submitted,

Buttner Hammock & Company, P.A.

Buttner Hammock & Company, P.A.

Exhibit A

UNIVERSAL HEALTH CARE, INC.

STATUTORY-BASIS FINANCIAL STATEMENT

JUNE 30, 2007

UNIVERSAL HEALTH CARE, INC.

Table of Contents

UNIVERSAL HEALTH CARE, INC.
STATUTORY-BASIS STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS
JUNE 30, 2007

ADMITTED ASSETS

Admitted Assets:	
Cash and short-term investments	$ 43,351,895
Common stocks	6,437,360
Centers for Medicare and Medicaid Services receivable	11,573,880
Medical deposits	600,000
Deposits - Florida Department of Financial Services	300,000
Total Admitted Assets	$ 62,263,135

LIABILITIES AND CAPITAL AND SURPLUS (DEFICIT)

Liabilities:	
Medical claims payable	$ 47,855,546
Unearned premiums	22,451,605
Centers for Medicare and Medicaid Services payable	3,226,124
Accounts payable and accrued expenses	3,209,294
Accrued loss adjustment expense	350,000
Due to affiliates	189,275
Total Liabilities	77,281,844
Commitments and contingencies (Note 8)	-
Capital and Surplus:	
Common stock, $.0000025 par value; 400,000,000 shares authorized, 126,250,000 shares issued and outstanding	316
Gross paid-in and contributed surplus	11,640,684
Accumulated deficit	(45,409,709)
Surplus note payable, related party	18,750,000
Total Capital and Surplus (Deficit) (Note 9)	(15,018,709)
Total Liabilities and Capital and Surplus (Deficit)	$ 62,263,135

See notes to statutory-basis financial statement.

UNIVERSAL HEALTH CARE, INC.
STATUTORY-BASIS STATEMENT OF CHANGES IN CAPITAL AND SURPLUS
SIX MONTHS ENDED JUNE 30, 2007

	Common Stock Shares	Common Stock Amount	Gross Paid-In and Contributed Surplus	Accumulated Deficit	Surplus Note Payable, Related Party	Total
Capital and surplus (deficit) January 1, 2007	126,250,000	$ 316	$ 11,640,684	$(25,519,430)	$ 18,750,000	$ 4,871,570
Net income for the period		-	-	2,873,325	-	2,873,325
Change in non-admitted assets		-	-	(22,763,604)	-	(22,763,604)
Capital and surplus (deficit) June 30, 2007	126,250,000	$ 316	$ 11,640,684	$(45,409,709)	$ 18,750,000	$ (15,018,709)

See notes to statutory-basis financial statement.

1. Organization and summary of significant accounting policies:

Organization:

Universal Health Care, Inc. (the "Company") is a Florida domiciled health maintenance organization and a wholly owned subsidiary of Universal Health Care Group, Inc. ("Group"). The Company was incorporated in 2002 and formed for the purpose of promoting and operating a health maintenance organization ("HMO"). The Company commenced revenue generating activities in August 2003.

The Company has three contracts with the Department of Health and Human Services, Centers for Medicare and Medicaid Services ("the Department") to provide health care services to Medicare and Medicaid enrollees in various counties in Florida. These contracts accounted for 94% of the Company's revenues in 2007. The Department awarded the Company the contracts for the period beginning July 1, 2003 and ending December 31, 2004 and has renewed the contracts through December 31, 2008. The contracts provide for annual extensions subject to agreement and approval by both parties.

Basis of presentation:

The accompanying statutory-basis financial statement has been prepared in accordance with the statutory accounting practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation ("FL OIR").

Prescribed statutory accounting practices are stipulated in a variety of publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company has no permitted statutory accounting practices.

The accounting practices applied in the preparation of the statutory-basis financial statement vary in some respects from accounting principles generally accepted in the United States of America ("GAAP"). Departures from GAAP affecting the Company principally relate to the method of accounting for certain assets and liabilities which are reflected as assets or liabilities under GAAP but are excluded from assets and capital and surplus or included as a component of capital and surplus for statutory reporting purposes, as follows:

Non-admitted assets: Investments in individual money market funds not registered with the NAIC's Securities Valuation Office ("SVO") are classified as common stock and are limited to three percent of net admitted assets as determined in the most recent Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus filed by the Company with the FL OIR. Furniture and equipment and prepaid items are excluded from the Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus. Further, net deferred tax assets that exceed the lesser of gross deferred tax assets expected to be recognized within one year of the Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus date or ten percent of statutory capital and surplus as determined in the most recent Statutory-Basis Statement of

Admitted Assets, Liabilities, and Capital and Surplus filed by the Company with the FL OIR are also excluded. Under GAAP such assets would be included in the total assets net of any related valuation allowance including accumulated depreciation.

Surplus notes payable: Notes payable issued by the Company to related parties are classified as capital and surplus on a statutory-basis, if approved by the FL OIR. Under GAAP, such notes payable are recorded as liabilities, see Note 5.

Minimum capital and surplus requirements:

Pursuant to Section 641.225(1) of Florida Statutes, the Company is required to maintain a minimum surplus in an amount that is the greater of $1,500,000, or ten (10) percent of total liabilities, or two (2) percent of total annualized premiums. As of June 30, 2007, the Company's capital and surplus (deficit) of $(15,018,709) did not meet the $7,728,184 level prescribed by the statutes, primarily as a result of the classification of certain investments and deferred tax assets as non-admitted, which have been reinvested in admitted funds and repaid by the Group, respectively, subsequent to June 30, 2007. After giving pro forma effect to the foregoing adjustments, the Company's capital and surplus exceeds the required minimum requirements of the FL OIR by $1,554,400 at June 30, 2007, see Note 9. Failure to maintain the minimum surplus requirement subjects the Company to risk of regulatory action from state and Federal authorities, including the potential loss of the ability to provide healthcare services in Florida.

Revenue recognition:

Premiums from the Company's contract with the Department are received in advance of coverage periods and recognized as revenue ratably over the period of service or coverage. Other revenue is recognized as income when earned.

Cash and short-term investments:

Cash and short-term investments include cash balances and investments which are liquid and mature in three months or less when purchased, including funds maintained under statutory requirements (deposits), and consist of money market funds registered with the NAIC, and certificates of deposit.

Common stocks:

Common stocks include investments in money market mutual funds that are not classified as exempt or Class 1 funds by the NAIC's SVO.

Unearned premiums:

Unearned premiums include funds received from governmental agencies in advance of the month in which they are earned.

Income taxes:

Deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for carryovers. A valuation allowance is recognized if it is more likely than not that some portion of the deferred tax asset will not be realized. When evaluating whether a valuation allowance is appropriate, the Company considers such factors as previous operating results, future earnings potential, tax planning strategies and future reversals of existing temporary differences. The valuation allowance is increased or decreased based on changes in these criteria.

Subsequent to June 30, 2007, the Company elected to participate in an Intercompany Tax Sharing Agreement, see Note 9.

Accrued loss adjustment expense:

Claim processing expenses for unpaid claims, including claims incurred but not yet reported, are accrued based on estimated expenses necessary to process such claims.

Use of estimates:

The presentation of the financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant accounts which are largely determined based on management's estimates and assumptions include incurred but not reported claims and accrued pharmacy reimbursement due the Department, which are both included in Medical Claims Payable; premiums receivable due from the Department related to retro-premium adjustments and risk sharing adjustments; and unallocated premium received from the Department included in Unearned Premium. Actual results could differ from those estimates.

2. **Reconciliation:**

Differences between the June 30, 2007 Quarterly Statement filed with the FL OIR and the accompanying statutory-basis financial statement are described in attached Appendix A.

3. **Medical claims payable and accrued loss adjustment expense:**

The liability for medical claims payable as of June 30, 2007 was $47,855,546. The liability includes claims received and in process, as well as management's estimate of the cost of claims incurred but not reported totaling $35,802,546. Also included in the liability at June 30, 2007 was an estimated Part D pharmacy payment reimbursement of $12,053,000 due to the Centers for Medicare and Medicaid Services.

The provision for claims incurred but not yet reported is actuarially determined based on historical claims payment experience and other statistics. This liability is subject to the impact of changes in claim severity and frequency, as well as numerous other factors. Management believes that the recorded liability is adequate, but the variance between the estimate and the ultimate net cost of settling this liability could be material.

The liability for accrued loss adjustment expense as of June 30, 2007 was $350,000. The liability is management's estimate of the administrative cost expected to be incurred in connection with the adjustment and recording of unpaid claims, including claims incurred but not yet reported, included in the medical claims payable liability.

4. Income taxes:

Deferred income tax benefits are provided for certain income and expenses that are recognized in different periods for tax and financial reporting purposes. As of June 30, 2007, the components of the provision for income taxes are as follows:

Deferred tax assets (non-admitted asset)	$	7,593,456
Deferred tax assets (admitted portion)	$	-0-

The Company's net operating loss carry-forward available to offset future taxable income of approximately $25,200,000 will begin to expire in 2023. The Company has not recorded a valuation allowance for its deferred tax asset as it believes it will have sufficient net taxable income in future years to fully utilize the carry-forward amount.

Subsequent to June 30, 2007, the Company elected to participate in an Intercompany Tax Sharing Agreement, see Note 9.

5. Related party and affiliated transactions:

A summary of transactions between the Company and affiliated companies is as follows:

Surplus note payable, related party:

During 2006, the Company received cash proceeds for a surplus note payable issued to Group amounting to $18,750,000. The terms of the note payable specify that principal and interest on the note are payable only upon the prior approval from FL OIR. The note payable bears interest at 5% per annum upon FL OIR approval. During the periods covered by these financial statements, the Company has not received approval from the FL OIR; therefore, the Company has not recorded accrued interest totaling $473,958 at June 30, 2007.

Other relationships:

The Company has a management agreement with American Managed Care, LLC ("AMC"), a company related by common control, effective through July 31, 2008, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group. Fees pursuant to this agreement are the higher of $50,000 per month or an agreed-upon percentage of the total collected premiums on a monthly basis. At December 31, 2006, the Company began paying monthly fees based on 4% of total premiums collected. Expenses incurred under this agreement totaled $6,315,070 in 2007, all of which were funded on or before June 30, 2007.

During the six months ended June 30, 2007, the Company made unsecured non-interest bearing advances to AMC totaling $1,949,464. The advances are a non-admitted asset and have been excluded from the accompanying Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus.

In addition, during the period ended June 30, 2007, the Company renegotiated a below-market provider agreement with American Family & Geriatric Care ("AFGC"), which is owned 100% by a majority shareholder of Group, in the normal course of its operations. As part of the settlement renegotiation with AFGC, the Company agreed to increase future capitation amounts paid to AFGC, increase reinsurance levels in the contract and forgive all amounts potentially owed under the contract, when determined after all claims would have been fully developed for the year ended December 31, 2006.

6. Concentrations of credit risk and revenues:

Cash and short-term investments:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and money market accounts. The Company maintains its cash balances in several different financial institutions, each of which is insured by the Federal Deposit Insurance Corporation up to $100,000.

Revenue:

The Company received 94% of its revenue from Medicare for the six months ended June 30, 2007, under contracts that have been renewed through December 31, 2008. The loss of these contracts or significant changes in the programs as a result of legislative action, including reduction of premium payments to the Company, or increases in member benefits without corresponding increases in premiums to the Company, may have a material adverse effect on the Company's financial position, results of operations and cash flows.

7. **Employee benefit plan:**

The Company's employees are eligible to participate in a 401(k) plan sponsored by AFGC (the "Plan"). The Plan was established for the benefit of substantially all of its employees who have completed one year of service. Under the terms of the Plan, employees may contribute up to 15% of their gross earnings subject to IRS limitations. The Company matches up to 4% of employees' contributions as follows: 100% of the first 3% of gross earnings and 50% of the next 2% of gross earnings. The Company's matching contributions to the Plan were $19,784 for the six months ended June 30, 2007.

8. **Commitments and contingencies:**

Regulatory:

The Company is subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees, particularly with respect to government-sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among the other areas regulated by federal and state law are licensure requirements, premium rate increases, new product offerings, procedures for quality assurance, and the financial condition, including cash reserve requirements. Legislation mandating managed care for Medicare and Medicaid recipients is often subject to change and may not initially be accompanied by administrative rules and guidelines. Changes in federal or state governmental regulation could affect the Plan's operations, cash flows, and business prospects. There can be no assurances that the Plan will maintain federal qualifications or state licensure.

Reinsurance:

The Company has entered into two separate reinsurance agreements with HCC Life Insurance Company ("HCC Life") to reduce the risk of loss that may arise from excessive medical claims. These agreements do not relieve the Company from its obligations to its members. Failure on the part of HCC Life to honor its obligations could result in losses to the Company.

Under the terms of the first agreement to reinsure commercial HMO, Medicare HMO, and Medicare PPO members, HCC Life reinsures a percentage of eligible expenses, as defined, that exceeds the applicable attachment point, as defined, at the rates of $6.58 and $1.10 (per member per month) for Commercial HMO and Medicare HMO/PPO, respectively. Additionally, the agreement includes a minimum aggregate specific deductible that is calculated using a formula based on the number of members enrolled and a per member per month factor of $1.33 and $.52, for the Commercial HMO and Medicare HMO/PPO members, respectively. At no time will the minimum aggregate specific deductible be less than $275,000. The lifetime maximum reimbursement per individual stated in the agreement is $2,000,000.

Under the terms of the second agreement to reinsure Medicaid members, HCC Life reinsures a percentage of eligible expenses, as defined, that exceeds the $100,000 attachment point at the rate of $1.57 per member per month. The lifetime maximum reimbursement per individual stated in the agreement is $2,000,000.

During the six months ended June 30, 2007, premiums paid for reinsurance amounted to $1,285,184.

9. Subsequent Events:

Deposits of $27,094,386 in money market accounts were reported as cash on Schedule E, Part 1 of the Company's June 30, 2007 Quarterly Statement originally filed with the FL OIR. After the Quarterly Statement was filed, it was determined that these investments should have been reported as common stock investments in accordance with NAIC instructions.

Investments on common stocks are subject to limitation pursuant to Florida Statute 641.35(14)(a)4. Applying these limitations resulted in the Company non-admitting $20,657,027 in common stock investments in the accompanying June 30, 2007 Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus.

On September 24, 2007, the Company reinvested its money market investments, at face value (i.e. without any principal loss), in an account that qualifies as Cash pursuant to NAIC requirements.

On September 27, 2007, the Company elected to memorialize its tax sharing arrangement by participating in an Intercompany Tax Sharing Agreement (the "Agreement") with Group, Universal Health Care Insurance Company, Inc. ("UHCIC") and AMC in filing a consolidated federal tax return starting in tax year 2007 and thereafter.

Each company shall be responsible for and shall reimburse Group for its separately calculated share of the consolidated tax liability. Further, per the Agreement, each company shall pay promptly to Group, on a quarterly basis not later than the due date for the estimated quarterly payment of taxes, its share of such payment, estimated in the same manner as specified above. Any final adjustments to payments shall be made following the preparation of the consolidated federal income tax return.

As of June 30, 2007, the Company had $7,593,456 reported as a non-admitted Net Deferred Tax Asset in its accompanying statutory-basis financial statement. All of the Net Deferred Tax Asset was reported as non-admitted in the accompanying June 30, 2007 statutory-basis financial statement based on the Company's deficit surplus as a result of the non-admission of $20,657,027 of common stock, as noted above.

Based on the terms of the Agreement and in accordance with SSAP No. 10, this Net Deferred Tax Asset should be classified as "Amounts due from Affiliates", although, in accordance with Florida Statutes Chapter 641.35(2)(i), the Company would not be able to admit the intercompany advance in its statutory-basis financial statement. However, on November 15, 2007, UHCIC wired $9,179,320 to Group to fulfill the then current amount of its tax liability, computed in accordance with the Agreement, and on November 20, 2007, the Group then wired $3,644,266 to the Company to fulfill the then current amount owed UHC under the Agreement.

The following schedule shows the pro forma effect on Admitted Assets, Liabilities, and Capital and Surplus of the reinvestment of the investment funds and the receipt of monies relating to the Company's Net Deferred Tax Asset at June 30, 2007:

	June 30, 2007 As Reported	Pro Forma Adjustments: Reinvested Assets	Pro Forma Adjustments: Reimbursed Tax Assets	June 30, 2007 Pro Forma
Admitted Assets	$ 62,263,135	$ 20,657,027	$ 3,644,266	$ 86,564,428
Liabilities	77,281,844			77,281,844
Capital and Surplus (Deficit)	$(15,018,709)	$ 20,657,027	$ 3,644,266	$ 9,282,584
			Statutory Surplus Requirement	7,728,184
			Pro Forma Excess Surplus	$ 1,554,400

After giving pro forma effect to the foregoing adjustments, the Company's capital and surplus exceeds the required minimum requirements of the FL OIR by $1,554,400 at June 30, 2007.

UNIVERSAL HEALTH CARE, INC.

APPENDIX A

RECONCILIATION BETWEEN THE QUARTERLY STATEMENT FILED WITH THE INSURANCE DEPARTMENT OF THE STATE OF FLORIDA AND THE ACCOMPANYING STATUTORY-BASIS FINANCIAL STATEMENT - JUNE 30, 2007

					Capital and Surplus			
	Total Assets	Non-admitted Assets	Total Admitted Assets	Total Liabilities	As Reported	Statutory Requirement	Excess / (Shortfall)	Net Income
June 30, 2007, as filed with the Florida OIR	**$ 88,396,352**	**$ 7,840,948**	**$ 80,555,404**	**$ 71,141,904**	**$ 9,413,500**	**$ 7,114,190**	**$ 2,299,310**	**$ 4,650,753**
To increase medical claims payable to actuarial estimates	-	-	-	2,529,436	(2,529,436)	252,944	(2,782,380)	(2,529,436)
To increase escheat liability	-	-	-	389,558	(389,558)	38,956	(428,514)	(389,558)
To gross-up CMS receivable and payable	3,226,124	-	3,226,124	3,226,124	-	322,612	(322,612)	-
To record income tax benefit for previous journal entries	1,136,388	1,136,388	-	-	-	-	-	1,136,388
To reverse surplus note repayment disallowed by the State and	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-
report as non-admitted asset	-	2,000,000	(2,000,000)	-	(2,000,000)	-	(2,000,000)	-
To report common stock as non-admitted asset	-	20,657,027	(20,657,027)	-	(20,657,027)	-	(20,657,027)	-
To report tax benefit as non-admitted asset	-	861,364	(861,364)	-	(861,364)	-	(861,364)	-
Other	-	2	(2)	(5,178)	5,176	(518)	5,694	5,178
Subtotal adjustments	6,362,512	24,654,781	(18,292,269)	6,139,940	(24,432,209)	613,994	(25,046,203)	(1,777,428)
June 30, 2007, as adjusted on accompanying financial statements	**$ 94,758,864**	**$ 32,495,729**	**$ 62,263,135**	**$ 77,281,844**	**$ (15,018,709)**	**$ 7,728,184**	**$ (22,746,893)**	**$ 2,873,325**

Exhibit B

EXHIBIT B

UNIVERSAL HEALTH CARE, INC.
RECLASSIFICATION OF BALANCE SHEET ACCOUNT LINE ITEMS
JUNE 30, 2007

	Quarterly As Originally Filed	Reclass Adjustments	As Reported Initially by Company [1]
ASSETS			
Cash and short-term investments	$ 70,746,283	(300,000)	$ 70,446,283
Common stocks	-		-
Centers for Medicare and Medicaid Services receivable **[2]**	8,347,756		8,347,756
Medical deposits and other current assets	600,000		600,000
Deposits - Florida Department of Financial Services	-	300,000	300,000
Deferred tax asset	861,364		861,364
Total admitted assets	$ 80,555,403	$ -	$ 80,555,403
LIABILITIES			
Medical claims payable	$ 31,619,758	$ 11,933,494	$ 43,553,252
General expenses due or accrued	16,526,088	(16,526,088)	-
Unearned premiums	22,451,605		22,451,605
Centers for Medicare and Medicaid Services payable	-	-	-
Accounts payable and accrued expenses	-	4,592,594	4,592,594
Accrued loss adjustment expense	324,623	-	324,623
Due to affiliates	219,830	-	219,830
Total liabilities	$ 71,141,904	$ -	$ 71,141,904
CAPITAL AND SURPLUS			
Common stock	$ 316	$ -	$ 316
Gross paid-in and contributed surplus	11,640,684		11,640,684
Accumulated deficit	(18,977,501)		(18,977,501)
Surplus note payable, related party	16,750,000		16,750,000
Total Capital and Surplus (Deficit)	9,413,499	-	9,413,499
Total Liabilities and Capital and Surplus (Deficit)	$ 80,555,403	$ -	$ 80,555,403

[1] BHC reclassified certain balance sheet account line items between UHC's June 30, 2007 Quarterly Statement submitted to OIR and UHC's June 30, 2007 Statutory Statement of Admitted Assets, Liabilities, and Capital and Surplus (Exhibit A). The reclassifications were necessary for comparison purposes between the two reports.

[2] This line item was identified as "Accrued retrospective premiums" on UHC's June 30, 2007 Quarterly Statement.

Exhibit C

BROAD AND CASSEL
ATTORNEYS AT LAW

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SUITE 3500
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DANIEL NICHOLAS
DIRECT LINE: 813-225-3070
DIRECT FACSIMILE: 813-204-2131
EMAIL: dnicholas@broadandcassel.com

October 24, 2007

VIA HAND DELIVERY

Michael Hammock
Buttner Hammock & Company, P.A.
4237 Salisbury Road
Suite 100 Building 1
Jacksonville, FL 32216

Dear Mr. Hammock,

As counsel for the entities of the Universal Health Care Group, we understand you have requested as part of your Audit for the State a review of the Company's internal minutes for those meetings of the Board of Directors. The Company has previously provided these materials to you for review, as redacted to protect privileged information that neither you nor the state is entitled to review. We are sure you can appreciate the nature of attorney-client and work-product privileged materials in your experience auditing businesses. You should likewise appreciate our Client's decision to provide you with all non-privileged information in the minutes, including all resolutions reached by the Board in its meetings.

It is not clear why you believe any further information, gathered only by invading the Company's privileges, is necessary for your review, and we believe that you are not entitled to it. However, in good faith and in the interest of finally bringing your Audit to a conclusion, and to avoid any reason for a "scope limitation" in your report, the Company will provide you access to the unredacted minutes via on-site review, as you suggested. To this end, and without providing you copies of the unredacted minutes, the Company does not intend to waive its privileges associated with these materials. In furtherance of the same, please understand the Company's reasonable concern in protecting its privileges, for which it asks that any person with your team whom you designate to review the unredacted minutes maintain the confidentiality and permit our attorneys to be in attendance while you review the minutes. We remind you also that the State of Florida remains under orders from a Court of competent jurisdiction that neither the Office nor its agents are to use supervisory or examinatory activities as a "subterfuge" to obtain discovery to be used in litigation.

Sincerely,

For

Daniel A. Nicholas, Esq.

PROMISE OF CONFIDENTIALITY

Except as expressly authorized by prior written consent of Universal Health Care Insurance Company, Inc., Universal Health Care, Inc., and/or American Managed Care, LLC (collectively the "Company"), I, ______________________________________,
acknowledge the Company granting me, per the request of Buttner Hammock, limited access, on October 24, 2007, to unredacted minutes of the meetings of the Board of Directors of the Company. I further acknowledge that the Company claims a privilege justifying the confidential nature of the unredacted minutes and that by providing me limited access to the same, the Company is not waiving its right to claim such privilege. By executing this Promise of Confidentiality, I agree to protect the information contained in the unredacted minutes and will not disclose such unredacted information to any third party.

NOT SIGNED MH

Dated this _____ day of ____________________, 2007.

____

Print Name:
Address:
City/State:
Telephone number:

Exhibit D

UNIVERSAL
HEALTHCARE

Corporate Office:
150 2nd Avenue N., Suite 400
St. Petersburg, FL 33701
Ph: 727.822.3446
Fax: 727.822.3556

December 11, 2007

Life & Health Oversight
Florida Office of Insurance Regulation
Edwin Larson Bldg. Suite 319B
200 E. Gaines Street
Tallahassee, Florida 32395

We are providing this letter in connection with your examination of the statutory-basis financial statements of Universal Health Care, Inc. ("UHC" or the "Company") as of June 30, 2007 as amended December 11, 2007. This letter supersedes and replaces the previous management representation letter provided to you on December 5, 2007. We are responsible for the preparation of the statutory financial statements of financial position, results of operations, and changes in statutory financial position in conformity with the accounting practices prescribed or permitted by the Florida Office of Insurance Regulation (the "OFFICE").

Certain representations in this letter are described as being limited to those matters that are material. Solely for the purpose of preparing this letter, the term "material," when used in this letter, means any item or group of similar items involving potential amounts of more than $100,000. These amounts are not intended to represent the materiality threshold for financial reporting and disclosure purposes. Notwithstanding this, an item is considered material, regardless of size, if it involves an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the examination.

1. We have made available to you all:

   - Statutory-basis financial records and related data; and
   - Minutes of meetings of stockholders/policyholders, directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

2. There have been no:

   - Fraud or other irregularities involving management or employees who have significant roles in the internal control structure;
   - Fraud or other irregularities involving other employees that have or may have a material effect on the statutory-basis financial statements;
   - Fraud or other irregularities involving agents, MGA's, third party administrators, independent contractors, holding companies or other individuals or parties that have or may have a material impact on the statutory-basis financial statements.

3. We have provided all correspondence from regulatory agencies concerning potential material noncompliance with, or deficiencies in, statutory-basis financial reporting practices. This includes those related to Medicare and Medicaid antifraud and abuse statutes.

4. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, with the exception of items noted in Footnote 9 of the Company's Statement of Admitted Assets, Liabilities, and Capital and Surplus.

5. The financial statements are free of material and intentional immaterial misstatements.

6. The following have been properly recorded or disclosed in the statutory financial statements:

   - Any transactions with related parties, as defined in SSAP No. 25, *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* and the related receivable or payable amounts, including tax-sharing agreements, sales, purchases, loans, transfers and guarantees, and related receivable or payable amounts.

   - All liabilities, both actual and contingent.

   - Guarantees whether written or oral, under which UHC is contingently liable.

   - Capital stock repurchase options or agreements on capital stock reserved for options, warrants, conversions, or other requirements.

   - Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

   - Significant estimates and material concentrations known to management that are required to be disclosed in accordance with SSAP No. 1, Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures.

   - Amount of credit risk and extent, nature, and terms of financial instruments with off-balance-sheet risk in accordance with SSAP No. 27.

   - Agreements to repurchase assets previously sold.

7. We confirm the completeness of the information provided regarding the identification of related parties.

8. There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the statutory financial statements or as a basis for recording a loss contingency, except as follows:

   - At June 30, 2007, UHC did not file full and true quarterly financial statements with the OFFICE in accordance with the requirements of Section 641.26, Florida Statutes. Additionally, the March 31, 2007 quarterly financial statement UHC filed with the OFFICE includes money market funds that should be non-admitted as common stock. Therefore, UHC did not file full and true quarterly financial statements with the OFFICE at March 31, 2007;

   - At March 31, 2007 and June 30, 2007, UHC failed to have its quarterly financial statements signed by two executive officers as required by Section 641.26, Florida Statutes;

- At June 30, 2007, UHC maintained deposits of $20.7 million in money market accounts that were in violation of Section 641.35(14)(a)4., Florida Statutes, and which were incorrectly reported as cash and admitted assets in the June 30, 2007 quarterly statements UHC filed with the OFFICE;

- At June 30, 2007, the minimum capital and surplus were below the requirements set forth in Section 641.225, Florida Statutes, primarily due to the non-admission of the $20.7 million in money market accounts, which was corrected subsequent to June 30, 2007;

- The $1.9 million receivable for advances made to AMERICAN MANAGED CARE LLC (hereinafter referred to as "AMC") without the OFFICE's approval failed to comply with Rule 69O-143.047, Florida Administrative Code;

- The $2 million receivable for the repayment made of the surplus note without the OFFICE's approval failed to comply fully with Rules 69O-191.088 and 69O-143.047, Florida Administrative Code, which required UHC to obtain the OFFICE's approval prior to the repayment of the surplus note;

- The $18.75 million surplus note executed in 2006 without the OFFICE's advance approval failed to comply with Rule 69O-143.047, Florida Administrative Code;

- UHC violated Section 624.318(2), Florida Statutes, by failing to make its accounts, records, documents, files, information, assets, and matters in its possession or control freely available to the OFFICE and/or the OFFICE's examiners or investigators; however, the necessary materials to complete the examination have been supplied to the examiners.

- UHC failed to timely file its annual report for the period ending December 31, 2006, in violation of Section 641.26, Florida Statutes.

- Examined financial statements for the period ending June 30, 2007 showed UHC to be insolvent, primarily due to the non-admission of the $20.7 million in money market accounts. This has been corrected by subsequent events.

This representation includes those related to Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid anti-Kickback Statutes, Limitations on Certain Physical Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.

9. Contingent Liabilities:

   a. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SSAP No. 5.

   b. There is no litigation against UHC that is considered material in relation to its statutory-basis Statement of Admitted Assets, Liabilities, and Capital. For purposes of this section, UHC has excluded litigation for which the only amounts sought relate to benefits within the normal terms of coverage under contracts of insurance issued by UHC, and which are otherwise considered in the actuarial determination of UHC's unpaid claim reserves.

10. Adequate provision has been made for adjustments and losses in collection of receivables.

11. UHC is in compliance with bond indentures or other debt instruments.

12. Pending changes in the organizational structure, financing arrangements, or other matters that could have a material effect on the financial statements of UHC are properly disclosed.

13. UHC has properly classified all assets as admitted or nonadmitted in accordance with SSAP No. 4.

14. UHC has free and clear title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as disclosed in the quarterly statement.

15. We have reviewed long-lived assets and certain identifiable intangibles whenever changes in circumstances have indicated that the carrying amount of these assets might not be recoverable and have recorded the adjustment in accordance with SSAP No. 5.

16. Deferred tax assets and liabilities as reported in the financial statements comply and have been valued in accordance with SSAP No. 10, Income Taxes.

17. Investments are appropriately recorded and valued as follows:

- Bonds - are recorded and disclosed in accordance with SSAP No. 26 and interpretations thereof.
- Preferred stocks - are recorded and disclosed in accordance with SSAP No. 32 and interpretations thereof.
- Common stocks - are recorded and disclosed in accordance with SSAP No. 30 and interpretations thereof. Common stock of subsidiaries and affiliated or controlled companies are recorded and disclosed in accordance with SSAP No. 46 and interpretations thereof.
- Short-term investments - are recorded and disclosed in accordance with SSAP No. 2 and interpretations thereof.

18. Accident and Health Premiums Due and Unpaid – Premiums are recognized and reported in accordance with SSAP No. 54. Uncollected premiums are reported in accordance with SSAP No. 6.

19. Cost Reports filed with third parties including:

- All required Medicare, Medicaid, and similar reports have been properly filed.
- Management is responsible for accuracy and propriety of all cost records filed.
- All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors.
- The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
- Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.

- All items required to be disclosed, including disputed costs that are being claimed to establish a basis for subsequent appeal, have been fully disclosed in the cost report.

- Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.

20. Adequate consideration has been given to, and appropriate provision made for, estimated adjustments to revenue, such as for denied claims and changes to diagnosis-related group ("DRG") assignments.

21. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available.

22. UHC's actuary has certified to the propriety of the basis and amounts at which the claim reserves and all actuarial liabilities are stated at June 30, 2007.

23. UHC has recorded individual and group accident and health reserves in accordance with SSAP No. 54.

24. UHC's liabilities for unpaid claims and claim adjustment expenses are based on and recorded at managements' best estimate in accordance with SSAP No. 55.

25. Utilization data has been properly determined and included in the statutory financial statement.

26. Covered liabilities are properly stated in the statutory financial statement and are determined as health care services covered through "hold harmless" clauses in the provider contracts which state that providers will not bill enrollees even though the provider has not been paid by the HMO.

27. UHC is in compliance with contractual agreements, grants, and donor restrictions.

28. There were no material commitments for construction or acquisition of property, plant and equipment, or to acquire other noncurrent assets, such as investments or intangibles.

29. We have complied with all aspects of contractual agreements that would have a material effect on the statutory-basis financial statements in the event of noncompliance.

30. There are no material transactions that have not been properly recorded in the accounting records underlying the statutory financial statements.

31. All required returns and statutory reporting requirements have been filed on a timely basis with the appropriate regulatory bodies with the exception of items noted in 8 above.

32. All material reinsurance transactions have been recorded and disclosed in accordance with SSAP No. 61.

33. UHC has properly disclosed and recorded all changes in accounting principles in accordance with SSAP No. 3.

34. UHC has recorded and disclosed subsequent events in accordance with SSAP No. 9, specifically items noted in Footnote 9 of the Company's Statement of Admitted Assets, Liabilities, and Capital and Surplus.

35. UHC is not aware of the employment of or a business relationship with a "prohibited person" as defined in The Violent Crime Control and Law Enforcement Act of 1994: Title 18, United States Code, Section 1033 (e)(1)(A). UHC's affiliated third-party administrator recently terminated one of its employees who had a prior conviction relating to counterfeit toys, which was undisclosed at the time of his hiring. UHC has reviewed this particular employee's work and, to the best of UHC's knowledge, it is without irregularity, and this particular employee has not committed, or caused to be committed, any unlawful act against UHC or its members.

36. We have disclosed all of the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, and management's plans.

37. We agree with the findings of the Company's actuarial specialists in evaluating UHC's June 30, 2007 claim obligations, in the amounts of $35.9 million and we have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the statutory financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias that work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

    As regards UHC, the liabilities for unpaid claims and claim adjustment expenses, including amounts for incurred but not reported claims and estimated recoveries for salvage and subrogation, have been determined using appropriate assumptions, including estimated ultimate costs of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends and any other factors that would modify past experience. Given the inherent degree of variability in any such estimates, the liabilities reported in the Statement of Admitted Assets, Liabilities, and Capital and Surplus at June 30, 2007 are a reasonable estimate of the UHC's ultimate claim and claim adjustment expense liability to discharge UHC's obligations. Those liabilities are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

38. UHC has recorded and disclosed defined benefit plans and defined contribution plans in accordance with SSAP No. 89.

39. UHC has recorded and disclosed postretirement benefits other than pensions in accordance with SSAP No. 14.

40. None of the Company's third party service providers, upon which the Company relies, has known problems which would be likely to threaten the reliability of the Company's information systems and/or the systems' internal controls, or which could have a material impact on the Company's financial statements.

41. UHC has determined that the standard NAIC representations contained in Exhibit A are not applicable to its financial statements and operations.

We understand that your examination was made in accordance with standards established by the Florida Office of Insurance Regulation, and procedures established by the National Association of Insurance Commissioners, and accordingly included such tests of the accounting records and such other procedures as considered necessary under the circumstances.

Universal Health Care, Inc.

Chief Executive Officer

18/11/07.

Date

Acting Chief Financial Officer

12/4/07

Date

Universal Health Care, Inc.
Standard NAIC Representations Not Considered Applicable
Exhibit A

8. Billings to third party payors comply in all material respects with diagnostic and procedure coding guidelines (for example ICD-9-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulator bodies (i.e., Food and Drug Administration), if required and properly rendered.

11. Provision has been made for estimated retroactive adjustments by third-party payors under reimbursement agreements.

18. Investments are appropriately recorded and valued as follows:

- Mortgage loans and collateral loans – are recorded in accordance with SSAP's No. 37 and 21 and interpretations thereof.
- Real estate is recorded and disclosed in accordance with SSAP No. 40 and interpretations thereof.
- Health Care Delivery Assets – are recorded and disclosed in accordance with SSAP No. 73.

41. The valuation of securities X is unavailable from the NAIC Securities Valuation Office; therefore, the Company has determined a value for this financial instrument. The methods and significant assumptions used to determine this value are in accordance with SSAP No. 27.

44. Regarding the corporate Information Systems (IS) function, we have made available to you all information and documentation responsive to your review of the IS function; and we have, to the best of our knowledge and belief, answered all questions and inquires fully and accurately.

45. Except as already disclosed to you, the corporate IS function has established and maintains adequate policies, procedures and guidelines concerning systems security, systems back up, systems design, change controls, testing of systems changes, configuration of transaction controls, documentation and error or exception reporting.

46. All corporate IS policies and guidelines that could have a material impact on the financial statements are monitored and have been complied with; and, no breaches that could have a material impact on the financial statements, whether perpetrated by external or internal parties, are known to have occurred. (If incorrect, describe fully.)

47. There were no significant deficiencies or material weaknesses with new systems, system modifications or new site locations implemented during the period that could have a material impact on the financial statements.