

Renaissance Health Service Corporation and Affiliates

**Consolidated and Combined Financial Report
with Additional Information
December 31, 2010**

Renaissance Health Service Corporation and Affiliates

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Independent Auditor's Report

To the Board of Directors
Renaissance Health Service Corporation
and Affiliates

We have audited the accompanying consolidated and combined balance sheet of Renaissance Health Service Corporation and Affiliates (the "Enterprise") as of December 31, 2010 and 2009 and the related consolidated and combined statements of operations, capital and general reserves, and cash flows for the years then ended. These consolidated and combined financial statements are the responsibility of the Enterprise's management. Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated and combined financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of Renaissance Health Service Corporation and Affiliates at December 31, 2010 and 2009 and the consolidated and combined results of their operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 11, 2011

Renaissance Health Service Corporation and Affiliates

Consolidated and Combined Balance Sheet

	December 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 110,607,579	\$ 123,480,517
Investments (Notes 6 and 7)	319,566,543	281,629,647
Premiums receivable	129,065,710	97,108,232
Reinsurance recoverable (Note 12)	10,668,383	12,044,976
Prepaid expenses and other current assets	8,598,071	9,055,797
Total current assets	578,506,286	523,319,169
Property and Equipment - Net (Note 9)	131,563,606	115,899,788
Other Assets	30,393,184	33,141,607
Total assets	\$ 740,463,076	\$ 672,360,564
Liabilities and General Reserves		
Current Liabilities		
Accounts payable	\$ 12,056,732	\$ 22,392,807
Claims reserves (Note 10)	105,720,360	95,042,943
Unearned premiums	46,318,236	41,917,867
Accrued and other current liabilities	45,360,700	43,451,281
Total current liabilities	209,456,028	202,804,898
Pension and Postretirement Obligations (Notes 14 and 15)	17,577,718	19,315,813
Other Long-term Liabilities	7,165	1,339,708
Total liabilities	227,040,911	223,460,419
General Reserves - Unrestricted	513,422,165	448,900,145
Total liabilities and general reserves	\$ 740,463,076	\$ 672,360,564

Renaissance Health Service Corporation and Affiliates

Consolidated and Combined Statement of Operations

	Year Ended	
	December 31, 2010	December 31, 2009
Revenue		
Subscriber revenue (Note 5)	\$ 2,315,020,028	\$ 2,227,158,356
Investment income	11,381,114	8,052,172
Other income	14,837,717	12,006,016
Total revenue	2,341,238,859	2,247,216,544
Expenses		
Professional services to subscribers (Notes 5 and 10)	2,092,410,429	2,054,017,300
Operating and other expenses	194,746,664	211,485,745
Total expenses	2,287,157,093	2,265,503,045
Excess of Revenue Over (Under) Expenses	\$ 54,081,766	\$ (18,286,501)

Renaissance Health Service Corporation and Affiliates

Consolidated and Combined Statement of Capital and General Reserves

	Contributed Capital	Capital Contributed by Dentists	Accumulated Other Comprehensive (Loss) Income	Unassigned	Total
Balance - January 1, 2009	\$ 29,188,777	\$ 114,939	\$ (105,916,773)	\$ 449,830,645	\$ 373,217,588
Comprehensive (loss) income:					
Excess of revenue under expenses	-	-	-	(18,286,501)	(18,286,501)
Other comprehensive income - Unrealized gain on investments	-	-	40,387,828	-	40,387,828
Pension-related changes other than net periodic pension cost	-	-	53,814,557	-	53,814,557
Other	-	-	-	(233,327)	(233,327)
Total comprehensive income					<u>75,682,557</u>
Balance - December 31, 2009	<u>29,188,777</u>	<u>114,939</u>	<u>(11,714,388)</u>	<u>431,310,817</u>	<u>448,900,145</u>
Comprehensive income (loss):					
Excess of revenue over expenses	-	-	-	54,081,766	54,081,766
Other comprehensive income - Unrealized gain on investments	-	-	16,604,883	-	16,604,883
Pension-related changes other than net periodic pension cost	-	-	(4,403,238)	-	(4,403,238)
Other	-	-	-	(1,761,391)	(1,761,391)
Total comprehensive income					<u>64,522,020</u>
Balance - December 31, 2010	<u>\$ 29,188,777</u>	<u>\$ 114,939</u>	<u>\$ 487,257</u>	<u>\$ 483,631,192</u>	<u>\$ 513,422,165</u>

	2010	2009
Unrealized holding gains arising during the year	\$ 16,107,935	\$ 44,386,918
Reclassification adjustment for realized gains (losses) included in excess of revenue over (under) expenses	<u>496,948</u>	<u>(3,999,090)</u>
Net unrealized gain on investments	<u>\$ 16,604,883</u>	<u>\$ 40,387,828</u>

See Notes to Consolidated and Combined Financial Statements.

Renaissance Health Service Corporation and Affiliates

Consolidated and Combined Statement of Cash Flows

	Year Ended	
	December 31, 2010	December 31, 2009
Cash Flows from Operating Activities		
Excess of revenue over (under) expenses	\$ 54,081,766	\$ (18,286,501)
Adjustments to reconcile excess of revenue over (under) expenses to net cash from operating activities:		
Depreciation and amortization	10,275,532	8,794,616
(Gain) loss on disposal of property and equipment	(415,176)	766,399
Net amortization of investment premiums and discounts	384,283	131,839
(Gain) loss on sale of investments	(496,948)	3,999,090
Changes in operating assets and liabilities:		
Premiums receivable	(31,957,478)	39,859,864
Reinsurance recoverable	1,376,593	158,832
Prepaid expenses and other current assets	457,726	259,543
Other assets	2,748,423	(1,458,419)
Accounts payable	(10,336,075)	6,814,148
Claims reserves	10,677,417	(6,417,451)
Unearned premiums	4,400,369	9,291,043
Accrued and other current liabilities	1,909,419	3,135,143
Other long-term liabilities	(1,332,543)	(622,227)
Pension and postretirement obligations	(6,141,333)	6,439,505
Net cash provided by operating activities	35,631,975	52,865,424
Cash Flows from Investing Activities		
Purchase of property and equipment	(28,983,336)	(53,554,895)
Proceeds from disposition of property and equipment	3,459,162	2,573,052
Purchases of investment securities available for sale	(113,254,198)	(202,325,900)
Proceeds from sale and maturity of investment securities available for sale	92,034,850	240,018,910
Other	(1,761,391)	-
Net cash used in investing activities	(48,504,913)	(13,288,833)
Net (Decrease) Increase in Cash and Cash Equivalents	(12,872,938)	39,576,591
Cash and Cash Equivalents - Beginning of year	123,480,517	83,903,926
Cash and Cash Equivalents - End of year	\$ 110,607,579	\$ 123,480,517

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note I - Nature of Business and Significant Accounting Policies

Organization and Business - Renaissance Health Services Corporation (RHSC) and Affiliates (the "Enterprise") is one of the largest dental plan administrators in the nation. Its affiliates located in Michigan, Ohio, Indiana, Kentucky, New Mexico, New York, Tennessee, and North Carolina offer dental plans that are provided on both an insured basis (where the plans assume all or a majority of the risk for dental care costs) and an employer-funded basis (where the plan sponsor under an administrative services contract assumes all or a majority of the risk). The dental plans are members of the Delta Dental Plans Association, a nationwide system of independently operated dental health service plans which have a key feature of offering subscribers access to the national provider networks under the DeltaUSA program and access to the local provider networks maintained by the Enterprise. In addition, the Enterprise with its philanthropic arm, the Delta Dental Foundation, is organized and committed to making a positive impact on the quality of life, placing a special emphasis on dental health in the communities in which the Enterprise operates.

Principles of Consolidation - The accompanying consolidated and combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Renaissance Health Services Corporation and its affiliates. All significant intercompany balances and transactions have been eliminated. The Enterprise has evaluated subsequent events from the consolidated and combined balance sheet date through April 11, 2011, which is the date the consolidated and combined financial statements were available to be issued.

Enterprise Acquisitions - Effective July 1, 2009, Delta Dental of Kentucky, Inc. (DDKY) and Delta Dental of New Mexico, Inc. (DDNM) affiliated with RHSC in a business combination accounted for in a method similar to a pooling of interest. Under the terms of the affiliation agreement, RHSC became the sole corporate member of DDKY and DDNM. RHSC is also the sole corporate member of Delta Dental of Michigan, Inc. (DDMI) and Delta Dental of Tennessee (DDTN). DDMI is the sole corporate member of Delta Dental of Ohio, Inc. (DDOH) and controls Delta Dental of Indiana, Inc. (DDIN). The accompanying consolidated and combined financial statements are prepared based on the assumption that DDKY and DDNM were consolidated for the year ended December 31, 2009.

Effective December 10, 2010, RHSC affiliated with Delta Dental of North Carolina (DDNC) in a business combination accounted for as an acquisition. DDNC is organized and licensed by the North Carolina Department of Insurance as a non-stock, not-for-profit dental service corporation under Chapter 58, Articles 65 and 66. DDNC offers products to employer groups in North Carolina and can service employees of these groups in all 50 states and Puerto Rico. DDNC's administrative and sales office is located in Raleigh, North Carolina.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Under the terms of the affiliation agreement, the affiliation of the two organizations will allow the parties to achieve certain long-term goals, including the enhancement of certain operational and management areas and the evolution of each organization's business operations into one, nonsite-specific, operational unit for multiple lines of business. As sole voting member of DDNC, RHSC shall be of the legal authority to elect individuals to the board of directors of DDNC, provide management oversight, and approve certain proposed transactions of DDNC prior to the consummation of such transactions. The transaction resulted in no consideration transferred to DDNC from RHSC. Total assets acquired and total liabilities assumed totaled approximately \$14.5 million and \$17.0 million (\$2.5 million net of required eliminations on a consolidated basis), respectively.

Use of Estimates - The preparation of consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Enterprise considers the accounting estimate for claims reserves critical in the preparation of the consolidated and combined financial statements. The Enterprise uses information available at the time the estimates are made; however, these estimates could change materially if different information or assumptions were used. Additionally, these estimates may not ultimately reflect the actual amounts of the final transactions that occur.

Fair Value of Financial Instruments - The estimated fair values of bonds, notes, equity securities, and mutual funds are based on fair values utilizing national trading exchanges. Financial instruments also consist of cash equivalents, accounts receivable, and accounts payable. The carrying amount of all significant financial instruments approximates fair value due to the short maturity.

Cash Equivalents - The Enterprise considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investments - The Enterprise classifies debt and marketable equity securities in the available-for-sale category. As a result, securities with readily determinable market values are carried at fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and are reported as other comprehensive income in the consolidated and combined statement of capital and general reserves until realized. A decline in the market value of any available-for-sale security below cost that is deemed other-than-temporary is charged to investment income and results in the establishment of a new cost basis for the security. The treatment is consistent with that used in the insurance industry.

DDKY implemented a change in accounting policy from one acceptable method of accounting to a preferable acceptable method of accounting effective January 1, 2009. DDKY no longer records unrealized holding gains and losses as earnings during the year of the market value change. Accordingly, the change in accounting policy has been retrospectively applied to prior periods as if the policy had always been used. As a result of the change in accounting policy, capital and general reserves were increased \$4,811,000 as of January 1, 2009, as the amounts related to unrealized losses on investments are now presented in the combined and consolidated statement of capital and general reserves as other comprehensive income (loss).

Premiums and discounts are amortized or accreted over the life of the related debt security as an adjustment to yield. Dividend and interest income is recognized when earned. Realized gains and losses are included in investment income and are derived using the first-in, first-out method for determining the cost of securities sold.

Premiums Receivable - Premiums receivable consist of unsecured customer obligations and are stated at invoice cost. If an invoice remains unpaid, dental insurance benefits are terminated retroactively to the month that premiums were paid through.

An allowance for doubtful accounts is determined based on management's estimate of the amounts recoverable from each customer. All accounts or portions thereof deemed to be uncollectible or requiring excessive collection costs are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for doubtful accounts of approximately \$214,000 and \$1,240,000 was recorded at December 31, 2010 and 2009, respectively.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Claims Reserves - Claims reserves represent an estimate of payments the Enterprise will make on claims reported but not yet paid and for dental services rendered to subscribers but not yet reported at the consolidated and combined balance sheet date. Such estimates are based on claim payment patterns, enrollment data, and other information and determined in part by actuarial calculations. Changes in these estimates are reported in the results of operations in the period they are determined.

Reinsurance - The Enterprise utilizes reinsurance agreements primarily to facilitate the acquisition or disposition of certain insurance contracts. Ceded reinsurance agreements permit the Enterprise to recover a portion of losses from reinsurers, although they do not discharge the primary liability as direct insurer of the risks reinsured. Failure of reinsurers to indemnify the Enterprise could result in losses; however, management does not expect charges for unrecoverable reinsurance to have a material effect on the results of operations or financial position.

Accumulated Other Comprehensive Income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in excess of revenue over expenses. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities, and pension-related changes other than net periodic pension costs, are reported as a direct adjustment to the equity section of the consolidated and combined balance sheet. Such items, along with excess of revenue over (under) expenses, are considered components of other comprehensive income.

Advertising Expenses - The Enterprise expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 2010 and 2009 totaled approximately \$2,600,000 and \$2,500,000, respectively.

Income Taxes - RHSC and specific affiliates are exempt from federal income taxes under the provisions of Section 501(c)(4) or Section 501(c)(3) of the Internal Revenue Code. For-profit affiliates are subject to both federal and state income taxes.

The Enterprise adopted new accounting guidance related to accounting for income taxes as of January 1, 2009. The new accounting standard clarifies the guidance for the recognition and measurement of income tax benefits related to uncertain tax positions. The adoption of the new guidance did not have a material impact on the consolidated and combined financial statements.

As of December 31, 2010 and 2009, the Enterprise's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the years or accrued at year end.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 2 - Recently Effective Accounting Guidance

During the year ended December 31, 2010, the Enterprise adopted the provisions of new accounting guidance issued by the FASB for the treatment of not-for-profit mergers and acquisitions. This new standard applies the carryover method in accounting for a merger and the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer. This new standard was effective for mergers for which the merger date was on or after the beginning of an initial reporting period beginning on or after December 15, 2009 and for acquisitions for which the acquisition date was on or after the beginning of the first annual reporting period beginning on or after December 15, 2009.

The adoption of the new standard was applied to the accounting for the acquisition of Delta Dental of North Carolina, as described in more detail in Note 1.

Note 3 - Concentrations and Business Risks

The Enterprise provides dental services through written contracts to various original equipment manufacturers (OEMs) and other automotive suppliers. The Enterprise has contracts with General Motors, Chrysler, and other major automotive suppliers which accounted for approximately \$243,000,000 and \$212,000,000 of subscriber revenue, respectively, or 10 percent of total subscriber revenue at both December 31, 2010 and 2009. Substantially all amounts due from these organizations at December 31, 2010 and 2009 were collected subsequent to December 31, 2010 and 2009.

DDMI has 31.5 percent of its workforce covered under two collective bargaining agreements, which expire on January 27, 2012 and September 30, 2013.

Note 4 - Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Enterprise's deposits may not be returned to it. The Enterprise's policy related to custodial credit risk of bank deposits is to maintain all deposits in a high-quality institution. The Enterprise maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses and, as a result, generally requires balances that exceed the FDIC insurance limits of \$250,000 at December 31, 2010 and 2009. In October 2008, the FDIC implemented the Transaction Account Guarantee Program, fully guaranteeing noninterest- and some interest-bearing checking account balances through December 31, 2009, regardless of the amount in the account. Effective December 31, 2010, the FDIC adopted a final rule amending its deposit insurance regulations to adopt Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), providing for unlimited deposit insurance for "noninterest-bearing transaction accounts" through December 31, 2012. At December 31, 2010 and 2009, substantially all bank deposits of the Enterprise were fully insured and secured. The Enterprise believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is sometimes impractical to insure all deposits.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 5 - Subscriber Revenue and Professional Services to Subscribers

Subscriber revenue for insured-based programs is recognized as earned over the terms of the contracts. Unearned premiums represent that portion of premiums received that relates to the unexpired term of the contracts in force. Subscriber revenue for administrative services contracts is recognized as claims are incurred and administration charges are earned.

Components of subscriber revenue and professional services to subscribers are as follows:

	2010	2009
Subscriber revenue:		
Insured-based programs	\$ 955,440,278	\$ 920,661,702
Administrative services contracts	1,269,104,354	1,223,895,531
Administrative fee revenue	90,475,396	82,601,123
Total	<u>\$ 2,315,020,028</u>	<u>\$ 2,227,158,356</u>
Professional services to subscribers:		
Insured-based programs	\$ 824,283,958	\$ 824,624,515
Administrative services contracts	1,268,126,471	1,229,392,785
Total	<u>\$ 2,092,410,429</u>	<u>\$ 2,054,017,300</u>

Note 6 - Investments

Investments at December 31, 2010 and 2009 are as follows:

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:				
U.S. Treasury securities	\$ 56,799,022	\$ 1,170,433	\$ (718,489)	\$ 57,250,966
Certificates of deposit	6,050,368	-	-	6,050,368
Municipal debt securities	9,702,716	14,331	(345,141)	9,371,906
Corporate debt securities	16,843,837	646,767	(193,626)	17,296,978
Mortgage-backed securities	8,417,749	414,250	(13,798)	8,818,201
Common stocks	26,681,865	5,154,681	(1,530,178)	30,306,368
Mutual funds	187,507,514	7,711,664	(4,747,422)	190,471,756
Total	<u>\$ 312,003,071</u>	<u>\$ 15,112,126</u>	<u>\$ (7,548,654)</u>	<u>\$ 319,566,543</u>

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 6 - Investments (Continued)

	2009			Estimated Market Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Debt securities:				
U.S. Treasury securities	\$ 47,451,972	\$ 613,862	\$ (556,661)	\$ 47,509,173
Certificates of deposit	6,786,217	-	-	6,786,217
Municipal debt securities	34,576	606	-	35,182
Corporate debt securities	16,586,288	525,412	(57,450)	17,054,250
Mortgage-backed securities	9,559,633	356,180	(8,291)	9,907,522
Common stocks	22,811,495	3,112,230	(2,391,245)	23,532,480
Mutual funds	187,406,111	2,547,044	(13,148,332)	176,804,823
Total	<u>\$ 290,636,292</u>	<u>\$ 7,155,334</u>	<u>\$ (16,161,979)</u>	<u>\$ 281,629,647</u>

The proceeds from the sales and maturity of available-for-sale securities were \$92,034,850 and \$240,018,910 for the years ended December 31, 2010 and 2009, respectively. Gross gains of \$2,448,211 and gross losses of \$1,951,263 in 2010 and gross gains of \$4,568,281 and gross losses of \$8,567,371 in 2009 were realized on those sales.

Debt securities and certificates of deposit available for sale at December 31, 2010, by contractual maturity, are as follows. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Market Value
Due in one year or less	\$ 8,435,379	\$ 8,453,022
Due in one year through five years	27,764,993	28,578,071
Due in five years through ten years	20,930,315	21,601,314
Due after ten years	40,683,005	40,156,012
Total	<u>\$ 97,813,692</u>	<u>\$ 98,788,419</u>

To comply with statutory requirements, certain investments with fair market values totaling \$5,900,316 and \$6,138,150 were on deposit with various regulatory agencies or held in trust at December 31, 2010 and 2009, respectively.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 7 - Fair Value Measurements

The following tables present information about the Enterprise's assets measured at fair value on a recurring basis at December 31, 2010 and 2009 and the valuation techniques used by the Enterprise to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Enterprise has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Enterprise's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The total investment portfolio of \$319,566,543 and \$281,629,647 at December 31, 2010 and 2009 contain certificates of deposit totaling \$6,050,368 and \$6,786,217, respectively, which are depository accounts and not subject to the fair value measurement disclosure contained in the following tables.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2010

	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. Treasury securities	\$ -	\$ 57,250,966	\$ -	\$ 57,250,966
Municipal debt securities	-	9,371,906	-	9,371,906
Corporate debt securities	-	17,296,978	-	17,296,978
Mortgage-backed securities	-	8,818,201	-	8,818,201
Common stocks	30,306,368	-	-	30,306,368
Mutual funds:				
Large cap	47,914,516	-	-	47,914,516
International	17,362,462	-	-	17,362,462
Small/mid cap	20,608,426	-	-	20,608,426
Investment grade - Fixed income	67,366,756	-	-	67,366,756
High yield - Fixed income	17,314,002	-	-	17,314,002
International - Fixed income	19,507,190	-	-	19,507,190
Other	-	398,404	-	398,404
Total	\$ 220,379,720	\$ 93,136,455	\$ -	\$ 313,516,175

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 7 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2009

	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. Treasury securities	\$ -	\$ 47,509,173	\$ -	\$ 47,509,173
Municipal debt securities	-	35,182	-	35,182
Corporate debt securities	-	17,054,250	-	17,054,250
Mortgage-backed securities	-	9,907,522	-	9,907,522
Common stocks	23,532,480	-	-	23,532,480
Mutual funds:				
Large cap	45,793,301	-	-	45,793,301
International	12,545,150	-	-	12,545,150
Small/mid cap	16,392,765	-	-	16,392,765
Investment grade - Fixed income	67,381,202	-	-	67,381,202
High yield - Fixed income	20,919,047	-	-	20,919,047
International - Fixed income	13,479,685	-	-	13,479,685
Other	-	293,673	-	293,673
Total	\$ 200,043,630	\$ 74,799,800	\$ -	\$ 274,843,430

Note 8 - Unrealized Losses on Investment Securities

	December 31, 2010					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	\$ 24,860,672	\$ 717,139	\$ 506,150	\$ 1,350	\$ 25,366,822	\$ 718,489
Municipal debt securities	6,806,095	345,141	-	-	6,806,095	345,141
Corporate debt securities	5,851,141	174,626	5,781	19,000	5,856,922	193,626
Mortgage-backed securities	782,226	13,630	5,339	168	787,565	13,798
Common stocks	2,545,232	296,957	3,776,421	1,233,221	6,321,653	1,530,178
Mutual funds	2,065,817	46,517	51,482,658	4,700,905	53,548,475	4,747,422
Total	\$ 42,911,183	\$ 1,594,010	\$ 55,776,349	\$ 5,954,644	\$ 98,687,532	\$ 7,548,654

	December 31, 2009					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	\$ 21,555,895	\$ 497,132	\$ 1,282,809	\$ 59,529	\$ 22,838,704	\$ 556,661
Corporate debt securities	1,618,462	51,780	79,422	5,670	1,697,884	57,450
Mortgage-backed securities	999,218	7,399	46,472	892	1,045,690	8,291
Common stocks	1,955,591	625,255	5,322,071	1,765,990	7,277,662	2,391,245
Mutual funds	33,812,862	1,005,665	75,920,385	12,142,667	109,733,247	13,148,332
Total	\$ 59,942,028	\$ 2,187,231	\$ 82,651,159	\$ 13,974,748	\$ 142,593,187	\$ 16,161,979

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 8 - Unrealized Losses on Investment Securities (Continued)

The Enterprise evaluated its impaired investments as of December 31, 2010 and 2009. Investments are considered to be impaired when the fair value of the security is less than amortized cost. Impairments are then assessed to determine whether they are other than temporary. Based on the evaluation and the Enterprise's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Enterprise does not consider those investments to be other-than-temporarily impaired at December 31, 2010 and 2009.

Note 9 - Property and Equipment

Major classes of property and equipment at December 31, 2010 and 2009 are as follows:

	2010	2009	Depreciable Life - Years
Land and improvements	\$ 6,968,303	\$ 2,442,566	10-15
Buildings and improvements	102,929,154	57,952,303	7-40
Capitalized software - Internally developed	12,328,322	12,328,322	7
Capitalized software - Purchased	15,709,094	11,334,327	7
Equipment and furniture	57,171,999	61,069,156	7
Leasehold improvements	3,393,235	3,156,575	5-10
Construction in progress	8,744,822	43,068,378	-
Total cost	207,244,929	191,351,627	
Accumulated depreciation and amortization	75,681,323	75,451,839	
Net property and equipment	<u>\$ 131,563,606</u>	<u>\$ 115,899,788</u>	

Depreciation expense was \$8,875,350 and \$7,325,755 for the years ended December 31, 2010 and 2009, respectively. Amortization expense was \$1,400,182 and \$1,468,861 for the years ended December 31, 2010 and 2009, respectively.

During the year ended December 31, 2008, the board of directors approved an addition to its existing facilities located in Okemos, Michigan and a substantial renovation of its existing facility. The total anticipated cost of the construction approximates \$91,600,000, of which \$88,700,000 has been paid or contractually committed. The remaining \$2,900,000 has been approved to cover costs associated with the renovation of the existing facilities. The Enterprise is not contractually committed to these costs and the work is scheduled to be completed in 2011.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 10 - Claims Reserves

The following are the components of the change in claims reserves for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Balance - Beginning of year	\$ 95,042,943	\$ 101,460,394
Incurred related to:		
Current year	2,075,261,070	2,057,089,134
Prior year	<u>17,149,359</u>	<u>(3,071,834)</u>
Total incurred	2,092,410,429	2,054,017,300
Paid related to:		
Current year	1,992,046,985	1,986,613,624
Prior year	<u>100,354,410</u>	<u>85,866,103</u>
Total paid	2,092,401,395	2,072,479,727
Amounts to be paid related to excess insurance contracts (Note 12)	<u>10,668,383</u>	<u>12,044,976</u>
Balance - End of year	<u>\$ 105,720,360</u>	<u>\$ 95,042,943</u>

Reserves for incurred claims and claims adjustment expenses attributable to insured events of prior years have increased in 2010 and decreased in 2009 as a result of the re-estimation of unpaid claims and claims adjustment expenses. The increase in 2010 was primarily due to recording claims incurred related to COBRA coverage for certain retirees that was required to be provided retroactive to the date their initial coverage was terminated from GM and Chrysler in 2009 based on provisions of the American Recovery and Reinvestment Act effective December 2009. Many of these retirees did not enroll in the program until 2010. Also, there were assumed claims incurred in the current year related to prior years for recording a reinsurance agreement in 2010 retrospectively to the effective date of 2008 per the signed agreement. Changes in reserves for incurred claims and claims adjustment expenses are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 11 - Administrative Services Only Contracts

By the terms of the ASO contracts, the Enterprise does not assume the risk that claim payments will be greater than expected, nor does it receive any benefit if claims are less than expected. The Enterprise does, however, assume the credit risk relating to premium equivalent billings to subscribers under ASO contracts.

At December 31, 2010 and 2009, premiums receivable and the claims reserves liability included \$56,293,074 and \$40,050,541, respectively, relating to the liability for claims payments under ASO contracts.

Note 12 - Reinsurance

Renaissance Life and Health Insurance Company of America (Renaissance America) has entered into a 100 percent coinsurance (full reinsurance) agreement with Household Life Insurance Company (HLIC), whereby the reinsurer provides coverage for all life, annuity, and deposit-type insurance contracts which had been previously entered into by Renaissance America prior to the acquisition in November 2005. Under the terms of the reinsurance agreement, Renaissance America has received full indemnification for all claims and losses. At December 31, 2010 and 2009, there are policies in force with actuarially computed reserves of \$10,668,383 and \$12,044,976, respectively, of which 100 percent of these policies and reserves are ceded to HLIC. HLIC's A.M. Best rating at December 31, 2010 and 2009 was A+ Superior.

Renaissance America and Renaissance Insurance Company of New York have entered into a reinsurance agreement with Northeast Delta Dental to cede 0.97 percent of premiums and liabilities associated with individual dental indemnity insurance coverage sold during the term of the agreement effective January 1, 2009. The Enterprise has also entered into a reinsurance agreement with Delta Dental of Kansas, Inc. to cede 0.82 percent of premiums and liabilities associated with individual dental indemnity insurance coverage sold during the term of the agreement effective July 1, 2009. At December 31, 2010 and 2009, there are recorded reinsurance receivables for ceded incurred claims of \$178,756 and \$306,247, respectively, and recorded reinsurance payables for ceded premiums of \$189,888 and \$303,958, respectively.

The Enterprise participates in three reinsurance agreements with Delta Dental Plan of California, an unrelated dental service corporation, in which the Enterprise assumes a risk-sharing percentage of specific contract premiums earned and claims incurred. During the years ended December 31, 2010 and 2009, the Enterprise recorded \$132,641,363 and \$113,312,284, respectively, of assumed premium revenue and \$119,942,414 and \$104,929,935, respectively, of assumed claims incurred under these agreements. At December 31, 2010 and 2009, the reinsurance receivables related to these agreements are \$2,935,749 and \$6,399,724, respectively.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 13 - Line of Credit

Effective October 6, 2009, DDMI has an available \$20,000,000 revolving line of credit through a local bank through June 30, 2012. Amounts drawn against this revolving line of credit are subject to a borrowing base and the maintenance of appropriate collateral as detailed in the pledge agreement. Interest is payable on the outstanding balance and is computed on the BBA LIBOR daily floating rate plus 1.5 percent. There were no borrowings on the line of credit at December 31, 2010 and 2009.

DDKY maintained a \$3,000,000 unsecured line of credit with a local bank at an interest rate based on the 30-day LIBOR plus 1 percent through October 30, 2010. There were no amounts outstanding under the line of credit at December 31, 2009. DDKY did not renew the unsecured line of credit upon its expiration on October 30, 2010.

DDTN maintains a \$500,000 unsecured line of credit with a local bank at an interest rate based on the lender's base commercial rate (currently 4.00 percent) through May 1, 2011. Available draws under this line of credit are contingent on maintaining profitable operations and maintaining a minimum tangible net worth position totaling \$10,000,000. There were no amounts outstanding under the line of credit at December 31, 2010 and 2009.

Note 14 - Pension Plans

The Enterprise has three noncontributory defined benefit plans (the "Plans") covering all qualified salaried and hourly rated employees. Generally, the Enterprise's funding policy is to contribute annually, at a minimum, the amount the pension fund actuary has recommended which amortizes past service liability over 10 years and which is in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The Plans' assets include cash and cash equivalents, U.S. Treasury securities, stocks, bonds, and mutual funds. At December 31, 2010 and 2009, two of the Enterprise's defined benefit plans were underfunded, while the third plan was overfunded.

The Enterprise's defined benefit plans are guided by a comprehensive investment policy statement (IPS), which prescribes the investment philosophy, strategic asset allocation, long-term investment goals, investment restrictions, and management procedures used to manage assets in a prudent and consistent manner. The Enterprise implements a diversified portfolio strategy through a mix of traditional asset classes using both individual securities and mutual funds.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

A consulting group reviews forecasts of future obligations and associated actuarial assumptions at least annually to ensure adequate funding levels are being met by each plan. Using these forecasts and expected long-term return objectives, it has been determined that the aim of each plan is long-term growth of principal and income while providing for the preservation of capital within reasonable and prudent levels of risk. Achieving this objective over the long term requires a commitment to an appropriate strategic asset allocation policy that balances risk and return. The underlying approach to asset allocation is to analyze the long-term performance characteristics of various asset classes to create a diverse portfolio. The Enterprise attempts to minimize investment risk through diversification using the tenets of modern portfolio theory and prudent investment decisions. It is recognized that risk and liquidity posture is, in large part, a function of asset class mix. The long-term performance characteristics of various asset classes are reviewed at least annually, focusing on balancing the risks and rewards of market behavior. Based on these characteristics, the strategic allocation policy guidelines (measured by market value) were constructed for the Plans.

This allocation is based on the assumption that future market returns will approximate the rates of return experienced by each asset class over long periods of time, typically greater than five years. This length of time should be sufficient to allow asset class characteristics to emerge. Estimates of expected returns are based on models of asset returns developed with the assistance of an investment consultant. Three methods were used to derive the long-run expected returns for each of the asset classes (historical returns, building block method, and economic growth forecasts). Each method has distinct advantages and disadvantages and differing results. Since it is uncertain as to which method, if any, would closely approximate actual realized results over the time of the horizon of investment, an equal weighted average of the methods results was used for long-term assumptions.

The investment committee formally reviews investment performance, policy allocation, and oversight of transactions quarterly. In addition to adhering to the guidelines as defined by all applicable laws, rules, and regulations, investments for the Plans are limited to those securities that are listed in an approved securities list. Additional restrictions are explicitly stated in the IPS for each asset class, with additional preapproval necessary for investment in nontraditional asset classes.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

The following table sets forth the funded status of the overfunded plan and other information as of and for the years ended December 31, 2010 and 2009:

	2010	2009
Accumulated benefit obligation	\$ 31,303,365	\$ 30,154,347
Projected benefit obligation	\$ 32,373,432	\$ 31,282,786
Plan's assets at fair value	37,531,799	33,578,021
Funded status	\$ 5,158,367	\$ 2,295,235
Total prepaid pension cost	\$ 1,967,857	\$ 1,467,064
Net periodic pension cost	162,207	1,096,016
Employer contributions	663,000	1,020,000
Benefits paid	819,635	700,118
Actuarial assumptions used to determine benefit obligations were as follows:		
Weighted average discount rate	6.00 %	6.50 %
Increase in future compensation levels	3.00 %	3.00 %
Actuarial assumptions used to determine net periodic benefit costs were as follows:		
Weighted average discount rate	6.50 %	6.50 %
Increase in future compensation levels	3.00 %	3.00 %
Expected rate of return on plan assets	8.25 %	8.25 %

The estimated net loss and prior service cost for the overfunded defined benefit pension plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year are \$280,486.

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes adjusted for anticipated market movements.

The investment goal for the various plans is long-term growth of principal and income while providing for the preservation of capital within reasonable and prudent levels of risk. This is accomplished through a mix of active and passive investments. In addition to diversification, the adherence to a strategic asset allocation policy will provide a means for reaching the overall investment goal. The target allocations for each major category of investment resources are 0 to 12 percent for cash, 28 to 48 percent for fixed-income securities, and 50 to 70 percent for equity securities.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

The Enterprise's pension plan weighted average asset allocation for the one overfunded plan at December 31, 2010 and 2009 by asset category, as a percentage, is as follows:

	Percent	
	2010	2009
Equity securities	61	59
Debt securities	36	38
Cash equivalents	3	3
Total	100	100

The Enterprise expects to contribute \$660,000 to its overfunded pension plan in 2011. The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid related to the overfunded plan:

2011	\$ 1,164,257
2012	1,329,662
2013	1,508,757
2014	1,640,373
2015	1,795,673
2016 through 2020	11,560,862

The following tables present information about the Enterprise's assets for the overfunded defined benefit plan measured at fair value on a recurring basis at December 31, 2010 and 2009 and the valuation techniques used by the Enterprise to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Enterprise has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Enterprise's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

The total investment portfolio of \$37,531,799 and \$33,578,021 at December 31, 2010 and 2009 contains cash equivalents of \$1,266,353 and \$971,017, respectively, which are depository accounts and not subject to the fair value measurement disclosure contained in the following tables.

Fair Value Measurements as of December 31, 2010

	Level 1	Level 2	Level 3	Total
Debt securities - Mutual bond funds	\$ -	\$ 13,350,331	\$ -	\$ 13,350,331
Equity securities - Common stocks	12,729,921	-	-	12,729,921
Mutual funds:				
Large cap	4,529,791	-	-	4,529,791
International	1,493,558	-	-	1,493,558
Small/mid cap	4,161,845	-	-	4,161,845
Total mutual funds	<u>10,185,194</u>	<u>-</u>	<u>-</u>	<u>10,185,194</u>
Total	<u>\$ 22,915,115</u>	<u>\$ 13,350,331</u>	<u>\$ -</u>	<u>\$ 36,265,446</u>

Fair Value Measurements as of December 31, 2009

	Level 1	Level 2	Level 3	Total
Debt securities - Mutual bond funds	\$ -	\$ 12,955,785	\$ -	\$ 12,955,785
Equity securities - Common stocks	9,347,421	-	-	9,347,421
Mutual funds:				
Large cap	5,762,624	-	-	5,762,624
International	1,323,760	-	-	1,323,760
Small/mid cap	3,217,414	-	-	3,217,414
Total mutual funds	<u>10,303,798</u>	<u>-</u>	<u>-</u>	<u>10,303,798</u>
Total	<u>\$ 19,651,219</u>	<u>\$ 12,955,785</u>	<u>\$ -</u>	<u>\$ 32,607,004</u>

Net pension cost and its components for the overfunded plan at December 31, 2010 and 2009 are as follows:

	2010	2009
Service cost	\$ 606,823	\$ 886,573
Interest cost	1,945,989	1,987,094
Expected return on assets	(2,737,091)	(2,277,543)
Amortization of prior service cost	346,486	346,486
Amortization of actuarial gain	-	153,406
Total	<u>\$ 162,207</u>	<u>\$ 1,096,016</u>

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

The total reflected below is the net amount recognized in the consolidated and combined balance sheet, and consists of the following:

	<u>2010</u>	<u>2009</u>
Noncurrent asset	\$ 37,531,799	\$ 33,578,021
Noncurrent liability	<u>(32,373,432)</u>	<u>(31,282,786)</u>
Total	<u>\$ 5,158,367</u>	<u>\$ 2,295,235</u>

Amounts recognized in accumulated other comprehensive income consist of the following:

	<u>2010</u>	<u>2009</u>
Net gain	\$ 2,015,854	\$ 7,052,003
Prior service costs	<u>346,486</u>	<u>346,486</u>
Total recognized in other comprehensive income	<u>\$ 2,362,340</u>	<u>\$ 7,398,489</u>

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

The following table sets forth the funded status of the underfunded defined benefit plans and other information as of and for the years ended December 31, 2010 and 2009:

	2010	2009
Accumulated benefit obligation	<u>\$ 175,736,184</u>	<u>\$ 154,368,878</u>
Projected benefit obligation	\$ 192,628,989	\$ 172,028,540
Plans' assets at fair value	<u>176,099,159</u>	<u>155,176,955</u>
Underfunded status	<u>\$ (16,529,830)</u>	<u>\$ (16,851,585)</u>
Accrued benefit liability	\$ 9,159,382	\$ 15,170,966
Net periodic pension cost	1,804,368	12,731,689
Employer contributions	7,815,952	6,922,340
Benefits paid	6,091,176	5,284,685
Actuarial assumptions used to determine benefit obligations were as follows:		
Weighted average discount rate	6.00%	6.50%
Increase in future compensation levels	3.00%	3.00%
Actuarial assumptions used to determine net periodic benefit costs were as follows:		
Weighted average discount rate	6.50%	6.50%
Increase in future compensation levels	3.00%	3.00%
Expected rate of return on plan assets	8.25%	8.25%

The estimated net loss and prior service cost for the underfunded defined benefit pension plans that will be amortized from net assets into net periodic benefit cost over the next fiscal year are \$151,859.

The Enterprise's pension plan weighted average asset allocation for the underfunded plans at December 31, 2010 and 2009, by asset category as a percentage, is as follows:

	Percent	
	2010	2009
Equity securities	61	59
Debt securities	36	38
Cash equivalents	<u>3</u>	<u>3</u>
Total	<u>100</u>	<u>100</u>

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

The following tables present information about the Enterprise's assets for the underfunded defined benefit plans measured at fair value on a recurring basis at December 31, 2010 and 2009 and the valuation techniques used by the Enterprise to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Enterprise has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest-level input that is significant to the valuation. The Enterprise's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The total investment portfolio of \$176,099,159 and \$155,176,955 at December 31, 2010 and 2009 contains cash equivalents of \$4,969,711 and \$4,882,452, respectively, which are depository accounts and not subject to the fair value measurement disclosure contained in the following tables.

Fair Value Measurements as of December 31, 2010

	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government and agencies	\$ -	\$ 7,197,917	\$ -	\$ 7,197,917
Mutual bond funds	-	53,686,522	-	53,686,522
Municipal bonds	-	290,689	-	290,689
Corporate bonds and notes	-	2,975,764	-	2,975,764
Total debt securities	-	64,150,892	-	64,150,892
Equity securities - Common stocks	61,438,630	-	-	61,438,630
Mutual funds:				
Large cap	20,107,313	-	-	20,107,313
International	6,560,042	-	-	6,560,042
Small/mid cap	18,872,571	-	-	18,872,571
Total mutual funds	45,539,926	-	-	45,539,926
Total	\$ 106,978,556	\$ 64,150,892	\$ -	\$ 171,129,448

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

Fair Value Measurements as of December 31, 2009

	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government and agencies	\$ -	\$ 3,284,991	\$ -	\$ 3,284,991
Mutual bond funds	-	53,968,856	-	53,968,856
Municipal bonds	-	99,992	-	99,992
Corporate bonds and notes	-	1,549,851	-	1,549,851
Total debt securities	-	58,903,690	-	58,903,690
Equity securities - Common stocks	43,752,820	-	-	43,752,820
Mutual funds:				
Large cap	26,659,787	-	-	26,659,787
International	5,812,097	-	-	5,812,097
Small/mid cap	15,166,109	-	-	15,166,109
Total mutual funds	47,637,993	-	-	47,637,993
Total	\$ 91,390,813	\$ 58,903,690	\$ -	\$ 150,294,503

The Enterprise expects to contribute \$4,038,352 to its underfunded pension plans in 2011. The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid related to the underfunded plans:

2011	\$ 5,594,653
2012	7,351,495
2013	9,239,584
2014	9,404,759
2015	7,586,444
2016 through 2020	57,381,077

Net pension cost and its components for the underfunded plans at December 31, 2010 and 2009 are as follows:

	2010	2009
Service cost	\$ 3,496,212	\$ 7,543,173
Interest cost	10,913,768	11,507,967
Expected return on assets	(12,892,775)	(10,137,876)
Amortization of prior service cost	287,163	2,063,726
Amortization of actuarial loss	-	1,754,698
Total	\$ 1,804,368	\$ 12,731,688

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 14 - Pension Plans (Continued)

The total reflected below is the net amount recognized in the consolidated and combined balance sheet and consists of the following:

	<u>2010</u>	<u>2009</u>
Noncurrent asset	\$ 176,099,159	\$ 155,176,955
Noncurrent liability	<u>(192,628,989)</u>	<u>(172,028,540)</u>
Total	<u>\$ (16,529,830)</u>	<u>\$ (16,851,585)</u>

The amounts recognized in accumulated other comprehensive income consist of the following:

	<u>2010</u>	<u>2009</u>
Net (loss) gain	\$ (4,765,227)	\$ 35,252,369
Prior service cost	<u>(924,601)</u>	<u>6,045,628</u>
Total recognized in other comprehensive income	<u>\$ (5,689,828)</u>	<u>\$ 41,297,997</u>

The Enterprise also offers six defined contribution plans to all full-time qualified employees. The Enterprise contributed \$715,000 and \$792,000 to these plans for the years ended December 31, 2010 and 2009, respectively.

The Enterprise offers certain executive employees and members of the board of directors deferred and supplemental compensation plans. Contributions accrued for the deferred and supplemental compensation plans totaled approximately \$728,000 and \$509,000 for the years ended December 31, 2010 and 2009, respectively.

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 15 - Postretirement Benefits

The Enterprise has a postretirement health plan that benefits certain employees. The following is information relating to this plan as of and for the years ended December 31, 2010 and 2009:

	2010	2009
Projected benefit obligation	\$ 6,206,255	\$ 4,759,463
Plan assets at fair value	-	-
Underfunded status	\$ 6,206,255	\$ 4,759,463
Accrued benefit cost	\$ 5,083,500	\$ 4,712,456
Net periodic postretirement cost	588,663	780,570
Employer contributions	217,619	226,133
Benefits paid	217,619	226,133
Weighted average assumption - Discount rate	6.00 %	6.50 %

Noncurrent liabilities of \$6,206,255 and \$4,759,463 were recorded as of December 31, 2010 and 2009, respectively, related to the postretirement health plan.

In January 2000, the board of directors of DDPMI authorized the Enterprise to make an amendment to a voluntary employee benefit association (VEBA), resulting in a commitment by the Enterprise to provide contributions totaling \$5,500,000 over the life of the VEBA. Through December 31, 2010, the Enterprise has provided contributions to the VEBA totaling \$5,500,000. The Enterprise did not recognize expenses related to the VEBA in 2010 and recognized expense of \$743,733 in 2009.

For measurement purposes, an 8.5 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2010. The rate was assumed to decrease gradually to 5 percent for 2017 and remain at that level thereafter.

The Enterprise expects to contribute \$245,527 to its postretirement plan in 2011. The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

2011	\$ 245,527
2012	267,825
2013	285,919
2014	308,222
2015	330,461
2016 through 2020	2,141,678

Renaissance Health Service Corporation and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2010 and 2009

Note 16 - Contributed Capital and General Reserves

Under the various state laws, the Enterprise is required to maintain general reserves at target levels (minimum capital requirements). The Enterprise's capital exceeds minimum capital requirements as of December 31, 2010 and 2009.

Additional Information

Auditor's Report on Additional Information

To the Board of Directors
Renaissance Health Services Corporation
and Affiliates

We have audited the consolidated and combined financial statements of Renaissance Health Service Corporation and Affiliates as of December 31, 2010 and 2009. Our audits were made for the purpose of forming an opinion on the consolidated and combined financial statements taken as a whole. The accompanying consolidating and combining balance sheet and statement of operations are presented for the purpose of additional analysis of the consolidated and combined financial statements rather than to present the financial position and results of operations of the individual companies and are not a required part of the basic consolidated and combined financial statements. The consolidating and combining information has been subjected to the procedures applied in the audits of the consolidated and combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated and combined financial statements taken as a whole.

Plante & Moran, PLLC

April 11, 2011

Renaissance Health Service Corporation and Affiliates

Consolidating and Combining Balance Sheet December 31, 2010

	Renaissance Health Service Corporation	Delta Dental of Michigan, Inc.	Delta Dental of Ohio, Inc.	Delta Dental of Indiana, Inc.	Delta Dental of Tennessee and Subsidiaries
Assets					
Current Assets					
Cash and cash equivalents	\$ 5,506,816	\$ 29,803,500	\$ 19,731,894	\$ 5,038,200	\$ 4,172,897
Investments	-	119,676,643	53,819,977	9,085,911	36,334,305
Premiums receivable	-	73,183,421	20,240,942	7,305,522	13,307,574
Reinsurance recoverable	-	-	-	-	-
Prepaid expenses and other current assets	-	5,017,731	94,405	8,231	559,797
Total current assets	5,506,816	227,681,295	93,887,218	21,437,864	54,374,573
Property and Equipment - Net	-	116,673,860	-	-	3,550,555
Other Assets	18,556,843	31,536,481	5,540,954	6,157,155	4,644,889
Total assets	<u>\$ 24,063,659</u>	<u>\$ 375,891,636</u>	<u>\$ 99,428,172</u>	<u>\$ 27,595,019</u>	<u>\$ 62,570,017</u>
Liabilities and General Reserves					
Current Liabilities					
Accounts payable	\$ 24,124	\$ 8,151,684	\$ (12,250)	\$ 23,055	\$ 936,760
Claims reserves	-	48,146,971	15,160,798	3,407,600	12,352,817
Unearned premiums	-	21,502,213	7,037,010	2,408,339	1,740,308
Intercompany account	1,746	(2,486,702)	390,717	320,552	1,252,903
Accrued and other current liabilities	9,080	21,688,095	4,379,221	451,876	7,808,727
Total current liabilities	34,950	97,002,261	26,955,496	6,611,422	24,091,515
Pension and Postretirement Obligations	-	17,577,718	-	-	-
Other Long-term Liabilities	-	-	1,668	-	-
General Reserves - Unrestricted	24,028,709	261,311,657	72,471,008	20,983,597	38,478,502
Total liabilities and general reserves	<u>\$ 24,063,659</u>	<u>\$ 375,891,636</u>	<u>\$ 99,428,172</u>	<u>\$ 27,595,019</u>	<u>\$ 62,570,017</u>

Renaissance Health Service Corporation and Affiliates

Consolidating and Combining Balance Sheet (Continued)

December 31, 2010

	Delta Dental of Kentucky, Inc. and Subsidiaries	Delta Dental Plan of New Mexico, Inc.	Delta Dental of North Carolina	Renaissance Holding Company and Subsidiaries	Renaissance Life and Health Insurance Company of America
Assets					
Current Assets					
Cash and cash equivalents	\$ 6,988,972	\$ 9,518,545	\$ 11,880,450	\$ 4,360,276	\$ 10,882,127
Investments	34,843,899	11,377,093	2,395,803	-	24,436,612
Premiums receivable	7,531,242	4,853,417	1,475,759	-	1,123,739
Reinsurance recoverable	-	-	-	-	10,663,924
Prepaid expenses and other current assets	527,226	393,061	47,957	561,095	559,523
Total current assets	49,891,339	26,142,116	15,799,969	4,921,371	47,665,925
Property and Equipment - Net	9,928,055	53,307	53,135	488,738	338,621
Other Assets	4,053,911	2,460,722	-	33,781,707	5,705,424
Total assets	\$ 63,873,305	\$ 28,656,145	\$ 15,853,104	\$ 39,191,816	\$ 53,709,970
Liabilities and General Reserves					
Current Liabilities					
Accounts payable	\$ 747,665	\$ 1,023,250	\$ 536,772	\$ 368,848	\$ 384,336
Claims reserves	4,971,582	3,459,468	1,370,959	-	16,792,379
Unearned premiums	2,689,202	1,251,711	250,158	-	9,245,695
Intercompany account	-	-	-	187,516	(322,589)
Accrued and other current liabilities	8,339,739	-	1,280,455	153,204	788,828
Total current liabilities	16,748,188	5,734,429	3,438,344	709,568	26,888,649
Pension and Postretirement Obligations	-	-	-	-	-
Other Long-term Liabilities	-	-	15,000,000	-	-
General Reserves - Unrestricted	47,125,117	22,921,716	(2,585,240)	38,482,248	26,821,321
Total liabilities and general reserves	\$ 63,873,305	\$ 28,656,145	\$ 15,853,104	\$ 39,191,816	\$ 53,709,970

Renaissance Health Service Corporation and Affiliates

Consolidating and Combining Balance Sheet (Continued)

December 31, 2010

	Renaissance Health Insurance Company of New York	Renaissance Systems and Services, LLC	Delta Dental Foundation	Eliminating Entries	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 728,692	\$ 379,394	\$ 1,615,816	\$ -	\$ 110,607,579
Investments	319,814	-	27,276,486	-	319,566,543
Premiums receivable	44,094	-	-	-	129,065,710
Reinsurance recoverable	4,459	-	-	-	10,668,383
Prepaid expenses and other current assets	300,040	488,526	75,000	(34,521)	8,598,071
Total current assets	1,397,099	867,920	28,967,302	(34,521)	578,506,286
Property and Equipment - Net	-	477,335	-	-	131,563,606
Other Assets	202,015	336,094	-	(82,583,011)	30,393,184
Total assets	<u>\$ 1,599,114</u>	<u>\$ 1,681,349</u>	<u>\$ 28,967,302</u>	<u>\$ (82,617,532)</u>	<u>\$740,463,076</u>
Liabilities and General Reserves					
Current Liabilities					
Accounts payable	\$ 22,155	\$ 223,604	\$ 43,801	\$ (417,072)	\$ 12,056,732
Claims reserves	57,786	-	-	-	105,720,360
Unearned premiums	193,600	-	-	-	46,318,236
Intercompany account	(68,748)	341,234	820	382,551	-
Accrued and other current liabilities	-	435,789	25,686	-	45,360,700
Total current liabilities	204,793	1,000,627	70,307	(34,521)	209,456,028
Pension and Postretirement Obligations	-	-	-	-	17,577,718
Other Long-term Liabilities	-	5,497	-	(15,000,000)	7,165
General Reserves - Unrestricted	1,394,321	675,225	28,896,995	(67,583,011)	513,422,165
Total liabilities and general reserves	<u>\$ 1,599,114</u>	<u>\$ 1,681,349</u>	<u>\$ 28,967,302</u>	<u>\$ (82,617,532)</u>	<u>\$740,463,076</u>

Renaissance Health Service Corporation and Affiliates

Consolidating and Combining Statement of Operations Year Ended December 31, 2010

	Renaissance Health Service Corporation	Delta Dental of Michigan, Inc.	Delta Dental of Ohio, Inc.	Delta Dental of Indiana, Inc.	Delta Dental of Tennessee and Subsidiaries
Revenue					
Subscriber revenue	\$ -	\$ 1,286,507,418	\$ 323,226,973	\$ 81,026,018	\$ 281,383,453
Investment income	(222,233)	4,660,775	1,939,943	338,980	1,198,301
Other income	-	874,096	(2,547)	1,217	18,786
Contribution from affiliate	-	-	-	-	-
Total revenue	(222,233)	1,292,042,289	325,164,369	81,366,215	282,600,540
Expenses					
Professional services to subscribers	-	1,174,358,975	289,918,070	75,249,242	256,527,100
Operating and other expenses	1,207,938	117,972,279	4,078,040	927,038	19,718,653
Contributions to affiliate	-	592,000	152,000	56,000	100,000
Administrative reimbursement	125,000	(35,513,464)	19,223,876	4,743,337	3,053,764
Total expenses	1,332,938	1,257,409,790	313,371,986	80,975,617	279,399,517
Excess of Revenue (Under) Over Expenses	\$ (1,555,171)	\$ 34,632,499	\$ 11,792,383	\$ 390,598	\$ 3,201,023

Renaissance Health Service Corporation and Affiliates

Consolidating and Combining Statement of Operations (Continued) Year Ended December 31, 2010

	Delta Dental of Kentucky, Inc. and Subsidiaries	Delta Dental Plan of New Mexico, Inc.	Delta Dental of North Carolina	Renaissance Holding Company and Subsidiaries	Renaissance Life and Health Insurance Company of America
Revenue					
Subscriber revenue	\$ 137,936,362	\$ 85,404,729	\$ 1,745,334	\$ -	\$ 116,802,299
Investment income	1,132,520	304,437	1,887	543,747	614,809
Other income	-	22,316	1,433	5,739,832	143,587
Contribution from affiliate	-	-	-	-	-
Total revenue	139,068,882	85,731,482	1,748,654	6,283,579	117,560,695
Expenses					
Professional services to subscribers	119,038,674	75,471,658	1,536,964	-	99,563,765
Operating and other expenses	16,558,927	7,237,836	279,823	6,085,695	11,113,629
Contributions to affiliate	100,000	-	-	-	-
Administrative reimbursement	15,122	967,971	-	1,248,933	6,691,480
Total expenses	135,712,723	83,677,465	1,816,787	7,334,628	117,368,874
Excess of Revenue (Under) Over Expenses	\$ 3,356,159	\$ 2,054,017	\$ (68,133)	\$ (1,051,049)	\$ 191,821

Renaissance Health Service Corporation and Affiliates

Consolidating and Combining Statement of Operations (Continued)

Year Ended December 31, 2010

	Renaissance Health Insurance Company of New York	Renaissance Systems and Services, LLC	Delta Dental Foundation	Eliminating Entries	Total
Revenue					
Subscriber revenue	\$ 987,442	\$ -	\$ -	\$ -	\$ 2,315,020,028
Investment income	15,407	485	921,922	(69,866)	11,381,114
Other income	-	8,436,351	102,646	(500,000)	14,837,717
Contribution from affiliate	-	-	1,000,000	(1,000,000)	-
Total revenue	<u>1,002,849</u>	<u>8,436,836</u>	<u>2,024,568</u>	<u>(1,569,866)</u>	<u>2,341,238,859</u>
Expenses					
Professional services to subscribers	745,981	-	-	-	2,092,410,429
Operating and other expenses	(167,933)	9,159,792	635,852	(60,905)	194,746,664
Contributions to affiliate	-	-	-	(1,000,000)	-
Administrative reimbursement	100,543	(825,562)	169,000	-	-
Total expenses	<u>678,591</u>	<u>8,334,230</u>	<u>804,852</u>	<u>(1,060,905)</u>	<u>2,287,157,093</u>
Excess of Revenue (Under) Over Expenses	<u><u>\$ 324,258</u></u>	<u><u>\$ 102,606</u></u>	<u><u>\$ 1,219,716</u></u>	<u><u>\$ (508,961)</u></u>	<u><u>\$ 54,081,766</u></u>