
Section 1: 8-K/A (AMENDMENT NO. 1 TO 8-K DATED SEPTEMBER 1, 2018)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Amendment No. 1
FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **September 1, 2018**

WELLCARE HEALTH PLANS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-32209
(Commission File Number)

47-0937650
(IRS Employer
Identification No.)

**8735 Henderson Road, Renaissance One
Tampa, Florida**
(Address of principal executive offices)

33634
(Zip Code)

Registrant's telephone number, including area code: **(813) 290-6200**

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Explanatory Note

This Form 8-K/A amends the Form 8-K filed on September 4, 2018 to include the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K.

Item 2.01. Completion of Acquisition or Disposition of Assets

Effective September 1, 2018, The WellCare Management Group, Inc., a New York corporation (“Acquiror”) and a wholly-owned subsidiary of WellCare Health Plans, Inc., a Delaware corporation (the “Company”), completed its previously announced acquisition of Caidan Management Company, LLC, a Michigan limited liability company (“Caidan Management”), MeridianRx, LLC, a Michigan limited liability company (“MeridianRx”) and Caidan Holding Company, a Michigan corporation (together with Caidan Management and MeridianRx, the “Meridian Group”). Pursuant to, and subject to the terms and conditions of, that certain Transaction Agreement (the “Transaction Agreement”), dated May 28, 2018, by and among Acquiror, the Meridian Group and Caidan Enterprises, Inc., a Michigan corporation (“Seller”), Acquiror acquired all of the outstanding equity interests of the Meridian Group (including Meridian Health Plan of Illinois, Inc. and Meridian Health Plan of Michigan, Inc.) from Seller (the “Transaction”) for an aggregate purchase price of approximately \$2.5 billion, subject to certain purchase price adjustments, as described in the Transaction Agreement.

The foregoing description of the Transaction Agreement is not complete and is qualified in its entirety by reference to the full text of the Transaction Agreement, which was filed as Exhibit 2.1 to the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed with the Securities and Exchange Commission (“SEC”) on July 31, 2018, and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements and related notes of Caidan Enterprises, Inc. as of and for the years ended December 31, 2017 and 2016 are filed as Exhibit 99.1 hereto and incorporated herein by reference.

The unaudited consolidated financial statements and related notes of Caidan Enterprises, Inc. as of and for the six months ended June 30, 2018 and 2017 are filed as Exhibit 99.1 and incorporated herein by reference.

(b) Pro Forma Financial Information.

Unaudited pro forma condensed combined financial information and related notes of the Company for the year ended December 31, 2017 and as of and for the six months ended June 30, 2018 given effect to the Transaction and related transactions are filed as Exhibit 99.3 hereto and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Exhibit
2.1	<u>Transaction Agreement, dated May 28, 2018, by and among The WellCare Management Group, Inc., Caidan Management Company, LLC, MeridianRx, LLC, Caidan Holding Company and Caidan Enterprises, Inc. (incorporated herein by reference to Exhibit 2.1 to the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed with the SEC on July 31, 2018).</u>
23.1	<u>Consent of Plante & Moran, PLLC, independent auditor to Caidan Enterprises, Inc.</u>
99.1	<u>Audited consolidated financial statements and related notes of Caidan Enterprises, Inc. as of and for the years ended December 31, 2017 and 2016 (incorporated by reference to Exhibit 99.4 to the Company’s Periodic Report on Form 8-K filed with the SEC on August 6, 2018)</u>
99.2	<u>Unaudited consolidated financial statements and related notes of Caidan Enterprises, Inc. as of and for the six months ended June 30, 2018 and 2017</u>
99.3	<u>Unaudited pro forma condensed combined financial statements and related notes of the Company, giving effect to the Transaction for the year ended December 31, 2017 and as of and for the six months ended June 30, 2018.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

October 30, 2018

WELLCARE HEALTH PLANS, INC.

/s/ Andrew L. Asher

Andrew L. Asher

Executive Vice President and Chief Financial Officer

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Section 2: EX-23.1 (CONSENT OF PLANTE & MORAN PLLC)

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Exhibit 23.1

CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the incorporation by reference in Registration Statement No. 333-207839 on Form S-3 and Registration Statement Nos. 333-188798, 333-160275, 333-166640, 333-140753, 333-131908, and 333-120257 on Form S-8 of WellCare Health Plans, Inc. ("WellCare") of our report dated July 10, 2018, relating to the consolidated financial statements of Caidan Enterprises, Inc. and its subsidiaries appearing in this Current Report on Form 8-K/A of WellCare.

/s/ Plante & Moran, PLLC

Auburn Hills, Michigan

October 30, 2018

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Section 3: EX-99.2 (FINANCIAL STATEMENTS AS OF 6-30-18 FOR CAIDAN ENTERPRISES, INC.)

Exhibit 99.2

Caidan Enterprises, Inc. and Subsidiaries

Consolidated Financial Report

June 30, 2018

(Unaudited)

Consolidated Financial Statements

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Consolidated Balance Sheet

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 410,932,893	\$ 430,253,280
Investments at fair value (Notes 3 and 4)	83,771,505	90,812,846
Accounts receivable:		
Uncollected premiums	436,251,326	339,508,336
Healthcare receivables	92,378,017	50,656,031
Uninsured plans (Note 10)	5,649,687	11,000,688
Accrued retrospective premiums (Note 9)	13,467,210	14,004,028
Pharmacy rebates and other receivables	16,572,732	8,218,635
Related party receivable (Note 5)	497,861	497,861
Note receivable	1,155,714	47,897
Other current assets:		
Prepaid expenses	11,101,308	8,685,570
Deferred health insurer fee (Note 11)	33,148,901	-
Accrued interest income	27,799,545	28,776,299
Reinsurance receivable	4,847,280	7,814,420
Taxes receivable	13,008,025	5,275,916
Other current assets	589,073	1,016,147
Total current assets	1,151,171,077	996,567,954
Property and Equipment - Net	46,428,078	51,462,985
Internally Developed Software - Net	16,235,191	15,214,087
Funds Maintained Under Statutory Requirements	2,657,262	2,649,509
Investments at Equity (Note 5)	18,186,304	17,410,462
Investments at Fair Value (Notes 3 and 4)	125,510,899	121,484,961
Other Assets		
Related party note receivable	2,712,266	2,712,266
Deferred tax asset	970,437	970,437
Notes receivable - Net of current portion	-	1,155,715
Acquired membership - Net (Note 2)	3,703,263	-
Deposits and other assets	534,330	590,923
Total assets	\$ 1,368,109,107	\$ 1,210,219,299

Consolidated Balance Sheet (Unaudited) (Continued)

	June 30, 2018 (Unaudited)	December 31, 2017
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 80,672,687	\$ 73,851,820
Line of credit payable (Note 7)	81,944,159	82,091,073
Accrued healthcare costs payable (Note 6)	523,760,500	425,759,600
Aggregate health policy reserves (Note 9)	10,550,262	12,021,510
Liabilities for amounts held under uninsured plans (Note 10)	64,495,760	90,684,095
Related party payable (Note 5)	236,217	236,217
Capital lease obligation	190,680	182,230
Note payable (Note 7)	19,250,644	17,968,144
Accrued and other current liabilities:		
Accrued compensation and employee-related obligations	12,371,832	11,279,188
Stock redemption obligation	-	3,207,345
Unearned premiums	28,044,473	553,748
Taxes payable	4,347,928	62,358
Deferred rent	33,623	33,623
Accrued health insurer fee (Note 11)	66,297,801	-
Other accrued liabilities	23,887,572	22,615,049
Total current liabilities	916,084,138	740,546,000
Capital Lease Obligation - Net of current portion	272,038	378,007
Long-term Notes Payable - Net of current portion (Note 7)	112,797,243	122,456,315
Long-term Deferred Rent - Net of current portion	4,147,523	4,029,418
Other Long-term Liabilities	1,600,108	1,398,727
Stockholders' Equity	333,208,057	341,410,832
Total liabilities and stockholders' equity	\$ 1,368,109,107	\$ 1,210,219,299

See notes to unaudited consolidated financial statements.

Consolidated Statement of Operations (Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
Revenue		
Net premiums earned	\$ 2,013,992,001	\$ 1,596,677,726
Pharmacy revenue	164,677,634	101,651,594
Miscellaneous	1,578,117	2,109,968
Total revenue	2,180,247,752	1,700,439,288
Operating Expenses		
Program expenses - Healthcare delivery (Note 6)	1,476,341,860	1,190,878,470
Pharmacy expense	479,996,278	329,237,192
General and administrative	182,313,418	133,839,800
Total operating expenses	2,138,651,556	1,653,955,462
Operating Income	41,596,196	46,483,826
Nonoperating Income (Expense)		
Interest and dividend income from investments	3,887,166	1,672,634
Income from equity method investments (Note 5)	775,842	440,501
Realized gains on sale of investments	3,980	15,162
Interest expense on unpaid claims	(2,669)	(19,826)
Interest expense	(4,464,491)	(5,218,234)
Total nonoperating income (expense)	199,828	(3,109,763)
Income - Before income taxes	41,796,024	43,374,063
Income Tax Expense (Recovery)	4,209,556	(4,985,849)
Consolidated Net Income	\$ 37,586,468	\$ 48,359,912

See notes to unaudited consolidated financial statements.

Consolidated Statement of Comprehensive Income (Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
Consolidated Net Income	\$ 37,586,468	\$ 48,359,912
Other Comprehensive (Loss) Income - Net of tax		
Unrealized (loss) gain on debt securities:		
Arising during the year	(1,314,736)	1,680,770
Reclassification adjustment	8,493	(15,162)
Total other comprehensive (loss) income	(1,306,243)	1,665,608
Comprehensive Income	\$ 36,280,225	\$ 50,025,520

See notes to unaudited consolidated financial statements.

Consolidated Statement of Stockholders' Equity (Unaudited)

Six Months Ended June 30, 2018 and 2017

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2017	\$ 278,300	\$ 2,000	\$ 308,417,149	\$ 229,322	\$ 308,926,771
Comprehensive income:					
Consolidated net income	-	-	48,359,912	-	48,359,912
Other comprehensive income	-	-	-	1,665,608	1,665,608
Dividends declared	-	-	(44,685,000)	-	(44,685,000)
Balance – June 30, 2017	\$ 278,300	\$ 2,000	\$ 312,092,061	\$ 1,894,930	\$ 314,267,291
Balance – January 1, 2018	\$ 278,300	\$ 2,000	\$ 339,868,084	\$ 1,262,448	\$ 341,410,832
Reclassification adjustment:					
Unrealized gain on equity securities (Note 2)	-	-	2,193,108	(2,193,108)	-
Comprehensive income:					
Consolidated net income	-	-	37,586,468	-	37,586,468
Other comprehensive income (loss)	-	-	-	(1,306,243)	(1,306,243)
Dividends declared	-	-	(44,483,000)	-	(44,483,000)
Balance – June 30, 2018	\$ 278,300	\$ 2,000	\$ 335,164,660	\$ (2,236,903)	\$ 333,208,057

See notes to unaudited consolidated financial statements.

Consolidated Statement of Cash Flows (Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
Cash Flows from Operating Activities		
Consolidated net income	\$ 37,586,468	\$ 48,359,912
Adjustments to reconcile consolidated net income to net cash from operating activities:		
Depreciation and amortization	6,222,798	6,330,576
Amortization of internally developed software	472,833	231,050
Amortization of investment discounts	1,271,910	1,740,121
Amortization of loan acquisition costs	433,877	1,761,697
Amortization of acquired membership costs	529,037	-
Gain on sale of investments	(3,980)	(15,162)
Gain on equity method investments, net of distributions	(955,184)	(256,537)
Loss on disposal of property and equipment	-	43,255
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(140,931,254)	(345,097,994)
Reinsurance receivable	2,967,140	2,537,991
Other assets	(966,770)	(1,249,218)
Accounts payable	7,598,209	24,651,903
Accrued and other current liabilities	30,057,273	14,933,029
Accrued healthcare costs payable	70,341,317	209,136,817
Health insurer fee - net	33,148,900	-
Deferred rent	118,105	178,654
Taxes payable	4,285,570	-
Taxes receivable	(7,732,109)	(5,743,515)
Net cash provided by (used in) operating activities	44,444,140	(42,457,421)
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,965,233)	(7,472,661)
Proceeds from sale of property and equipment	-	11,130
Payments for internally developed software	(1,493,937)	(3,753,998)
Purchases of investments	(63,766,107)	(45,166,720)
Proceeds from sales and maturities of investments	64,390,378	50,235,642
Payments received on note receivable	47,898	44,763
Purchase of acquired membership	(4,232,300)	-
Net cash used in investing activities	(7,019,301)	(6,101,844)
Cash Flows from Financing Activities		
Net repayments on line of credit	(208,613)	13,384,400
Proceeds from issuance of long-term debt	-	146,648,777
Payments on long-term debt	(8,748,750)	(98,750,000)
Payments on stockholder's liability	(3,207,345)	(2,788,883)
Payments on capital lease obligations	(97,519)	(103,522)
Dividends paid	(44,483,000)	(44,685,000)
Net cash used in financing activities	(56,745,227)	13,705,772
Net Decrease in Cash and Cash Equivalents	(19,320,387)	(34,853,493)

Cash and Cash Equivalents - Beginning of year

430,253,280

429,069,699

Cash and Cash Equivalents - End of year

\$ 410,932,893 \$ 394,216,206

See notes to unaudited consolidated financial statements.

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Notes to Unaudited Consolidated Financial Statements

Note 1 - Nature of Business

Caidan Enterprises, Inc.'s wholly owned subsidiaries consist of Caidan Management Company, LLC (Caidan Management Company), MeridianRx, LLC (MeridianRx), and Caidan Holding Company, Inc.; Caidan Management Company's wholly owned subsidiaries consist of Building Amenities Cafeteria, LLC, Building Amenities Wellness Center, LLC, and Building Amenities Day Care, LLC; Caidan Holding Company, Inc.'s wholly owned subsidiaries consist of Meridian Health Plan of Michigan, Inc., Meridian Health Plan of Illinois, Inc., and Meridian Health Plan of Iowa, Inc. (collectively, the "Company"). The Meridian Health Plan entities cited above operate as state-licensed health maintenance organizations, which provide medical services to persons in the respective states who subscribe as recipients of state and federal health benefits under various Medicaid and Medicare plans. Caidan Management Company is a licensed third-party administrator. Caidan Management Company provides management and administrative services to Meridian Health Plan of Michigan, Inc., Meridian Health Plan of Illinois, Inc., Meridian Health Plan of Iowa, Inc., and MeridianRx, LLC. MeridianRx provides management and administrative services for prescription drug benefits to Meridian Health Plan of Michigan, Inc., Meridian Health Plan of Illinois, Inc., Meridian Health Plan of Iowa, Inc., and Caidan Management Company, LLC, in addition to unrelated companies.

Effective January 1, 2016, Meridian Health Plan of Iowa, Inc. ceased underwriting activities; however, the company will remain in operation to continue to service claims.

Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Caidan Enterprises, Inc. and its wholly owned subsidiaries, Caidan Holding Company, Inc., Meridian Health Plan of Michigan, Inc., Meridian Health Plan of Illinois, Inc., Meridian Health Plan of Iowa, Inc., MeridianRx, LLC, and Caidan Management Company, LLC and subsidiaries. All material intercompany accounts and transactions have been eliminated.

The accompanying unaudited consolidated interim financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission's Regulation S-X. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The results of operations and cash flows for the six months ended June 30, 2018 and 2017 are not necessarily indicative of the results for the Company's entire fiscal year. These financial statements should be read in conjunction with the annual consolidated financial report and notes thereto for the years ended December 31, 2017 and 2016.

Note 2 - Significant Accounting Policies

Below is a discussion of the Company's significant accounting policies which affected the comparability of our consolidated results of operation, financial condition or cash flows for the periods presented. Refer to Note 2 – *Significant Accounting Policies* to the Consolidated Financial Statements included in the annual consolidated financial report for the years ended December 31, 2017 and 2016 for the full descriptions of the Company's accounting policies.

Premium Revenue, Unearned Premiums and Uncollected Premiums

Health capitation premiums are recognized in the period members are entitled to related healthcare services. Premiums earned but not yet received are recorded as uncollected premiums and premiums received in advance of the period of service as unearned premiums in the consolidated balance sheet. Uncollected capitation balances are due primarily from the states of Michigan, Illinois, and Iowa, and total \$436,251,326 and \$339,508,336 at June 30, 2018 and December 31, 2017, respectively. Medicaid rate changes are recognized in the period the change becomes effective and the effect of the change is reasonably estimable. Certain Medicaid and Medicare premiums are subject to a risk adjustment arrangement whereby premiums will be retroactively risk adjusted based on the risk scores of the members. The Company recognizes changes to risk-adjusted premiums as revenue in the period amounts are determinable. See Note 9 for additional information on retrospectively rated contracts and contracts subject to redetermination. Unearned premiums at June 30, 2018 consist primarily of the July 2018 CMS Medicare premium advance of approximately \$27,000,000. Unearned premiums at December 31, 2017 were not significant.

Healthcare Receivables

Notes to Unaudited Consolidated Financial Statements

Healthcare receivables are comprised of the ACA fee reimbursements, shared savings from risk-sharing provisions, trade accounts receivable, accounts receivable related to pharmaceutical benefit management services provided to unaffiliated customers, and other receivables. Balances are evaluated on an on-going basis to determine amounts that may not be collectible based on a specific analysis of each outstanding balance and the customer or provider from which it's due. Amounts deemed to be uncollectible are charged to the allowance for doubtful accounts in the period that such determination is made. Healthcare receivables are reported net of an allowance for doubtful accounts of \$3,304,610 as of June 30, 2018 and December 31, 2017.

Acquired Membership

The Company purchased Medicaid membership within the State of Illinois during the first quarter of 2018 for approximately \$4.2 million. The Company amortizes the cost of the purchased membership on a straight-line basis over 5 years. The useful life of the acquired membership is based on management's best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. Management annually evaluates the remaining useful life to determine whether events or circumstances warrant a revision to the remaining amortization periods. Amortization expense related to the acquired membership totaled \$529,037 as of June 30, 2018.

Adoption of New Accounting Pronouncement

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments*, which requires equity investments, other than those accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with changes in fair value recognized in net income. This amendment also simplifies the impairment test of equity investments without readily determinable fair values. The new guidance was adopted prospectively as of January 1, 2018. The adoption of this guidance did not have a material impact on our consolidated results of operations, financial condition or cash flows for the six months ended June 30, 2018.

Upcoming Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Company's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The majority of the Company's consolidated revenue is derived from insurance contracts, which are specifically excluded from the scope of ASU No. 2014-09. Therefore, the new guidance will primarily impact the Company's pharmacy revenue. Performance obligations associated with customer contracts of the Company are completed within one year. Consideration received for performance obligations is fixed based on ingredient costs, dispensing fees, and administrative fees for claims processing, all of which relate to the pharmacy revenue. The Company has completed its preliminary analysis and does not foresee significant revisions to contracts based on adoption of the new standard, and a full retrospective method will be applied. The adoption of this guidance is not anticipated to have a material effect on the Company's results of operation, financial condition, or cash flows.

The FASB issued ASU No. 2016-02, *Leases*, that is expected to significantly change the accounting for both operating and capital lease contracts. The standard introduces a "right-to-use" approach to lease accounting. In essence, the proposed standard eliminates the off-balance-sheet accounting currently used for operating leases. This model would result in the recognition of a liability for payments due under the lease contract and a corresponding asset representing the right to use the underlying asset. Under U.S. GAAP, most leases currently classified as capital/financing leases would recognize amortization expense related to the "right-to-use" asset separately from interest expense related to the lease liability. Conversely, most leases currently classified as operating leases would not separate amortization expense from interest expense and would rather recognize a single "total lease expense." The new guidance will be effective for the Company's year ending December 31, 2020. The Company anticipates adoption in its fiscal year ending December 31, 2020 and expects leased items, as disclosed in in the annual consolidated financial report, to be reported

Notes to Unaudited Consolidated Financial Statements

as long-term assets with a corresponding liability for the lease commitments using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Company's consolidated balance sheet as a result of the leases classified as operating leases. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This update requires entities to reconcile, on the statement of cash flows, changes in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The new guidance will be effective for the Company's year ending December 31, 2019.

In March 2017, the FASB issued ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. This guidance shortens the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. Under current GAAP, premiums and discounts on callable debt securities are generally amortized to the maturity date. The new guidance does not change the accounting for purchased callable debt securities held at a discount. The guidance will be effective for the Company's year ending December 31, 2020. The Company is currently assessing the effect this guidance will have on our consolidated results of operation, financial condition and cash flows, but the effect is not expected to be material.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows entities to reclassify stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 from accumulated other comprehensive income to retained earnings. The guidance is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the effect this guidance will have on our consolidated results of operation, financial condition and cash flows.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires entities to use a current expected credit loss model, which is a new impairment model based on expected losses rather than incurred losses. Under this model, companies would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The estimate would consider relevant information about past events, current conditions, and reasonable and supportable forecasts, which will result in recognition of lifetime expected credit losses upon loan origination. This guidance is effective for fiscal years beginning after December 15, 2020. The adoption of this guidance is not anticipated to have a material effect on the Company's results of operations, financial condition, or cash flows.

Notes to Unaudited Consolidated Financial Statements

Note 3 - Investments in Debt and Equity Securities - Fair Value

Investments at fair value consist of debt and equity securities. The estimated fair values of investments at June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018			
	Cost/Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities:				
Common stocks	\$ 15,016,963	\$ 2,452,543	\$ (53,353)	\$ 17,416,153
Mutual funds	2,653,478	-	(15,575)	2,637,903
Bonds:				
Mortgage-backed securities	76,044,856	105,827	(1,440,278)	74,710,405
Corporate securities	82,140,858	79,107	(165,492)	82,054,473
Debt securities issued by the U.S.				
Treasury	8,513,020	-	(33,689)	8,479,331
Debt securities issued by the states of the U.S.	20,151,301	26,866	(163,807)	20,014,360
Total	\$ 204,520,476	\$ 2,664,343	\$ (1,872,194)	\$ 205,312,625

	December 31, 2017			
	Cost/Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities:				
Common stocks	\$ 15,028,728	\$ 2,246,199	\$ (53,091)	\$ 17,221,836
Mutual funds	2,513,452	4,536	(10,342)	2,507,646
Bonds:				
Mortgage-backed securities	73,611,348	239,363	(725,365)	73,125,346
Corporate securities	79,406,575	358,522	(232,752)	79,532,345
Debt securities issued by the U.S.				
Treasury	7,755,348	1,615	(4,577)	7,752,386
Debt securities issued by the states of the U.S.	27,933,350	156,121	(87,871)	28,001,600
Total	\$ 206,248,801	\$ 3,006,356	\$ (1,113,998)	\$ 208,141,159

Included in the tables above are investments totaling \$710,767 and \$714,467, respectively, that are included in the funds maintained under statutory reserve requirements on the consolidated balance sheet at June 30, 2018 and December 31, 2017.

The amortized costs and estimated fair values of debt securities available for sale at June 30, 2018, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost/Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 81,628,388	\$ 81,514,369
Due in one year through five years	30,007,074	29,905,939
Due after five years through ten years	14,031,622	13,931,778
Due after ten years	61,182,951	59,906,483

Total

\$ 186,850,035 \$ 185,258,569

Notes to Consolidated Financial Statements

	June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities:				
Common stocks	\$ 17,416,153	\$ -	\$ -	\$ 17,416,153
Mutual funds	2,637,903	-	-	2,637,903
Total equity securities	20,054,056	-	-	20,054,056
Bonds:				
Mortgage-backed securities	-	74,710,405	-	74,710,405
Corporate securities	-	82,054,473	-	82,054,473
Debt securities issued by the U.S. Treasury	-	8,479,331	-	8,479,331
Debt securities issued by states of the U.S.	-	<u>20,014,360</u>	-	<u>20,014,360</u>
Total bonds	-	185,258,569	-	185,258,569
Limited Partnerships and Limited Liability Companies	-	-	4,680,546	4,680,546
Cash equivalents - Money market mutual funds	45,370,475	-	-	45,370,475
Total	\$ 65,424,531	\$ 185,258,569	\$ 4,680,546	\$ 255,363,646

	December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities:				
Common stocks	\$ 17,221,836	\$ -	\$ -	\$ 17,221,836
Mutual funds	2,507,646	-	-	2,507,646
Total equity securities	19,729,482	-	-	19,729,482
Bonds:				
Mortgage-backed securities	-	73,125,346	-	73,125,346
Corporate securities	-	79,532,345	-	79,532,345
Debt securities issued by the U.S. Treasury	-	7,752,386	-	7,752,386
Debt securities issued by states of the U.S.	-	<u>28,001,600</u>	-	<u>28,001,600</u>
Total bonds	-	188,411,677	-	188,411,677
Limited Partnerships and Limited Liability Companies	-	-	4,871,115	4,871,115

Cash equivalents - Money market mutual funds

34,925,102

-

-

34,925,102

Total

\$

54,654,584

\$

188,411,677

\$

4,871,115

\$

247,937,376

Notes to Consolidated Financial Statements

Note 5 - Investment in Joint Ventures

The Company is a member of a joint venture, 1000 Webward LLC, which was established for the sole purpose of purchasing an office building in Detroit, Michigan. The investment in the joint venture is recorded using the equity method. The Company has a 50 percent membership percentage and a 50 percent profit and loss sharing percentage.

Financial information of 1000 Webward LLC is summarized below:

	For the Six Months Ended June 30,	
	2018	2017
Gross Revenue	\$ 18,803,705	\$ 17,655,536
Gross Profit	\$ 9,476,288	\$ 8,323,733
Net income	\$ 1,551,684	\$ 881,001
Share of adjusted income	\$ 775,842	\$ 440,501

The Company leases office space from 1000 Webward LLC through December 2024. The Company incurred rent expense of \$5,608,806 and \$5,567,158 related to the lease agreements for the six months ended June 30, 2018 and 2017, respectively. At June 30, 2018 and December 31, 2017, the Company had net receivables from the joint venture of \$261,644 related to the lease agreements.

During the period ended June 30, 2018 and 2017, the Company received distributions from 1000 Webward LLC of \$0 and \$2,050,000, respectively.

Note 6 - Accrued Healthcare Costs Payable

A reconciliation of the beginning and ending balances of accrued healthcare costs payable is as follows:

	For the Six Months Ended June 30,	
	2018	2017
Accrued healthcare costs payable - Beginning of period	\$ 457,632,602	\$ 428,952,619
Incurred claim:		
Provision for claims incurred in current year	1,839,897,839	1,460,277,622
Increase in provision for claims incurred in prior years	2,902,585	1,263,126
Total incurred	1,842,800,424	1,461,540,748
Payments related to:		
Current year	1,240,843,714	762,741,866
Prior years	462,049,757	459,731,089
Total paid	1,702,893,471	1,222,472,955
Accrued healthcare costs payable - End of period	\$ 597,539,555	\$ 668,020,412

Healthcare service costs and related liabilities are recorded when medical services are provided to eligible members, including management's best estimate of the ultimate cost of healthcare costs incurred but not reported ("IBNR"), along with a margin for adverse deviation. When actual experience differs from prior estimates, accrued healthcare costs are adjusted through current period program expenses.

For the purpose of the table above, accrued healthcare costs payable at year end apply a balance gross of eliminations of \$73,779,056 and \$56,479,657 at June 30, 2018 and 2017, respectively, for amounts due from the health plans to MeridianRx, LLC. Total incurred amounts relating to amounts administered by MeridianRx, LLC for pharmacy costs totaling \$366,458,563 and \$270,662,277 for June 30, 2018 and 2017, respectively, are eliminated upon consolidation. Therefore, the balances in the table above are representative of the amounts incurred by the Meridian Health Plans and payable to hospitals and medical providers,

as

Notes to Consolidated Financial Statements

well as MeridianRx, LLC, and will not reflect accrued healthcare costs payable on the consolidated balance sheet or program expenses for healthcare delivery on the consolidated statement of operations as of December 31, 2017 or 2016 due to the eliminations noted above.

Reserves for incurred claims and claims adjustment expenses attributable to insured events of prior years changed in 2018 and 2017 as a result of claims development patterns emerging differently than originally estimated. The unfavorable development of approximately \$2,900,000 and \$1,300,000 for the six month period ended June 30, 2018 and 2017, respectively, is primarily the result of unfavorable development and utilization trends within the Michigan Medicaid populations. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 7 - Notes Payable and Lines of Credit

The following table summarizes the Company's outstanding debt obligations reported in the consolidated balance sheet:

	June 30, 2018	December 31, 2017
<i>Line of credit payable:</i>		
Revolving credit facility, due August 25, 2020	\$ 82,112,006	\$ 82,112,006
Revolving credit facility, due October 31, 2067	-	208,883
Debt issuance costs	(167,847)	(229,816)
Total line of credit payable, net	<u>\$ 81,944,159</u>	<u>\$ 82,091,073</u>
<i>Long-term debt, net:</i>		
Draw to Term Loan, due August 25, 2020	\$ 130,001,250	\$ 138,750,000
4% Promissory Note, due January 26, 2021	4,900,000	4,900,000
Debt issuance costs	(2,853,363)	(3,225,541)
Total long-term debt, net	<u>\$ 132,047,887</u>	<u>\$ 140,424,459</u>

In May 2017, Caidan Enterprises, Inc., Caidan Holding Company, Inc., Caidan Management Company, LLC, and MeridianRx, LLC, collectively as co-borrowers entered into a new revolving credit and draw to term loan agreement. The credit agreement expires on August 25, 2020 with automatic extensions through May 2, 2022 that are contingent upon renewal of the Medicaid contract between Meridian Health Plan of Michigan, Inc. and the Michigan Department of Health and Human Services. The new revolving credit facility allows maximum borrowings of \$175,000,000 with interest at the base rate plus 0.50 to 1.50 percent or the Eurodollar base rate plus 1.00 to 2.50 percent, as elected by management and determined by the net funded debt to EBITDA ratio and a facility fee of 0.75 percent per annum. At June 30, 2018 and December 31, 2017, the outstanding amount on the revolving credit facility was \$82,112,006, with an available balance of \$92,887,994. The credit facility is collateralized by substantially all assets of the co-borrowers, and the obligation is joint and several between these parties.

The new draw to term loan allows maximum aggregate borrowings of \$150,000,000. Borrowings bear interest at the base rate plus 0.75 to 2.25 percent or the Eurodollar base rate plus 1.75 to 3.25 percent, as elected by management and determined by the net funded debt to EBITDA ratio. Monthly interest payments and quarterly principal payments commenced in June 2017. At June 30, 2018 and December 31, 2017, the outstanding amount on the draw to term loan was \$130,001,250 and \$138,750,000, respectively.

The agreement limits the amount of annual shareholder distributions to 60 percent or 45 percent of S-Corporation taxable income for the Company's fiscal year based on whether the net funded debt to EBITDA ratio is less than 2.50 to 1.00 or greater than or equal to 2.50 to 1.00, respectively. As of June 30, 2018 and December 31, 2017 the Company's net funded debt to EBITDA ratio is less than 2.50 to 1.00.

Effective November 3, 2017, the Company's subsidiary, Meridian Health Plan of Illinois, Inc., entered into a revolving loan credit facility which allows maximum borrowings of \$600,000,000. The commitment termination date is the earlier of November 3, 2019 or the date on which the State of Illinois rating is downgraded to a Ba1, BB+, or BB+ by Moody's, S&P, or Fitch, respectively. Outstanding balances are due on October 31, 2067. At June 30, 2018 and December 31, 2017 there was \$0 and \$208,883, respectively, outstanding on the facility. Repayments of outstanding balances are applied as state capitation payments are received on eligible accounts receivable that are included in the borrowing base for amounts outstanding at date of

Notes to Consolidated Financial Statements

receipt. Interest of 1.0 percent of any amount approved and unpaid after a 90-day period from the due date shall be added for each month, or 0.033 percent of any amount approved and unpaid for each day after the end of this 90-day period until final payment is made, commensurate with the Illinois State Prompt Payment Act, and is paid only upon receipt of such prompt payment penalties from the State of Illinois. The revolving loan credit facility is also subject to certain financial covenants including a risk-based capital ratio and minimum net worth requirements. The revolving credit facility is collateralized by all eligible receivables due from the State.

At June 30, 2018 and December 31, 2017 the Company is in compliance with all covenants pertaining to debt agreements.

The Company entered into a promissory note for \$4,900,000 in January 2017 for the purchase of property. Interest accrues at a fixed rate of 4.0 percent, with interest payments due in monthly installments beginning in January 2017. Final principal payment, along with any outstanding accrued interest, shall be due in January 2021. The note is secured by a security agreement and mortgage. The outstanding balance at June 30, 2018 and December 31, 2017 is \$4,900,000.

Note 8 - Income Taxes

Deferred tax assets and deferred tax liabilities totaled \$1,583,803 and \$613,366, respectively June 30, 2018 and December 31, 2017. The Company's effective tax rates of 10.1 percent and (11.5) percent for the six months ended June 30, 2018 and 2017, respectively, differed from statutory rates due to an ACA fee moratorium in place in 2017 which expired in 2018.

Note 9 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

As part of the Company's subsidiaries' (Meridian Health Plan of Michigan, Inc. and Meridian Health Plan of Illinois, Inc.) contract for services under various Medicare plans with the Centers for Medicare and Medicaid Services (CMS) under Medicare Part D, the parties have agreed to a risk-sharing arrangement whereby the amount the Company receives in premiums from members and CMS is compared to actual drug costs incurred during the contract year. Based on the risk-sharing provision and activity to date, an estimated risk-sharing payable or receivable is recorded as an adjustment to premium revenue. An estimate for accrued retrospective premiums receivable of \$9,451,694 and \$3,435,283 has been recorded at June 30, 2018 and December 31, 2017, respectively. Actual amounts could differ from these estimates upon final determination.

As part of the Company's subsidiaries' (Meridian Health Plan of Michigan, Inc., Meridian Health Plan of Illinois, Inc., and Meridian Health Plan of Iowa, Inc.) contract for services under various Medicare Plans (see annual consolidated financial report as of December 31, 2017 for additional details), the parties have agreed to a risk adjustment arrangement whereby premiums will be retroactively risk adjusted based on the risk scores of the members. At June 30, 2018 and December 31, 2017, the Company has recorded a risk adjustment receivable of \$4,015,516 and \$10,568,745, respectively, from CMS, which is recorded in accrued retrospective premiums on the consolidated balance sheet.

As part of the Company's subsidiary's (Meridian Health Plan of Illinois, Inc.) contract for Medicaid services under the Family Health Plan, Affordable Care Act, and Integrated Care Programs with the Illinois Department of Healthcare and Family Services (HFS), the parties have agreed to a risk adjustment arrangement whereby premiums will be retroactively risk adjusted based on the risk scores of the members. The risk adjustment factor is estimated based on experience to date and determinations of the Company's risk score versus the overall geographical market risk score. The risk adjustment factor is a component of the monthly capitation premiums received from HFS and, therefore, any receivable or payable balance is recorded within uncollected premiums on the consolidated balance sheet.

The Company's subsidiary (Meridian Health Plan of Michigan, Inc.) is subject to components of the risk-sharing provisions of the Affordable Care Act (ACA). At June 30, 2018 and December 31, 2017, a risk-sharing payable of \$7,261,482 and \$8,400,000, respectively, was recorded in aggregate health policy reserves on the consolidated balance sheet for the ACA risk-sharing provisions. Although management believes the amount recorded at June 30, 2018 and December 31, 2017 to be reasonable in light of the quality and availability of the data, management also believes the ultimate settlement of these amounts could be significantly different from the estimate.

Notes to Consolidated Financial Statements

Miscellaneous payables recorded in aggregate health policy reserves related to other risk-sharing provisions within effective contracts amount to \$3,288,780 and \$3,621,510 at June 30, 2018 and December 31, 2017, respectively.

Note 10 - Uninsured Plans

The Company's subsidiaries (Meridian Health Plan of Michigan, Inc., Meridian Health Plan of Illinois, Inc., and Meridian Health Plan of Iowa, Inc.) serve as plan sponsors offering Medicare Part D prescription drug coverage under various contracts with CMS. Under the Medicare Part D program, several elements of payments received by the Company, including the reinsurance subsidy and the low-income cost-sharing subsidy, represent cost reimbursements under the Medicare Part D program. Amounts owing or received for these subsidies are not reflected as premiums, but rather are accounted for as a receivable and/or deposit. The Company estimated amounts receivable (payable) between state contracts in connection with the Company's Medicare Part D prescription drug coverage of \$5,649,687 and \$(127,945), respectively, at June 30, 2018, and \$11,000,688 and \$(69,306), respectively, at December 31, 2017. Subsequent to the end of the plan year, a settlement payment will be made between CMS and the Company based on actual claims and premium experience.

The Company's subsidiaries (Meridian Health Plan of Michigan, Inc. and Meridian Health Plan of Illinois, Inc.) participate in transfer payment programs with the states of Michigan and Illinois, whereby pass-through payments are paid first to the Company's subsidiaries and then are passed on to various hospitals and providers. As of June 30, 2018 and December 31, 2017, the Company recorded total liabilities of \$64,367,815 and \$90,614,789, respectively, related to these programs. The Company did not reflect any administrative expenses, reimbursement for such expenses, or a net gain or loss related to these programs for the six months ended June 30, 2018 and 2017.

Note 11 - ACA/Health Insurer Fee

The Company is subject to an annual fee under Section 9010 of the Patient Protection and Affordable Care Act (PPACA), see the annual consolidated financial report for additional details. During 2017, the United States Treasury and Internal Revenue Service issued *Moratorium on Annual Fee on Health Insurance Providers*, which suspends the collection of the health insurance provider fee for the 2017 calendar year. Therefore, the Company was not required to pay these fees in 2017 and no amounts have been recognized as of December 31, 2017 for the ACA fee expense or the reimbursement revenue from the states of Michigan and Illinois as part of the Medicaid contracts. The moratorium has no effect on the fee amount for the 2018 fee year. For 2018 the Company has recorded a liability of \$66,297,801 as of January 1, 2018, with a corresponding deferred health insurer fee on the consolidated balance sheet that is being amortized to expense on a straight line basis, the balance of which is \$33,148,901 as of June 30, 2018. For the six month period ended June 30 2018, the Company recorded health insurer fee expense of \$33,148,901, as well as \$40,761,668 of health insurer fee reimbursement revenue.

Note 12 – Commitments and Contingencies

The Company's subsidiary, Caidan Management Company, LLC, is a defendant in lawsuits in the normal course of business. Management is of the opinion that no litigation matters are outstanding or pending that will have a material effect on its financial position or results of operations.

The revolving credit facility obtained by Meridian Health Plan of Illinois, Inc. during 2017 (see Note 7) contains an early termination fee provision that requires the borrower to pay the lender a fee of \$40,000,000 in the event of a major corporate action such as a merger, consolidation, or change in control. The planned acquisition by WellCare Health Plan, Inc. ("WellCare") (see Note 13) will trigger the early termination fee due under the change in control provision, to be paid from the proceeds of the sale.

The Company engaged a financial services firm to assist throughout the negotiation process on the pending acquisition by WellCare (see Note 13). Once the acquisition by WellCare has been finalized it will trigger a fee payable to the financial services firm of \$20,000,000, to be paid from the proceeds of the sale.

The Company has a phantom stock agreement with a key employee. Based on the terms of the agreement the pending acquisition by WellCare will trigger the required payout of \$25,000,000 under the change in control provision.

Note 13 - Subsequent Events

Subsequent to June 30, 2018, the Company declared and paid dividends to stockholders of \$1,000,000.

Notes to Consolidated Financial Statements

On May 28th, 2018 the Company entered into a purchase agreement with WellCare Health Plans, Inc. ("WellCare") whereby WellCare has agreed to purchase, for \$2.5 billion, all shares of stock of Caidan Holding Company, Inc. and Subsidiaries, as well as all assets of MeridianRx, LLC and Caidan Management Company, LLC, with the exception of certain items which will be carved out. The transaction calls for payment of the estimated purchase price in cash, less an escrow of \$125,000,000 at closing, subject to a potential closing working capital adjustment. The acquisition of these entities by WellCare is pending regulatory approval, but is anticipated to close prior to December 31, 2018.

The consolidated financial statements and related disclosures include evaluation of events up through and including August 27, 2018, which is the date the consolidated financial statements were available to be issued.

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Section 4: EX-99.3 (PRO FORMA FINANCIAL STATEMENTS AS OF 6-30-18)

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 and the six months ended June 30, 2018 combine the historical consolidated statements of operations of WellCare and the Meridian Group, giving effect to the Meridian Acquisition and the Acquisition Financing Transactions, each as more fully described in Note 1 below, as if they each had occurred on January 1, 2017. The unaudited pro forma condensed combined balance sheet as of June 30, 2018 combines the historical consolidated balance sheets of the Company and the Meridian Group, giving effect to the Acquisition Financing Transactions and the Meridian Acquisition, each as more fully described in Note 1 below, as if they each had occurred on June 30, 2018. The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (i) directly attributable to the Meridian Acquisition and the Acquisition Financing Transactions, (ii) factually supportable and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with the following historical consolidated financial statements and accompanying notes:

- historical audited consolidated financial statements of the Company as of and for the year ended December 31, 2017, and the related notes, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017;
- historical audited consolidated financial statements of Meridian Consolidated as of and for the year ended December 31, 2017, and the related notes, included in the Company's Current Report on Form 8-K filed on August 6, 2018;
- historical unaudited interim consolidated financial statements of the Company as of and for the six months ended June 30, 2018, and the related notes, included in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018; and
- historical unaudited interim consolidated financial statements of Meridian Consolidated as of and for the six months ended June 30, 2018, and the related notes, included in the Company's Current Report on Form 8-K/A filed on October 30, 2018.

The unaudited pro forma condensed combined financial information has been prepared by the Company using the acquisition method of accounting in accordance with GAAP. The Company has been treated as the acquirer in the Meridian Acquisition for accounting purposes. The acquisition accounting is dependent upon certain valuation and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. The acquired assets and assumed liabilities of the Meridian Group have been measured based on various preliminary estimates using assumptions that we believe are reasonable based on information that is currently available. Differences between these preliminary estimates and the final acquisition accounting may occur, and those differences could have a material effect on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position. The pro forma adjustments are preliminary and have been made solely for informational purposes.

We have commenced the necessary valuation and other studies required to complete the acquisition accounting for the Meridian Acquisition and will finalize the acquisition accounting as soon as practicable within the required measurement period in accordance with ASC 805, *Business Combinations* ("ASC 805"), but in no event later than one year following completion of the Meridian Acquisition.

The unaudited pro forma adjustments are based upon available information and certain assumptions that our management believes are reasonable. The unaudited pro forma condensed combined financial information has been presented for informational purposes only and is based on assumptions and estimates considered appropriate by our management; however, it is not necessarily indicative of our financial position or results of operations that would have been achieved had the pro forma events taken place on the dates indicated, or of the future consolidated results of operations or of the financial position of the combined company. Undue reliance should not be placed on the summary unaudited pro forma condensed combined financial information in deciding whether or not to purchase our common stock.

Management expects that the strategic and financial benefits of the Meridian Acquisition will result in certain synergies and cost savings opportunities. However, given the preliminary nature of those cost savings, they have not been reflected in the accompanying unaudited pro forma condensed combined statements of operations. For a discussion of risks related to the Meridian Acquisition, see Item 1A. of Part II of our Quarterly Report on Form 10-Q for the three and six months ended

June 30, 2018.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2017
(In millions, except per share data in dollars and shares)

	<u>WellCare</u>	<u>Meridian Consolidated⁽¹⁾</u>	<u>Pro Forma Adjustments (Note 6)</u>	<u>Pro Forma Combined</u>
Revenues:				
Premium	\$ 16,960.3	\$ 3,433.3	\$ —	\$ 20,393.6
Investment and other income	46.9	37.3	(5.8) (a)	78.4
Total revenues	<u>17,007.2</u>	<u>3,470.6</u>	<u>(5.8)</u>	<u>20,472.0</u>
Expenses:				
Medical benefits	14,744.8	3,073.7	(0.2) (a)	17,818.3
Selling, general and administrative	1,484.7	274.7	(10.4) (a)	1,749.0
Medicaid premium taxes	119.8	—	—	119.8
Depreciation and amortization	120.4	13.1	88.3 (a),(c)	221.8
Interest	68.5	13.0	36.1 (a),(d)	117.6
Total expenses	<u>16,538.2</u>	<u>3,374.5</u>	<u>113.8</u>	<u>20,026.5</u>
Income from operations	469.0	96.1	(119.6)	445.5
Loss on extinguishment of debt	26.1	—	—	26.1
Income before income taxes and equity in earnings of unconsolidated subsidiaries	442.9	96.1	(119.6)	419.4
Equity in earnings of unconsolidated subsidiaries	18.7	—	—	18.7
Income before income taxes	\$ 461.6	\$ 96.1	\$ (119.6)	\$ 438.1
Income taxes	87.9	(1.0)	(7.7) (a),(e)	79.2
Net income	<u>\$ 373.7</u>	<u>\$ 97.1</u>	<u>\$ (111.9)</u>	<u>\$ 358.9</u>
Earnings per common share				
Basic	\$ 8.40			\$ 7.22
Diluted	\$ 8.31			\$ 7.15
Weighted average common shares outstanding:				
Basic	44,474,016		5,207,547 (f)	49,681,563
Diluted	44,967,061		5,207,547 (f)	50,174,608

(1)- Certain reclassifications have been made to conform to WellCare's financial statement classifications.

See the accompanying notes to the unaudited pro forma condensed combined financial statements, which are an integral part of this statement. The pro forma adjustments are explained in Note 6 - *Income Statement Pro Forma Adjustments*.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended June 30, 2018
(In millions, except per share data in dollars and shares)

	WellCare	Meridian Consolidated ⁽¹⁾	Pro Forma Adjustments (Note 6)	Pro Forma Combined
Revenues:				
Premium	\$ 9,238.9	\$ 2,178.7	\$ 0.4 (a)	\$ 11,418.0
Investment and other income	46.3	6.3	(2.4) (a)	50.2
Total revenues	9,285.2	2,185.0	(2.0)	11,468.2
Expenses:				
Medical benefits	7,828.0	1,956.3	0.3 (a)	9,784.6
Selling, general and administrative	733.8	142.0	(13.3) (a),(b)	862.5
ACA industry fee	160.5	33.2	—	193.7
Medicaid premium taxes	62.7	—	—	62.7
Depreciation and amortization	70.9	7.2	43.6 (a),(c)	121.7
Interest	34.2	4.5	20.6 (a),(d)	59.3
Total expenses	8,890.1	2,143.2	51.2	11,084.5
Income from operations	395.1	41.8	(53.2)	383.7
Loss on extinguishment of debt	—	—	—	—
Income before income taxes and equity in losses of unconsolidated subsidiaries	395.1	41.8	(53.2)	383.7
Equity in losses of unconsolidated subsidiaries	(6.7)	—	—	(6.7)
Income before income taxes	388.4	41.8	(53.2)	377.0
Income taxes	135.1	4.2	(8.2) (a),(f)	131.1
Net income	\$ 253.3	\$ 37.6	\$ (45.0)	\$ 245.9
Earnings per common share				
Basic	\$ 5.67			\$ 4.93
Diluted	\$ 5.60			\$ 4.87
Weighted average common shares outstanding:				
Basic	44,682,850		5,207,547 (f)	49,890,397
Diluted	45,239,210		5,207,547 (f)	50,446,757

(1)- Certain reclassifications have been made to conform to WellCare's financial statement classifications.

See the accompanying notes to the unaudited pro forma condensed combined financial statements, which are an integral part of this statement. The pro forma adjustments are explained in Note 6 - *Income Statement Pro Forma Adjustments*.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2018
(In millions, except shares)

	WellCare	Meridian Consolidated ⁽¹⁾	Pro Forma Adjustments (Note 7)	Pro Forma Combined
Assets				
Current Assets:				
Cash and cash equivalents	\$ 5,098.5	\$ 410.9	\$ (154.8) ^{(a),(b)}	\$ 5,354.6
Short-term investments	793.5	\$ 83.8	(6.0) ^(a)	871.3
Premiums receivable, net	700.1	\$ 547.8	—	1,247.9
Pharmacy rebates receivable, net	433.1	\$ 16.6	—	449.7
Receivables from government partners	77.2	—	—	77.2
Funds receivable for the benefit of members	29.0	—	—	29.0
Deferred ACA industry fee	160.5	\$ 33.1	—	193.6
Prepaid expenses and other current assets, net	311.1	\$ 59.0	7.6 ^{(a),(f)}	377.7
Total current assets	7,603.0	1,151.2	(153.2)	8,601.0
Property, equipment and capitalized software, net	331.1	62.6	(12.7) ^(a)	381.0
Goodwill	677.4	—	1,013.1 ^(c)	1,690.5
Other intangible assets, net	346.6	3.7	996.3 ^{(a), (c)}	1,346.6
Long-term investments	722.0	143.7	(27.9) ^(a)	837.8
Restricted cash, cash equivalents and investments	229.3	2.7	(0.2) ^(a)	231.8
Other assets	11.9	4.2	(2.7) ^(a)	13.4
Assets of discontinued operations	213.1	—	—	213.1
Total Assets	\$ 10,134.4	\$ 1,368.1	\$ 1,812.7	\$ 13,315.2
Liabilities and Stockholders' Equity				
Current Liabilities:				
Medical benefits payable	\$ 2,345.4	534.4	\$ —	\$ 2,879.8
Unearned premiums	580.0	28.0	—	608.0
ACA industry fee liability	321.0	66.3	—	387.3
Accounts payable and accrued expenses	604.1	121.7	77.0 ^{(a),(f)}	802.8
Funds payable for the benefit of members	1,674.5	64.5	—	1,739.0
Other payables to government partners	452.3	—	—	452.3
Short-term debt	—	101.2	(101.2) ^(a)	—
Total current liabilities	5,977.3	916.1	(24.2)	6,869.2
Deferred income tax liability, net	56.1	—	—	56.1
Long-term debt, net	1,183.8	112.8	847.5 ^{(a),(d)}	2,144.1
Other liabilities	32.2	6.0	(2.3) ^(a)	35.9
Liabilities of discontinued operations	213.1	—	—	213.1
Total Liabilities	7,462.5	1,034.9	821.0	9,318.4

Commitments and contingencies (2)

Unaudited Pro Forma Condensed Combined Balance Sheet (continued)
As of June 30, 2018
(In millions, except shares)

	WellCare	Meridian Consolidated ⁽¹⁾	Pro Forma Adjustments (Note 6)	Pro Forma Combined
Stockholders' Equity:				
Preferred stock, \$0.01 par value (20,000,000 authorized, no shares issued or outstanding)	—	—	—	—
Common stock, \$0.01 par value (3)	0.4	—	0.1 (e)	0.5
Paid-in capital	601.3	—	1,342.1 (e)	1,943.4
Retained earnings	2,080.8	—	(17.3) (f)	2,063.5
Accumulated other comprehensive loss	(10.6)	—	—	(10.6)
Total Stockholders' Equity	2,671.9	—	1,324.9	3,996.8
Net Assets		\$ 333.2	\$ (333.2) (g)	
Total liabilities and stockholders' equity	\$ 10,134.4	\$ 1,368.1	\$ 1,812.7	\$ 13,315.2

(1) - Certain reclassifications have been made to conform to WellCare's financial statement classifications.

(2) - Refer to Note 13 - *Commitments and Contingencies* to the consolidated financial statements included in our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2018.

(3) - On a historical basis, common stock information of the Company is as follows: 100,000,000 shares authorized, 44,767,277 shares issued and outstanding at June 30, 2018. On a pro forma combined basis, common stock information is as follows: 100,000,000 shares authorized; 49,974,824 shares issued and outstanding.

See the accompanying notes to the unaudited pro forma condensed combined financial statements, which are an integral part of this statement. The pro forma adjustments are explained in Note 7 - *Balance Sheet Pro Forma Adjustments*.

NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, EXCEPT SHARE DATA)
(UNAUDITED)

1. Description of Transaction

Meridian Acquisition

Effective September 1, 2018, our subsidiary, WellCare Management Group, Inc., ("Acquiror"), completed its previously announced acquisition of Caidan Management Company, LLC, MeridianRx, LLC, and Caidan Holding Company (collectively, the "Meridian Group") from Caidan Enterprises, Inc. ("Seller"). Pursuant to the Transaction Agreement (the "Transaction Agreement"), dated May 28, 2018, by and among Acquiror, the Meridian Group and Caidan Enterprises, Inc., and Seller, Acquiror acquired all of the outstanding equity interests of the Meridian Group (including Meridian Health Plan of Illinois, Inc. and Meridian Health Plan of Michigan, Inc.) from Seller (the "Transaction") for an aggregate purchase price of approximately \$2.5 billion, subject to certain purchase price adjustments, as described in the Transaction Agreement.

The Company funded the cash consideration for the Transaction through a combination of cash-on-hand, \$225 million drawn under the Company's Amended and Restated Credit Agreement, dated July 23, 2018, and proceeds from an issuance by the Company of \$750 million aggregate principal amount 5.375% of Senior Notes due 2026, and gross proceeds of approximately \$1.38 billion from an issuance by the Company of 5,207,547 shares of the Company's common stock (before deducting underwriting discounts, commissions and offering expenses).

2. Basis of Presentation

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting and was based on the historical financial statements of WellCare and the Meridian Group. The acquisition method of accounting is based on ASC 805 and uses the fair value concepts defined in ASC 820, Fair Value Measurements.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. In addition, ASC 805 requires that the consideration transferred be measured at the date the Meridian Acquisition is completed at the then-current market price.

ASC 820 defines the term "fair value" and sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. As a result of these standards, we may be required to record the fair value of assets which are not intended to be used or sold and/or to value assets at fair value measures that do not reflect our intended use of those assets. Many of these fair value measurements can be highly subjective, and it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Under the acquisition method of accounting, the assets acquired and liabilities assumed will be recorded, as of completion of the Meridian Acquisition, primarily at their respective fair values and added to those of the Company. Our financial statements and reported results of operations issued after completion of the Meridian Acquisition will reflect these values, but will not be retroactively restated to reflect the historical financial position or results of operations of the Meridian Group.

Under ASC 805, transaction-related expenses (e.g., advisory, legal, accounting, valuation and other professional fees) are not included as a component of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. Total transaction expenses expected to be incurred are estimated to be approximately \$75 million to \$85 million. Those expenses are reflected in the unaudited pro forma condensed combined balance sheet as an increase to accounts payable and accrued expenses, with the related tax benefits reflected as an increase in other current assets and the after tax effect presented as a decrease to retained earnings.

The unaudited pro forma condensed combined financial statements do not reflect the projected realization of any anticipated cost savings following the Meridian Acquisition. These potential cost savings opportunities are expected to arise from network and medical management savings, as well as administrative cost savings. The unaudited pro forma condensed combined financial statements do not reflect projected pretax integration-related expenses associated with the projected cost savings or any restructuring costs.

3. Accounting Policies

As a result of the timing of the Meridian acquisition, we are still reviewing Meridian Group's accounting policies to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to our accounting policies and classifications. As a result of this continued review, we may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material effect on the combined financial statements. At this time, we are not aware of any differences that would have a material effect on the combined financial statements. The unaudited pro forma condensed combined financial statements assume there are no material differences in accounting policies.

4. Estimate of Consideration Expected to be Transferred

For pro forma purposes, it is assumed that on the terms and subject to the conditions set forth in the Acquisition Agreement, we will acquire the Meridian Group from the Seller for an aggregate purchase price of \$2.5 billion in cash, however, we note that such aggregate purchase price is subject to a possible purchase price reduction of up to \$100 million and other customary purchase price adjustments.

5. Estimate of Assets to be Acquired and Liabilities to be Assumed

The following is a preliminary estimate of the assets which would have been acquired and the liabilities which would have been assumed by the Company in the Meridian Acquisition, as if the transaction had occurred on June 30, 2018, reconciled to the estimate of total consideration expected to be transferred:

	<u>As of June 30, 2018</u>	
Assets Acquired and Liabilities Assumed:		
Net book value of net assets acquired	\$	490.6
Less: historical intangible assets		(3.7)
Adjusted book value of net assets acquired	\$	486.9
Goodwill (a)	\$	1,013.1
Identified intangible assets (b)		1,000.0
Adjustment to Property, equipment and capitalized software, net (c)		—
Consideration transferred	\$	2,500.0

- (a) Goodwill is calculated as the difference between the acquisition date fair value of the total consideration expected to be transferred and the aggregate values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized.

- (b) As of completion of the Meridian Acquisition, identifiable intangible assets are required to be measured at fair value, and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of these unaudited pro forma condensed combined financial statements and consistent with the ASC 820 requirements for fair value measurements, it is assumed that all assets will be used, and that all assets will be used in a manner that represents the highest and best use of those assets, but it is not assumed that any market participant synergies will be achieved.

The fair value of identifiable intangible assets is determined primarily using variations of the “income approach,” which is based on the present value of the future after-tax cash flows attributable to each identified intangible asset. Other valuation methods, including the market approach and cost approach, are also considered in estimating the fair value. Under the Hart-Scott-Rodino Antitrust Improvements Act and other relevant laws and regulations, there were significant limitations on our ability to obtain specific information about the Meridian Group intangible assets prior to completion of the Meridian Acquisition on September 1, 2018; as such, estimates are still preliminary, and our final estimated fair values could be significantly different than the estimates used in this analysis.

At this time, we do not have sufficient information as to the amount, timing and risk of cash flows of all of the Meridian Group’s identifiable intangible assets to determine their fair value. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include: the amount and timing of projected future cash flows (including revenue and profitability); the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset’s life cycle and the competitive trends impacting the asset. However, for purposes of these unaudited pro forma condensed combined financial statements and using publicly available information, such as historical revenues, the Meridian Group’s cost structure, industry information for comparable intangible assets and certain other high-level assumptions, the fair value of the Meridian Group’s identifiable intangible assets and their weighted-average useful lives have been estimated at \$1.0 billion and 11 years, respectively. The identifiable intangible assets resulting from our acquisitions typically include provider networks, broker networks, trademarks, state contracts, licenses and permits. We amortize other intangible assets over their estimated useful lives ranging from approximately one to 15 years.

These preliminary estimates of fair value and weighted-average useful life will likely be different from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. Once we have full access to information about the Meridian Group’s intangible assets, additional insight will be gained that could affect (i) the estimated total value assigned to intangible assets, (ii) the estimated allocation of value between finite-lived and indefinite-lived intangible assets and/or (iii) the estimated useful lives of intangible assets. The estimated intangible asset values and their useful lives could be affected by a variety of factors that may become known to us only upon access to additional information and/or by changes in such factors that may occur prior to completion of the Meridian Acquisition. These factors include, but are not limited to, changes in the regulatory, legislative, legal, technological and competitive environments. Increased knowledge about these and/or other elements could result in a change to the estimated fair value of the identifiable Meridian Group intangible assets and/or to the estimated weighted-average useful lives from what was assumed in these unaudited pro forma condensed combined financial statements. The combined effect of any such changes could then also result in a significant increase or decrease to the Company’s estimate of associated amortization expense.

- (c) As of completion of the Meridian Acquisition, property, equipment and capitalized software is required to be measured at fair value, unless those assets are classified as held-for-sale on the acquisition date. The acquired assets can include assets that are not intended to be used or sold, or that are intended to be used in a manner other than their highest and best use. We do not have sufficient information at this time as to the specific nature, age, condition or location of Meridian Group’s property, equipment and capitalized softer and we do not know the appropriate valuation premise, in-use or in-exchange, as the valuation premise requires a certain level of knowledge about the assets being evaluated as well as a profile of the associated market participants. All of these elements can cause differences between fair value and net book value. Accordingly, for the purposes of these unaudited pro forma condensed combined financial statements, we have assumed that the current Meridian Group book values represent the best estimate of fair value. This estimate is preliminary and subject to change and could vary materially from the actual value on the date the Meridian Acquisition is completed.

6. Income Statement Pro Forma Adjustments

This note should be read in conjunction with Note 1. *Description of Transaction*; Note 2 - *Basis of Presentation*; Note 4 - *Estimate of Consideration Expected to be Transferred*; and Note 5 - *Estimate of Assets to be Acquired and Liabilities to be Assumed*. Adjustments included in the column under the heading “Pro Forma Adjustments” represent the following:

- (a) To eliminate the results of Meridian Group operations not acquired in the Meridian Acquisition:

	Year Ended December 31, 2017	Six months ended June 30, 2018
Total revenues	\$ (5.8)	\$ (2.0)
Expenses	(26.1)	(10.3)
Income before income taxes	20.3	8.3
Net Income	<u>\$ 18.7</u>	<u>\$ 8.3</u>

(b) To eliminate Meridian transaction-related costs recognized for the three months ended June 30, 2018.

(c) To record estimated intangible asset amortization expense:

	Year Ended December 31, 2017	Six months ended June 30, 2018
Estimated intangible asset amortization expense (*)	\$ 90.9	\$ 45.5

(*) Assumes an estimated \$1.0 billion of finite-lived intangibles and a weighted average amortization period of 11 years (Refer to Note 5. *Estimate of Assets to be Acquired and Liabilities to be Assumed*).

(d) The Company estimates the following adjustments to interest expense associated with debt incurred to finance the Meridian Acquisition:

- Additional interest expense of approximately \$46.8 million and \$23.9 million for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively. The additional interest expense is based on the \$750.0 million of long term fixed-rate indebtedness and \$225.0 million of borrowings under the New Revolving Credit Facility the Company incurred to finance a portion of the Meridian Acquisition and to pay related fees and expenses. The calculation of interest expense on the long-term indebtedness is based on the eight year maturity and the stated annual interest rate of 5.375%. Additionally, the calculation of interest expense on the New Revolving Credit Facility assumes an estimated weighted average annual interest rate of approximately 0.3%.
- Additional interest expense of approximately \$2.2 million and \$1.1 million for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively. The additional interest expense is related to the amortization of debt issuance costs associated with the long-term indebtedness and New Revolving Credit Facility we incurred to finance a portion of the Meridian Acquisition and to pay related fees and expenses. Issuance costs related to such long-term indebtedness and New Revolving Credit Facility are being amortized over a weighted average term of approximately eight years.

(e) The Company assumed blended tax rates of 35% and 37% for 2018 and 2017, respectively, when estimating the tax effect of the acquisition, representing the federal and state tax rates. The effective tax rate of the combined company could be significantly different depending upon post-acquisition activities of the combined company.

(f) The Company increased basic and diluted shares outstanding of 5,207,547 for the year ended December 31, 2017 and the six months ended June 30, 2018, related to equity issued to finance a portion of the Meridian Acquisition, resulting from \$1.38 billion total aggregate value of shares issued at \$265.00 per share.

7. Balance Sheet Pro Forma Adjustments

This note should be read in conjunction with Note 1. *Description of Transaction*; Note 2. *Basis of Presentation*; Note 4. *Estimate of Consideration Expected to be Transferred*; and Note 5. *Estimate of Assets to be Acquired and Liabilities to be Assumed*. Adjustments included in the column under the heading “Pro Forma Adjustments” represent the following:

- (a) To eliminate assets of the Meridian Group that are not acquired in the Meridian Acquisition and liabilities of the Meridian Group that are not assumed in the Meridian Acquisition:

	As of June 30, 2018
Assets	
Cash	\$ (9.8)
Investments, including restricted investments	(34.1)
Property, equipment and capitalized software, net	(12.7)
Other assets	(5.3)
Total Assets	\$ (61.9)
Liabilities	
Accounts payable and accrued expenses	\$ (5.3)
Short-term debt	(101.2)
Long-term debt	(112.8)
Total Liabilities	\$ (219.3)
Total, net	\$ 157.4

- (b) Includes \$225 million of the Company’s cash on hand used to partially fund the Meridian Acquisition.

- (c) To adjust goodwill and intangible assets to an estimate of acquisition-date goodwill and intangible assets:

Eliminate the Meridian historical goodwill and intangible assets	\$ (3.7)
Estimated transaction goodwill	\$ 1,013.1
Estimated transaction intangible assets	\$ 1,000.0

- (d) Includes approximately \$750.0 million of long-term indebtedness and approximately \$225.0 million of borrowings under the New Revolving Credit Facility incurred to finance a portion of the Meridian Acquisition and to pay related fees and expenses, including debt issuance costs, of approximately \$14.7 million.
- (e) Includes approximately \$1.34 billion of net proceeds from the issuance and sales of 5,207,547 equity securities used to finance a portion of the Meridian Acquisition, and to pay related fees and expenses, including equity issuance costs, of approximately \$37.8 million.
- (f) To record estimated transaction-related expenses:
- Total transaction-related expenses estimated to be incurred by the Company are approximately \$27.5 million and are recorded as an increase to accounts payable and accrued expenses. These transaction-related expenses are not included in the pro forma condensed combined statements of operations.
 - Estimated current tax asset for transaction-related expenses of approximately \$10.2 million.
 - Retained earnings adjustment for the after-tax transaction-related expenses incurred of approximately \$17.3 million.
- (g) To eliminate the Meridian Group’s historical net assets of \$333.2 million.