



**First Coast Service Options,** a for-profit corporation headquartered in Jacksonville, Florida, is owned by Diversified Service Options, a wholly owned subsidiary of Blue Cross and Blue Shield of Florida. For more than 35 years, First Coast Service Options, formerly the Government Programs operating division of Blue Cross and Blue Shield of Florida, has been a Medicare contractor involved in administering Medicare contracts for Florida, and most recently, the state of Connecticut. First Coast Service Options has a staff of more than 1,500 employees located in Jacksonville and three branch offices in Florida ( located in Tampa, Orlando and Miami ) as well as offices in Owings Mill, Maryland, and Meriden, Connecticut.

First Coast Service Options' business is primarily focused on administering the traditional Medicare program. In this regard, First Coast Service Options contracts with the Health Care Financing Administration and the Blue Cross and Blue Shield Association to process traditional Medicare claims, provide customer service for Medicare beneficiaries and providers, educate providers and beneficiaries on Medicare changes and help fight Medicare fraud, waste and abuse. Additionally, First Coast Service Options functions as a Common Working File Host for the South sector, maintains the standard Medicare Part A system for the Health Care Financing Administration, and operates the largest Medicare Part A data center in the country. First Coast Service Options also performs a variety of systems development and support services for the Health Care Financing Administration and other Medicare contractors.





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**Confidence** to meet the challenges ahead





**L. Joseph  
Grantham**  
Chairman of the Board

## Report of the Chairman

*Our health care system in America is one of the best in the world. It also is highly dynamic and complex. The Medicare program is no exception. Since its inception*

*36 years ago, there have been significant changes to the program, and the Medicare environment becomes more complex each year.*

*The pressures of rising costs, along with the other challenges inherent in today's rapidly expanding, dynamic world, holds the likelihood of more changes to come.*

*One thing that has not changed is our commitment to continue serving this important, growing segment of our population. Today more than 39 million seniors and disabled Americans nationwide rely upon Medicare to meet their health care needs. The government estimates that within the next 30 years, Medicare will serve 77 million Americans. First Coast Service Options will continue to be there **Making its Mark.***

*Our company, our employees and our strategies are squarely focused on administering the traditional Medicare program with a strong emphasis on quality. As one of the nation's largest Medicare contractors, our partnership with the Health Care Financing Administration has continued to expand. Blue Cross and Blue Shield of Florida first became the primary administrator of the Medicare program in the state of Florida in 1966. Today, First Coast Service Options (formerly the Government Programs operating division of Blue Cross and Blue Shield of Florida) administers Medicare contracts for Florida and Connecticut.*

*The results we achieved last year, which are highlighted throughout this report, were significant. One important indicator of our success is how our customers view us. Last year we received outstanding ratings from our Medicare providers and beneficiaries in Florida.*

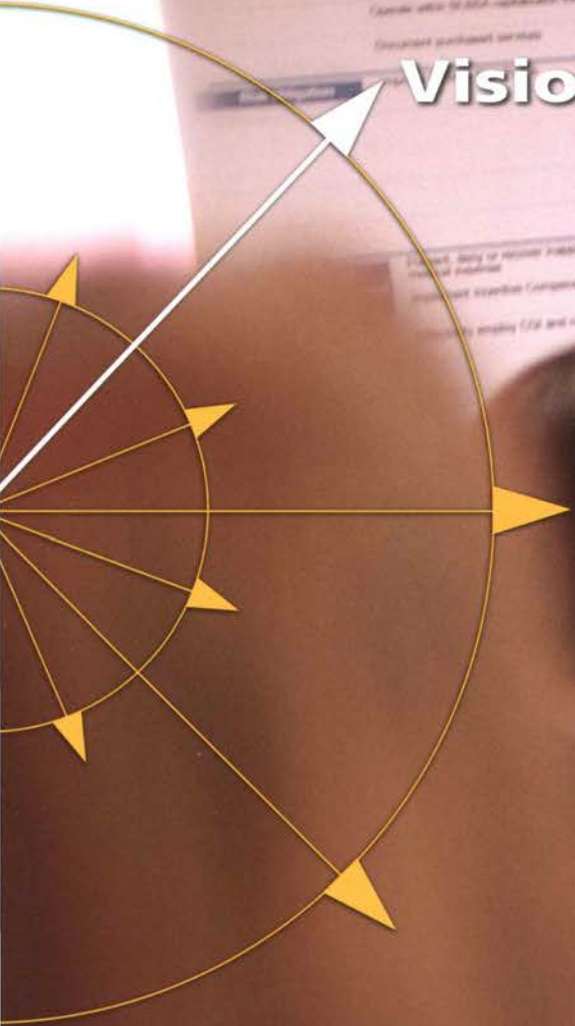
*Our 2000 results cover numerous areas including: processing claims (more than 60 million), preventing fraud, waste and abuse (preventing or recovering approximately \$450 million), and training health care providers across the country (receiving a nomination for our second prestigious Hammer Award).*

*Most importantly, our 2000 results demonstrate our ongoing commitment to serve the Medicare program and its beneficiaries today and into the future. We're proud of our progress to date and look forward to the opportunities ahead to create increasingly more value for our customers.*

*This is the way we will **Make our Mark.***

# BALANCED SCORECARD CY2000

**Vision with a powerful organizational focus**



STRATEGIC INITIATIVE	BALANCED PERFORMANCE OBJECTIVE	PERFORMANCE METRICS	2000 TARGET
Customer Performance	Current Plan A & B Customers from last year re-forecast	Current contracts for FY 2000	
	Meet FY2000 Financial Goals	Revenue Expenses After Tax Income	\$1.1B \$1.1B \$1.1B
Business Process	Generate within 90 days a cash/collection schedule	Market operating results	\$21.1 million
	Discount purchased services	Documentation completed	by 11/30/00
Financial	Identify and implement FY2000 and beyond new programs	Complete FY2000 assessments	by 10/31/00
	Develop CCA Migration Plan	Complete CCA Migration Plan	by 10/31/00
People	Align FY 2000 total MFT savings	Align FY 2000 total MFT savings	\$40 million
	Implement Incentive Compensation Program	Meet project milestones for FY 2000	Most project milestones for FY 2000
Technology	Improve existing CRM and case technologies	Increase claims productivity	by + 3.0%
	Improve Customer Service	Improve Customer Service	productivity by + 3.0%
Marketing	Develop and implement marketing strategy for FY 2000	Develop and implement marketing strategy for FY 2000	by 10/31/00
	Develop and implement marketing strategy for FY 2000	Develop and implement marketing strategy for FY 2000	by 10/31/00
Customer	Develop and implement marketing strategy for FY 2000	Develop and implement marketing strategy for FY 2000	by 10/31/00
	Develop and implement marketing strategy for FY 2000	Develop and implement marketing strategy for FY 2000	by 10/31/00

**Making our Mark** is how we describe our vision.

It underscores our commitment to move First Coast

Service Options from the start-up company it was in 1999 to an increasingly stronger, more viable organization. Judging from the many outstanding accomplishments outlined in this report, we are doing just that.

The significant results we achieved in 2000 are not isolated accomplishments. They are part of a deliberate, continuous growth and development process. Everywhere I look, I see an organization that is building the knowledge and capabilities needed to take good care of our customers—old and new—today and well into the future. Two things are at the heart of our progress: our employees and our values.

Our employees, now more than 1500 strong, are located in six offices in three states. They are the skilled craftsmen in our building process and critical to its success. It is their dedication and hard work that make it possible for us to achieve the business results we need to grow and prosper. I am extremely proud of each member of our team and the contribution he or she made to our 2000 results.

Our accomplishments in 2000 also included many changes that made our company a better place to work. These organizational improvements support our goal to create a more compelling value proposition for our employees. It is important to me that our employees are proud to work in the organizational “house” we are building.

Our values are very simple: We do the right things the right way. The principles embedded in our values—things like continuous improvement, ethical business practices and respect for one another—provide a clear blueprint for the organization we are building. While I am extremely proud of all the accomplishments outlined in this report, I am most proud of how we achieved them—the right way. Consistently remaining true to our values demonstrates we are an organization that is both well designed and built on a strong foundation.

Our 2000 accomplishments are framed around the simple yet powerful value proposition we embraced in January 1999 when we first began business operations: Committed employees will take care of our customers and help us provide value for our shareholder. And that is, in large part, what **Making our Mark** is all about.

## Report of the President and CEO



**Curtis W. Lord**  
President and CEO



**Success** through organizational improvement



## Making our Mark...by creating value for our employees

First Coast Service  
Options was successful

last year because our employees worked hard, our leadership provided wise counsel, and our customers supported us. We are truly inspired by the dedication and care our employees demonstrate in serving our customers. Their commitment is at the heart of every business venture we undertake and responsible for every business result we achieve. Clearly, our future success rests squarely on our ability to sustain an employee value proposition that continues to attract and retain a strong and committed workforce. Making First Coast Service Options a more effective organization and a more satisfying place to work will help us build that proposition.

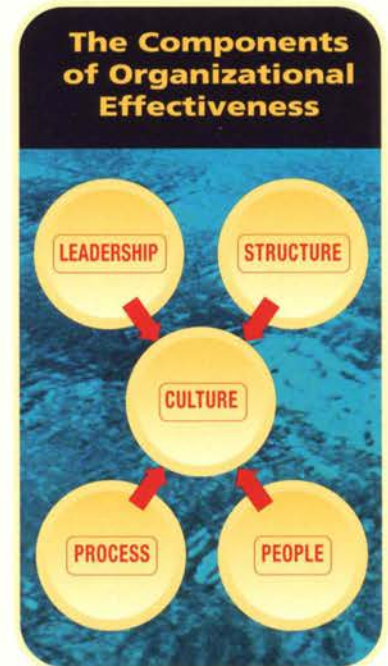
### A Framework for Improving Organizational Effectiveness

Improving the effectiveness of an organization must be carefully planned out, not left to chance or relegated to a second priority behind achieving business results. In 2000, we adopted a framework for improving our organizational effectiveness.

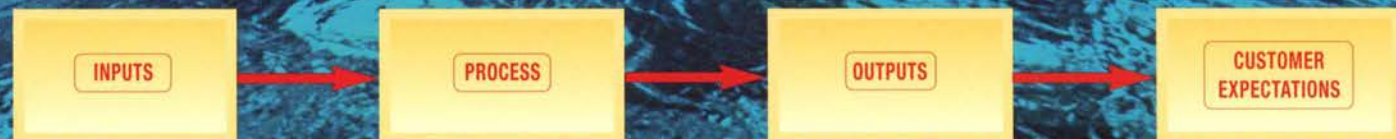
We believe there are four areas of focus critical to organizational improvement: effective leadership, a process orientation, proper structure and work environment, and sound people practices. Each of these areas, which collectively shape our culture and our business climate, received considerable attention in 2000.

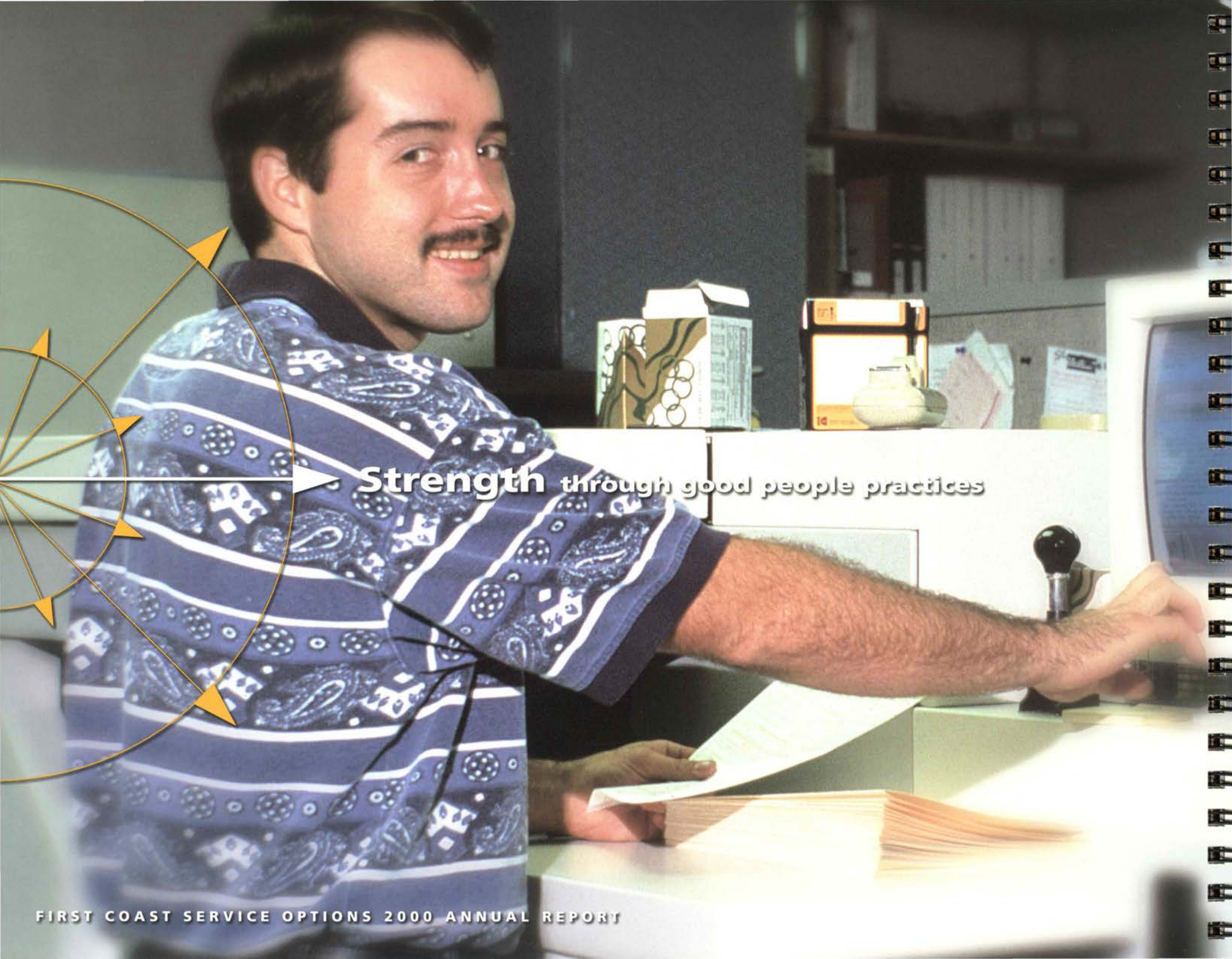
During the year, we continued to strengthen our **leadership team**. All directors and officers participated in a formal executive development program that stressed many of the competencies of effective leadership. Our leadership team honed their abilities to be good coaches, effective communicators, and strong team builders while improving their business acumen and planning skills.

We advanced the **process orientation** of our business by examining what we do every day. Instead of looking at our work as functions or activities, we viewed what we do as a set of business processes that turn process inputs into outputs for our customer. A process view helps keep us externally, or customer, focused. By beginning to measure the cost, quality and timeliness of our business process outputs from our customers' point of view—rather than ours—we can be sure we are holding ourselves to the right performance standards.



### Model For Process Improvement





**Strength** through good people practices



Our **structure and work environment** took center stage in 2000. We launched a major renovation of our headquarters in Jacksonville, Florida. When complete, our headquarters will not only be more attractive but also will provide a work environment more suitable for our business and how we want to get things done. More importantly, the renovation, which will continue into 2003, improves the health and safety of our employees by installing an anti-fire sprinkler system, implementing new air handling equipment and replacing old insulation material with safer, more environmentally-friendly products.

During the year, we evaluated our **people practices** to ensure they were consistent with the kind of organization we want to become.

This evaluation surfaced many organizational strengths but also identified four people practices that need to be upgraded: performance management, staffing and selection, informal rewards and recognition, and compensation administration. We will take a close look at these four areas during 2001 to make sure they meet the needs of our employees and organization.

#### ***A Human Resource Strategy that Focuses on our People***

To ensure the people component of the organizational effectiveness framework is properly emphasized, we developed an overarching human resource strategy in 2000:

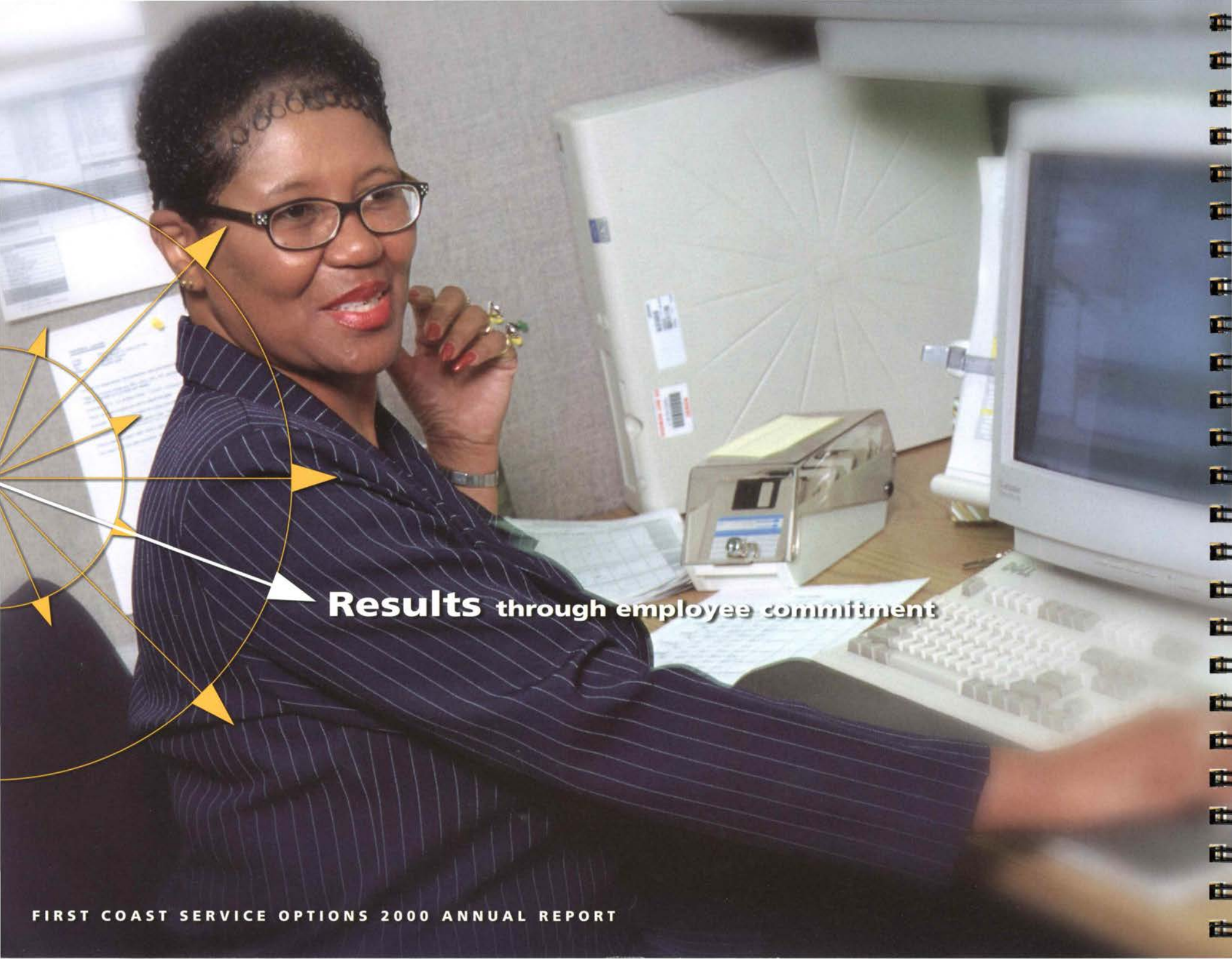
#### **FCSO's People Strategy**

**We will create a compelling value proposition for our human organization through which we will build employee commitment and, as a result, better meet the needs of our customers and shareholder.**

At the heart of this strategy is, again, a strong value proposition for our employees. As we move beyond 2000 with our people strategy, our leaders have a point of view about the future that we expect will energize our employees and position them to:

- *Grow and learn new skills;*
- *Receive financial rewards for good performance;*
- *Engage in work that has an impact;*
- *Have pride in being part of their work team;*
- *Have knowledge about what is happening and why; and*
- *Experience flexibility, change and progress in their work setting.*

These are characteristics of the environment that will sustain the level of employee commitment we need to be successful in the years ahead.



**Results** through employee commitment

## Making our Mark...by creating value for our customers

listen more intently to what they are telling us and work harder to exceed their expectations. While we are very proud of the business results listed below, we are ever mindful of the need to maintain a customer view in everything we do. Last year:

- *We competed for, and won, the opportunity to administer the Medicare Part B program in Connecticut. We began business operations in Meriden, Connecticut, in September 2000 with a staff of approximately 150.*
- *In our capacity as a traditional Medicare administrator in Florida, and for the last quarter of the year in Connecticut, we processed about 61 million claims, responded to almost 2.6 million inquiries and issued approximately \$9.3 billion in Medicare benefit payments.*
- *As the company that maintains the standard Medicare Part A claims processing software, we helped the Health Care Financing Administration implement numerous program changes. The most notable were new prospective payment systems for outpatient hospital and home health claims.*
- *We continue to operate the largest Medicare Part A data center in the nation. We helped Medicare contractors in Wisconsin, South Carolina, Georgia, and Tennessee, as well as our own organization, carry out their Medicare responsibilities by providing essential data processing services.*



- *When surveyed, almost 94% of the Medicare beneficiaries and providers in Florida responded they were "satisfied" or "very satisfied" with our performance as a traditional Medicare administrator.*
- *We continue to help ensure the fiscal integrity of the Medicare program. During the fiscal year ending September 30, 2000, we prevented or recovered approximately \$450 million in Medicare fraud, waste and abuse. This represents a return of \$15 to the Health Care Financing Administration for every dollar spent on such activities.*
- *First Coast Service Options continued to collaborate with the Health Care Financing Administration during 2000 to educate health care providers about the Medicare program. As in 1999, our program was nominated for the prestigious Hammer Award that recognizes creative government initiatives that address vital public needs.*
- *Our employees contributed \$157,326 to the United Way, demonstrating their commitment to reach out to the communities in which they live and work.*
- *Throughout 2000, First Coast Service Options continued to look for additional opportunities to help the Health Care Financing Administration, its contractors and others benefit from the capabilities we have developed as a Medicare contractor. Our business development staff pursued numerous such opportunities and helped us expand our reach as a traditional Medicare contractor.*



**Value** through a focus on doing *the right things the right way*

## Making our Mark...by creating value for our shareholder.

First Coast Service Options is wholly owned by Diversified Service Options, which was created in 1998 to hold Blue Cross and Blue Shield of Florida's

traditional Medicare business. Diversified Service Options is, in turn, wholly owned by Blue Cross and Blue Shield of Florida. First Coast Service Options creates shareholder value by:

- *Maintaining a strong presence in a national single payer system, preserving future strategic options for Blue Cross and Blue Shield of Florida.*
- *Maintaining an innovative, quality organization that works effectively with, and supports, the Blue Cross and Blue Shield of Florida enterprise.*
- *Achieving financial results that make Blue Cross and Blue Shield of Florida's investment in First Coast Service Options attractive from both a risk and reward perspective.*
- *Achieving those results in a manner expected of a member of the Blue Cross and Blue Shield of Florida family of companies.*

With regard to financial results, Blue Cross and Blue Shield of Florida earned approximately \$2.2 million on its investment in Diversified Service Options/First Coast Service Options for 2000. Additionally, revenue grew by approximately 15% in 2000 to near \$150 million.

Another financial consideration is the risk of our shareholder's investment. First Coast Service Options' current book of business is largely comprised of federal contracts for which there are substantial penalties for noncompliance. Throughout the year, we continued to strengthen our internal controls and business ethics program, Navigator, as well as our self-assessment capabilities. These risk mitigation efforts were successful in 2000 as evidenced by the absence of unanticipated business loss or liability.

By far the most effective way to manage business risks is to maintain an open culture. It is important for employees to be comfortable surfacing potential problems and to know that potential problems are addressed fully on a timely basis. Our values, *the right things the right way*, emphasize this critical component of our culture.

During the year, we enhanced our new employee orientation program. Now, new employees are introduced more completely to our business vision and mission as well as the values that serve as our guideposts along the way.

As a member of the Blue Cross and Blue Shield of Florida family of companies, we strive everyday to meet the very high standards our shareholder has set. These standards are described by a customer promise that emphasizes Blue Cross and Blue Shield of Florida's dedication to provide caring solutions that meet the diverse and ever-changing needs of its members. Behind this promise, Blue Cross and Blue Shield of Florida's family of companies works together to fulfill its commitment to help Floridians live healthy, confident lives. We are proud to be part of this commitment in our work to serve the millions of seniors and disabled Americans that rely upon Medicare to meet their health care needs.



**THE FCISO WAY**

**THE RIGHT THINGS:**

- We provide the very best value possible to our customers.
- We always look for ways to improve our business processes, our organization and ourselves.
- We do our jobs in a manner that complies with all applicable laws, regulations, and guidelines.

**THE RIGHT WAY:**

- We hold ourselves to the highest standard of business ethics.
- We treat our customers, our business partners and each other honestly, fairly, and with respect.
- We encourage each other to surface concerns and work together to address them.

FIRST COAST SERVICE OPTIONS, INC.

# Report of Independent Certified Public Accountants Price Waterhouse Coopers

**To the Shareholder and Board of Directors of First Coast Service Options:** In our opinion, the accompanying balance sheets and the related statements of income, shareholder's equity and cash flows present fairly, in all material respects, the financial position of First Coast Service Options, Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of First Coast Service Options, Inc. management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*Price Waterhouse Coopers* May 21, 2001

## Notes To Financial Statements

### 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Organization** - First Coast Service Options, Inc. (FCSO), a for-profit corporation, headquartered in Jacksonville, Florida, is owned by Diversified Service Options, Inc. (DSO), a wholly owned subsidiary of Blue Cross and Blue Shield of Florida (BCBSFL). After receiving its Third Party Administrator Certificate of Authority from the State of Florida in December 1998, FCSO began business operations on January 1, 1999. FCSO has approximately 1,500 employees, mostly located in Jacksonville. Branch offices are located in Tampa, Miami and Orlando. In 2000, branch offices were opened in Owings Mill, Maryland (June) and Meriden, Connecticut (September). FCSO's business is primarily focused on the administration of the traditional Medicare program. In this regard, FCSO contracts with the Health Care Financing Administration (HCFA) and the Blue Cross and Blue Shield Association to process traditional Medicare claims, provide customer service for Medicare beneficiaries and providers, educate providers on Medicare changes and help fight Medicare fraud, waste and abuse. FCSO also performs a wide variety of systems development and support services for HCFA, Medicare contractors and other organizations and companies.

**Basis of Presentation** - The accompanying financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the company to use estimates and assumptions based on analytical methods in determining deferred income taxes, and other various accruals. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of demand deposits, money market funds and automatic sweep agreements and are carried at cost which approximates fair value.

**Receivables** - The Company does not report receivables net of an allowance because the receivables are guaranteed by the Health Care Financing Administration (HCFA).

**Equipment and Computer Software** - Equipment and computer software are recorded at cost, less accumulated depreciation. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Equipment and computer software are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. No material losses were incurred as a result of this review.

**Concentration of Credit Risk** - Investments in cash in interest-bearing deposits with major banks and money market funds generally exceed federally insured amounts. The financial stability of these institutions is reviewed on a continuous basis. Credit losses are not anticipated. Diversification is enforced by limiting individual non-government issues to no more than 5% of the portfolio.

**Revenue Recognition** - Revenue is recognized in income when earned. The Company, under an executed special power of attorney given by BCBSFL, recognizes revenues in accordance with the contract terms of the following contracts: Medicare Part A fiscal intermediary subcontract between BCBSFL and BCBSA, Medicare Part B carrier services and Fiscal Intermediary Standard System ("FISS") contracts between BCBSFL and HCFA.

**Expense Reimbursements** - Operating expense is allocated to various lines of business in order to determine the expense reimbursement due from Medicare. FCSO is reimbursed for costs incurred where they act as fiscal agent or process claims for other Medicare contractors. Reimbursement of \$108.1 million for 2000 and \$107.9 million for 1999 (which approximates the cost of administering this program) is included in revenue. The actual cost of administration is included in operating expense. Reimbursement is subject to audit by HCFA and any resulting adjustments are reflected in current operations.

**Income Taxes** - The Company is included in the consolidated federal and state income tax returns filed for BCBSFL and subsidiaries. The consolidated tax liability is allocated among the members of the consolidated group in accordance with an inter-company tax sharing agreement. The agreement provides for allocation based upon each company's taxable income. There were no changes made in the allocation methodology during 2000 and 1999 which would impact the determination of FCSO's allocated tax balances. FCSO's federal and state tax liabilities to BCBSFL at December 31, 2000 and 1999, were \$1,359,562 and \$429,000, respectively.

**Reclassifications** - Certain reclassifications have been made to the 1999, financial statements in order to conform to the presentation adopted for 2000.

### 2. EQUIPMENT AND COMPUTER SOFTWARE

Equipment and computer software consisted of the following at December 31, 2000 and 1999 (in thousands):

	2000	2001
Equipment	\$1,463	\$1,253
Computers	495	168
Computer software	2,099	1,129
Total	4,057	2,550
Less accumulated depreciation and amortization	(1,998)	(1,101)
Net	\$2,059	\$1,449

Depreciation expense for 2000 and 1999 was approximately \$898,000 and \$388,000, respectively.

### 3. UNEARNED REVENUE

HCFA has contracted with FCSO for services related to the FISS. Unearned revenue related to the FISS contract at December 31, 2000 and 1999 was \$0 and \$1,411,000, respectively.

### 4. RELATED PARTIES

Diversified Service Options, Inc. (DSO) is a 50% shareholder of TriCenturion. This company was formed to perform Program Safeguards services for the Health Care Financing Administration (HCFA). Total expenses of \$126,567 were paid by FCSO on behalf of DSO and TriCenturion in 1999. TriCenturion became operational in 2000, and therefore there were no startup costs in 2000.

Certain FCSO administrative activities are performed by BCBSFL. Amounts are billed monthly to FCSO, which include direct and indirect charges for these services and facilities. Total administrative charges for 2000 and 1999 were \$39,818,365 and \$29,357,423, respectively.

In 2000, FCSO began performing front end services for BCBSFL. These services include mail and document management. The total amount billed in 2000 to BCBSFL was \$5,586,698.

### 5. ADMINISTRATIVE CONTRACTS

FCSO serves as a fiscal agent for the Medicare program. In 2000 and 1999, FCSO processed 60.8 million and 56.2 million Medicare claims totaling \$9.3 billion and \$8.6 billion, respectively.

### 6. CONTINGENCIES

In the normal course of its business operations, the Company is involved in routine litigation from time to time. No such lawsuits were pending at December 31, 2000 and 1999.



## Balance Sheet

For the Years Ended 12/31/2000  
and 1999 (In Thousands)

<b>ASSETS</b>	<b>2000</b>	<b>1999</b>
<i>Current assets:</i>		
Cash and cash equivalents	\$6,252	\$18,762
Receivables	16,887	6,464
Receivable from BCBSFL	2,189	372
Total current assets	25,328	25,598
Equipment and computer software, net	2,059	1,449
<i>Other assets</i>	359	-
<b>Total assets</b>	<b>\$27,746</b>	<b>\$27,047</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<i>Current liabilities:</i>		
Unearned revenue	\$ -	1,411
Accounts payable and accrued expenses	1,063	1,300
Payable to BCBSFL	9,253	6,443
<b>Total current liabilities</b>	<b>10,316</b>	<b>9,154</b>
Commitments and contingencies (Notes 3 and 6)		
<i>Shareholder's equity:</i>		
Common stock - \$1 par value, 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	15,585	15,585
Retained earnings	1,844	2,307
Total shareholder's equity	17,430	17,893
<b>Total liabilities and shareholder's equity</b>	<b>\$27,746</b>	<b>\$27,047</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Income

For the Years Ended 12/31/2000  
and 1999 (In Thousands)

	2000	1999
Revenue:		
Contract revenue	\$148,312	\$129,549
Investment and other income	743	876
Total revenue	149,055	130,425
Operating expenses	145,507	127,873
Income before income taxes	3,548	2,552
Provision for income taxes:		
Current	1,376	363
<b>Net income</b>	<b>\$ 2,172</b>	<b>\$ 2,189</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Shareholder's Equity

For the Years Ended 12/31/2000  
and 1999 (In Thousands)

	<i>Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Retained Earnings</i>	<i>Total</i>
Balance, December 31, 1998	\$1	\$15,585	\$ 118	\$15,704
Net income	-	-	2,189	2,189
Balance, December 31, 1999	1	15,585	2,307	17,893
Net income	-	-	2,172	2,172
Cash dividends paid	-	-	(2,635)	(2,635)
<b>Balance, December 31, 2000</b>	<b>\$1</b>	<b>\$15,585</b>	<b>\$1,844</b>	<b>\$17,430</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Cash Flows

For the Years Ended 12/31/2000  
and 1999 *(In Thousands)*

	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$2,172	\$2,189
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	898	388
Changes in operating assets and liabilities:		
Accounts receivable	(12,240)	(6,836)
Prepaid expenses and other assets	(359)	-
Unearned revenue	(1,411)	1,411
Accounts payable and accrued expenses	2,573	7,743
Net cash provided by (used in) operating activities	(8,367)	4,895
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment and computer software	(1,508)	(1,294)
Net cash used in investing activities	(1,508)	(1,294)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash dividends paid	(2,635)	-
Net cash used in financing activities	(2,635)	-
Net (decrease) increase in cash and cash equivalents	(12,510)	3,601
Cash and cash equivalents at beginning of year	18,762	15,161
<b>Cash and cash equivalents at end of year</b>	<b>\$6,252</b>	<b>\$18,762</b>

The accompanying notes are an integral part of these financial statements.

# Executive Council and Board of Directors



**Curtis W. Lord**  
President and Chief Executive Officer



**Patricia A. Williams**  
Senior Vice President and Chief Operating Officer



**Michael Davis**  
Vice President and Chief Financial Officer



**Robert J. Wright**  
Vice President and Chief Information Officer



**Joseph G. Cannon**  
Vice President of Human Resources and Compliance Officer



**F. Lamar James**  
Vice President of Program Management



**Sidney Sewell**  
Medical Director



**Patricia M. Ainsley**  
Vice President of Program Safeguards

**BOARD OF DIRECTORS (clockwise L to R)** Guy Marvin III - Former Senior Vice President and General Council Independent Life • Dorcas R. Hardy - President Dorcas R. Hardy and Associates, Former Commissioner of Social Security • R. Chris Doerr - Senior Vice President and CFO Blue Cross and Blue Shield of Florida • Byron N. Thompson, Jr. - Secretary, Treasurer and CFO Atlantic Marine Holding Company • L. Joseph Grantham - Senior Vice President and Chief Strategy Officer Blue Cross and Blue Shield of Florida



**Conclusion** *The last two years have been an exciting time for First Coast Service Options. We implemented important strategic and operational changes, all with the goal of improving service to our customers, expanding the customer base that we serve, and making First Coast Service Options the employer of choice. Embedded in this strategy lies the infrastructure of our shared value system—Doing the Right Things the Right Way. It serves as the basic, yet dynamic, foundation for meeting the needs of our customers, our employees and our shareholder now and far into the future.*





**FIRST COAST**  
SERVICE OPTIONS, INC.

532 Riverside Avenue  
Jacksonville, Florida 32202  
[www.fcso.com](http://www.fcso.com)