

North Carolina Security Breach Reporting Form Pursuant to the Identity Theft Protection Act of 2005

Name of Business Owning or Licensing Information Affected by the Breach: FirstHealth of the Carolinas, Inc.
 Address: 155 Memorial Drive, P.O. Box 3000
Pinehurst, NC 28374
 Telephone: 910-715-1000
 Fax: _____
 Email: _____

PLEASE SUBMIT FORM TO:
 Consumer Protection Division
 NC Attorney General's Office
 9001 Mail Service Center
 Raleigh, NC 27699-9001
 Telephone: (919) 716-6000
 Toll Free in NC: (877) 566-7226
 FAX: (919) 716-6050

Date Security Breach Reporting Form submitted: September 10, 2007
 Date the Security Breach was discovered: August 31, 2007
 Estimated number of affected individuals: 3913
 Estimated number of NC residents affected: 3850

Name of business maintaining or possessing information that was the subject of the Security Breach, if the business that experienced the Security Breach is not the same entity as the business reporting the Security Breach (pursuant to N.C.G.S. § 75-65(b)): Larson Allen, LLP

Describe the circumstances surrounding the Security Breach and state whether the information breached was in electronic or paper format: A laptop computer was stolen from an employee of Larson Allen containing an Excel spreadsheet listing personal information of FirstHealth's employees.

Regarding electronic information breached, state whether the information breached or potentially breached was password protected or encrypted in some manner. Yes If so, please describe the security measures protecting the information: Both the laptop itself and the Excel file in which the personal information was contained require a username and password to gain access.

Describe any measures taken to prevent a similar Security Breach from occurring in the future: Personal information provided to Larson Allen for audit purposes will no longer be held in files contained on laptops by Larson Allen.

Date affected NC residents were/will be notified: September 7 or 10, 2007

If there has been any delay in notifying affected NC residents, describe the circumstances surrounding the delay pursuant to N.C.G.S. § 75-65(a) and (c): No significant delay has occurred. Larson Allen is offering free credit monitoring and identity theft insurance for one year to any FirstHealth employee who requests it.

If the delay was pursuant to a request from law enforcement pursuant to N.C.G.S. § 75-65(c), please include the written request or the contemporaneous memorandum.

How NC residents were/will be notified? (pursuant to N.C.G.S. § 75-65(e))
 Please attach copy of the notice if in written form or a copy of any scripted notice if in telephonic form.

written notice
 electronic notice (email)
 telephone notice
 substitute notice

Signature: Noah H. Huffstetter III Date: September 10, 2007
 Contact Person, Title: Noah H. Huffstetter, III
 Address: Nelson Mullins Riley & Scarborough, LLP, GlenLake One, Suite 200, Raleigh, NC 27612
 (if different from above)
 Telephone: 919-877-3801 Fax: 919-877-3821 Email: noah.huffstetter@nelsonmullins.com



September 7, 2007

Dear

I am writing to inform you of a security incident that could potentially involve some of your personal information, and to let you know the steps that FirstHealth has taken to address the situation.

Our external auditors notified FirstHealth on September 1, 2007, that one of its laptop computers had been stolen. Information on the laptop included an audit file containing demographic data for FirstHealth employees as of August 2006. The file contained the name, Social Security number, date of hire, date of birth, address, department name and employment status for 3,913 FirstHealth employees. The file did not contain any payroll information or bank account numbers.

Since receiving notification, we have been verifying exactly what data was involved and which employees, both current and inactive, were affected by the incident. We have also been making arrangements to provide you with a protection plan.

Both the laptop and the employee information were password protected, and the file name was encoded, but the data itself was not encrypted. While the circumstances of the theft indicate that it was a random criminal act and that the laptop was not targeted as a specific source of information for identity thieves, FirstHealth is taking the incident seriously.

While there is no evidence that an unauthorized individual has retrieved or is using your personal data, we bring this incident to your attention so that you can be alert to signs of any possible misuse of your personal information. To assist you in this effort, FirstHealth has arranged for each affected employee to receive credit-monitoring services, free of charge, for one year. This service is being provided by ConsumerInfo.com Inc., an Experian company, and will include identity theft insurance and assistance with all three credit bureaus. **To use this service, you are being assigned a personal access code that will allow you to set up your account. Your access code is**

While we do not believe the information will be used for any malicious intent, we understand that this news could be upsetting for our FirstHealth family. To prohibit such an occurrence from happening again, FirstHealth will require that vendors remove all sensitive data from any laptop computers unless absolutely necessary.

Finally, if you would like more information, logon to www.firsthealth.org for the latest updates. A FirstHealth representative will be available to answer your questions at (877) 342-4968 between the hours of 8:30 a.m. and 5 p.m. Monday through Friday.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Frock", written over a white background.

Charles T. Frock
Chief Executive Officer

Attachment

Important Information about ConsumerInfo.com Inc.

ConsumerInfo.com Inc., an Experian company, will provide FirstHealth employees with one year of credit monitoring, at no cost to you. This credit-monitoring product, known as Triple Advantage Deluxe, will identify and notify you of key changes in your three national credit reports that may indicate fraudulent activity.

This membership includes:

- Monitoring all three credit bureau files – every day
- Unlimited on-demand access to your Experian credit report and credit score
- E-mail alerts of key changes indicating possible fraudulent activity – within 24 hours
- A dedicated team of Experian fraud resolution case workers for victims of identity theft
- \$25,000 identity theft insurance with no deductible

To activate your account, logon to <http://partner.consumerinfo.com/login> and set up your account. You will need your personal access code to activate the account. If you need assistance, you can contact an Experian representative toll-free at (866) 252-0121. Experian representatives and fraud resolution specialists are available during the hours of 9 a.m. to 9 p.m. Monday through Friday and 11 a.m. to 8 p.m. Saturday and Sunday.

We encourage you to be especially vigilant by reviewing your financial records and monitoring your credit reports. Credit reports are available at no charge at www.annualcreditreport.com or by calling toll-free (877) 322-8228. If you experience problems obtaining your free credit report, please call the FirstHealth representative will be available to answer your questions at (877) 342-4968 between the hours of 8:30 a.m. and 5 p.m. Monday through Friday.