SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14D-1
TENDER OFFER STATEMENT PURSUANT TO SECTION 14(D)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND
SCHEDULE 13D
UNDER THE SECURITIES EXCHANGE ACT OF 1934

EMPHESYS FINANCIAL GROUP, INC.

(Name of Subject Company)
HEW, INC.
A WHOLLY OWNED SUBSIDIARY OF

HUMANA INC.

(Bidders)
COMMON STOCK, $0.01 PAR VALUE

(Title of Class of Securities)
29158K104
(CUSIP Number of Class of Securities)

ARTHUR P. HIPWELL, ESQ.
THE HUMANA BUILDING
500 WEST MAIN STREET
LOUISVILLE, KENTUCKY 40202
(502) 580-1000

(Name, address and telephone number of person authorized to
receive notices and communications on behalf of bidders)
Copies to:

JEFFREY BAGNER, ESQ.
FRIED, FRANK, HARRIS, SHRIVER & JACOBSON
ONE NEW YORK PLAZA
NEW YORK, NEW YORK 10004-1980
(212) 859-8000

August 10, 1995
(Date Of Event Which Requires Filing Statement On Schedule 13D)

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE
$648,892,237.50	$129,778.45

* For the purpose of calculating the fee only, this amount assumes the purchase of 17,303,793 shares of Common Stock of EMPHESYS Financial Group, Inc. at $37.50 per share. Such number of shares includes all outstanding shares as of August 7, 1995, and assumes the exercise of all stock options to purchase shares of Common Stock outstanding as of such date which have an exercise price of less than $37.50.

/ / Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

AMOUNT PREVIOUSLY PAID: FILING PARTY:
FORM OR REGISTRATION NO.: DATE FILED:

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON HEW, Inc. IRS No. 61-1286709
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) / / (b) / /
3	SEC USE ONLY
4	SOURCES OF FUNDS (SEE INSTRUCTIONS) AF
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(e) OR 2(f). / /
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware
7	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,986,507*
8	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 7 EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)
9	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 7 29.2%*
10	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) CO

* On August 9, 1995, Humana Inc. (the "Parent") and HEW, Inc., a wholly owned subsidiary of the Parent (the "Offeror"), entered into a Stock Option and Tender Agreement (the "Stock Option and Tender Agreement") with Lincoln National Corporation ("LNC") and American States Insurance Company, a wholly owned subsidiary of LNC (the "Selling Stockholder"), pursuant to which the Selling Stockholder has agreed, among other things, to grant an option to purchase all shares of common stock, par value $0.01 per share (the "Shares"), of EMPHESYS Financial Group, Inc. (the "Company") owned by it (representing an aggregate of 4,986,507 Shares, or approximately 29.2% of the Shares outstanding as of August 7, 1995), at $37.50 per Share. Pursuant to the Stock Option and Tender Agreement, the Selling Stockholder has also agreed, among other things, to vote, or grant a consent or approval in respect of the Shares subject to the Stock Option and Tender Agreement, (i) in favor of the merger contemplated by the Agreement and Plan of Merger (the "Merger Agreement") among the Parent, the Offeror and the Company, dated as of August 9, 1995, and (ii) against transactions involving the Company other than the transactions contemplated by the Merger Agreement. The Stock Option and Tender Agreement is described more fully in Section 13 of the Offer to Purchase, dated August 16, 1995, attached as Exhibit (a)(1) hereto.

1	NAME OF REPORTING PERSON

	S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Humana Inc. IRS No. 61-0647538	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) / / (b) / /	
3	SEC USE ONLY	
4	SOURCES OF FUNDS (SEE INSTRUCTIONS) WC, BK	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(e) OR 2(f).	/ /
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
7	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,986,507*	
8	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 7 EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)	
9	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 7 29.2%*	
10	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) CO	

* See footnote on previous page.

This Statement relates to a tender offer by HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware corporation (the "Parent"), to purchase all outstanding shares of common stock, par value $0.01 per share (the "Shares"), of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), at a purchase price of $37.50 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together constitute the "Offer"), copies of which are filed as Exhibits (a)(1) and (a)(2) hereto, respectively, and which are incorporated herein by reference.

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is EMPHESYS Financial Group, Inc. The address of the principal executive offices of the Company is set forth in Section 8 ("Certain Information Concerning the Company") of the Offer to Purchase and is incorporated herein by reference.

(b) The exact title of the class of equity securities being sought in the Offer is the Common Stock, par value $0.01 per share, of the Company. The information set forth in the Introduction to the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in Section 6 ("Price Range of Shares; Dividends") of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a) through (d), (g): The information set forth in the Introduction and Section 9 ("Certain Information Concerning the Parent and the Offeror") of the Offer to Purchase, and in Annex I thereto, is incorporated herein by reference.

(e) and (f): None of the Offeror or the Parent, nor, to the best of their knowledge, any of the persons listed in Annex I of the Offer to Purchase, has during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction

and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a) None.

(b) The information set forth in the Introduction and Section 11 ("Background of the Offer; Past Contacts, Transactions or Negotiations with the Company") and Section 8 ("Certain Information Concerning the Company") of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) and (b): The information set forth in Section 10 ("Source and Amount of Funds") of the Offer to Purchase is incorporated herein by reference.

(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a) through (e): The information set forth in the Introduction, Section 11 ("Background of the Offer; Past Contacts, Transactions or Negotiations with the Company"), Section 12 ("Purpose of the Offer and the Merger; Plans for the Company") and Section 13 ("The Merger Agreement; the Stock Option and Tender Agreement") of the Offer to Purchase is incorporated herein by reference. Except as set forth in Sections 12 and 13 of the Offer to Purchase, neither the Parent nor the Offeror have any present plans or proposals that would result in an extraordinary corporate transaction, such as a merger, reorganization, liquidation or sale or

transfer of a material amount of assets involving the Company, or any other material changes in the Company's capitalization, dividend policy, corporate structure or business or composition of its management or personnel.

(f) and (g): The information set forth in Section 7 ("Effect of the Offer on NYSE Listing, Market for Shares and Registration under the Exchange Act") of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a) and (b): The information set forth in the Introduction, Section 9 ("Certain Information Concerning the Parent and the Offeror") and Section 13 ("The Merger Agreement; The Stock Option and Tender Agreement") of the Offer to Purchase is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in the Introduction and Section 11 ("Background of the Offer; Past Contacts, Transactions or Negotiations with the Company") of the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the Introduction and in Section 17 ("Fees and Expenses") of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in Section 9 ("Certain Information Concerning the Parent and the Offeror") of the Offer to Purchase is incorporated herein by reference.

The incorporation by reference herein of the above-mentioned financial information does not constitute an admission that such information is material to a decision by a security holder of the Company as whether to sell, tender or hold Shares being sought in the Offer.

ITEM 10. ADDITIONAL INFORMATION.

(a) The information set forth in Section 11 ("Background of the Offer; Past Contacts, Transactions or Negotiations with the Company") and Section 12 ("Purpose of the Offer and the Merger; Plans for the Company") of the Offer to Purchase is incorporated herein by reference.

(b) and (c) The information set forth in Section 16 ("Certain Regulatory and Legal Matters") of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in Section 7 ("Effect of the Offer on NYSE Listing, Market for Shares and Registration under the Exchange Act").

(e) None.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal is incorporated herein by reference in its entirety.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

(a)(1) Offer to Purchase, dated August 16, 1995.

(a)(2) Letter of Transmittal.

(a)(3) Letter from Smith Barney Inc., as Dealer Manager, to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(a)(4) Letter from Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees to Clients.

(a)(5) Letter from the Automatic Dividend Reinvestment and Common Stock Purchase Plan of EMPHESYS Financial Group, Inc. to Participants.

(a)(6) Notice of Guaranteed Delivery.

(a)(7) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(a)(8) Summary Announcement, dated August 16, 1995.

(a)(9) Press Release issued by the Parent and the Company on August 10, 1995.

(a)(10) Agreement and Plan of Merger, dated as of August 9, 1995, among the Parent, the Offeror and the Company.

(a)(11) Press Release issued by the Parent on August 16, 1995.

(b)(1) Credit Agreement, dated as of January 12, 1994, as amended by an Agreement and Amendment dated as of October 27, 1994, and an Amendment dated as of August 1, 1995, among Chemical Bank as Agent, the Banks party thereto, and the Parent.

(c)(1) Stock Option and Tender Agreement, dated as of August 9, 1995, among the Parent, Lincoln National Corporation and American States Insurance Company.

(d) None.

(e) Not applicable.

(f) None.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 16, 1995

HEW, INC.

By: /s/ JAMES E. MURRAY

Name: James E. Murray
Title: Vice President and Controller

HUMANA INC.

By: /s/ ARTHUR P. HIPWELL

Name: Arthur P. Hipwell
Title: Senior Vice President and General Counsel

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
(a)(1)	-- Offer to Purchase, dated August 16, 1995.
(a)(2)	-- Letter of Transmittal.
(a)(3)	-- Letter from Smith Barney Inc., as Dealer Manager, to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(4)	-- Letter from Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees to Clients.
(a)(5)	-- Letter from the Automatic Dividend Reinvestment and Common Stock Purchase Plan of EMPHESYS Financial Group, Inc. to Participants.
(a)(6)	-- Notice of Guaranteed Delivery.
(a)(7)	-- Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(a)(8)	-- Summary Announcement, dated August 16, 1995.
(a)(9)	-- Press Release issued by the Parent and the Company on August 10, 1995.
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(a)(11)	-- Press Release issued by the Parent on August 16, 1995.
(b)(1)	-- Credit Agreement dated as of January 12, 1994, as amended by an Agreement and Amendment dated as of October 27, 1994, and an Amendment dated as of August 1, 1995, among Chemical Bank as Agent, the Banks party thereto, and the Parent.
(c)(1)	-- Stock Option and Tender Agreement, dated as of August 9, 1995, among the Parent, Lincoln National Corporation and American States Insurance Company.
(d)	-- None.
(e)	-- Not applicable.
(f)	-- None.

OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES OF COMMON STOCK

OF

EMPHESYS FINANCIAL GROUP, INC.
AT

$37.50 NET PER SHARE

BY

HEW, INC.
A WHOLLY OWNED SUBSIDIARY OF

HUMANA INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 15, 1995,
UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (i) THERE BEING VALIDLY TENDERED BY THE EXPIRATION DATE AND NOT WITHDRAWN THAT NUMBER OF SHARES OF COMMON STOCK OF EMPHESYS FINANCIAL GROUP, INC. REPRESENTING AT LEAST A MAJORITY OF THE OUTSTANDING SHARES ON A FULLY DILUTED BASIS, (ii) THE OFFICE OF THE COMMISSIONER OF INSURANCE OF WISCONSIN AND THE DEPARTMENT OF CORPORATIONS OF CALIFORNIA HAVING ISSUED FINAL ORDERS APPROVING, EXEMPTING OR OTHERWISE AUTHORIZING CONSUMMATION OF THE MERGER AND ALL OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT REFERRED TO BELOW AS MAY REQUIRE SUCH AUTHORIZATION (PROVIDED ANY SUCH ORDER DOES NOT IMPOSE TERMS OR CONDITIONS THAT MATERIALLY AND ADVERSELY AFFECT THE ECONOMIC BENEFITS OF THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT) AND (iii) SATISFACTION OF CERTAIN OTHER TERMS AND CONDITIONS. SEE SECTION 15. THE MERGER AGREEMENT AND THE OFFER MAY BE TERMINATED BY HEW, INC. IF, AMONG OTHER THINGS, EMPHESYS FINANCIAL GROUP, INC. DOES NOT ATTAIN CERTAIN PERCENTAGES OF SPECIFIED FINANCIAL AND OPERATIONAL TARGETS.

THE OFFER IS BEING MADE IN CONNECTION WITH THE AGREEMENT AND PLAN OF MERGER DATED AS OF AUGUST 9, 1995, AMONG HUMANA INC., HEW, INC., AND EMPHESYS FINANCIAL GROUP, INC. THE BOARD OF DIRECTORS OF EMPHESYS FINANCIAL GROUP, INC. HAS APPROVED THE OFFER, THE MERGER AND THE MERGER AGREEMENT, HAS DETERMINED THAT THE TERMS OF EACH OF THE OFFER AND THE MERGER AND THE TERMS OF THE MERGER AGREEMENT ARE FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS AND RECOMMENDS THAT THE COMPANY'S STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES IN THE OFFER.

IMPORTANT

Any stockholder desiring to tender Shares of common stock should either (i) complete and sign the Letter of Transmittal or a facsimile thereof in accordance with the instructions in the Letter of Transmittal and deliver the Letter of Transmittal with the Shares and all other required documents to the Depositary, or follow the procedure for book-entry transfer set forth in Section 3 or (ii) request his broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him. A stockholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if he desires to tender his Shares.

Any stockholder who desires to tender Shares and cannot deliver such Shares and all other required documents to the Depositary by the expiration of the Offer must tender such Shares pursuant to the guaranteed delivery procedure set forth in Section 3.

Questions and requests for assistance or additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase.

The Dealer Manager for the Offer is
SMITH BARNEY INC.

TABLE OF CONTENTS

TO THE HOLDERS OF COMMON STOCK OF
EMPHESYS FINANCIAL GROUP, INC.

INTRODUCTION

HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware corporation (the "Parent"), hereby offers to purchase all outstanding shares of Common Stock, par value $0.01 per share (the "Shares"), of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), at a purchase price of $37.50 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer"). Tendering holders of Shares will not be obligated to pay brokerage fees or commissions or, except as set forth in the Letter of Transmittal, transfer taxes on the purchase of Shares by the Offeror pursuant to the Offer. The Offeror will pay all charges and expenses of Smith Barney Inc. (the "Dealer Manager"), Chemical Mellon Shareholder Services (the "Depositary") and D.F. King & Co., Inc. (the "Information Agent"), in connection with the Offer.

THE BOARD OF DIRECTORS OF THE COMPANY HAS APPROVED THE OFFER, THE MERGER (AS HEREINAFTER DEFINED) AND THE MERGER AGREEMENT (AS HEREINAFTER DEFINED), HAS DETERMINED THAT THE TERMS OF EACH OF THE OFFER, THE MERGER AND THE MERGER AGREEMENT ARE FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS, AND RECOMMENDS THAT THE COMPANY'S STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES IN THE OFFER.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE HAVING BEEN VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF SHARES WHICH WILL REPRESENT NOT LESS THAN A MAJORITY OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS ON THE DATE OF PURCHASE (THE "MINIMUM CONDITION"). THE OFFER IS ALSO CONDITIONED UPON THE OFFICE OF THE COMMISSIONER OF INSURANCE OF WISCONSIN AND THE DEPARTMENT OF CORPORATIONS OF CALIFORNIA HAVING ISSUED FINAL ORDERS APPROVING, EXEMPTING, OR OTHERWISE AUTHORIZING CONSUMMATION OF THE MERGER AND ALL OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT AS MAY REQUIRE SUCH AUTHORIZATION (PROVIDED ANY SUCH ORDER DOES NOT IMPOSE TERMS OR CONDITIONS THAT MATERIALLY AND ADVERSELY AFFECT THE ECONOMIC

BENEFITS OF THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT) (THE "INSURANCE APPROVALS"). THE OFFER IS ALSO SUBJECT TO OTHER TERMS AND CONDITIONS. SEE SECTION 15. THE MERGER AGREEMENT AND THE OFFER MAY BE TERMINATED BY THE OFFEROR AND THE PARENT IF, AMONG OTHER THINGS, THE COMPANY DOES NOT ATTAIN CERTAIN PERCENTAGES OF SPECIFIED FINANCIAL AND OPERATIONAL TARGETS.

Morgan Stanley & Co. Incorporated ("Morgan Stanley"), the Company's financial advisor, has delivered to the Company's Board of Directors its written opinion that the consideration to be received by the stockholders of the Company pursuant to the Offer and the Merger is fair to such stockholders from a financial point of view. A copy of such opinion is contained in the Company's Statement on Schedule 14D-9 which is being distributed to the Company's stockholders.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of August 9, 1995 (the "Merger Agreement"), among the Parent, the Offeror and the Company. The Merger Agreement provides that, among other things, as soon as practicable after the purchase of Shares pursuant to the Offer and the satisfaction of the other conditions set forth in the Merger Agreement and in accordance with the relevant provisions of the General Corporation Law of the State of Delaware ("DGCL"), the Offeror will be merged with and into the Company (the "Merger"). See Section 12. Following consummation of the Merger, the Company will continue as the surviving corporation (the "Surviving Corporation") and will be a wholly owned subsidiary of the Parent. At the effective time of the Merger (the "Effective Time"), each issued and outstanding Share (other than Shares owned by the Company as treasury stock, Shares owned by any subsidiary of the Company, Shares owned by the Parent or the Offeror or any subsidiary thereof, or Shares with respect to which appraisal rights are properly exercised under Delaware law ("Dissenting Shares")), will be converted into and represent the right to receive $37.50 (or any higher price that may be paid for each Share pursuant to the Offer) in cash, without interest thereon (the "Offer Price"). See Section 5 for a description of certain tax consequences of the Offer and the Merger.

The Parent, Lincoln National Corporation, an Indiana corporation ("LNC"), and American States Insurance Company, an Indiana corporation and a wholly owned subsidiary of LNC (the "Selling Stockholder"), have entered into a Stock Option and Tender Agreement, dated as of August 9, 1995 (the "Stock Option and Tender Agreement"), pursuant to which the Selling Stockholder has given the Parent an option to purchase at the Offer Price, upon the terms and subject to the conditions set forth in the Stock Option and Tender Agreement, all 4,986,507 Shares (the "Subject Shares") beneficially owned by it, representing approximately 29.2% of the outstanding Shares. The Stock Option and Tender Agreement further provides, among other things, that the Selling Stockholder is required to tender all of the Subject Shares in the Offer. See Section 13.

The Merger Agreement provides that, promptly upon the purchase of Shares pursuant to the Offer, the Parent will be entitled to designate for election to the Board of Directors of the Company a number of directors (rounded up to the next whole number) equal to that number of directors which equals the product of (i) the total number of directors on such Board and (ii) the percentage that the aggregate number of Shares purchased by the Offeror bears to the total number of outstanding Shares. The Company has agreed, upon the request by the Parent, to promptly increase the size of the Board of Directors of the Company and/or use its reasonable best efforts to secure the resignations of such number of directors as is necessary to enable the Parent's designees to be elected to the Board and to cause the Parent's designees to be so elected.

The Company has advised the Offeror that as of August 7, 1995, there were (a) 17,063,893 Shares issued and outstanding, and (b) outstanding employee and director stock options to purchase an aggregate of 653,700 Shares (of which 239,900 had exercise prices less than $37.50). As of the date hereof, neither the Offeror nor the Parent beneficially owns any Shares (other than as a result of the Stock Option and Tender Agreement). If the Offeror acquires at least 8,858,797 Shares in the Offer, it will control a majority of the outstanding Shares on a fully diluted basis. Accordingly, the Offeror would have sufficient voting power to approve the Merger without the affirmative vote of any other stockholder. In the event the Offeror acquires 90% or more of the outstanding Shares through the Offer, the Offeror and the Parent would be able to effect the Merger pursuant to the short form merger provisions of the DGCL, without prior notice to, or any action by, any other stockholder of the Company.

ON AUGUST 2, 1995, THE COMPANY DECLARED A QUARTERLY DIVIDEND OF $0.15 PER

SHARE, PAYABLE ON SEPTEMBER 15, 1995, TO STOCKHOLDERS OF RECORD ON SEPTEMBER 1, 1995. TENDERING SHARES PURSUANT TO THE OFFER WILL NOT AFFECT THE RIGHT OF STOCKHOLDERS OF RECORD ON SEPTEMBER 1, 1995 TO RECEIVE THIS DIVIDEND.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

1. TERMS OF THE OFFER.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), the Offeror will accept for payment and pay for all Shares validly tendered prior to the Expiration Date and not theretofore withdrawn in accordance with Section 4. The term "Expiration Date" means 12:00 Midnight, New York City time, on Friday, September 15, 1995, unless the Offeror shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Offeror, shall expire.

If the Offeror shall decide, in its sole discretion, to increase the consideration offered in the Offer to holders of Shares and if, at the time that notice of such increase is first published, sent or given to holders of Shares in the manner specified below, the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that such notice is first so published, sent or given, then the Offer will be extended until the expiration of such period of ten business days. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or a federal holiday, and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

THE OFFER IS CONDITIONED UPON SATISFACTION OF THE MINIMUM CONDITION AND RECEIPT OF THE INSURANCE APPROVALS. THE MERGER AGREEMENT AND THE OFFER MAY BE TERMINATED BY THE OFFEROR AND THE PARENT IF, AMONG OTHER THINGS, THE COMPANY DOES NOT ATTAIN CERTAIN PERCENTAGES OF SPECIFIED FINANCIAL AND OPERATIONAL TARGETS. THE OFFER IS ALSO SUBJECT TO OTHER TERMS AND CONDITIONS. SEE SECTION 15. The Offeror reserves the right (but shall not be obligated), in accordance with applicable rules and regulations of the United States Securities and Exchange Commission (the "Commission"), subject to the limitations set forth in the Merger Agreement and described below, to waive or reduce the Minimum Condition or to waive any other condition to the Offer. If the Insurance Approvals have not been received, or the Minimum Condition or any of the other conditions set forth in Section 15, have not been satisfied, by 12:00 Midnight, New York City time, on Friday, September 15, 1995 (or any other time then set as the Expiration Date), the Offeror may, subject to the terms of the Merger Agreement as described below, elect to (1) extend the Offer and, subject to applicable withdrawal rights, retain all tendered Shares until the expiration of the Offer, as extended, (2) subject to complying with applicable rules and regulations of the Commission, accept for payment all Shares so tendered and not extend the Offer, or (3) terminate the Offer and not accept for payment any Shares and return all tendered Shares to tendering stockholders. Under the terms of the Merger Agreement, the Offeror may not (except as described in the next sentence), without prior written consent of the Company, waive the Minimum Condition, reduce the number of Shares subject to the Offer, reduce the price per Share to be paid pursuant to the Offer, extend the Offer if all of the Offer conditions are satisfied or waived, change the form of consideration payable in the Offer, or amend, add or waive any term or condition of the Offer in any manner that would adversely affect the Company or its stockholders. Notwithstanding the foregoing, the Offeror may, without the consent of the Company, extend the Offer (i) if, at the then scheduled Expiration Date of the Offer, any of the conditions shall not have been satisfied or waived, until the later of (x) any period during which the Offer may remain open pursuant to clauses (ii) - (v) below, and (y) the fifth business day after the Offeror reasonably believes to be the earliest date on which such conditions may be satisfied; (ii) for any period required by any rule, regulation, interpretation or position of the Commission or the Commission staff applicable to the Offer; (iii) if the Company shall have failed to reject a competing offer to acquire control of the Company within 10 business days after receipt by the Company or public announcement thereof, for up to three business days after the then scheduled Expiration Date; (iv) if all Offer conditions are satisfied or waived but the number of Shares tendered is less than 90% of the then outstanding

number of Shares, for an aggregate period of not more than 15 business days (for all such extensions) beyond the latest expiration date that would be permitted under clause (i), (ii), or (iii) of this sentence; and (v) if all the Offer conditions are satisfied or waived but the number of Shares tendered is less than 90% of the then outstanding number of Shares, for an aggregate period of not more than 10 business days (for all such extensions) beyond the latest expiration date that would be permitted under clause (i), (ii), (iii), or (iv) of this sentence, provided that the Offeror shall acknowledge that, except in the case of an occurrence of an event that would cause the condition in clause (b) described under "The Merger Agreement -- Conditions Precedent" in Section 13 (which condition provides that no governmental entity or court of competent jurisdiction shall have enacted a rule or issued an injunction that has the effect of prohibiting the consummation of the Merger) not to be satisfied, all the Offer conditions shall be deemed to be waived, and all Shares which are validly tendered and not withdrawn shall be accepted and purchased upon the expiration of such extended period. In addition to the right of the Offeror to extend the Offer pursuant to the previous sentence, the Offeror shall have the right to extend the Offer until five business days from the date on which the Offeror receives all certificates relating to the Company's financial and operational performance as described under "The Merger Agreement -- Performance Certificates" in Section 13 required to have been delivered on or prior to the scheduled Expiration Date in effect prior to the extension permitted by this sentence. The obligation of the Company to provide these certificates and the right of the Parent to terminate the Merger Agreement if certain percentages of specified financial and operational targets are not attained will remain in effect until the Offeror acquires Shares pursuant to the Offer without affecting the right of the Offeror to extend the Offer pursuant to clause (iv) above; provided, however, that if the Offeror exercises its right to extend the Offer pursuant to clause (v) above, the Company's obligation to provide certificates relating to the Company's financial and operational performance shall cease and the Parent shall have no further right to terminate the Merger Agreement as a result of the Company not attaining certain percentages of specified financial and operational targets.

Subject to the limitations set forth in the Merger Agreement and described below, the Offeror reserves the right (but will not be obligated), at any time or from time to time in its sole discretion, to extend the period during which the Offer is open by giving oral or written notice of such extension to the Depositary and by making a public announcement of such extension. There can be no assurance that the Offeror will exercise its right to extend the Offer.

Subject to the applicable rules and regulations of the Commission and subject to the limitations set forth in the Merger Agreement, the Offeror also expressly reserves the right, at any time and from time to time, in its sole discretion, (i) to delay payment for any Shares regardless of whether such Shares were theretofore accepted for payment, or to terminate the Offer and not to accept for payment or pay for any Shares not theretofore accepted for payment or paid for, upon the occurrence of any of the conditions set forth in Section 15, by giving oral or written notice of such delay or termination to the Depositary, and (ii) at any time or from time to time, to amend the Offer in any respect. The Offeror's right to delay payment for any Shares or not to pay for any Shares theretofore accepted for payment is subject to the applicable rules and regulations of the Commission, including Rule 14e-1(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), relating to the Offeror's obligation to pay for or return tendered Shares promptly after the termination or withdrawal of the Offer.

Any extension of the period during which the Offer is open, delay in acceptance for payment or payment, termination or amendment of the Offer will be followed, as promptly as practicable, by public announcement thereof, such announcement in the case of an extension to be issued not later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date in accordance with the public announcement requirements of Rules 14d-4(c) and 14e-1(d) under the Exchange Act. Without limiting the obligation of the Offeror under such rule or the manner in which the Offeror may choose to make any public announcement, the Offeror currently intends to make announcements by issuing a press release to the Dow Jones News Service and making any appropriate filing with the Commission.

If the Offeror makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the

Offer (including a waiver of the Minimum Condition), the Offeror will disseminate additional tender offer materials and extend the Offer if and to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act or otherwise. The minimum period during which a tender offer must remain open following material changes in the terms of the offer or the information concerning the offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances, including the relative materiality of the terms or information changes. With respect to a change in price or a change in percentage of securities sought, a minimum ten business day period is generally required to allow for adequate dissemination to stockholders and investor response.

The Company has provided the Offeror with the Company's list of stockholders and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the Letter of Transmittal will be mailed to record holders of the Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the list of stockholders or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Offeror will accept for payment and will pay for, all Shares validly tendered prior to the Expiration Date and not theretofore withdrawn in accordance with Section 4 promptly after the later to occur of (a) the Expiration Date and (b) subject to compliance with Rule 14e-1(c) under the Exchange Act, the satisfaction or waiver of the conditions set forth in Section 15. Subject to compliance with Rule 14e-1(c) under the Exchange Act, the Offeror expressly reserves the right to delay payment for Shares in order to comply in whole or in part with any applicable law. See Sections 1 and 16. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely

receipt by the Depositary of (i) certificates for such Shares or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (collectively, the "Book-Entry Transfer Facilities"), pursuant to the procedures set forth in Section 3, (ii) a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) with all required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined below) and (iii) any other documents required by the Letter of Transmittal.

The term "Agent's Message" means a message transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Offeror may enforce such agreement against the participant.

For purposes of the Offer, the Offeror will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not withdrawn as, if and when the Offeror gives oral or written notice to the Depositary of the Offeror's acceptance of such Shares for payment. In all cases, payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from the Offeror and transmitting such payment to tendering stockholders. If, for any reason whatsoever, acceptance for payment of any Shares tendered pursuant to the Offer is delayed, or the Offeror is unable to accept for payment Shares tendered pursuant to the Offer, then, without prejudice to the Offeror's rights under Section 1, the Depositary may, nevertheless, on behalf of the Offeror, retain tendered Shares, and such Shares may not be withdrawn, except to the extent that the tendering stockholders are entitled to withdrawal rights as described in Section 4 below and as otherwise required by Rule 14e-1(c) under the Exchange Act. Under no circumstances will interest be paid by the Offeror because of any delay in making such payment.

If any tendered Shares are not accepted for payment pursuant to the terms and conditions of the Offer for any reason, or if certificates are submitted for more Shares than are tendered, certificates for such unpurchased or untendered Shares will be returned, without expense to the tendering stockholder (or, in the case of Shares delivered by book-entry transfer to a Book-Entry Transfer Facility, such Shares will be credited to an account maintained within such Book-Entry Transfer Facility), as promptly as practicable after the expiration, termination or withdrawal of the Offer.

If, prior to the Expiration Date, the Offeror increases the price being paid for Shares accepted for payment pursuant to the Offer, such increased consideration will be paid to all stockholders whose Shares are purchased pursuant to the Offer.

3. PROCEDURE FOR TENDERING SHARES.

Valid Tenders. For Shares to be validly tendered pursuant to the Offer, a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedures set forth below. In addition, either (i) certificates representing such Shares must be received by the Depositary or such Shares must be tendered pursuant to the procedure for book-entry transfer set forth below, and a Book-Entry Confirmation must be received by the Depositary, in each case prior to the Expiration Date, or (ii) the guaranteed delivery procedures set forth below must be complied with. No alternative, conditional or contingent tenders will be accepted. DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH SUCH BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Book-Entry Transfer. The Depositary will make a request to establish an account with respect to the Shares at each Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in a Book-Entry Transfer Facility's

system may make book-entry delivery of Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. Although delivery of Shares may be effected through book-entry at a Book-Entry Transfer Facility prior to the Expiration Date, (i) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and any other required documents, must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase or (ii) the guaranteed delivery procedures described below must be complied with.

Signature Guarantee. Signatures on the Letter of Transmittal must be guaranteed by a member in good standing of the Securities Transfer Agents Medallion Program, or by any other bank, broker, dealer, credit union, savings association or other entity which is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing being referred to as an "Eligible Institution" and, collectively, as "Eligible Institutions"), unless the Shares tendered thereby are tendered (i) by a registered holder of Shares who has not completed either the box labeled "Special Delivery Instructions" or the box labeled "Special Payment Instructions" on the Letter of Transmittal or (ii) for the account of any Eligible Institution. If the certificates evidencing Shares are registered in the name of a person or persons other than the signer of the Letter of Transmittal, or if payment is to be made, or delivered to, or certificates for unpurchased Shares are to be issued or returned to, a person other than the registered owner or owners, then the tendered certificates must be endorsed or accompanied by duly executed stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed by an Eligible Institution as provided in the Letter of Transmittal. See Instructions 1 and 5 to the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's certificates for Shares are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares may nevertheless be tendered if all of the following guaranteed delivery procedures are duly complied with:

(i) the tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Offeror herewith, is received by the Depositary, as provided below, prior to the Expiration Date; and

(iii) the certificates for all tendered Shares, in proper form for transfer (or a Book-Entry Confirmation), together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), and any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the Letter of Transmittal are received by the Depositary within three New York Stock Exchange ("NYSE") trading days after the date of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

THE METHOD OF DELIVERY OF SHARES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED.

Notwithstanding any other provision hereof, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of (i) certificates for such Shares or a Book-Entry Confirmation, (ii) a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with all required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and (iii) any other documents required by the Letter of Transmittal.

BACKUP FEDERAL INCOME TAX WITHHOLDING. TO PREVENT BACKUP FEDERAL INCOME TAX WITHHOLDING WITH RESPECT TO PAYMENT OF THE PURCHASE PRICE OF SHARES PURCHASED PURSUANT TO THE OFFER, EACH STOCKHOLDER MUST PROVIDE THE DEPOSITARY WITH HIS CORRECT TAXPAYER IDENTIFICATION NUMBER ("TIN") AND CERTIFY THAT HE IS NOT SUBJECT TO BACKUP FEDERAL INCOME TAX WITHHOLDING BY COMPLETING THE SUBSTITUTE FORM W-9 INCLUDED IN THE LETTER OF TRANSMITTAL. SEE INSTRUCTION 8 SET FORTH IN THE LETTER OF TRANSMITTAL.

Determination of Validity. All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by the Offeror, in its sole discretion, and its determination will be final and binding on all parties. The Offeror reserves the absolute right to reject any or all tenders of any Shares that are determined by it not to be in proper form or the acceptance of or payment for which may, in the opinion of the Offeror, be unlawful. The Offeror also reserves the absolute right to waive any of the conditions of the Offer, subject to the limitations set forth in the Merger Agreement, or any defect or irregularity in the tender of any Shares. The Offeror's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Instructions to the Letter of Transmittal) will be final and binding on all parties. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of the Offeror, the Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

Other Requirements. By executing the Letter of Transmittal as set forth above, a tendering stockholder irrevocably appoints designees of the Offeror as

such stockholder's proxies, each with full power of substitution, in the manner set forth in the Letter of Transmittal, to the full extent of such stockholder's right with respect to the Shares tendered by such stockholder and accepted for payment by the Offeror (and any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after August 7, 1995). All such proxies shall be considered coupled with an interest in the tendered Shares. This appointment is effective when, and only to the extent that, the Offeror accepts for payment the Shares deposited with the Depositary. Upon acceptance for payment, all prior proxies given by the stockholder with respect to such Shares or other securities or rights will, without further action, be revoked and no subsequent proxies may be given or written consent executed (and, if given or executed, will not be deemed effective). The designees of the Offeror will, with respect to the Shares and other securities or rights, be empowered to exercise all voting and other rights of such stockholder as they in their sole judgment deem proper in respect of any annual or special meeting of the Company's stockholders, or any adjournment or postponement thereof. The Offeror reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon the Offeror's payment for such Shares, the Offeror must be able to exercise full voting and other rights with respect to such Shares and the other securities or rights issued or issuable in respect of such Shares, including voting at any meeting of stockholders (whether annual or special or whether or not adjourned) in respect of such Shares.

4. WITHDRAWAL RIGHTS.

Except as otherwise provided in this Section 4, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment pursuant to the Offer, may also be withdrawn at any time after Saturday, October 14, 1995. If purchase of or payment for Shares is delayed for any reason or if the Offeror is unable to purchase or pay for Shares for any reason, then, without prejudice to the Offeror's rights under the Offer, tendered Shares may be retained by the Depositary on behalf of the Offeror and may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as set forth in this Section 4, subject to Rule 14e-1(c) under the Exchange Act, which provides that no person who makes a tender offer shall fail to pay the consideration offered or return the securities deposited by or on behalf of security holders promptly after the termination or withdrawal of the Offer.

For a withdrawal to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to

be withdrawn, the number of Shares to be withdrawn and the name in which the certificates representing such Shares are registered, if different from that of the person who tendered the Shares. If certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered by an Eligible Institution, the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the applicable Book-Entry Transfer Facility to be credited with the withdrawn Shares. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Offeror, in its sole discretion, and its determination will be final and binding on all parties. None of the Offeror, the Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Any Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer, but may be retendered at any subsequent time prior to the Expiration Date by following any of the procedures described in Section 3.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES.

The following is a summary of the principal federal income tax consequences of the Offer and the Merger to holders whose Shares are purchased pursuant to the Offer or whose Shares are converted to cash in the Merger (including pursuant to the exercise of appraisal rights). The discussion applies only to holders of Shares in whose hands Shares are capital assets, and may not apply to Shares received pursuant to the exercise of employee stock options or otherwise as compensation, or to holders of Shares who are in special tax situations (such as insurance companies, tax-exempt organizations or non-U.S. persons).

THE FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW ARE INCLUDED FOR GENERAL INFORMATIONAL PURPOSES ONLY AND ARE BASED UPON CURRENT LAW. BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, EACH HOLDER OF SHARES SHOULD CONSULT SUCH HOLDER'S OWN TAX ADVISOR TO DETERMINE THE APPLICABILITY OF THE RULES DISCUSSED BELOW TO SUCH STOCKHOLDER AND THE PARTICULAR TAX EFFECTS OF THE OFFER AND THE MERGER, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL AND OTHER INCOME TAX LAWS.

The receipt of cash for Shares pursuant to the Offer or the Merger (including pursuant to the exercise of appraisal rights) will be a taxable transaction for federal income tax purposes (and also may be a taxable transaction under applicable state, local and other income tax laws). In general, for federal income tax purposes, a holder of Shares will recognize gain or loss equal to the difference between his adjusted tax basis in the Shares sold pursuant to the Offer or converted to cash in the Merger and the amount of cash received therefor. Gain or loss must be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) sold pursuant to the Offer or converted to cash in the Merger. Such gain or loss will be capital gain or loss (other than, with respect to the exercise of appraisal rights, amounts, if any, which are or are deemed to be interest for federal income tax purposes, which amounts will be taxed as ordinary income) and will be long-term gain or loss if, on the date of sale (or, if applicable, the date of the Merger), the Shares were held for more than one year.

Payments in connection with the Offer or the Merger may be subject to "backup withholding" at a rate of 31%. Backup withholding generally applies if the stockholder (a) fails to furnish his social security number or TIN, (b) furnishes an incorrect TIN, (c) fails to properly include a reportable interest or dividend payment on his federal income tax return, or (d) under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN provided is his correct number and that he is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons generally are entitled to exemption from backup withholding, including corporations and financial institutions. Certain penalties apply for failure to furnish correct information and for failure to include reportable payments in income. Each stockholder should consult with his own tax advisor as to his qualification for exemption from backup

withholding and the procedure for obtaining such exemption. Tendering stockholders may be able to prevent backup withholding by completing the Substitute Form W-9 included in the Letter of Transmittal. See Section 3.

6. PRICE RANGE OF SHARES; DIVIDENDS.

The Shares are principally traded on the NYSE. The following table sets forth for the periods indicated the high and low sales prices per Share on the NYSE Composite Tape based on published financial sources.

	HIGH	LOW
FISCAL 1994:		
First Quarter(1)	$23	$21 7/8
Second Quarter	32	21 1/4
Third Quarter	35 1/8	27 1/4
Fourth Quarter	38 1/2	28 1/8
FISCAL 1995:		
First Quarter	$39 1/2	$31 1/4
Second Quarter	36	23 1/2

Third Quarter (through August 15, 1995)..... 36 13/16 22 5/8

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(1) The Shares began trading on the NYSE on March 15, 1994 under the symbol "EFG." Prior to such time, the Company was a wholly owned subsidiary of LNC.

On August 9, 1995, the last full day of trading prior to the public announcement of the execution of the Merger Agreement, the closing price per Share as reported on the NYSE Composite Tape was $27 3/8. On August 15, 1995, the last full day of trading prior to the commencement of the Offer, the closing price per Share as reported on the NYSE Composite Tape was $36 1/4.

Stockholders are urged to obtain current market quotations for the Shares.

The Company has paid regular quarterly dividends at $0.15 per Share since its spinoff from LNC. On August 2, 1995, the Company declared a quarterly dividend of $0.15 per Share, payable on September 15, 1995, to stockholders of record on September 1, 1995. Tendering Shares pursuant to the Offer will not affect the right of stockholders of record on September 1, 1995 to receive this dividend. Under the terms of the Merger Agreement, the Company is prohibited from paying any further dividends.

7. EFFECT OF THE OFFER ON NYSE LISTING, MARKET FOR SHARES AND REGISTRATION UNDER THE EXCHANGE ACT.

The purchase of the Shares by the Offeror pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and will reduce the number of holders of Shares, which will adversely affect the liquidity and market value of the remaining Shares held by stockholders other than the Offeror. The Company has advised the Offeror that, as of August 7, 1995, there were approximately 500 stockholders of record and approximately 12,100 beneficial owners of the Shares.

Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the standards for continued inclusion in the NYSE. If trading volume were lower than such standards, quotations might continue to be published in the "additional list" or in one of the "local lists," or such quotations might not be published at all. If the number of holders of Shares falls below 300, the NYSE might cease to provide quotations but quotations might still be available from other sources. The Offeror cannot predict whether the NYSE trading volume standards for publication will be met after the Offer.

The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application by the Company to the Commission if there are fewer than 300 record holders of Shares. It is the intention of the Offeror to seek to cause an application for such termination to be made as soon after consummation of the Offer as the requirements for termination of registration of the Shares are met. If such

registration were terminated, the Company would no longer legally be required to disclose publicly in proxy materials distributed to stockholders the information which it now must provide under the Exchange Act or to make public disclosure of financial and other information in annual, quarterly and other reports required to be filed with the Commission under the Exchange Act; and the officers, directors and 10% stockholders of the Company would no longer be subject to the "short-swing" insider trading reporting and profit recovery provisions of the Exchange Act. Furthermore, if such registration were terminated, persons holding "restricted securities" of the Company may be deprived of their ability to dispose of such securities under Rule 144 promulgated under the Securities Act of 1933, as amended.

The Shares are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending upon factors similar to those described above regarding listing and market quotations, it is possible that, following the Offer, the Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers. If

registration of Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities".

8. CERTAIN INFORMATION CONCERNING THE COMPANY.

The Company is a Delaware corporation with its principal executive offices located at 1100 Employers Boulevard, DePere, Wisconsin 54115. Except as otherwise set forth herein, the information concerning the Company contained in this Offer to Purchase, including financial information, has been furnished by the Company or has been taken from or based upon publicly available documents and records on file with the Commission and other public sources. Although neither the Offeror nor the Parent has any knowledge that would indicate that statements contained herein based upon such documents are untrue, neither the Offeror, the Parent nor the Dealer Manager assumes any responsibility for the accuracy or completeness of the information concerning the Company, furnished by the Company, or contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to the Offeror and the Parent.

Employers' Health Insurance Company ("EHI"), the principal operating subsidiary of the Company, began insurance operations in 1977. EHI is licensed to sell its managed care products in 47 states (although approximately 80% of its business is concentrated in 10 states) and, according to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, EHI is now the tenth largest commercial group health insurance company in the country based upon 1993 annual statutory premiums.

Set forth below is certain summary consolidated financial data with respect to the Company excerpted or derived from financial information contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1994, and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995. More comprehensive financial information is included in such reports and other documents filed by the Company with the Commission, and the following summary is qualified in its entirety by reference to such reports and such other documents and all the financial information (including any related notes) contained therein. Such reports and other documents should be available for inspection and copies thereof should be obtainable in the manner set forth below.

EMPHESYS FINANCIAL GROUP, INC.
SUMMARY CONSOLIDATED FINANCIAL DATA
(DOLLARS IN MILLIONS)

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,		AS OF AND FOR THE YEAR ENDED DECEMBER 31,	
	1995	1994	1994	1993
INCOME STATEMENT DATA				
Premiums (including administrative fees)	$798	$688	$1,412	$1,255
Interest and other income	28	25	50	50
Income from operations	51	54	105	90
Interest expense	2	1	3	--
Income before income taxes and cumulative effect of changes in accounting principle	49	53	102	90
Net income(a)	31	33	64	55
BALANCE SHEET DATA				
Total assets	$880	$801	$ 826	$ 794
Total common stockholders' equity	364	293	301	340
Total market capitalization(b)	403	507	541	

(a) Net income for the year ended December 31, 1993 includes the cumulative effect of changes in accounting principle for post-retirement benefits ($4 million charge) and income taxes ($1 million income).

(b) The Shares began trading on the NYSE on March 15, 1994. Prior to such time, the Company was a wholly owned subsidiary of LNC.

Prior to entering into the Merger Agreement, the Parent conducted a due diligence review of the Company and in connection with such review received certain non-public information from the Company. The non-public information included, among other things, the Company's business plan for the years ending December 31, 1995, 1996 and 1997 (the "Plan"), which was prepared by the Company's management based on numerous assumptions, including among others, the current business base and prospects of the Company's operating units, wage and benefit increases and the general business climate for the Company's operations. Set forth below is a summary of certain forecasted information derived from the non-public information. None of the assumptions set forth in the Plan give effect to the Offer, the Merger or the financing thereof or the potential combined operations of the Parent and the Company after consummation of such transactions.

The following chart sets forth certain forecasted information contained in the Plan for 1995 on a monthly basis (dollars in millions).

MONTH	FULLY INSURED MEDICAL MEMBERSHIP AT END OF MONTH	ADJUSTED PREMIUMS	ADJUSTED PRETAX INCOME
July 1995	1,084,000	$ 142	$10
August 1995	1,086,000	143	8
September 1995	1,092,000	144	8
October 1995	1,097,000	145	5
November 1995	1,098,000	147	7
December 1995	1,103,000	149	7

The Parent has the right to terminate the Merger Agreement if the Company does not attain certain percentages of specified components of the Plan for certain periods prior to the acceptance for payment of Shares pursuant to the Offer (95% in the case of membership and 90% in the case of premiums and pretax income, as adjusted in accordance with the terms of the Merger Agreement). See Section 13.

The Plan contains forecasted premiums (including administrative fees) and pretax income of $1,991 million and $106 million, respectively, for the year ending December 31, 1996 and $2,364 million and $122 million, respectively, for the year ending December 31, 1997.

THE COMPANY HAS ADVISED THE OFFEROR THAT IT DOES NOT AS A MATTER OF COURSE DISCLOSE FORECASTS AS TO FUTURE REVENUES OR EARNINGS, AND THAT THE FORECASTS DISCUSSED IN THE PLAN WERE NOT INTENDED TO FORECAST LIKELY OR ANTICIPATED OPERATING RESULTS, BUT INSTEAD WERE MERELY ONE SCENARIO INTENDED TO REPRESENT INTERNAL GOALS AND ILLUSTRATE CAPITAL NEEDS AND OTHER ELEMENTS NECESSARY BASED ON A FINANCIAL MODEL TO ACHIEVE SUCH GOALS. THE FORECASTS DISCUSSED IN THE PLAN WERE NOT PREPARED WITH A VIEW TO PUBLIC DISCLOSURE OR COMPLIANCE WITH PUBLISHED GUIDELINES OF THE COMMISSION OR THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FOR PROSPECTIVE FINANCIAL INFORMATION. THE FORECASTED INFORMATION IS INCLUDED HEREIN SOLELY BECAUSE SUCH INFORMATION WAS FURNISHED TO THE PARENT OR THE OFFEROR. ACCORDINGLY, THE INCLUSION OF THE FORECASTS IN THIS OFFER SHOULD NOT BE REGARDED AS AN INDICATION THAT THE PARENT, THE OFFEROR, THE COMPANY OR THEIR RESPECTIVE FINANCIAL ADVISORS OR THEIR RESPECTIVE OFFICERS AND DIRECTORS CONSIDER SUCH INFORMATION TO BE ACCURATE OR RELIABLE, AND NONE OF SUCH PERSONS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY THEREFOR. THE PLAN WAS PREPARED FOR INTERNAL USE AND CAPITAL BUDGETING AND OTHER MANAGEMENT DECISION-MAKING PURPOSES AND IS SUBJECTIVE IN MANY RESPECTS AND THUS SUSCEPTIBLE TO VARIOUS INTERPRETATIONS AND PERIODIC REVISION BASED UPON ACTUAL EXPERIENCE AND BUSINESS DEVELOPMENT. IN ADDITION, BECAUSE THE ESTIMATES AND ASSUMPTIONS UNDERLYING THE PLAN ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY AND ARE BEYOND THE CONTROL OF THE COMPANY AND/OR THE PARENT AND THE OFFEROR, THERE CAN BE NO ASSURANCE THAT THE PLAN WILL BE REALIZED. ACCORDINGLY,

IT IS EXPECTED THAT THERE WILL BE DIFFERENCES BETWEEN ACTUAL AND FORECASTED RESULTS, AND ACTUAL RESULTS MAY BE MATERIALLY HIGHER OR LOWER THAN THOSE SET FORTH ABOVE.

The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. The Company is required to disclose in such proxy statements certain information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities and any material interests of such persons in transactions with the Company. Such reports, proxy statements and other information may be inspected at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street (Suite 400), Chicago, Illinois 60661. Such material should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

9. CERTAIN INFORMATION CONCERNING THE PARENT AND THE OFFEROR.

The Offeror is a newly incorporated Delaware corporation and a wholly owned subsidiary of the Parent, which is also a Delaware corporation. To date, the Offeror has not conducted any business other than that incident to its formation, the execution and delivery of the Merger Agreement and the commencement of the Offer. Accordingly, no meaningful financial information with respect to the Offeror is available.

The principal executive offices of the Offeror and the Parent are located in The Humana Building, at 500 West Main Street, Louisville, Kentucky 40202. The Parent offers managed health care products which integrate management with the delivery of health care services through a network of providers who share financial risk or who have incentives to deliver cost-effective medical services. These products are marketed primarily through health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that encourage, and in most HMO products require, use of contracting providers. HMOs and PPOs also control health care costs by various means, including utilization controls such as pre-admission approval for hospital inpatient services and pre-authorization of outpatient surgical procedures. The Parent's HMO and PPO products are marketed primarily to employer and other groups and Medicaid and Medicare-eligible individuals.

Set forth below is certain summary consolidated financial data with respect to the Parent excerpted or derived from financial information contained in the Parent's Annual Report on Form 10-K for the year ended December 31, 1994, and the Parent's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995. More comprehensive financial information is included in such reports and other documents filed by the Parent with the Commission, and the following summary is qualified in its entirety by reference to such reports and such other documents and all the financial information (including any related notes) contained therein.

HUMANA INC.
SUMMARY CONSOLIDATED FINANCIAL DATA
(DOLLARS IN MILLIONS)

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,		AS OF AND FOR THE YEAR ENDED DECEMBER 31,	
	1995	1994(A)	1994(A)	1993
INCOME STATEMENT DATA				
Premiums	$2,073	$1,750	$3,576	$3,137
Interest and other income	45	36	78	58
Income from operations	152	92	232	150
Interest expense (recovery)	4	(27)	(25)	7

Income before income taxes	148	119	257	143
Net income	98	86	176	89
BALANCE SHEET DATA				
Working capital	$ 262	$ 159	$ 222	$ 231
Total assets	2,163	1,821	1,957	1,731
Total common stockholders' equity	1,176	972	1,058	889
Total market capitalization	2,872	2,596	3,650	2,846

(a) Results for the six months ended June 30, 1994 and the year ended December 31, 1994 include nonrecurring income of $11 million ($17 million net of tax) related to the favorable settlement of tax disputes with the Internal Revenue Service, partially offset by the write-down of a nonoperational asset.

The Parent is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports and other information with the Commission relating to its business, financial condition and other matters. Such reports and other information are available for inspection and copying at the offices of the Commission in the same manner as set forth with respect to the Company in Section 8.

Except as described in this Offer to Purchase, none of the Offeror, the Parent, nor, to the best knowledge of the Offeror and the Parent, any of the persons listed in Annex I to this Offer to Purchase owns or has any right to acquire any Shares and none of them has effected any transaction in the Shares during the past 60 days.

10. SOURCE AND AMOUNT OF FUNDS.

If all Shares (including Shares covered by options which have exercise prices of less than $37.50) outstanding at August 7, 1995 are validly tendered and purchased by the Offeror, the aggregate purchase price and all estimated fees and expenses will be approximately $660 million. The Offeror will obtain all such funds from the Parent, which will obtain these funds through bank borrowings, available cash and the sale of selected marketable securities.

Under a Credit Agreement, dated as of January 12, 1994, as amended (the "Credit Agreement"), by and among the Parent, the several banks and other financial institutions from time to time parties thereto (the "Lenders"), and Chemical Bank, as agent and as CAF Loan Agent (the "Agent"), the Parent may, from time to time, borrow up to $350 million for general corporate purposes. As of August 16, 1995, no borrowings are outstanding under the Credit Agreement.

Pursuant to the Credit Agreement, the Parent may request the Lenders to make "Alternate Base Rate Loans," "Eurodollar Loans" or a combination thereof, as determined by the Parent. Alternate Base Rate Loans made pursuant to the Credit Agreement bear interest on any date at a rate per annum equal to the greatest of (i) Chemical Bank's prime rate as publicly announced, (ii) the Base CD Rate (as defined in the Credit Agreement) in effect on such day plus 1%, and (iii) the Federal Funds Effective Rate in effect on such day plus 0.5000%. Eurodollar Loans made pursuant to the Credit Agreement bear interest at a per annum rate determined as an average of the rate for dollar deposits offered in the interbank eurodollar market two days prior to the interest period for the Eurodollar Loan, plus an additional margin ranging from 0.2500% to 0.4375%. In addition to the Alternate Base Rate Loans and the Eurodollar Loans, the Credit Agreement provides that the Parent may request the Lender to make "CAF Loans," which are uncommitted advances at competitive rates made on an auction basis. The Credit Agreement provides for the payment by the Parent to the Agent, for the account of each Lender, of a facility fee in respect of the average daily amount of the commitment (regardless of utilization) of such Lender during the preceding fiscal quarter, to be computed at a rate ranging from 0.1250% to 0.3125%, depending upon the ratio of the Parent's consolidated total debt to the sum of the Parent's consolidated total debt and consolidated net worth (as those terms are defined in the Credit Agreement). The Credit Agreement contains customary conditions to borrowing, representations and warranties, covenants and events of default. Amounts under the Credit Agreement may generally be borrowed, repaid and reborrowed from time to time. All borrowings under the Credit Agreement mature on October 26, 1999. The Lenders include Chemical Bank; Citibank, N.A.; NationsBank of Georgia, N.A.; National City Bank, Kentucky; PNC Bank, Kentucky, Inc.; Wachovia Bank of Georgia, N.A.; Bank of America National

Trust & Savings Association; First National Bank of Chicago; The Chase Manhattan Bank, N.A.; First Interstate Bank of California; Liberty National Bank and Trust Co. of Kentucky; Sumitomo Bank Ltd.; The Toronto-Dominion Bank; The Sanwa Bank, Limited, Atlanta Agency; The Bank of Nova Scotia; Bank of Louisville & Trust Company; Barnett Bank of Broward County, N.A.; The Boatmen's National Bank of St. Louis; and Shawmut Bank Connecticut, N.A.

The foregoing description of the Credit Agreement is qualified in its entirety by reference to the text of the Credit Agreement filed as an exhibit to the Tender Offer Statement on Schedule 14D-1 of the Offeror (the "Schedule 14D-1") and the Parent filed with the Commission in connection with the Offer and is incorporated herein by reference.

It is anticipated that borrowings under the Credit Agreement will be repaid from funds generated internally by the Parent and its subsidiaries (including the Company) and from other sources which may include the proceeds of the private or public sale of debt or equity securities.

The margin regulations promulgated by the Federal Reserve Board place restrictions on the amount of credit that may be extended for the purposes of purchasing margin stock (including the Shares) if such credit is secured directly or indirectly by margin stock. While the Credit Agreement contains a negative pledge clause covering a substantial portion of the Parent's assets on a consolidated basis and prohibits any part of the proceeds from borrowings thereunder being used in any transaction or for any purpose which violates the margin regulations, the Parent and the Offeror believe that the financing of the acquisition of the Shares through the Credit Agreement will be in full compliance with the margin regulations.

The Offer is not subject to a financing condition.

11. BACKGROUND OF THE OFFER; PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE COMPANY.

On February 24, 1995, at the request of William J. Lawson, Chairman of the Board and Chief Executive Officer of the Company, Mr. Lawson and another member of senior management of the Company met with Wayne T. Smith, President and Chief Operating Officer of the Parent, and other members of senior management of the Parent to discuss possible business ventures between the Parent and the Company. During the meeting, the possibility of the acquisition of the Company by the Parent was first broached. Subsequent discussions were held between representatives of the Parent and the Company on a preliminary basis relative to a possible acquisition. On April 19, 1995, the Parent and the Company entered into a Confidentiality Agreement, pursuant to which the Company agreed to furnish information about the Company to the Parent for purposes of the Parent conducting due diligence of the Company to determine whether to make an acquisition proposal. Subsequent thereto, various representatives of the Parent conducted a due diligence investigation.

On July 7, 1995, the Parent sent the following letter to Morgan Stanley, in its capacity as financial advisor to the Company:

July 7, 1995

Mr. Charles R. Cory
Morgan Stanley & Co. Incorporated
1251 Avenue of the Americas
New York, New York 10020

RE: PROPOSAL FOR [THE COMPANY]

Dear Mr. Cory:

Pursuant to a telephone conversation held between our representatives, Humana Inc. ("Humana") is pleased to advise you of our interest in acquiring all of the shares of common stock ("Shares") of [the Company] (the "Company"). We believe a combination of the Company's preeminent small group and distribution skills along with Humana's larger group focus and medical cost expertise will appeal to investors and employees as the next generation managed care company. This proposal is confidential and shall be deemed withdrawn if any announcements or

disclosures of the existence of this proposal or any of its terms are made known to any person other than the Company and its representatives assisting it in evaluation of the proposal. It is also made expressly subject to the terms and conditions set forth below.

A. Price

Humana is prepared to pay an aggregate cash payment of $618,400,000 or $36.00 per Share based on 17,100,000 Shares outstanding and 200,000 outstanding options to purchase Shares. Humana is also prepared to provide contingent payment units ("CPUs") as additional consideration based on the Company reaching certain defined financial performance goals in calendar year 1996 as set forth in Attachment A on the basis of one CPU per Share. Each CPU could provide an additional maximum payment of $6.00 per Share if the financial performance goals are reached in full.

B. Merger Agreement

Humana and Company shall negotiate a satisfactory Merger Agreement providing for customary warranties and representations, covenants, conditions (including obtaining all requisite regulatory approvals) to closing of the merger and other terms. Prior to its execution, the Merger Agreement shall be approved by the boards of directors of both Humana and the Company.

C. Stock Option and Voting Agreement with Lincoln National Corporation ("Lincoln").

Simultaneous with or prior to the execution of the Merger Agreement, Humana and Lincoln shall negotiate a Stock Option and Voting Agreement in a form satisfactory to Humana covering all of the shares of common stock of the Company beneficially owned by Lincoln.

D. Due Diligence.

Humana shall have the opportunity to update and satisfactorily complete its due diligence with the Company.

E. Funding of Acquisition.

Humana shall fund the acquisition with available cash on hand and through existing lines of credit available to it. The Merger Agreement will not be subject to a financing condition.

F. Termination Fee.

The Merger Agreement shall provide that in the event of the termination of the Merger Agreement by the Company or under certain circumstances by Humana, Humana would receive a Termination Fee of an amount equal to four percent (4%) of the greater of the value of this transaction or any transaction consummated with another party.

G. Material Adverse Change.

The Merger Agreement shall provide that Humana shall have the right to terminate the merger in the event of a material adverse change in Company's financial condition or business prospects as reflected in Company's most recently available financial statements prior to closing.

H. Humana's Financial Advisors.

Humana's financial advisors are Benjamin D. Lorello, Conrad L. Bringsjord and Brian P. Gottlieb of Smith Barney.

I. Proposal Expiration Date.

This proposal will remain open until 5:00 EDT on July 17, 1995, unless rejected by the Company prior to that time.

We are confident that the combination of our companies will be

beneficial to the shareholders, employees and insureds of both companies and we look forward to working with you to achieve this goal. The Company and its representatives are invited to contact the undersigned [...] to discuss this proposal.

Very truly yours,

W. ROGER DRURY
Chief Financial Officer

Subsequent to the delivery of the letter referred to above, representatives of the Parent and the Company had various discussions concerning the Parent's proposal. On July 14, 1995, the Company provided the Parent and its representatives with a draft Merger Agreement. On July 17 and 18, representatives of the Parent and the Company met to discuss the terms of the draft Merger Agreement. At the same time, discussions were held between representatives of the Parent and the Selling Stockholder concerning the terms of the Stock Option and Tender Agreement. During this period and subsequent thereto, the Parent conducted additional due diligence. On July 28, 1995, members of senior management of the Parent and the Company met to discuss further the Parent's interest in acquiring the Company.

On July 31, 1995, the Parent sent the following letter to the Company:

July 31, 1995

Mr. William J. Lawson, CLU
Chairman and CEO
Emphesys Financial Group, Inc.
1100 Employers Boulevard
Green Bay, WI 54344

RE: PROPOSAL FOR [THE COMPANY]

Dear Bill:

We are pleased to advise you of our interest in acquiring all of the shares of common stock of [the Company]. We believe a combination of the Company's preeminent small group and distribution skills along with Humana's larger group focus and medical costs expertise will appeal to investors and employees as the next generation managed care company. This proposal is confidential and shall be deemed withdrawn if any announcements or disclosures of the existence of this proposal or any of its terms are made known to any person other than the Company and its representatives assisting it in evaluation of the proposal. It is also made expressly subject to the terms and conditions set forth below.

In determining what we believe is a fair and appropriate price for Humana to pay to the shareholders of [the Company], members of our senior management have spent significant time during the past several weeks in the due diligence process. We have discussed the results of that process with you. Based upon our review and market and other conditions generally in the health insurance area, we believe that a price of $37.00 per share is an extremely attractive price for your shareholders. Subject to the finalization of a definitive merger agreement, which we believe we are close on, we are prepared to consummate the transaction on a very accelerated time basis. As we have indicated previously, Humana has the financial resources to finance the transaction.

We look forward to working with you to achieve a successful combination of our companies that would be beneficial to our shareholders, employees and insureds.

Very truly yours,

WAYNE T. SMITH
President and Chief Operating Officer

cc: Mr. Gregory H. Wolf

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On August 2, 1995, the Company sent the following letter to the Parent:

August 2, 1995

STRICTLY CONFIDENTIAL
BY TELECOPY

Wayne T. Smith
President and Chief Operating Officer
Humana Inc.
Louisville, KY

Dear Wayne:

Our Board met this morning to discuss your letter to me dated July 31, 1995 and the related draft contract markup. Based principally on price considerations and the proposed additional closing conditions set forth as a rider to page 38, our Board has rejected your proposal.

However, the board has authorized management to make a counter-proposal at $38.50 per share on terms and conditions to be set forth in a revised draft of the contract which our counsel will deliver to your counsel later today. (The Company Disclosure Letter will be delivered to your counsel tomorrow.) This counter-proposal will expire at 5:00 p.m. (Central time) on Friday, August 4, 1995 and, like your July 31 proposal, shall be deemed withdrawn if any announcements or disclosures of the existence of this proposal or any of its terms are made known to any person other than your company and its representatives assisting it in evaluation of this counter-proposal.

To put the finishing touches on the contract, we would be available to meet with you in Chicago anytime on Thursday or Friday, at the offices of our counsel. Our Board is available to meet to approve a transaction over the weekend and has tentatively scheduled a meeting for Sunday, should circumstances warrant.

The board has strongly urged our management to bring these discussions to an expeditious conclusion, one way or the other. We, like you, believe a combination of our two fine companies make ultimate sense strategically. We are hopeful that a mutually satisfactory agreement can be reached in short order.

Very truly yours,

WILLIAM J. LAWSON
Chairman and CEO

cc: Gregory H. Wolf
W. Roger Drury

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On August 3, the Parent sent the following letter to the Company:

August 3, 1995

Mr. William J. Lawson, CLU
Chairman and CEO
Emphesys Financial Group, Inc.
1100 Employers Boulevard
Green Bay, WI 54344

RE: PROPOSAL FOR [THE COMPANY]

Dear Bill:

Thank you for your proposal regarding [the Company]. Although we understand your concerns regarding the additional closing condition, we strongly believe that in today's uncertain environment we cannot proceed

without it at the price we proposed in my letter to you of [July 31]. In order to address some of your concerns, we have instructed our counsel to deliver to your counsel a revised version of the closing condition which focuses on just three items: consolidated pretax profit, revenue and membership.

Our revised proposal is to acquire all of the outstanding common stock of [the Company] at a price of $37.00 per share with the revised closing condition. In the alternative, we would propose to acquire all of such shares at a price of $34 per share without the inclusion of the closing condition. Either proposal is subject to the completion of a definitive merger agreement.

This offer will expire at 5:00 p.m. EDT on August 4, 1995. We look forward to hearing from you and continue to believe in the value of this strategic combination.

Sincerely,

WAYNE T. SMITH

cc: Mr. Gregory H. Wolf

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On August 3, the Company sent the following letter to the Parent:

August 3, 1995

STRICTLY CONFIDENTIAL
BY TELECOPY

Wayne T. Smith
President and Chief Operating Officer
Humana Inc.
Louisville, KY

Dear Wayne:

We are disappointed and confused by your current proposal, as outlined in your letter of August 3. As you know, on August 2nd our Board deliberated at length and authorized management to make a proposal at $38.50 per share, assuming a Material Adverse Change provision consistent with a public company transaction, and in consideration of the extensive and thorough due diligence process that was conducted.

It is clear that Humana prefers a highly specific Material Adverse Change clause. Therefore, management has taken the dimensions specified in the addendum to your August 3rd letter, and devised a provision that we believe provides reasonable protection against material adverse changes in our business for the period prior to closing. The attached Material Adverse Change clause also represents an extraordinary concession for a public company transaction. The attached Material Adverse Change clause would supersede the more general, conventional, closing condition of a "bring down" adverse change representation and warranty.

This letter is intended to reaffirm our proposal of $38.50 per share, in conjunction with the attached Material Adverse Change clause. Please know that we remain committed to reaching an agreement which would result in the combination of our two companies. I would remind you that our Board has strongly urged management to bring these discussions to an expeditious conclusion. In that vein, it is suggested, and consistent with your previous correspondence, that we conclude our discussions by 5:00 p.m. tomorrow, Friday, August 4, 1995.

Very truly yours,

WILLIAM J. LAWSON
Chairman and CEO

cc: Gregory H. Wolf
W. Roger Drury

During the period from July 17 through August 3, 1995, various telephone discussions were held between representatives of the Parent and the Company (in addition to the meeting and the correspondence quoted above) and the Parent continued its due diligence on the Company. On August 4, 1995, Mr. Drury and other members of senior management of the Parent met with Messrs. Lawson and Wolf and other members of senior management of the Company to discuss, among other things, the open issues discussed in the above quoted correspondence, in particular the provision in the Merger Agreement relating to the right of the Parent and the Offeror to terminate the Merger Agreement if the Company does not attain certain percentages of specified financial and operational targets. At that meeting, a $37.50 per share price was agreed upon, subject to approval by the Board of Directors of the Company. Following that meeting, representatives of the Parent and the Company had further discussions concerning the terms of the Merger Agreement. Further discussions were also held between representatives of the Parent and the Selling Stockholder concerning the terms of the Stock Option and Tender Agreement. On the evening of August 8, 1995, Mr. Lawson advised Mr. Smith that

the Company's Board of Directors had approved the Company being acquired by the Parent, subject to the terms of the Merger Agreement being finalized. On August 9, 1995, representatives of the Parent and the Company had various discussions to finalize the terms of the Merger Agreement. These discussions culminated in the Merger Agreement and the Stock Option and Tender Agreement being executed during the evening of August 9, 1995. Public disclosure was made on the morning of August 10, 1995, prior to the opening of trading on the NYSE.

12. PURPOSE OF THE OFFER AND THE MERGER; PLANS FOR THE COMPANY.

The purpose of the Offer, the Merger, the Merger Agreement, and the Stock Option and Tender Agreement is to enable the Parent to acquire control of, and the entire equity interest in, the Company. Upon consummation of the Merger, the Company will become a wholly owned subsidiary of the Parent. The Offer is being made pursuant to the Merger Agreement.

Under the DGCL, the approval of the Board of Directors of the Company and the affirmative vote of the holders of a majority of the outstanding Shares are required to approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger. The Board of Directors of the Company has approved the Offer, the Merger and the Merger Agreement and the transactions contemplated thereby, and, unless the Merger is consummated pursuant to the short form merger provisions under the DGCL described below, the only remaining required corporate action of the Company is the approval and adoption of the Merger Agreement and the transactions contemplated thereby by the affirmative vote of the holders of a majority of the Shares. If the Minimum Condition is satisfied, the Offeror will have sufficient voting power to cause the approval and adoption of the Merger Agreement and the transactions contemplated thereby without the affirmative vote of any other stockholder.

In the Merger Agreement, the Company has agreed to take all action necessary to convene a meeting of its stockholders as promptly as practicable after the consummation of the Offer for the purpose of considering and taking action on the Merger Agreement and the transactions contemplated thereby, if such action is required by the DGCL. The Parent has agreed that, subject to applicable law, all Shares owned by the Offeror or any other subsidiary of the Parent will be voted in favor of the Merger Agreement and the transactions contemplated thereby.

Short Form Merger. Under the DGCL, if the Offeror acquires at least 90% of the outstanding Shares, the Offeror will be able to approve the Merger without a vote of the Company's stockholders. In such event, the Offeror anticipates that it will take all necessary and appropriate action to cause the Merger to become effective as soon as reasonably practicable after such acquisition without a meeting of the Company's stockholders. If the conditions to the Offeror's obligation to purchase Shares in the Offer are satisfied prior to 90% of the outstanding shares being tendered into the Offer, the Offeror may, subject to certain limitations set forth in the Merger Agreement, delay its purchase of the Shares tendered to it in the Offer. See Section 1. If the Offeror does not otherwise acquire at least 90% of the outstanding Shares pursuant to the Offer or otherwise, a significantly longer period of time may be required to effect the Merger, because a vote of the Company's stockholders would be required under

the DGCL. Pursuant to the Merger Agreement, the Company has agreed to take all action necessary under the DGCL and its Certificate of Incorporation and Bylaws to convene a meeting of its stockholders promptly following consummation of the Offer to consider and vote on the Merger, if a stockholders' vote is required. If the Offeror owns a majority of the outstanding Shares, approval of the Merger can be obtained without the affirmative vote of any other stockholder of the Company.

Appraisal Rights. No appraisal rights are available in connection with the Offer. However, if the Merger is consummated, stockholders of the Company will have certain rights under the DGCL to dissent and demand appraisal of, and to receive payment in cash for the fair value of, their Shares. Such rights to dissent, if the statutory procedures are complied with, could lead to a judicial determination of the fair value of the Shares (excluding any element of value arising from the accomplishment or expectation of the Merger) required to be paid in cash to such dissenting holders for their Shares. In addition, such dissenting stockholders would be entitled to receive payment of a fair rate of interest from the date of consummation of

the Merger on the amount determined to be the fair value of their Shares. In determining the fair value of the Shares, a Delaware court would be required to take into account all relevant factors. Accordingly, such determination could be based upon considerations other than, or in addition to, the market value of the Shares, including, among other things, asset values and earning capacity. In Weinberger v. UOP, Inc., the Delaware Supreme Court stated, among other things, that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered in an appraisal proceeding. Therefore, the value so determined in any appraisal proceeding could be different from the price being paid in the Offer.

In addition, several decisions by Delaware courts have held that, in certain circumstances, a controlling stockholder of a company involved in a merger has a fiduciary duty to other stockholders which requires that the merger be fair to such other stockholders. In determining whether a merger is fair to minority stockholders, Delaware courts have considered, among other things, the type and amount of consideration to be received by the stockholders and whether there was fair dealing among the parties. The Delaware Supreme Court stated in Weinberger and Rabkin v. Philip A. Hunt Chemical Corp. that although the remedy ordinarily available to minority stockholders in a cash-out merger is the right to appraisal described above, a damages remedy or injunctive relief may be available if a merger is found to be the product of procedural unfairness, including fraud, misrepresentation or other misconduct.

Rule 13e-3. The Commission has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer or otherwise in which the Offeror seeks to acquire the remaining Shares not held by it. The Offeror believes, however, that Rule 13e-3 will not be applicable to the Merger if the Merger is consummated within one year after the termination of the Offer at the same per Share price as paid in the Offer. If applicable, Rule 13e-3 requires, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the proposed transaction and the consideration offered to minority stockholders in such transaction, be filed with the Commission and disclosed to stockholders prior to consummation of the transaction.

Plans for the Company. Except as otherwise set forth in this Offer to Purchase, it is expected that, initially following the Merger, the business and operations of the Company will be continued by the Surviving Corporation substantially as they are currently being conducted. The Board of Directors of the Surviving Corporation will be composed of current officers of the Parent.

The Parent will continue to evaluate the business and operations of the Company during the pendency of the Offer and after the consummation of the Offer and the Merger, and will take such actions as it deems appropriate under the circumstances then existing. The Parent intends to seek additional information about the Company during this period. Thereafter, the Parent intends to review such information as part of a comprehensive review of the Company's business, operations, capitalization and management with a view to optimizing exploitation

of the Company's potential in conjunction with the Parent's business.

Except as indicated in this Offer to Purchase, the Parent does not have any present plans or proposals which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, a sale or transfer of a material amount of assets of the Company or any of its subsidiaries or any material change in the Company's capitalization or dividend policy or any other material changes in the Company's corporate structure or business, or the composition of the Company's Board of Directors or management.

13. THE MERGER AGREEMENT; THE STOCK OPTION AND TENDER AGREEMENT.

The following summary of certain provisions of the Merger Agreement and the Stock Option and Tender Agreement, copies of which are filed as exhibits to the Schedule 14D-1, is qualified in its entirety by reference to the text of the Merger Agreement and the Stock Option and Tender Agreement.

The Merger Agreement

The Offer. The Offeror commenced the Offer in accordance with the terms of the Merger Agreement. Pursuant to the terms and conditions of the Merger Agreement, the Parent, the Offeror and the Company are required to use all reasonable efforts to take all action as may be necessary or appropriate in order to effectuate the Offer and the Merger as promptly as possible and to carry out the transactions provided for or contemplated by the Merger Agreement.

Company Actions. Pursuant to the Merger Agreement, the Company has agreed that on the date of the commencement of the Offer, subject to the fiduciary duties of the Board of Directors of the Company under applicable law as determined by the Board of Directors of the Company in good faith after consultation with the Company's outside counsel, it will file with the Commission and mail to its stockholders, a Solicitation/Recommendation Statement on Schedule 14D-9 containing the recommendation of the Board of Directors that the Company's stockholders accept the Offer and approve the Merger and the Merger Agreement.

The Merger. The Merger Agreement provides that, upon the terms and subject to the conditions of the Merger Agreement, and in accordance with the DGCL, the Offeror shall be merged with and into the Company at the Effective Time. Following the Merger, the separate corporate existence of the Offeror shall cease and the Company shall continue as the Surviving Corporation and shall succeed to and assume all the rights and obligations of the Offeror in accordance with the DGCL. The Certificate of Incorporation and By-laws of the Offeror shall be amended to change the name of the Offeror to "EMPHESYS Financial Group, Inc." and, as so amended, the Certificate of Incorporation and the Bylaws of the Offeror shall become the Certificate of Incorporation and Bylaws of the Surviving Corporation, and the directors and officers of the Offeror shall become the directors and officers of the Surviving Corporation.

Conversion of Securities. At the Effective Time, each Share issued and outstanding immediately prior thereto shall be canceled and extinguished and each Share (other than Shares held by the Company as treasury Shares, Shares owned by any subsidiary of the Company, Shares owned by the Offeror or any subsidiary thereof, and Dissenting Shares (as defined below)) shall, by virtue of the Merger and without any action on the part of the Offeror, the Company or the holders of the Shares, be converted into and represent the right to receive the Offer Price. Each share of common stock of the Offeror issued and outstanding immediately prior to the Effective Time shall, at the Effective Time, by virtue of the Merger and without any action on the part of the Offeror, the Company or the holders of Shares, be converted into and shall thereafter evidence one validly issued and outstanding share of common stock of the Surviving Corporation.

Dissenting Shares. If required by the DGCL, Shares which are held by holders who have properly exercised appraisal rights with respect thereto in accordance with Section 262 of the DGCL will not be exchangeable for the right to receive the Offer Price, and holders of such Shares will be entitled to receive payment of the appraised value of such Shares unless such holders fail to perfect or withdraw or lose their right to appraisal and payment under the DGCL.

Merger Without a Meeting of Stockholders. In the event that the Offeror shall acquire at least 90 percent of the outstanding Shares, the parties agree to take all necessary and appropriate actions to cause the Merger to become effective without a meeting of stockholders of the Company, in accordance with Section 253 of the DGCL.

Representations and Warranties. In the Merger Agreement, the Company has made customary representations and warranties to the Offeror, including, but not limited to, representations and warranties relating to the Company's organization and qualification, capitalization, its authority to enter into the Merger Agreement and carry out the related transactions, filings made by the Company with the Commission under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act (including financial statements included in the documents filed by the Company under these acts), required consents and approvals, compliance with applicable laws (including state insurance regulatory approvals), employee benefit plans, litigation, material liabilities of the Company and its subsidiaries, the payment of taxes and the absence of certain material adverse changes or events.

The Offeror and the Parent have also made customary representations and warranties to the Company, including, but not limited to, representations and warranties relating to the Offeror's and the Parent's organization and qualification, authority to enter into the Merger Agreement, required consents and approvals, and the availability of sufficient funds to consummate the Offer.

Covenants Relating to the Conduct of Business. The Company has agreed that it will, and will cause its subsidiaries to, in all material respects, carry on their respective businesses in, and not enter into any material transaction other than in accordance with, the regular and ordinary course and, to the extent consistent therewith, use their reasonable best efforts to preserve intact its current business organizations, keep available the services of their current officers and employees and preserve their relationships with customers, suppliers and others having business dealings with them. The Company has agreed that, except as contemplated by the Merger Agreement or as disclosed by the Company to the Parent prior to the execution of the Merger Agreement, it shall not, and shall not permit any of its subsidiaries to, without the prior written consent of the Parent:

(a) (x) declare, set aside or pay any dividends on, or make any other actual, constructive or deemed distributions in respect of, any of its capital stock, or otherwise make any payments to stockholders of the Company in their capacity as such, other than (1) dividends declared prior to the date of the Merger Agreement, and (2) dividends payable to the Company declared by any of the Company's subsidiaries, (y) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (z) purchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

(b) issue, deliver, sell, pledge, dispose of or otherwise encumber any shares of its capital stock, any other voting securities or equity equivalent or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities or equity equivalent (other than, in the case of the Company, the issuance of Shares during the period from the date of the Merger Agreement through the Effective Time upon the exercise of certain outstanding stock options of the Company on the date of the Merger Agreement in accordance with their current terms);

(c) amend its charter or bylaws;

(d) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets, in each case that are material, individually or in the aggregate, to the Company and its subsidiaries taken as a whole;

(e) sell, lease or otherwise dispose of or agree to sell, lease or otherwise dispose of, any of its assets that are material, individually or in the aggregate, to the Company and its subsidiaries taken as a whole;

(f) incur any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or guarantee any debt securities of others, except for borrowings or guarantees incurred in the ordinary course of business consistent with past practice, or make any loans, advances or capital contributions to, or investments in, any other person, other than to the Company or any wholly owned subsidiary of the Company and other than in the ordinary course of business consistent with past practice;

(g) alter through merger, liquidation, reorganization, restructuring or in any other fashion the corporate structure or ownership of any subsidiary of the Company;

(h) enter into or adopt, or amend any existing, severance plan, agreement or arrangement or, other than in the ordinary course of business, enter into or amend any employee benefit plan or employment or consulting agreement except (x) as permitted by the Merger Agreement or (y) with respect to employees that are not executive officers or directors, compensation increases associated with promotions and regular reviews in the ordinary course of business consistent with past practices; or

(i) waive, amend or allow to lapse any term or condition of any confidentiality or "standstill" agreement to which the Company is a party.

During the period from the date of the Merger Agreement through the Effective Time, (i) as requested by the Parent, the Company shall confer on a regular basis with one or more representatives of the Parent with respect to material operational matters; (ii) the Company shall, within 20 days following each fiscal month, deliver to the Parent financial statements, including an income statement and balance sheet for such month, together with a statement reconciling differences between the forecasted results of operations for such month set forth in the Plan and the actual results of operations set forth in the financial statements delivered pursuant to this clause (ii); and (iii) upon the knowledge of the Company of any change, either individually or in the aggregate, that is or may be materially adverse to the business, assets, liabilities, properties, condition (financial or otherwise) or results of operations of all or any material part of the Company and its subsidiaries taken as a whole ("Material Adverse Effect"), any material litigation or material governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the breach in any material respect of any representation or warranty contained herein, the Company shall promptly notify the Parent thereof.

During the period from the date of the Merger Agreement through the Effective Time, the Offeror shall not engage in any activities of any nature except as provided in or contemplated by the Merger Agreement.

No Solicitation. The Company has agreed in the Merger Agreement that, from the date of the Merger Agreement until the Effective Time or the termination of the Merger Agreement, neither the Company nor its subsidiaries shall, and the Company shall direct and use its reasonable best efforts to cause its officers, directors, employees, authorized agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its subsidiaries) not to initiate, solicit or encourage, directly or indirectly, any inquiries or the making or implementation of any proposal or offer (including, without limitation, any proposal or offer to its stockholders) with respect to a merger, acquisition, consolidation or similar transaction involving the Company or its subsidiaries, or any purchase of all or any significant portion of the assets or any equity securities of, the Company or its subsidiaries (an "Acquisition Proposal"), or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal, and that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore and will take the necessary steps to inform such parties of the obligations undertaken in the Merger Agreement. The Company will notify the Parent

immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, it, but the Company need not disclose the identity of the other party or the terms of its proposals; provided, however, that such agreement shall not prohibit the Board of Directors of the Company from (i) furnishing information to or entering into discussions or negotiations with, any person or entity that makes an unsolicited bona fide proposal in writing, not subject to a financing condition, to acquire the Company pursuant to a merger, consolidation, share exchange, purchase of a substantial portion of the assets, business combination or other similar transaction if, and only to the extent that (A) the Board of Directors determines in good faith after consultation with the Company's outside counsel that such action is required for the Board of Directors to comply with its fiduciary duties to stockholders imposed by laws, (B) prior to or concurrently with furnishing such information or entering into such discussions, the Company provides written notice to the Parent to the effect that it is furnishing information to, or entering discussions or negotiations with, such a person or entity, and (C) the Company keeps the Parent informed of the status (not the identity or terms) of any such discussions or negotiations; and (ii) to the extent applicable, complying with Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal.

Options. Pursuant to the Merger Agreement, all outstanding employee stock options (the "Company Stock Options") granted under the Company's 1994 Stock Incentive Plan (the "Stock Plan") shall become fully exercisable and vested, and, pursuant to the terms of the Stock Plan shall, upon their surrender to the Company by the holders, be canceled by the Company, and the holders shall receive a cash payment from the

Company in an amount equal to the number of Shares subject to each surrendered option multiplied by the difference (if positive) between the exercise price per Share covered by the option and the Offer Price; provided, however, that the making of such payment to any such holder shall be conditioned on such holder acknowledging the cancellation of all Company Stock Options held by such holder, including any Company Stock Options as to which the exercise price equals or exceeds $37.50 (the "Out-of-the-Money Options"). The Company shall use its best efforts to cause each holder of Out-of-the-Money Options to acknowledge, prior to the purchase of Shares pursuant to the Offer, the cancellation without consideration therefor of such holder's Out-of-the-Money Options and to cause each other holder of Company Stock Options to surrender their Company Stock Options in accordance with the prior sentence. Any Company Stock Options not canceled in accordance with the previous sentence shall be canceled at the Effective Time in exchange for an amount in cash, payable at the Effective Time, equal to the amount which would have been paid had such stock options been canceled immediately prior to the consummation of the Offer. The Merger Agreement also provides that the Company shall terminate the Stock Plan immediately prior to the Effective Time without prejudice to the holders of such options and grant no additional Company Stock Options.

Indemnification. From and after the Effective Time, the Parent agrees to, and to cause the Surviving Corporation to, indemnify and hold harmless all past and present officers, directors, employees and agents (the "Indemnified Parties") of the Company and of its subsidiaries to the full extent such persons may be indemnified by the Company pursuant to the Company's certificate of incorporation and bylaws as in effect as of the date of the execution of the Merger Agreement for acts and omissions occurring at or prior to the Effective Time and shall advance reasonable litigation expenses incurred by such persons in connection with defending any action arising out of such acts or omissions, provided that such persons provide the requisite affirmation and undertaking, as set forth in the Company's bylaws prior to the Effective Time. The Parent will provide, or cause the Surviving Corporation to provide, for a period of not less than six years after the Effective Time, the Company's current directors and officers an insurance and indemnification policy that provides coverage for events occurring at or prior to the Effective Time (the "D&O Insurance") that is no less favorable than the existing policy or, if substantially equivalent insurance coverage is unavailable, the best available coverage; provided, however, that the Parent and the Surviving Corporation shall not be required to pay an annual premium for the D&O Insurance in excess of one and one-half times the last annual premium paid prior to the date of the execution of the Merger Agreement, but in such case shall purchase as much such coverage as possible for such amount.

Employee Benefits. Until at least December 31, 1996, the Parent has agreed to maintain employee benefits and programs for retirees, officers and employees of the Company (other than Messrs. William J. Lawson and Gregory H. Wolf, as to whom benefits shall be as set forth in the agreements now in existence between the Company and such individuals) and its subsidiaries that are no less favorable in the aggregate than those being provided to such retirees, officers and employees on the date of the execution of the Merger Agreement (it being understood that the Parent will not be obligated to continue any one or more employee benefits or programs). For purposes of eligibility to participate in and vesting in all benefits provided to retirees, officers and employees, retirees, officers and employees of the Company and its subsidiaries will be granted their years of service with the Company and its subsidiaries and years of service with prior employers to the extent service with prior employers is taken into account under plans of the Company. Amounts paid before the Effective Time by retirees, officers and employees of the Company under any medical plans of the Company shall after the Effective Time be taken into account in calculating balances for deductibles and maximum out-of-pocket limits applicable under the medical plan of the Parent for the plan year during which the Effective Time occurs as if such amounts had been paid under such medical plan of the Parent.

After the Effective Time, the Parent has agreed to cause the Company to maintain for 1995, without modification or amendment, the Company's Management Incentive Plan (the "MIP") for all covered employees. The Parent has agreed that the following principles shall apply for purposes of determining bonuses for 1995 under the MIP: (1) only persons who are employees of the Company or any of its subsidiaries at the time that bonuses are paid (which shall not be later than February 28, 1996) and who, at such time, are covered by the MIP shall be eligible to receive such bonuses, except that employees that are terminated (actually or constructively) without cause prior to the date that bonuses are paid shall be eligible

to receive a pro rata portion of such bonuses; (2) whether any bonuses are payable under such plan and, if so, the amounts thereof shall be determined as if the transactions contemplated in the Merger Agreement had not occurred and the Company had remained an independent, publicly owned company through December 31, 1995, taking into account to the extent reasonably applicable the limitations imposed by certain provisions of the Merger Agreement; and (3) the timing of payment of any bonuses payable pursuant to clause (2) above shall be consistent with past practices. The pro rata portion of an employee's bonus shall be the amount determined pursuant to the preceding sentence multiplied by a fraction, the numerator of which shall be the number of days during 1995 for which such employee was employed by the Company or any of its subsidiaries and the denominator of which shall be 365.

The Parent has agreed to maintain the existing severance policy applicable to each officer covered by a severance policy separate from the Company's standard severance policy for the Company's employees (which separate severance policy relates to a change of control of the Company) and, for each other officer and employee, the Parent has agreed to maintain the Company's standard severance policy as in effect on the date of the Merger Agreement for a period of at least six months from the Effective Time.

The Parent shall honor or cause to be honored all severance and employment agreements with the Company's officers and employees to the extent these agreements have been disclosed to the Parent prior to the execution of the Merger Agreement.

The Parent has agreed to provide reasonable and customary outplacement services ("Outplacement Services") to officers of the Company and its subsidiaries who are terminated by the Company as a result of, or within one year following, the Effective Time, which Outplacement Services provided to such officers shall include one-on-one counseling and assistance; provided, however, that the amount paid by the Parent to provide Outplacement Services shall not exceed $15,000 for any individual officer or $250,000 in the aggregate.

Board Representation. The Merger Agreement provides that promptly upon the purchase of Shares pursuant to the Offer, the Parent shall be entitled to designate members of the Board of Directors of the Company, rounded up to the next whole number, as will give the Parent, subject to compliance with the

provisions of Section 14(f) of the Exchange Act, representation on the Board of Directors of the Company equal to the product of (i) the total number of directors on such Board and (ii) the percentage that the aggregate number of Shares owned by the Parent bears to the total number of outstanding Shares. The Company has agreed, upon the request of the Parent, to promptly increase the size of the Board of Directors of the Company and/or use its reasonable best efforts to secure the resignations of such number of directors as is necessary to enable the Parent's designees to be elected to the Board of Directors and shall cause the Parent's designees to be so elected. The Company has agreed to take, at its expense, all actions required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder to effect any such election, including the mailing to its stockholders of the information required to be disclosed pursuant thereto. The Parent will supply to the Company in writing and be solely responsible for any information with respect to itself and its nominees, officers, directors and affiliates required by Section 14(f) and Rule 14f-1.

Performance Certificates. Until the Offeror acquires Shares pursuant to the Offer, the Company is required to deliver certificates (the "Certificates") to the Parent and the Offeror containing the following information, each certificate being certified by the Chairman of the Board and the President of the Company as true and correct and as being prepared in accordance with the provisions of the Merger Agreement:

(x) No later than the tenth calendar day of each month, (1) the number of insured members (the "Members") in the Company's medical plans at the end of the month immediately prior to said month (the "Prior Month") and (2) the Adjusted Premiums (as such term is defined below) for the period (the "Premium Measurement Period") from July 1, 1995 through the end of the Prior Month, inclusive; and

(y) No later than the first calendar day of each month, the Adjusted Pretax Income (as such term is defined below) for the period (the "Pretax Measurement Period") from January 1, 1995 through the end of the month immediately prior to the Prior Month, inclusive.

For purposes of the foregoing, (I) except as otherwise provided, all calculations shall be made in accordance with generally accepted accounting principles applied on a consistent basis with the accounting principles used in preparing the Company's Consolidated Statement of Income for the year ended December 31, 1994 as included in the Company's filings with the Commission (the "Income Statement"), (II) except as otherwise provided, all terms shall have the meanings customarily used for such terms in the health care industry, (III) the term "Adjusted Premiums" shall mean the Company's consolidated earned premiums (including administrative fees and any other items of revenue of the type included under the caption "Administrative fees and other" in the Income Statement) but shall not include premium reserve adjustments related to reserves which arose prior to July 1, 1995, investment income or realized gains or losses on investments and (IV) the term "Adjusted Pretax Income" shall mean the Company's consolidated pretax income as adjusted for certain exclusions, adjustments and assumptions as contemplated by the Merger Agreement.

Until the Offeror acquires Shares pursuant to the Offer, on or prior to the 20th calendar day of each month the Company is generally required to deliver to the Parent and the Offeror a draft of the certificate (the "Pretax Certificate") referred to in clause (y) above which is required to be delivered on the first day of the following month, accompanied by a report of Ernst & Young, LLP, the Company's independent accountants, of the type contemplated by Rule 436(d) promulgated under the Securities Act and stating that the Adjusted Pretax Income included in the draft certificate was determined in a manner consistent with the methodology set forth in the Merger Agreement. The Company agrees to make the appropriate officers and employees of the Company and its subsidiaries and representatives of Ernst & Young, LLP available to discuss the draft certificate with representatives of the Parent and the Offeror, together with Coopers & Lybrand, L.L.P., their independent accountants. Subject to the Company complying with its obligations pursuant to the immediately preceding paragraph in a manner which under reasonable circumstances would permit the Parent and the Offeror to complete their review within the time period hereinafter provided, the Parent and the Offeror agree to complete their review and provide the Company with a detailed description of their comments and proposed modifications within five business days after the receipt of the draft certificate (which proposed modifications shall, in reasonable judgment of the Parent and the Offeror, be

necessary in order for the Adjusted Pretax Income to have been determined in a manner consistent with the methodology set forth in or contemplated by the Merger Agreement).

If the Pretax Certificate is accompanied by a certificate from Milliman and Robertson (or such other firm acceptable to the Parent and the Offeror) stating that, in its professional opinion, the medical claims component of Adjusted Pretax Income included in the Pretax Certificate was determined in a manner consistent with the methodology set forth in the Merger Agreement, the Parent and the Offeror shall be bound by such determination but solely as it relates to the medical claims component of Adjusted Pretax Income. All fees and expenses of Milliman and Robertson (or such other firm) shall be paid by the Company.

For purposes of exercising its right to terminate the Merger Agreement, notwithstanding the fact that the calculations included in the Certificates comply with the thresholds established therein, the Parent and the Offeror have the right, exercised in good faith, to disagree with any of the calculations made by the Company in such Certificates (except to the extent the calculations relate to the medical claims component of Adjusted Pretax Income as contained in a certificate from Milliman and Robertson) and to take any permitted action to terminate the Merger Agreement had their calculations been included in such Certificates (subject to the obligation of the Parent and the Offeror, in any proceeding commenced by the Company claiming that the Parent and the Offeror breached their obligations under the Merger Agreement by improperly exercising their right to terminate, to demonstrate that the Company's calculations were inaccurate and that, if the calculations were prepared accurately, the Parent and the Offeror would have had the right to terminate the Merger Agreement) unless in the case of the calculation of Adjusted Pretax Income, (i) the Company modified its calculation of Adjusted Pretax Income contained in the corresponding draft certificate to take into account all of the comments provided to the Company by the Parent and the Offeror, (ii) the Parent and the Offeror acknowledged in writing to the Company that they had no comments on the calculation of Adjusted Pretax Income or (iii) the Parent and the Offeror do not comply with their obligations to review and comment upon the draft Pretax Certificate.

Conditions Precedent. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions: (a) if required by applicable law, the Merger Agreement shall have been approved by the requisite vote of the holders of the Shares; and (b) no governmental entity or court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree or injunction which prohibits or has the effect of prohibiting the consummation of the Merger; provided, however, that the Company, the Parent and the Offeror shall use their reasonable best efforts to have any such order, decree or injunction vacated.

Termination. The Merger Agreement provides that it may be terminated at any time prior to the Effective Time, whether prior to or after approval by the stockholders of the Company: (a) by mutual written consent of the Parent and the Company; (b) by the Company if: (i) the Offer has not been timely commenced (except as a result of actions or omissions by the Company); (ii) there is an offer to acquire all of the Shares or substantially all of the assets of the Company for consideration that provides stockholders of the Company a value per Share which, in the good faith judgment of the Board of Directors of the Company, provides a higher value per Share than the consideration per Share pursuant to the Offer or the Merger and the Board of Directors of the Company determines in good faith after consultation with the Company's outside counsel that the failure to approve such offer would not be consistent with the fiduciary duties of the Board of Directors of the Company to stockholders of the Company; provided, however that the right to terminate the Merger Agreement pursuant to this clause (ii) will not be available (A) if the Company has breached in any material respect its obligations concerning Acquisition Proposals, (B) in respect of an offer that is subject to a financing condition, (C) in respect of an offer involving consideration which is not entirely cash, or does not permit stockholders to receive the payment of the offered consideration in respect of all Shares at the same time, unless the Board of Directors of the Company has been furnished with a written opinion of a nationally recognized investment banking firm to the effect that such offer provides a higher value per Share than the consideration per Share pursuant to the Offer or the Merger or (D) if, prior to or concurrently with any purported

termination pursuant to this clause (ii), the Company shall not have paid the Termination Fee (as defined below); (iii) there has been a breach by the Parent or the Offeror of any representation or warranty that would have a material adverse effect on the Parent's or the Offeror's ability to perform its obligations under the Merger Agreement, and which is not cured within five business days following receipt by the Parent or the Offeror of notice of the breach; or (iv) if the Parent or the Offeror fails to comply in any material respect with any of its material obligations or covenants contained in the Merger Agreement, including the obligation of the Offeror to purchase Shares pursuant to the Offer, unless such a failure results from a breach by the Company of any obligation, representation or warranty under the Merger Agreement, which is not cured within five business days following the Company's receipt of notice of the breach; (c) by the Parent if: (i) the Board of Directors of the Company shall have failed to recommend, or withdrawn, modified or amended in any material respect its approval or recommendation of the Offer or the Merger or shall have resolved to do any of the foregoing, or shall have failed to reject an Acquisition Proposal within 10 business days after receipt by the Company or public announcement thereof, or (ii) the information contained in the last Certificates delivered to the Parent and the Offeror does not satisfy all of the following thresholds: (x) the number of Members is at least 95% of the number of Members forecasted for the end of the applicable month in the Plan; (y) the Adjusted Premiums are at least 90% of the Adjusted Premiums forecasted for the applicable Premium Measurement Period in the Plan; and (z) the Adjusted Pretax Income is at least 90% of the Adjusted Pretax Income forecasted for the applicable Pretax Measurement Period in the Plan; or (d) by either the Parent or the Company if: (i) the Merger has not been effected on or prior to the close of business on March 31, 1996; provided, however, that the right to terminate the Merger Agreement pursuant to this clause shall not be available (y) to the Parent if the Offeror or any affiliate of the Offeror acquires Shares pursuant to the Offer, or (z) to any party whose failure to fulfill any obligation under the Merger Agreement has been the cause of, or resulted in, the failure of the Merger to have occurred on or prior to the aforesaid date; or (ii) any court of competent jurisdiction or any other governmental body shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and non-appealable; or (iii) upon a vote at a duly held meeting or upon any adjournment thereof, the stockholders of the Company shall have failed to give any required approval, or (iv) as the result of the failure of any of the conditions to the

Offer as set forth in this Offer to Purchase (see Section 15), the Offer shall have terminated or expired in accordance with its terms without the Offeror having purchased any Shares pursuant to the Offer; provided, however, that the right to terminate the Merger Agreement pursuant to this clause (iv) shall not be available to any party whose failure to fulfill any of its obligations under the Merger Agreement results in the failure of any such condition; or (v) the Parent or the Company shall have reasonably determined that any Offer condition (other than the Minimum Condition) is not capable of being satisfied at any time in the future; provided, however, that the right to terminate the Merger Agreement pursuant to this clause (v) shall not be available to any party whose failure to fulfill any of its obligations under the Merger Agreement has been the cause of, or resulted in, such Offer condition being incapable of satisfaction. If the Merger Agreement is terminated, the Merger Agreement will become void and there will be no liability or further obligation on the part of the Offeror, the Parent or the Company or their respective stockholders, officers or directors, except for the Company's obligations, under certain circumstances, to pay the Termination Fee (as defined below) or to reimburse the Parent for certain expenses and except for the confidentiality obligations of the parties.

Fees and Expenses. Whether or not the Merger is consummated, all costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby shall be paid by the party incurring such costs and expenses. The Company has agreed in the Merger Agreement that, in the event that (i) any person (other than the Parent or any of its affiliates) shall have become, prior to the termination of the Merger Agreement, the beneficial owner of 50% or more of the outstanding Shares, (ii) the Offer shall have expired at a time when the Minimum Condition shall not have been satisfied and at any time on or prior to nine months after the date of the expiration of the Offer any person (other than the Offeror or any of its affiliates) shall acquire beneficial

ownership of 50% or more of the outstanding Shares or shall consummate an Acquisition Proposal, (iii) at any time prior to the termination of the Merger Agreement any person (other than the Offeror or any of its affiliates) shall publicly announce any Acquisition Proposal and, at any time on or prior to nine months after the date of the termination of the Merger Agreement, shall become the beneficial owner of 50% or more of the outstanding Shares or shall consummate an Acquisition Proposal, or (iv) the Company terminates the Merger Agreement in accordance with clause (b)(ii) set forth above under "Termination", then the Company shall, in the case of clause (i), (ii) or (iii) above, promptly, but in no event later than two business days after the first of such events to occur, or, in the case of clause (iv), at or prior to the time of such termination, pay the Offeror the sum of $18 million (the "Termination Fee") in cash. If the Company fails to pay such amount when due, which failure is finally determined by a court of competent jurisdiction, the Parent shall be entitled to the payment from the Company, in addition to any such amount, of any legal fees and expenses incurred in procuring such judicial determination.

In the event the Board of Directors of the Company shall modify or amend its recommendation of the Offer and/or the Merger in a manner adverse to the Parent or shall withdraw its recommendation of the Offer or shall recommend any Acquisition Proposal, or shall resolve to do any of the foregoing, or shall have failed to reject any Acquisition Proposal within 10 business days after receipt by the Company or public announcement thereof, the Company shall reimburse the Parent and the Offeror (not later than two business days after submission of statements therefor) for all reasonable, documented costs and expenses (including, without limitation, all legal, investment banking, printing, depositary and related fees and expenses, but excluding any internal allocations of overhead attributable to the Offer, the Merger or the transactions contemplated by the Merger Agreement) (the "Expenses"); provided, however, that the amount of the Expenses paid to the Parent and the Offeror shall not exceed $2 million; provided, further, that the amount of the Expenses paid shall be credited against the Termination Fee; and provided, further, that if the Company has paid the Termination Fee prior to any payment of Expenses, then no Expenses shall be payable.

The Stock Option and Tender Agreement

Tender of the Shares and Stock Option. The Selling Stockholder has agreed to tender to the Offeror all of the Subject Shares pursuant to the Offer no later than the first business day following the commencement of the Offer and not to withdraw any Subject Shares tendered into the Offer. The Selling Stockholder has also granted to the Offeror an option (the "Stock Option") to purchase all of the Subject Shares at a purchase

price equal to the Offer Price, exercisable at any time prior to the earlier of (i) the Effective Time or (ii) 45 days after the date of the termination of the Merger Agreement.

Conditions to Delivery of the Shares. The Stock Option and Tender Agreement provides that the obligation of the Selling Stockholder to deliver the Subject Shares upon any exercise of the Stock Option is subject to the following conditions: (i) all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), applicable to such exercise of the Stock Option shall have expired or been terminated, (ii) all regulatory or supervisory agency approvals required by any applicable law, rule or regulation shall have been obtained and each approval shall have become final, and (iii) there shall be no preliminary or permanent injunction or other order by any court of competent jurisdiction restricting, preventing or prohibiting the exercise of the Stock Option and the delivery of the Subject Shares pursuant to it.

Representations and Warranties. The Stock Option and Tender Agreement contains various customary representations and warranties by the Selling Stockholder, including those relating to (i) title to the Shares being sold, (ii) authority to execute, deliver and perform the Stock Option and Tender Agreement, and (iii) waiver of certain rights of LNC as Designated Holder under a promissory note issued by the Company. The Stock Option and Tender Agreement also contains various customary representations and warranties by the Parent and the Offeror, including those relating to the authority to execute, deliver and perform the Stock Option and Tender Agreement, among others.

Voting Agreement and Proxy. The Stock Option and Tender Agreement provides that during the time the Stock Option and Tender Agreement is in effect, the Selling Stockholder shall vote all of the Subject Shares (i) in favor of the Merger, the Merger Agreement and any of the transactions contemplated by the Merger Agreement and (ii) against any action or agreement that would impede, interfere with or attempt to discourage the Offer or the Merger, or would result in a breach in any material respect of any covenant, representation or warranty or any other obligation of the Company under the Merger Agreement. The Stock Option and Tender Agreement further provides that in the event the Selling Stockholder shall fail to vote all of the Subject Shares in the manner described in the preceding sentence, the Offeror will be irrevocably appointed the proxy of the Selling Stockholder pursuant to Section 212 of the DGCL.

Sale of the Subject Shares by the Offeror. The Stock Option and Tender Agreement provides that if, subsequent to the exercise of the Stock Option but prior to the Termination Date (as defined in the Stock Option and Tender Agreement), the Offeror sells or disposes of the Subject Shares for cash or securities in excess of the Offer Price, the Offeror will pay 50% of such excess to the Selling Stockholder.

Termination Date. The Stock Option and Tender Agreement will, subject to the following sentence, terminate upon the earlier to occur of (i) the Effective Time or (ii) the date four months after the date of termination of the Merger Agreement, unless the Merger Agreement is terminated, generally, as a result of (a) a breach by the Parent or the Offeror of its representations, warranties, covenants or obligations under the Merger Agreement, (b) the Parent exercising its right of termination or failing to timely commence the Offer, in either case, at a time when no Acquisition Proposal shall be pending or have been proposed or announced or (c) the mutual consent of the Parent and the Company. Notwithstanding the foregoing, if (x) the Merger Agreement has been terminated in a manner that causes the Stock Option and Tender Agreement to terminate four months after the date of the termination of the Merger Agreement and (y) on the date four months after the date of termination of the Merger Agreement the Company shall be a party to an agreement with a party, other than the Parent (or an affiliate of the Parent), that contemplates a merger, acquisition, consolidation or similar transaction involving the Company or any of its significant subsidiaries, or any purchase of all or any significant portion of the assets or any equity securities of the Company or any of such significant subsidiaries, then the Stock Option and Tender Agreement shall terminate on the date nine months after the date of termination of the Merger Agreement.

14. DIVIDENDS AND DISTRIBUTIONS.

The Merger Agreement provides that neither the Company nor any of its subsidiaries will, among other things, prior to the Effective Time (i) declare, set aside or pay any dividend (whether in cash, stock or property) or make any other distribution or payment with respect to any shares of its capital stock, other than (1) dividends declared prior to the date of the Merger Agreement and (2) dividends payable to the Company declared by any of the Company's subsidiaries, (ii) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) purchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities; or issue, deliver, sell, pledge, dispose of or otherwise encumber any shares of its capital stock, any other voting securities or equity equivalent or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities or equity equivalent (other than, in the case of the Company, the issuance of Shares during the period from the date of the Merger Agreement through the Effective Time upon the exercise of certain outstanding stock options of the Company on the date of the Merger Agreement in accordance with their current terms).

15. CERTAIN CONDITIONS TO OFFEROR'S OBLIGATIONS.

Notwithstanding any other term of the Offer or the Merger Agreement, the Offeror shall not be required to accept for payment or pay for, subject to any applicable rules and regulations of the Commission, including Rule 14e-1(c) of the Exchange Act, any Shares not theretofore accepted for payment or paid for and may terminate or amend the Offer as to such Shares unless (i) there shall

have been validly tendered and not withdrawn prior to the expiration of the Offer that number of Shares which would represent at least a majority of the outstanding Shares on a fully diluted basis, (ii) any waiting period under the HSR Act applicable to the purchase of Shares pursuant to the Offer shall have expired or been terminated and (iii) all necessary filings with the Department of Corporations of California and the Office of the Commissioner of Insurance of Wisconsin shall have been completed and each of them shall have issued an order (which order shall not have been stayed or enjoined) that (x) constitutes a final order approving, exempting or otherwise authorizing consummation of the Offer and the Merger and all other transactions contemplated by the Merger Agreement as may require such authorization and (y) does not impose on the Company, the Parent, the Offeror or any of their respective affiliates any other terms or conditions which in the reasonable opinion of the Parent materially and adversely affect the economic benefits to the Parent of the transactions contemplated by the Merger Agreement. Furthermore, notwithstanding any other term of the Offer or the Merger Agreement, the Offeror shall not be required to accept for payment or, subject as aforesaid, to pay for any Shares not theretofore accepted for payment or paid for, and may terminate or amend the Offer if at any time on or after the date of the Merger Agreement and before the acceptance of such Shares for payment or the payment therefor, any of the following conditions exist or shall occur and remain in effect:

(a) there shall have been instituted or pending any action or proceeding by any governmental, regulatory or administrative agency or authority, which (i) seeks to challenge the acquisition by the Parent of Shares pursuant to the Offer, restrain, prohibit or delay the making or consummation of the Offer or the Merger, or obtain any material damages in connection therewith, (ii) seeks to make the purchase of or payment for some or all of the Shares pursuant to the Offer or the Merger illegal, (iii) seeks to impose material limitations on the ability of the Parent (or any of its affiliates) effectively to acquire or hold, or to require the Parent or the Company or any of their respective affiliates or subsidiaries to dispose of or hold separate, any material portion of the assets or the business of the Parent and its affiliates taken as a whole or the Company and its subsidiaries taken as a whole, or (iv) seeks to impose material limitations on the ability of the Parent (or its affiliates) to exercise full rights of ownership of the Shares purchased by it, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the stockholders of the Company; or

(b) there shall have been promulgated, enacted, entered, enforced or deemed applicable to the Offer or the Merger, by any state, federal or foreign government or governmental authority or by any court, domestic or foreign, any statute, rule, regulation, judgment, decree, order or injunction, that could

reasonably be expected to, in the judgment of the Parent, directly or indirectly, result in any of the consequences referred to in clauses (i) through (iv) of subsection (a) above; or

(c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States which would reasonably be expected to have a Material Adverse Effect on the Company or prevent (or materially delay) the consummation of the Offer, (iv) any limitation (whether or not mandatory) by any governmental or regulatory authority on, or any other event which, in the reasonable judgment of the Parent, is reasonably likely to materially adversely affect, the nature or extension of credit or further extension of credit by banks or other lending institutions in the United States, or (v) from the date of the Merger Agreement through the date of termination or expiration of the Offer, a decline of at least 25% in either the Dow Jones Industrial Average or the Standard & Poor's 500 Index; or

(d) the Company and the Parent shall have reached an agreement or understanding that the Offer or the Merger Agreement be terminated or the Merger Agreement shall have been terminated in accordance with its terms;

or

(e) any of the representations and warranties made by the Company in the Merger Agreement shall not have been true and correct in all material respects when made, or shall thereafter have ceased to be true and correct in any material respect as if made as of such later date (other than representations and warranties made as of a specified date), or the Company shall not in all material respects have performed each obligation and agreement and complied with each covenant to be performed and complied with by it under the Merger Agreement; provided, however, that all references in the Merger Agreement to the phrases "knowledge of the Company" and "to the best knowledge of the Company," and variants thereof, shall be disregarded for the purposes of determining whether the Company shall have breached its representations, warranties and covenants resulting in the ability of the Parent to terminate the Merger Agreement pursuant to this clause (e); or

(f) the Company's Board of Directors shall have modified or amended its recommendation of the Offer in any manner adverse to the Parent or shall have withdrawn its recommendation of the Offer, or shall have recommended acceptance of any Acquisition Proposal or shall have resolved to do any of the foregoing, or shall have failed to reject any Acquisition Proposal within 10 business days after receipt by the Company or public announcement thereof; or

(g) (i) any corporation, entity, person or "group" (as defined in Section 13(d)(3) of the Exchange Act) other than the Parent, shall have acquired beneficial ownership of 50% or more of the outstanding Shares, or shall have been granted any options or rights, conditional or otherwise, to acquire a total of 50% or more of the outstanding Shares; (ii) any new group shall have been formed which beneficially owns 50% or more of the outstanding Shares; or (iii) any person (other than the Parent or one or more of its affiliates) shall have entered into an agreement in principle or definitive agreement with the Company with respect to a tender or exchange offer for any Shares or a merger, consolidation or other business combination with or involving the Company.

The foregoing conditions are for the sole benefit of the Parent and the Offeror and may be asserted by the Parent or the Offeror regardless of the circumstances giving rise to any such condition and may be waived by the Parent or the Offeror, in whole or in part, at any time and from time to time, in the sole discretion of the Parent or the Offeror. The failure by the Parent or the Offeror at any time to exercise any of the foregoing rights will not be deemed a waiver of any right, the waiver of such right with respect to any particular facts or circumstances shall not be deemed a waiver with respect to any other facts or circumstances, and each right will be deemed an ongoing right which may be asserted at any time and from time to time.

Should the Offer be terminated pursuant to the foregoing provisions, all tendered Shares not theretofore accepted for payment shall forthwith be returned by the Depositary to the tendering stockholders.

16. CERTAIN REGULATORY AND LEGAL MATTERS.

Except as set forth in this Section, the Offeror is not aware of any approval or other action by any governmental or administrative agency which would be required for the acquisition or ownership of Shares by the Offeror as contemplated herein. Should any such approval or other action be required, it will be sought, but the Offeror has no current intention to delay the purchase of Shares tendered pursuant to the Offer pending the outcome of any such matter, subject, however, to the Offeror's right to decline to purchase Shares if any of the conditions specified in Section 15 shall have occurred. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions, or that adverse consequences might not result to the Company's business or that certain parts of the Company's business might not have to be disposed of if any such approvals were not obtained or other action taken.

Antitrust. Under the provisions of the HSR Act applicable to the Offer, the acquisition of Shares under the Offer may be consummated following the expiration of a 15-day waiting period following the filing by the Parent of a Notification and Report Form with respect to the Offer, unless the Parent

receives a request for additional information or documentary material from the Department of Justice, Antitrust Division (the "Antitrust Division") or the Federal Trade Commission ("FTC") or unless early termination of the waiting period is granted. The Offeror made such a filing on August 14, 1995 and, accordingly, the initial waiting period will expire on August 29, 1995. If, within the initial 15-day waiting period, either the Antitrust Division or the FTC request additional information or material from the Parent concerning the Offer, the waiting period will be extended to the tenth calendar day after the date of substantial compliance by the Parent with such request. Complying with a request for additional information or material can take a significant amount of time.

The Antitrust Division and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the Offeror's proposed acquisition of the Company. At any time before or after the Offeror's acquisition of Shares pursuant to the Offer, the Antitrust Division or the FTC could take such action under the antitrust laws as either deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or the consummation of the Merger or seeking the divestiture of Shares acquired by the Offeror or the divestiture of substantial assets of the Company or its subsidiaries or the Parent or its subsidiaries. Private parties may also bring legal action under the antitrust laws under certain circumstances. There can be no assurance that a challenge to the Offer on antitrust grounds will not be made, or, if such a challenge is made, of the result thereof.

If any applicable waiting period under the HSR Act has not expired or been terminated prior to the Expiration Date, the Offeror will not be obligated to proceed with the Offer or the purchase of any Shares not theretofore purchased pursuant to the Offer. See Section 15.

OCI Regulation. Section 611.72 of the Wisconsin Insurance Code (the "Wisconsin Code") and section 40.02 of the Insurance chapter of the Wisconsin Administrative Code provide that a person other than the insurer shall not make a tender offer for or a request or invitation for tenders of, seek to acquire or acquire any voting security of a domestic insurer (defined for this purpose to include any company controlling such a domestic insurer) if, at the completion of such acquisition, the person would be in control of the domestic insurer unless the person has filed with the Office of the Commissioner of Insurance (the "OCI") and has sent to the insurer a Form A acquisition statement containing the information required by the OCI, and the offer, request, invitation, agreement or acquisition has been approved by the OCI in the manner prescribed by Section 611.72(2) of the Wisconsin Code. For purposes of the Wisconsin Code the Company is deemed to be a company controlling EHI, which is a Wisconsin domestic insurer. The Offeror and the Parent intend to submit their Form A to the OCI for the approval of the Offer as soon as practicable. There is no statutory time period within which the OCI must respond to a request for approval. Under Section 611.72(3), the OCI is required to hold a hearing on the proposed acquisition of control.

DOC Regulation. The Company owns and operates, through EHI, a health care service plan in the State of California named HMO California. The regulation of such plans has been entrusted exclusively to the Department of Corporations ("DOC") of the State of California. The Knox-Keene Health Care Service Plan Act of 1975 requires any person seeking to operate a health care service plan to secure and maintain a license

to do so from the DOC. The Merger is a change in ownership of HMO California and as such will require approval of the DOC as a material modification of the HMO California license application. A similar material modification was granted to the HMO California in March, 1995, in connection with its acquisition by EHI. The Offeror and the Parent intend to seek another material modification of the HMO California license in connection with the Offer and the Merger.

Other State Insurance Regulation. EHI must be authorized by issuance of a certificate of authority to operate as an insurance company by the insurance regulatory body of each jurisdiction in which it solicits insurance business. To retain its certificate of authority, EHI is required to file periodic reports with and is subject to periodic financial and market conduct examinations by such regulatory bodies. Further, many jurisdictions require that EHI file with the insurance regulatory body the insurance forms which EHI intends to issue, as well as any revisions thereto. In a limited number of states, such filings also

include the rates that EHI intends to apply to insured groups located in that jurisdiction. In certain jurisdictions, the rates set forth in the filing must be approved by the insurance regulatory body before they can be implemented by EHI. Virtually every state requires EHI to include in the coverages it offers for sale in that jurisdiction certain so-called "mandated benefits." Legislation has also been enacted in a number of states which restricts the ability of insurers to limit the number of health care providers the insurer contracts with.

EHI is subject to state laws and regulations that require diversification of its investment portfolio and limit the amount of investments in certain investment categories. Failure to comply with the laws and regulations would cause non-conforming investments to be treated as non-admitted assets for purposes of measuring statutory surplus and, in some instances, would require divestiture.

If the Offeror and the Parent acquire a controlling interest in the Company, certain other state insurance authorities may review the Company's license to conduct insurance business in such states. There can be no assurance that any such review will not result in adverse action being taken against EHI. The Offeror and the Parent currently believe that the approval by other state insurance regulatory authorities of the Offeror's purchase of Shares pursuant to the Offer is not required. However, no assurance can be given that other state insurance regulatory authorities will not assert jurisdiction over the Offer or that such approvals are not required.

State Takeover Laws. The Company is incorporated under the laws of the State of Delaware. In general, Section 203 of the DGCL ("Section 203") prevents an "interested stockholder" (including a person who owns or has the right to acquire 15% or more of a corporation's outstanding voting stock) from engaging in a "business combination" (defined to include mergers and certain other actions) with a Delaware corporation for a period of three years following the date such person became an interested stockholder unless, among other things, a corporation in its certificate of incorporation elects not to be subject to Section 203. The Company's certificate of incorporation provides that the Company is not subject to Section 203. Accordingly, Section 203 is inapplicable to the Offer and the Merger.

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, stockholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects in such states. In Edgar v. MITE Corp., in 1982, the Supreme Court of the United States (the "U.S. Supreme Court") invalidated on constitutional grounds the Illinois Business Takeover statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However in 1987, in CTS Corp. v. Dynamics Corp. of America, the U.S. Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquirer from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the U.S. Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there.

The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. The Offeror does not know whether any of these laws will, by their terms, apply to the Offer or the Merger and has not complied with any such laws. Should

any person seek to apply any state takeover law, the Offeror will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to the Offer or the Merger, and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, the Offeror might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, the Offeror might be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer and the Merger. In such case, the Offeror may not be

obligated to accept for payment any Shares tendered. See Section 15.

17. FEES AND EXPENSES.

Neither the Offeror nor the Parent, nor any officer, director, stockholder, agent or other representative of the Offeror or the Parent, will pay any fees or commissions to any broker, dealer or other person (other than the Dealer Manager, the Information Agent and the Depositary) for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies and other nominees will, upon request, be reimbursed by the Offeror for customary mailing and handling expenses incurred by them in forwarding materials to their customers.

Smith Barney Inc. ("Smith Barney") is acting as Dealer Manager in connection with the Offer and has provided certain financial advisory services to the Parent and the Offeror in connection with the proposed acquisition of the Shares. Pursuant to its engagement letter with Smith Barney, the Parent paid Smith Barney a retainer of $100,000 upon the execution of the engagement letter and has agreed to pay Smith Barney a transaction fee of $5,250,000 (against which the retainer will be credited), payable upon the acquisition of a majority of the outstanding Shares. If the Parent receives the Termination Fee, Smith Barney would be entitled to receive 15% of that amount (against which the retainer would be credited). In addition, the Offeror has agreed to reimburse Smith Barney for certain reasonable out-of-pocket expenses incurred by Smith Barney in connection with the Offer, including the reasonable fees of its counsel (subject to certain limitations), and to indemnify Smith Barney against certain liabilities and expenses, including certain liabilities under the federal securities laws.

The Offeror has retained D.F. King & Co., Inc., as Information Agent, and Chemical Mellon Shareholder Services, as Depositary, in connection with the Offer. The Information Agent and the Depositary will receive reasonable and customary compensation for their services hereunder and reimbursement for their reasonable out-of-pocket expenses. The Information Agent and the Depositary will also be indemnified by the Offeror against certain liabilities in connection with the Offer.

18. MISCELLANEOUS.

The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares residing in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Offeror by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

No person has been authorized to give any information or make any representation on behalf of the Offeror other than as contained in this Offer to Purchase or in the Letter of Transmittal, and, if any such information or representation is given or made, it should not be relied upon as having been authorized by the Offeror.

The Offeror and the Parent have filed with the Commission the Schedule 14D-1, pursuant to Section 14(d)(1) of the Exchange Act and Rule 14d-1 promulgated thereunder, furnishing certain information with respect to the Offer. Such Schedule 14D-1 and any amendments thereto, including exhibits, may be examined and copies may be obtained at the same places and in the same manner as set forth with respect to the Company in Section 8 (except that they will not be available at the regional offices of the Commission).

HEW, INC.

August 16, 1995

ANNEX I

CERTAIN INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF THE PARENT AND THE OFFEROR

1. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARENT. Set forth below are the name, age, current business address, citizenship, present principal occupation or employment and five-year employment history of each director and executive officer of the Parent. Unless otherwise indicated, each person identified below has been employed by the Parent for the last five years, and each such person's business address is The Humana Building, 500 West Main Street, Louisville, Kentucky 40202. All persons listed below are citizens of the United States.

NAME	AGE	POSITION	SERVED IN SUCH CAPACITY SINCE	FIRST ELECTED OFFICER
David A. Jones	64	Chairman of the Board and Chief Executive Officer	08/69	09/64
Wayne T. Smith	49	President and Chief Operating Officer and Director	03/93	06/78
K. Frank Austen, M.D.(1)	67	Director	01/90	
Michael E. Gellert(2)	64	Director	02/68	
John R. Hall(3)	62	Director	05/92	
David A. Jones, Jr.(4)	37	Director	05/93	
Irwin Lerner(5)	64	Director	11/93	
W. Ann Reynolds, Ph.D.(6)	57	Director	01/91	
W. Larry Cash	46	Senior Vice President -- Finance and Operations	09/88	08/82
Karen A. Coughlin	47	Senior Vice President -- Region II	02/93	09/88
W. Roger Drury	48	Chief Financial Officer	05/92	08/83
Philip B. Garmon	51	Senior Vice President -- Region I	09/88	11/82
Arthur P. Hipwell	46	Senior Vice President and General Counsel	06/94	08/90(7)
Ronald S. Lankford, M.D.	43	Senior Vice President -- Medical Affairs	03/93	08/87
James E. Murray	41	Vice President and Controller	03/93	08/90

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(1) K. Frank Austen, M.D., has been a Director of the Parent since January, 1990. He is Chairman of the Division of Rheumatology and Immunology at Brigham and Women's Hospital in Boston, Massachusetts, having held that position since 1980. He also serves as a professor of medicine on the faculty of Harvard Medical School. In addition, Dr. Austen is a member of the Board of Trustees of Amherst College. Dr. Austen's business address is Brigham and Women's Hospital, Harvard Medical School, The Seeley G. Mudd Building, 250 Longwood Avenue, Boston, Massachusetts 02115.

(2) Michael E. Gellert has been a Director of the Parent since February, 1968. He is general partner of Windcrest Partners, a private investment partnership in New York, New York, having held that position since April 1967. Mr. Gellert's business address is 122 East 42nd Street, New York, New York 10168.

(3) John R. Hall has been a Director of the Parent since May, 1992. He is Chairman of the Board of Directors and Chief Executive Officer of Ashland, Inc., in Ashland, Kentucky, positions he has held since 1981. He is also a member of American Petroleum Institute Executive Committee, a member of Transylvania University Board of Trustees and Vanderbilt University Board of Trust. Mr. Hall's business address is 1000 Ashland Drive, Russell, Kentucky 41169.

(4) David A. Jones, Jr., has been a Director of the Parent since May, 1993. He is a managing director of Chrysalis Ventures, Inc., a venture capital firm in Louisville, Kentucky, and is the son of David A. Jones,

Chairman of the Board and Chief Executive Officer of the Parent. From October 1992 to December 1993, Mr. Jones, Jr., was an attorney with the law firm now known as Hirn Doheny Reed & Harper in Louisville, Kentucky. He previously served with the U.S. Department of State from 1988 to 1992, most recently as an attorney-advisor to the Bureau of East Asian and Pacific Affairs. Mr. Jones's business address is 400 West Market Street, Louisville, Kentucky 40202.

(5) Irwin Lerner has been a Director of the Parent since November, 1993. He retired on September 1, 1993 as Chairman of the Board and Executive Committee of Hoffmann-La Roche Inc. From April 1, 1980 to December 30, 1992, Mr. Lerner was Hoffmann-La Roche Inc.'s President and Chief Executive Officer. He presently serves on the boards of Project Hope, Rutgers University, the New Jersey Chamber of Commerce, the U.S. Advisory Board of the Zurich Insurance Company and is Chairman of the Board of the New Jersey Governor's Council for a Drug Free Workplace. In addition, he is Chairman of the Board of Sequana Therapeutics, Inc. and a principal and director of Physicians Television Network, a private company. He is a Distinguished Executive-in-Residence at the Rutgers University Graduate School of Management in Newark, New Jersey. Mr. Lerner's business address is 17 East Greenbrook Road, North Caldwell, New Jersey 07006.

(6) W. Ann Reynolds, Ph.D., has been a Director of the Parent since January, 1991. She is Chancellor-City University of New York, in New York, New York, having held that position since September 1990. She previously served for eight years as Chancellor of the California State University system. Dr. Reynolds' business address is 535 East 80th Street, New York, New York 10021.

(7) Mr. Hipwell was initially elected an officer of the Parent in 1990 and previously served in this same capacity since July 1992. Effective with the Parent's spinoff (the "Spinoff") of its Galen Health Care, Inc. subsidiary ("Galen"), he became Senior Vice President and General Counsel of Galen. Mr. Hipwell rejoined the Parent in January 1994 and was named Senior Vice President and General Counsel of the Parent on June 15, 1994.

2. DIRECTORS AND EXECUTIVE OFFICERS OF THE OFFEROR. Unless otherwise indicated, each person identified below has been employed by the Parent for the last five years and all information concerning the current business address, present principal occupation or employment and five-year employment history for each person is the same as the information given above. Each person was elected in July 1995. Directors of the Offeror are indicated with an asterisk. All persons listed below are citizens of the United States.

*Wayne T. Smith	President and Chief Operating Officer
W. Roger Drury	Chief Financial Officer
*W. Larry Cash	Senior Vice President
*Karen A. Coughlin	Senior Vice President
*Philip B. Garmon	Senior Vice President
Ronald S. Lankford, M.D.	Senior Vice President
James E. Murray	Vice President and Controller
Joan O. Kroger(1)	Secretary

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(1) Ms. Kroger was initially elected Secretary of the Parent in 1992. Prior to that time, she served as Assistant Secretary. Effective with the Spinoff, she became Secretary of Galen, and, after subsequent mergers, Columbia/HCA Healthcare Corporation. Ms. Kroger rejoined the Parent in July 1994 as Secretary. Ms. Kroger is 41 years old and her business address is The Humana Building, 500 West Main Street, Louisville, Kentucky 40202.

Facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal and certificates for Shares and any other required documents should be sent or delivered by each stockholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of the addresses set forth below:

The Depositary for the Offer is:

CHEMICAL MELLON SHAREHOLDER SERVICES

By Hand:	By Mail:	By Overnight Courier:
Chemical Mellon Shareholder Services	Chemical Mellon Shareholder Services	Chemical Mellon Shareholder Services
Reorganization Department	Reorganization Department	Reorganization Department
120 Broadway - 13th Floor	P.O. Box 817	85 Challenger Road
New York, N.Y. 10271	Midtown Station	Overpeck Centre
	New York, N.Y. 10018	Ridgefield Park, N.J. 07660

Facsimile for Eligible Institutions:

(201) 296-4293

To confirm fax only:

(201) 296-4209

Any questions or requests for assistance or additional copies of the Offer to Purchase and the Letter of Transmittal and Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and locations listed below. Stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

D.F. KING & CO., INC.

77 WATER STREET
NEW YORK, NEW YORK 10005
BANKS AND BROKERS CALL COLLECT: (212) 269-5550
ALL OTHERS CALL TOLL-FREE: (800) 755-3107

The Dealer Manager for the Offer is:

SMITH BARNEY INC.

388 GREENWICH STREET
NEW YORK, NEW YORK 10013
(212) 816-7620

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK

OF

EMPHESYS FINANCIAL GROUP, INC.
PURSUANT TO THE OFFER TO PURCHASE
DATED AUGUST 16, 1995

BY

HEW, INC.
A WHOLLY OWNED SUBSIDIARY OF

HUMANA INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 15, 1995,
UNLESS THE OFFER IS EXTENDED.

THE DEPOSITARY:

CHEMICAL MELLON SHAREHOLDER SERVICES

By Hand:	By Mail:	By Overnight Courier:
Chemical Mellon Shareholder Services Reorganization Department 120 Broadway - 13th Floor New York, N.Y. 10271	Chemical Mellon Shareholder Services Reorganization Department P.O. Box 817 Midtown Station New York, N.Y. 10018	Chemical Mellon Shareholder Services Reorganization Department 85 Challenger Road Overpeck Centre Ridgefield Park, N.J. 07660

Facsimile for Eligible Institutions:
(201) 296-4293

To confirm fax only:
(201) 296-4209

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS, OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE OTHER THAN AS SET FORTH ABOVE, DOES NOT CONSTITUTE A VALID DELIVERY. YOU MUST SIGN THIS LETTER OF TRANSMITTAL IN THE APPROPRIATE SPACE THEREFOR PROVIDED BELOW AND COMPLETE THE SUBSTITUTE FORM W-9 SET FORTH BELOW.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be completed by stockholders of EMPHESYS Financial Group, Inc. if certificates are to be forwarded herewith or, unless an Agent's Message (as defined in the Offer to Purchase) is utilized, if delivery of Shares (as defined below) is to be made by book-entry transfer to the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (hereinafter collectively referred to as the "Book-Entry Transfer Facilities") pursuant to the procedures set forth in Section 3 of the Offer to Purchase (as defined below).

Stockholders whose certificates for Shares are not immediately available or who cannot deliver their Shares and all other documents required hereby to the Depositary by the Expiration Date (as defined in the Offer to Purchase), or who cannot comply with the book-entry transfer procedures on a timely basis, may nevertheless tender their Shares pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2.

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK)	SHARES TENDERED (ATTACH ADDITIONAL LIST IF NECESSARY)		
	SHARE CERTIFICATE NUMBER(S)*	NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)*	NUMBER OF SHARES TENDERED**
	Total Shares		

* Need not be completed by stockholders tendering by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Shares represented by any certificates delivered to the Depositary are being tendered. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

/ / CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution_____

Account No._____at

/ / The Depository Trust Company
/ / Midwest Securities Trust Company
/ / Philadelphia Depository Trust Company

Transaction Code No._____

/ / CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Tendering Stockholder(s)_____

Date of Execution of Notice of Guaranteed Delivery_____

Window Ticket Number (if any)_____

Name of Institution which Guaranteed Delivery _____
If delivery is by book-entry transfer _____
Name of Tendering Institution _____
Account No. _____ at

/ / The Depository Trust Company
/ / Midwest Securities Trust Company
/ / Philadelphia Depository Trust Company
Transaction Code No. _____

Ladies and Gentlemen:

The undersigned hereby tenders to HEW, Inc. (the "Offeror"), a Delaware corporation and a wholly owned subsidiary of Humana Inc., a Delaware corporation (the "Parent"), the above-described shares of common stock, $0.01 par value per share (the "Shares"), of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), pursuant to the Offeror's offer to purchase all of the outstanding Shares at a purchase price of $37.50 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which together with the Offer to Purchase constitute the "Offer"). The Offer is being made in connection with the Agreement and Plan of Merger, dated as of August 9, 1995, among the Parent, the Offeror and the Company.

Subject to and effective upon acceptance for payment of and payment for the Shares tendered herewith, the undersigned hereby sells, assigns and transfers to or upon the order of the Offeror all right, title and interest in and to all the Shares that are being tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after August 7, 1995) and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and all such other Shares or securities), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Shares (and all such other Shares or securities), or transfer ownership of such Shares (and all such other Shares or securities) on the account books maintained by any of the Book-Entry Transfer Facilities, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of the Offeror, (b) present such Shares (and all such other Shares or securities) for transfer on the books of the Company and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and all such other Shares or securities), all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints W. Roger Drury and Arthur P. Hipwell and each of them, the attorneys and proxies of the undersigned, each with full power of substitution, to exercise all voting and other rights of the undersigned in such manner as each such attorney and proxy or his substitute shall in his sole judgment deem proper, with respect to all of the Shares tendered hereby which have been accepted for payment by the Offeror prior to the time of any vote or other action (and any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after August 7, 1995), at any meeting of stockholders of the Company (whether annual or special and whether or not an adjourned meeting) or otherwise. This proxy is irrevocable and is granted in consideration of, and is effective upon, the acceptance for payment of such Shares by the Offeror in accordance with the terms of the Offer. Such acceptance for payment shall revoke any other proxy or written consent granted by the undersigned at any time with respect to such Shares (and all such other Shares or other securities or rights), and no subsequent proxies will be given or written consents will be executed by the undersigned (and if given or executed, will not be deemed effective).

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby (and any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after August 7, 1995) and that when the same are accepted for payment by the Offeror, the Offeror will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or the Offeror to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby (and all such other Shares or other securities or rights).

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute an agreement between the undersigned and the Offeror upon the terms and subject to the conditions of the Offer.

Unless otherwise indicated under "Special Payment Instructions," please issue the check for the purchase price of any Shares purchased, and return any Shares not tendered or not purchased, in the name(s) of the undersigned (and, in the case of Shares tendered by book-entry transfer, by credit to the account at the Book-Entry Transfer Facility designated above). Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price of any Shares purchased and return any certificates for Shares not tendered or not purchased (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Payment Instructions" and "Special Delivery Instructions" are completed, please issue the check for the purchase price of any Shares purchased and return any Shares not tendered or not purchased in the name(s) of, and mail said check and any certificates to, the person(s) so

indicated. The undersigned recognizes that the Offeror has no obligation, pursuant to the "Special Payment Instructions," to transfer any Shares from the name of the registered holder(s) thereof if the Offeror does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased or certificates for Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned, or if Shares tendered by book-entry transfer that are not purchased are to be returned by credit to an account at one of the Book-Entry Transfer Facilities other than that designated above.

Issue check and/or certificates to:

Name _____
(Please Print)

Address _____

_____
(Zip Code)

_____
(Taxpayer Identification No.)

(See Substitute Form W-9)

/ / Credit unpurchased Shares tendered by book-entry transfer to the account set forth below:

Name of Account Party _____

Account No. _____

at

/ / The Depository Trust Company

/ / Midwest Securities Trust Company

/ / Philadelphia Depository Trust Company

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased or certificates for Shares not tendered or not purchased are to be mailed to someone other than the undersigned or to the undersigned at an address other than that shown below the undersigned's signature(s).

Mail check and/or certificates to:

Name _____

Address _____

_____
(Zip Code)

_____
(Taxpayer Identification No.)

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. Except as otherwise provided below, signatures on all Letters of Transmittal must be guaranteed by a firm that is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or by any other bank, broker, dealer, credit union, savings association or other entity which is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (each of the foregoing constituting an "Eligible Institution"), unless the Shares tendered thereby are tendered (i) by a registered holder of Shares who has not completed either the box labeled "Special Payment Instructions" or the box labeled "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. See Instruction 5. If the certificates are registered in the name of a person or persons other than the signer of this

Letter of Transmittal, or if payment is to be made or delivered to, or certificates evidencing unpurchased Shares are to be issued or returned to, a person other than the registered owner or owners, then the tendered certificates must be endorsed or accompanied by duly executed stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates or stock powers, with the signatures on the certificates or stock powers guaranteed by an Eligible Institution as provided herein. See Instruction 5.

2. Delivery of Letter of Transmittal and Shares. This Letter of Transmittal is to be used either if certificates are to be forwarded herewith or, unless an Agent's Message (as defined in the Offer to Purchase) is utilized, if the delivery of Shares is to be made by book-entry transfer pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Certificates for all physically delivered Shares, or a confirmation of a book-entry transfer into the Depositary's account at one of the Book-Entry Transfer Facilities of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) and any other documents required by this Letter of Transmittal, or an Agent's Message in the case of a book entry delivery, must be received by the Depositary at one of its addresses set forth on the front page of this Letter of Transmittal by the Expiration Date. Stockholders who cannot deliver their Shares and all other required documents to the Depositary by the Expiration Date must tender their Shares pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. Pursuant to such procedures: (a) such tender must be made by or through an Eligible Institution; (b) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Offeror, must be received by the Depositary prior to the Expiration Date; and (c) the certificates for all tendered Shares, in proper form for tender, or a confirmation of a book-entry transfer into the Depositary's account at one of the Book-Entry Transfer Facilities of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), and any other documents required by this Letter of Transmittal, must be received by the Depositary within three NYSE trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in Section 3 of the Offer to Purchase.

The method of delivery of Shares, the Letter of Transmittal and all other required documents, including delivery through a Book-Entry Transfer Facility, is at the option and risk of the tendering stockholder. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended.

No alternative, conditional or contingent tenders will be accepted, and no fractional Shares will be purchased. By executing this Letter of Transmittal (or a manually signed facsimile thereof), the tendering stockholder waives any right to receive any notice of the acceptance for payment of the Shares.

3. Inadequate Space. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate schedule attached hereto.

4. Partial Tenders (not applicable to stockholders who tender by book-entry transfer). If fewer than all the Shares represented by any certificate delivered to the Depositary are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In such case, a new certificate for the remainder of the Shares represented by the old certificate will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the appropriate box on this Letter of

Transmittal, as promptly as practicable following the expiration or termination of the Offer. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. Signatures on Letter of Transmittal; Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificates without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are held of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in different names on

different certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of certificates or separate stock powers are required unless payment of the purchase price is to be made, or Shares not tendered or not purchased are to be returned, in the name of any person other than the registered holder(s). Signatures on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, the certificate must be endorsed or accompanied by, appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Shares. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Offeror of the authority of such person so to act must be submitted.

6. Stock Transfer Taxes. The Offeror will pay any stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or Shares not tendered or not purchased are to be returned in the name of, any person other than the registered holder(s), then the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificates listed in this Letter of Transmittal.

7. Special Payment and Delivery Instruction. If the check for the purchase price of any Shares purchased is to be issued, or any Shares not tendered or not purchased are to be returned, in the name of a person other than the person(s) signing this Letter of Transmittal or if the check or any certificates for Shares not tendered or not purchased are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Stockholders tendering Shares by book-entry transfer may request that Shares not purchased be credited to such account at any of the Book-Entry Transfer Facilities as such stockholder may designate under "Special Payment Instructions." If no such instructions are given, any such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facilities designated above.

8. Substitute Form W-9. The tendering stockholder is required to provide the Depositary with such stockholder's correct TIN on Substitute Form W-9, which is provided above, unless an exemption applies. Failure to provide the information on the Substitute Form W-9 may subject the tendering stockholder to a $50 penalty and to 31% federal income tax backup withholding on the payment of the purchase price for the Shares.

9. Requests for Assistance or Additional Copies. Requests for assistance or additional copies of the Offer to Purchase and this Letter of Transmittal may be obtained from the Information Agent or the Dealer Manager at their respective addresses or telephone numbers set forth below.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A MANUALLY SIGNED FACSIMILE COPY HEREOF (TOGETHER WITH CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY ON OR PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE OFFER TO PURCHASE).

IMPORTANT TAX INFORMATION

Under federal income tax law, a stockholder whose tendered Shares are

accepted for payment is required to provide the Depositary with such stockholder's correct TIN on the Substitute Form W-9. If such stockholder is an individual, the TIN is such stockholder's social security number. If the Depositary is not provided with the correct TIN, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that stockholder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. Such statements may be obtained from the Depositary. All exempt recipients (including foreign persons wishing to qualify as exempt recipients) should see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup federal income tax withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of his or her correct TIN by completing the form certifying that the TIN provided on the Substitute Form W-9 is correct.

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record owner of the Shares. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidelines on which number to report.

SIGN HERE
(Complete Substitute Form W-9 below)

_____

_____
Signature(s) of Owner(s)

_____
Name(s)

_____

Capacity (full title) _____
Address _____

_____

_____
(Include Zip Code)

_____
Area Code and Telephone Number _____
Taxpayer Identification Number _____
Dated:_____, 1995

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by the person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5).

GUARANTEE OF SIGNATURE(S)
(See Instructions 1 and 5)

FOR USE BY FINANCIAL INSTITUTIONS ONLY. PLACE MEDALLION GUARANTEE IN SPACE BELOW.

Authorized signature(s) _____

Name _____

Name of Firm _____

Address _____

_____
(Include Zip Code)

Area Code and Telephone Number _____

Dated: _____, 1995

PAYOR'S NAME: CHEMICAL MELLON SHAREHOLDER SERVICES		
SUBSTITUTE FORM W-9	PART I -- PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	PART III -- Social Security Number or Employer Identification Number (If awaiting TIN write "Applied For")
DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN")	PART II -- For Payees exempt from backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein. Certification -- Under penalties of perjury, I certify that: (1) The number shown on this form is my correct TIN (or I am waiting for a number to be issued to me); and (2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding. CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you were no longer subject to backup withholding, do not cross out item (2). (Also see the instructions in the enclosed Guidelines.)	
	SIGNATURE:	DATE:

NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU ARE AWAITING YOUR TIN.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a TIN has not been issued to me, and either (1) I have mailed or delivered an application to receive a TIN to the appropriate IRS Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a TIN by the time of payment, 31% of all payments pursuant to the Offer made to me thereafter will be withheld until I provide a number.

Signature: Date:

The Information Agent for the Offer is:

D.F. KING & CO., INC.

77 Water Street
New York, New York 10005
Banks and Brokers Call Collect: (212) 269-5550
All Others Call Toll-Free: (800) 755-3107

The Dealer Manager for the Offer is

SMITH BARNEY INC.

388 Greenwich Street
New York, New York 10013
(212) 816-7620

August 16, 1995

1

OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES OF COMMON STOCK

OF

EMPHESYS FINANCIAL GROUP, INC.
AT

$37.50 NET PER SHARE

BY

HEW, INC.
A WHOLLY OWNED SUBSIDIARY OF

HUMANA INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 15, 1995,
UNLESS THE OFFER IS EXTENDED

August 16, 1995

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been appointed by HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware corporation (the "Parent"), to act as Dealer Manager in connection with the Offeror's offer to purchase all outstanding shares of common stock, $0.01 par value per share (the "Shares"), of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), at a purchase price of $37.50 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together constitute the "Offer") enclosed herewith. The Offer is being made in connection with the Agreement and Plan of Merger, dated as of August 9, 1995, among the Parent, the Offeror and the Company (the "Merger Agreement"). Holders of Shares whose certificates for such Shares (the "Certificates") are not immediately available or who cannot deliver their Certificates and all other required documents to the Depositary or complete the procedures for book-entry transfer prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) must tender their Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares in your name or in the name of your nominee.

Enclosed herewith for your information and forwarding to your clients are copies of the following documents:

1. The Offer to Purchase, dated August 16, 1995.

2. The Letter of Transmittal to tender Shares for your use and for the information of your clients. Facsimile copies of the Letter of Transmittal (with manual signatures) may be used to tender Shares.

2

3. A letter to stockholders of the Company from William J. Lawson, the Chairman of the Company, together with a Solicitation/Recommendation Statement on Schedule 14D-9 filed with the Securities and Exchange Commission by the Company and mailed to the stockholders of the Company.

4. The Notice of Guaranteed Delivery for Shares to be used to accept the Offer if neither of the two procedures for tendering Shares set forth in the Offer to Purchase can be completed on a timely basis.

5. A printed form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name, with space provided

for obtaining such clients' instructions with regard to the Offer.

6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9.

7. A return envelope addressed to the Depositary.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 15, 1995, UNLESS THE OFFER IS EXTENDED.

Please note the following:

1. The tender price is $37.50 per Share, net to the seller in cash without interest.

2. The Offer is being made for all of the outstanding Shares.

3. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Friday, September 15, 1995, unless the Offer is extended.

4. The Offer is conditioned upon, among other things, (i) there being validly tendered prior to the expiration of the Offer and not withdrawn a number of Shares which would constitute at least a majority of the outstanding Shares on a fully diluted basis and (ii) the Office of the Commissioner of Insurance of the State of Wisconsin and the Department of Corporations of California having issued final orders approving, exempting or otherwise authorizing consummation of the Merger contemplated by the Merger Agreement and all other transactions contemplated by the Merger Agreement as may require such authorization (provided any such order does not impose terms or conditions that materially and adversely affect the economic benefits of the transactions contemplated by the Merger Agreement). The Offer is also subject to the other terms and conditions contained in the Offer to Purchase. The Merger Agreement and the Offer may be terminated by the Offeror and the Parent if, among other things, the Company does not attain certain percentages of specified financial and operational targets.

5. Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the transfer of Shares pursuant to the Offer.

In order to take advantage of the Offer, (i) a duly executed and properly completed Letter of Transmittal (or a manually signed facsimile thereof) and any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) or other required documents should be sent to the Depositary and (ii) Certificates representing the tendered Shares or a timely Book-Entry Confirmation (as defined in the Offer to Purchase) should be delivered to the Depositary in accordance with the instructions set forth in the Offer.

If holders of Shares wish to tender, but it is impracticable for them to forward their Certificates or other required documents or complete the procedures for book-entry transfer prior to the Expiration Date, a tender may be effected by following the guaranteed delivery procedures specified in Section 3 of the Offer to Purchase.

Neither the Offeror, the Parent nor any officer, director, stockholder, agent or other representative of the Offeror will pay any fees or commissions to any broker, dealer or other person (other than the Dealer

Manager, the Depositary and the Information Agent as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. The Offeror will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Offeror will pay or cause to be paid any transfer taxes payable on the transfer of Shares to it, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Any inquiries you may have with respect to the Offer should be addressed to

D.F. King & Co., Inc., the Information Agent for the Offer, 77 Water Street, New York, New York 10005, (800) 755-3107 or Smith Barney Inc., the Dealer Manager for the Offer, at 388 Greenwich Street, New York, New York 10013 (212) 816-7620.

Requests for copies of the enclosed materials may be directed to the Information Agent at the above address and telephone number.

Very truly yours,

SMITH BARNEY INC.
388 Greenwich St.
New York, NY 10013

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF THE PARENT, THE OFFEROR, THE DEPOSITARY, THE INFORMATION AGENT, THE DEALER MANAGER OR ANY AFFILIATE OF ANY OF THEM, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENT OR USE ANY DOCUMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE ENCLOSED DOCUMENTS AND THE STATEMENTS CONTAINED THEREIN.

1

OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES OF COMMON STOCK

OF

EMPHESYS FINANCIAL GROUP, INC.
AT

$37.50 NET PER SHARE

BY

HEW, INC.
A WHOLLY OWNED SUBSIDIARY OF

HUMANA INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 15, 1995,
UNLESS THE OFFER IS EXTENDED.

August 16, 1995

To Our Clients:

Enclosed for your consideration are the Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer") relating to an offer by HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware corporation (the "Parent"), to purchase all outstanding shares of common stock, par value $0.01 per share (the "Shares") of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), at a purchase price of $37.50 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer. The Offer is being made in connection with the Agreement and Plan of Merger, dated as of August 9, 1995, among the Parent, the Offeror and the Company (the "Merger Agreement"). This material is being forwarded to you as the beneficial owner of Shares carried by us in your account but not registered in your name.

A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

Accordingly, we request instructions as to whether you wish to tender any or all of the Shares held by us for your account, upon the terms and conditions set forth in the Offer.

Please note the following:

1. The tender price is $37.50 per Share, net to you in cash without interest.

2. The Offer is being made for all of the outstanding Shares.

3. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Friday, September 15, 1995, unless the Offer is extended.

2

4. The Offer is conditioned upon, among other things, (i) there being validly tendered prior to the expiration of the Offer and not withdrawn a number of Shares which would constitute at least a majority of the outstanding Shares on a fully diluted basis and (ii) the Office of the Commissioner of Insurance of the State of Wisconsin and the Department of Corporations of California having issued final orders approving, exempting or otherwise authorizing consummation of the merger contemplated by the Merger Agreement and all other transactions contemplated by the Merger Agreement as may require such authorization (provided any such order does

not impose terms or conditions that materially and adversely affect the economic benefits of the transactions contemplated by the Merger Agreement). The Offer is also subject to the other terms and conditions contained in the Offer to Purchase. The Merger Agreement and the Offer may be terminated by the Offeror and the Parent if, among other things, the Company does not attain certain percentages of specified financial and operational targets.

5. Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the transfer of Shares pursuant to the Offer.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing, detaching and returning to us the instruction form contained in this letter. An envelope to return your instruction to us is enclosed. If you authorize tender of your Shares, all such Shares will be tendered unless otherwise indicated in such instruction form. PLEASE FORWARD YOUR INSTRUCTIONS TO US AS SOON AS POSSIBLE TO ALLOW US AMPLE TIME TO TENDER YOUR SHARES ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and any supplements or amendments thereto. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares residing in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities laws of such jurisdiction. In any jurisdiction where the securities, blue sky, or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Offeror by Smith Barney Inc. or by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

INSTRUCTIONS WITH RESPECT TO
THE OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
OF
EMPHESYS FINANCIAL GROUP, INC.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated August 16, 1995 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer") in connection with the offer by HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware corporation, to purchase all outstanding shares of common stock, par value $.01 per share ("Shares"), of EMPHESYS Financial Group, Inc., a Delaware corporation.

This will instruct you to tender to the Offeror the number of Shares indicated below (or if no number is indicated below, all Shares) which are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

SIGN HERE

Number of Shares to be Tendered:*

Signature(s)

Account Number: ---

Date: ---

(Print Name(s))

(Print Address(es))

(Area Code and Telephone Number(s))

(Taxpayer Identification or
Social Security Number(s))

---
* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

1

OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES OF COMMON STOCK

OF

EMPHESYS FINANCIAL GROUP, INC.

AT

$37.50 NET PER SHARE

BY

HEW, INC.

A WHOLLY OWNED SUBSIDIARY OF

HUMANA INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 15, 1995,
UNLESS THE OFFER IS EXTENDED.

August 16, 1995

To Participants in the Automatic Dividend Reinvestment and Common Stock Purchase Plan of EMPHESYS Financial Group, Inc.:

Enclosed for your consideration are the Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer") relating to an offer by HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware corporation (the "Parent"), to purchase all outstanding shares of common stock, par value $0.01 per share (the "Shares") of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), at a purchase price of $37.50 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer. The Offer is being made in connection with the Agreement and Plan of Merger, dated as of August 9, 1995, among the Parent, the Offeror and the Company (the "Merger Agreement").

OUR NOMINEE IS THE HOLDER OF RECORD OF SHARES HELD FOR YOUR ACCOUNT AS A PARTICIPANT IN THE COMPANY'S AUTOMATIC DIVIDEND REINVESTMENT AND COMMON STOCK PURCHASE PLAN (THE "PLAN"). A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US THROUGH OUR NOMINEE AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD IN YOUR PLAN ACCOUNT.

Accordingly, we request instructions as to whether you wish to have us instruct our nominee to tender any or all of the Shares held in your Plan account, upon the terms and conditions set forth in the Offer.

Please note the following:

1. The tender price is $37.50 per Share, net to you in cash without interest.

2. The Offer is being made for all of the outstanding Shares.

3. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Friday, September 15, 1995, unless the Offer is extended.

2

4. The Offer is conditioned upon, among other things, (i) there being validly tendered prior to the expiration of the Offer and not withdrawn a number of Shares which would constitute at least a majority of the outstanding Shares on a fully diluted basis and (ii) the Office of the Commissioner of Insurance of the State of Wisconsin and the Department of Corporations of California having issued final orders approving, exempting

or otherwise authorizing consummation of the merger contemplated by the Merger Agreement and all other transactions contemplated by the Merger Agreement as may require such authorization (provided any such order does not impose terms or conditions that materially and adversely affect the economic benefits of the transactions contemplated by the Merger Agreement). The Offer is also subject to the other terms and conditions contained in the Offer to Purchase. The Merger Agreement and the Offer may be terminated by the Offeror and the Parent if, among other things, the Company does not attain certain percentages of specified financial and operational targets.

5. Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the transfer of Shares pursuant to the Offer.

If you wish to have us tender any or all of the Shares held in your Plan account, please so instruct us by completing, executing, detaching and returning to us the instruction form contained in this letter. An envelope to return your instruction to us is enclosed. If you authorize tender of your Shares, all such Shares will be tendered unless otherwise indicated in such instruction form. PLEASE FORWARD YOUR INSTRUCTIONS TO US NO LATER THAN 5:00 P.M., WISCONSIN TIME, ON SEPTEMBER 14, 1995, TO ALLOW US AMPLE TIME TO TENDER YOUR SHARES ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and any supplements or amendments thereto. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares residing in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities laws of such jurisdiction. In any jurisdiction where the securities, blue sky, or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Offeror by Smith Barney Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Very truly yours,

Firstar Trust Company
as Agent

PAYOR'S NAME: FIRSTAR TRUST COMPANY		
SUBSTITUTE FORM W-9	PART I -- PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	PART III -- Social Security Number or Employer Identification Number (If awaiting TIN write "Applied For")
DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN")	PART II -- For Payees exempt from backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein. Certification -- Under penalties of perjury, I certify that: (1) The number shown on this form is my correct TIN (or I am waiting for a number to be issued to me); and (2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding. CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you were no longer subject to backup withholding, do not cross out item (2). (Also see the instructions in the enclosed Guidelines.)	
	SIGNATURE:	DATE:

NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU ARE AWAITING YOUR TIN.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a TIN has not been issued to me, and either (1) I have mailed or delivered an application to receive a TIN to the appropriate IRS Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a TIN by the time of payment, 31% of all payments pursuant to the Offer made to me thereafter will be withheld until I provide a number.

Signature: Date:

INSTRUCTIONS WITH RESPECT TO
THE OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
OF

EMPHESYS FINANCIAL GROUP, INC.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase"), and the Letter of Transmittal (such documents together constitute the "Offer"), in connection with the offer by HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware Corporation (the "Parent"), to purchase all the shares of Common Stock, $0.01 par value per share (the "Shares") of EMPHESYS Financial Group, Inc. (the "Company"). The undersigned understand(s) that the Offer applies to Shares allocated to the account of the undersigned in the Company's Automatic Dividend Reinvestment and Common Stock Purchase Plan (the "Plan").

This will instruct you, as Agent for the Plan, to instruct your nominee to tender the number of Shares indicated below (or, if no number is indicated below, all Shares that are held for the Plan account of the undersigned), upon the terms and subject to the conditions set forth in the Offer.

NUMBER OF SHARES
TO BE TENDERED:

SHARES*

Account:

Dated: , 1995

SIGN HERE

Signature(s)

Please type or print name(s)

Please type or print address

Area Code and Telephone Number

Taxpayer Identification or
Social Security Number

---

* Unless otherwise indicated, it will be assumed that all Shares in your Plan account are to be tendered, including any additional Shares credited to your account through the Expiration Date (as defined in the Offer to Purchase).

1

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF COMMON STOCK
OF
EMPHESYS FINANCIAL GROUP, INC.

This form, or one substantially equivalent hereto, must be used to accept the Offer (as defined below) if certificates for shares of common stock, $0.01, par value per share (the "Shares"), of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depositary on or prior to the Expiration Date (as defined in the Offer to Purchase). Such form may be delivered by hand or facsimile transmission, or mail to the Depositary. See Section 3 of the Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase").

THE DEPOSITARY FOR THE OFFER IS:

CHEMICAL MELLON SHAREHOLDER SERVICES

By Hand:	By Mail:	By Overnight Courier:
Chemical Mellon Shareholder Services	Chemical Mellon Shareholder Services	Chemical Mellon Shareholder Services
Reorganization Department	Reorganization Department	Reorganization Department
120 Broadway - 13th Floor	P.O. Box 817	85 Challenger Road
New York, N.Y. 10271	Midtown Station	Overpeck Centre
	New York, N.Y.	
10018		Ridgefield Park, N.J. 07660

Facsimile for Eligible Institutions:
(201) 296-4293

To confirm fax only:
(201) 296-4209

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS, OR TRANSMISSION OF INSTRUMENTS VIA A FACSIMILE, OTHER THAN AS SET FORTH ABOVE, DOES NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal or an Agent's Message and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED.

2

Ladies and Gentlemen:

The undersigned hereby tenders to HEW, Inc., a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, and the related Letter of Transmittal (which together constitute the "Offer"), receipt of which is hereby acknowledged, Shares of the Company, pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase.

Number of Shares:
Certificate No(s) (if available):

If Securities will be tendered by
book-entry transfer:
Name of Tendering Institutions

Account No.:
at
/ / The Depository Trust Company
/ / Midwest Securities Trust Company
/ / Philadelphia Depository Trust Company

SIGN HERE
Name(s):
(Please Print)

Address:
(Zip Code)
Area Code and Telephone No:

Signature(s):

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or a bank, broker, dealer, credit union, savings association or other entity which is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, guarantees the delivery to the Depositary of the Shares tendered hereby, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile(s) thereof) and any other required documents, or an Agent's Message (as defined in the Offer to Purchase) in the case of a book-entry delivery of Shares, all within three New York Stock Exchange trading days of the date hereof.

Name of Firm:

(Authorized Signature)

Address:
Title:

Name:
(Please Print or Type)

Area Code and Telephone No.:

DO NOT SEND CERTIFICATES FOR SHARES WITH THIS FORM --

CERTIFICATES SHOULD BE SENT WITH LETTER OF TRANSMITTAL

Dated: , 1995

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYOR -- Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the Payor.

	FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--
1.	An individual's account	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3.	Husband and wife (joint account)	The actual owner of the account or, if joint funds, the first individual on the account(1)
4.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5.	Adult and minor (joint account)	The adult, or if the minor is the only contributor, the minor(1)
6.	Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)
7.	a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
	b. So-called trust account that is not a legal or valid trust under State law	The actual owner(4)

	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF--
8.	Sole proprietorship account	The owner(4)
9.	A valid trust, estate, or pension trust	Legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity

		itself is not designated in the account title.)(5)
10.	Corporate account	The Corporation
11.	Religious, charitable, or educational organization account	The organization
12.	Partnership account held in the name of the business	The partnership
13.	Association, club or other tax-exempt organization	The organization
14.	A broker or registered nominee	The broker or nominee
15.	Account with the Department of Agriculture in the name of a public entity (such as a State or local governmental school district or prison) that receives agricultural program payments	The public entity

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(1) List first and circle the name of the person whose number you furnish.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

(4) Show the name of the owner.

(5) List first and circle the name of the legal trust, estate or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on interest, dividends, and broker transactions payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan, or a custodial account under Section 403(b)(7).
- The United States or any agency or instrumentality thereof.

- A State, the District of Columbia, a possession of the United States, or any political subdivision or instrumentality thereof.

- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.

- An international organization or any agency, or instrumentality thereof.

- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.

- A real estate investment trust.

- A common trust fund operated by a bank under section 584(a).

- An entity registered at all times under the Investment Company Act of 1940.

- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.

- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.

- Payments of patronage dividends where the amount received is not paid in money.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

Payments to interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals.

NOTE: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

- Payments of tax-exempt interest (including exempt-interest dividends under section 852).

- Payments described in section 6049(b)(5) to nonresident aliens.

- Payments on tax-free covenants bonds under section 1451.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Beginning January 1, 1993, payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell these securities. The Offer is made only by the Offer to Purchase and the related Letter of Transmittal and is not being made to (nor will tenders be accepted from) holders of Shares in any jurisdiction in which the Offer or the acceptance thereof would not be in compliance with the securities laws of such jurisdiction. In those jurisdictions where securities laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Offeror by Smith Barney Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
All Outstanding Shares of Common Stock
of
EMPHESYS Financial Group, Inc.
at $37.50 per Share
by
HEW, Inc.
a wholly owned subsidiary of
Humana Inc.

HEW, Inc., a Delaware corporation (the "Offeror") and a wholly owned subsidiary of Humana Inc., a Delaware corporation (the "Parent"), hereby offers to purchase all of the shares of common stock, par value $0.01 per share (the "Shares"), of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company"), for $37.50 per Share, net to the seller in cash without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated August 16, 1995 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 15, 1995, UNLESS THE OFFER IS EXTENDED.

The Offer is being made pursuant to an Agreement and Plan of Merger dated as of August 9, 1995 (the "Merger Agreement"), among the Parent, the Offeror, and the Company. The Merger Agreement provides that, among other things, as soon as practicable after the purchase of Shares pursuant to the Offer and the satisfaction of the other conditions set forth in the Merger Agreement and in accordance with relevant provisions of Delaware law, the Offeror will be merged with and into the Company (the "Merger"). At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares held in the treasury of the Company, Shares held by the Parent, the Offeror or any other subsidiary of the Parent, or Shares which are held by stockholders, if any, who properly exercise their appraisal rights under Delaware law) will be converted into the right to receive $37.50 in cash without interest. Concurrent with the execution of the Merger Agreement, the Parent entered into a Stock Option and Tender Agreement dated as of August 9, 1995, with American States Insurance Company (the "Selling Stockholder"), and its parent Lincoln National Corporation, pursuant to which the Selling Stockholder has agreed to tender into the Offer and not withdraw all 4,986,507 Shares owned by it, representing approximately 29.2% of the outstanding Shares.

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Offer that number of Shares representing at least a majority of all outstanding Shares on a fully diluted basis, (ii) the Office of the Commissioner of Insurance of the State of Wisconsin and the Department of Corporations of the State of California having issued final orders approving, exempting or otherwise authorizing consummation of the Merger, and all other transactions contemplated by the Merger Agreement as may require such authorization (provided any such order does not impose terms or conditions that materially and adversely affect the economic benefits of the transactions contemplated by the Merger Agreement) and (iii) satisfaction of certain other terms and conditions. The Merger Agreement and the Offer may also be terminated by the Offeror and the Parent if, among other things, the Company does not attain certain percentages of specified financial and operational targets.

THE BOARD OF DIRECTORS OF THE COMPANY HAS DETERMINED THAT EACH OF THE OFFER AND THE MERGER IS FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS, HAS APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND MERGER, AND RECOMMENDS THAT THE COMPANY'S STOCKHOLDERS ACCEPT THE OFFER AND TENDER ALL THEIR SHARES PURSUANT

THERETO.

For purposes of the Offer, the Offeror will be deemed to have accepted for payment, and thereby purchased Shares validly tendered and not withdrawn if and when the Offeror gives oral or written notice to the Depositary of the Offeror's acceptance of such Shares for payment. In all cases, payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price with the Depositary, which shall act as agent for tendering stockholders for the purpose of receiving payment from the Offeror and transmitting payment to tendering stockholders. Payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facilities (as defined in the Offer to Purchase) pursuant to the procedures set forth in the Offer to Purchase and timely receipt by the Depositary of a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) and any other documents required by the Letter of Transmittal.

If any of the conditions set forth in the Offer to Purchase that relate to the Offeror's obligations to purchase the Shares are not satisfied by 12:00 Midnight, New York City time, on Friday, September 15, 1995 (or any other time then set as the Expiration Date), the Offeror may, subject to the terms of the Merger Agreement, (i) extend the Offer and, subject to applicable withdrawal rights, retain all tendered Shares until the expiration of the Offer as so extended, (ii) subject to complying with applicable rules and regulations of the Securities and Exchange Commission accept for payment all Shares so tendered and not extend the Offer, or (iii) terminate the Offer and not accept for payment any Shares and return all tendered Shares to tendering stockholders. The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on Friday, September 15, 1995, unless the Offeror shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Offeror, shall expire. The Offeror expressly reserves the right, in its sole discretion, at any time or from time to time, subject to applicable law and to the terms of the Merger Agreement, to extend the period during which the Offer is open by giving oral or written notice of such extension to the Depositary followed by, as promptly as practicable, a public announcement thereof no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

Except as otherwise provided in Section 4 of the Offer to Purchase, tenders of Shares made pursuant to the Offer are irrevocable, except that Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date, and, unless theretofore accepted for payment, may also be withdrawn at any time after Saturday, October 14, 1995. For a withdrawal to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder if different from the name of the person who tendered the Shares. If certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered for the account of an Eligible Institution (as defined in the Offer to Purchase), the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase, the notice of withdrawal must also specify the name and number of the account at the applicable Book-Entry Transfer Facility (as defined in the Offer to Purchase) to be credited with the withdrawn Shares. All questions as to the form and validity (including time of receipt) of a notice of withdrawal will be determined by the Offeror, in its sole discretion, and its determination shall be final and binding on all parties.

The information required to be disclosed by Paragraph (e)(1)(vii) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided to the Offeror its lists of stockholders and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase, the related Letter of Transmittal and other related materials are being mailed to record holders of Shares and will be mailed to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information that should be read before any decision is made with respect to the Offer.

Requests for copies of the Offer to Purchase and the related Letter of Transmittal and other tender offer material may be directed to the Information Agent or the Dealer Manager as set forth below, and copies will be furnished promptly at the Offeror's expense. No fees or commissions will be payable to brokers, dealers or other persons other than the Information Agent, the Dealer Manager, and the Depositary for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:
D.F. King & Co., Inc.
77 Water Street
New York, New York 10005
Banks and Brokers Call Collect: (212) 269-5550
All Others Call Toll-Free: (800) 755-3107

The Dealer Manager for the Offer is:

Smith Barney Inc.
388 Greenwich Street
New York, New York 10013
(212)816-7620

August 16, 1995

HUMANA NEWS RELEASE

For Further Information:

Wayne R. Micksch
EMPHESYS - Vice President & Treasurer
414/337-5210

Laurie G. Scarborough
Humana - Investor Relations
502/580-1037

Jon Drayna
EMPHESYS - Media Relations
414/337-5725

Greg Donaldson
Humana - Public Affairs
502/580-3683

August 10, 1995

HUMANA ANNOUNCES ACQUISITION OF EMPHESYS

Louisville, KY --- Humana Inc. (NYSE: HUM) today announced that the company has signed a definitive agreement to acquire EMPHESYS Financial Group, Inc. (NYSE: EFG), the nation's tenth largest commercial group health insurer. After the combination, Humana will have annual premium revenues of $5.6 billion, providing health care products to 3.7 million members concentrated in 22 states and the District of Columbia.

Under the proposed transaction, which has been approved by EMPHESYS's board of directors, Humana will commence an all cash tender offer on or prior to August 16, 1995, to acquire all of EMPHESYS's outstanding common stock for $37.50 per share. The total consideration approximates $650 million. The initial tender offer period will expire September 15, 1995, unless extended by Humana. The transaction, which is subject to certain regulatory approvals, is expected to be completed in the fall of 1995. Humana also has the right to terminate the transaction if the financial results of EMPHESYS during the tender offer period do not achieve certain specified thresholds.

Lincoln National Corporation through a subsidiary owns approximately 29 percent of the outstanding shares of EMPHESYS. Lincoln National has agreed to tender

its shares, has granted Humana an option to acquire all of its EMPHESYS shares at $37.50 per share and has entered into other customary provisions with Humana.

EMPHESYS, through its subsidiary Employers Health Insurance Company, is a leading provider of a broad range of employee benefit products, including managed care group medical, group life, dental, and disability income insurance. Focusing primarily on small group customers, EMPHESYS provides health care services to 1.3 million members, with 1.1 million participants in fully-insured medical products.

"EMPHESYS fits perfectly with our strategic plan to grow in existing markets and to expand into attractive new markets," said Wayne T. Smith, Humana's president and chief operating officer. "Half of EMPHESYS's fully-insured membership is in states where we already do business. EMPHESYS also has membership and networks in markets where we want to be. That membership - in markets like Atlanta, Dallas and Houston - forms a foundation on which to build and enhance existing provider networks while offering a full array of managed care products."

"EMPHESYS has created an impressive small business product and is now a major player in the small group market - one that is fast growing and under-penetrated," said Mr. Smith. "They bring this additional sales and marketing expertise to Humana. Coupled with our medical management skills, this new organization will be a more significant force with an even wider offering of competitive products and services."

"Humana's experience in network development and medical management will enhance our organization," said William J. Lawson, EMPHESYS' chairman and

chief executive officer. "This experience, supported by Humana's information systems, should enable us to further enhance our managed care capabilities."

"EMPHESYS contributes strong sales and marketing capabilities with more than 40,000 brokers in our distribution system. We are very excited about the opportunity to offer Humana's managed care products to EMPHESYS members and to sell our specialty products to Humana's membership," said Gregory H. Wolf, president and chief

operating officer of EMPHESYS. "This combination makes good sense for the members, customers and shareholders of both EMPHESYS and Humana."

EMPHESYS, based in Green Bay, Wisconsin, is one of the nation's premier health insurers in the small group market. Headquartered in Louisville, Kentucky, Humana provides managed health care services to 2.4 million members through the operation of health maintenance organizations and preferred provider organizations located in 14 states and the District of Columbia.

MEMBERSHIP DATA
June 30, 1995
(000)

	HUMANA	EMPHESYS	PROFORMA TOTAL
MEDICAL PRODUCTS:			
Commercial	1,719	931	2,650
Medicare risk	297	--	297
Medicare supplement	122	--	122
Indemnity	--	145	145
	2,138	1,076	3,214
ASO	264	217	481
	2,402	1,293	3,695
SPECIALTY PRODUCTS:			
Pharmacy management	2,997	--	2,997
Dental	226	566	792
Life	--	580	580
Workers compensation	210	--	210
Disability	--	103	103

# # #

1

AGREEMENT AND PLAN OF MERGER

AMONG

HUMANA INC.

HEW, INC.

AND

EMPHESYS FINANCIAL GROUP, INC.

DATED AS OF AUGUST 9, 1995

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of August 9, 1995 (this "Agreement"), among Humana Inc., a Delaware corporation ("Parent"), HEW, Inc., a Delaware corporation ("Sub") and a wholly owned subsidiary of Parent, and EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company") (Sub and the Company being hereinafter collectively referred to as the "Constituent Corporations").

W I T N E S S E T H:

WHEREAS, the respective Boards of Directors of Parent, Sub and the Company have approved the acquisition of the Company by Parent pursuant to a tender offer (the "Offer") by Parent for all of the outstanding shares of Common Stock, par value $.01 per share (the "Common Stock"), of the Company at a price of $37.50 per share, net to the seller in cash, followed by a merger (the "Merger") of Sub with and into the Company upon the terms and subject to the conditions set forth herein;

WHEREAS, the Board of Directors of the Company has adopted resolutions approving the Offer and the Merger and recommending that the Company's stockholders accept the Offer;

WHEREAS, Parent has informed the Company that Parent has previously entered into a Stock Option and Tender Agreement (the "Stock Option Agreement") with Lincoln National Corporation and American States Insurance Company (collectively, "Stockholder") pursuant to which Stockholder has agreed, among other things, (i) to tender all of the shares of Common Stock that Stockholder now owns or hereafter acquires (the "Stockholder Shares"), (ii) to grant Parent the option to purchase all of the Stockholder Shares, (iii) to appoint Parent as Stockholder's proxy to vote the Stockholder Shares, and (iv) with respect to certain questions put to stockholders of the Company for a vote, to vote the Stockholder Shares, in each case, in accordance with the terms and conditions of the Stock Option Agreement; and

WHEREAS, pursuant to the Merger, each issued and outstanding share of Common Stock not owned directly or indirectly by Parent or the Company will be converted into the right to receive the per share consideration paid pursuant to the Offer.

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties agree as follows:

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ARTICLE I

THE OFFER

Section 1.1 The Offer. (a) Subject to the provisions of this Agreement, as promptly as practicable but in no event later than August 16, 1995, Sub shall, and Parent shall cause Sub to, commence, within the meaning of Rule 14d-2 under the Exchange Act (as hereinafter defined), the Offer. The obligation of Sub to, and of Parent to cause Sub to, commence the Offer and accept for payment, and pay for, any shares of Common Stock tendered pursuant to the Offer shall be subject to the conditions set forth in Exhibit A and to the terms and conditions of this Agreement. The initial expiration date of the Offer shall be September 15, 1995. Without the prior written consent of the Company, Sub shall not (i) waive the Minimum Condition (as defined in Exhibit A), (ii) reduce the number of shares of Common Stock subject to the Offer, (iii) reduce the price per share of Common Stock to be paid pursuant to the Offer, (iv) extend the Offer if all of the Offer conditions are satisfied or waived, (v) change the form of consideration payable in the Offer, or (vi) amend, add or waive any term or condition of the Offer (including the conditions set forth on Exhibit A) in any manner that would adversely affect the Company or its stockholders. Notwithstanding the foregoing, Sub may,

without the consent of the Company, extend the Offer (i) if at the then scheduled expiration date of the Offer any of the conditions to Sub's obligation to accept for payment and pay for shares of Common Stock shall not have been satisfied or waived, until the later of (x) any period during which the Offer may remain open pursuant to clauses (ii)-(v) below, and (y) the fifth business day after the date Sub reasonably believes to be the earliest date on which such conditions may be satisfied; (ii) for any period required by any rule, regulation, interpretation or position of the SEC (as hereinafter defined) or its staff applicable to the Offer; (iii) if the condition in clause (f) of Exhibit A referring to a 10 business day period shall not have been satisfied, for up to three business days after the scheduled expiration date of such period; (iv) if all Offer conditions are satisfied or waived but the number of shares of Common Stock tendered is less than 90% of the then outstanding number of shares of Common Stock, for an aggregate period of not more than 15 business days (for all such extensions) beyond the latest expiration date that would be permitted under clause (i), (ii) or (iii) of this sentence; and (v) if all Offer conditions are satisfied or waived but the number of shares of Common Stock tendered is less than 90% of the then outstanding number of shares of Common Stock, for an aggregate period of not more than 10 business days (for all such extensions) beyond the latest expiration date that would be permitted under clause (i), (ii), (iii) or (iv) of this sentence (provided that Sub shall acknowledge that, except in the case of an occurrence of an event that would cause the condition contained in Section 8.1(b) not to be satisfied, all the Offer

conditions shall be deemed to be waived and all shares of Common Stock which are validly tendered and not withdrawn upon the expiration of such extended period will be accepted and purchased. In addition to the right of Sub to extend the Offer pursuant to the previous sentence, Sub shall have the right to extend the Offer until five business days from the date on which Sub receives all certificates required to have been delivered to it pursuant to Section 7.13 on or prior to the scheduled expiration date in effect prior to the extension permitted by this sentence. The obligation of the Company to provide certificates pursuant to Section 7.13 and the right of Parent to terminate this Agreement pursuant to Section 9.3(c)(ii) shall remain in effect until Sub acquires shares of Common Stock pursuant to the Offer without affecting the right of Sub to extend the Offer pursuant to clause (iv) above; provided, however, that if Sub exercises its right to extend the Offer pursuant to clause (v) above, the Company's obligation to provide certificates pursuant to Section 7.13 shall cease and the Parent shall have no further right to terminate this Agreement pursuant to Section 9.1(c)(ii). So long as this Agreement is in effect and the Offer conditions have not been satisfied or waived, Sub shall, and Parent shall cause Sub to, cause the Offer not to expire. Subject to the terms and conditions of the Offer and the Agreement, Sub shall, and Parent shall cause Sub to, pay for all shares of Common Stock validly tendered and not withdrawn pursuant to the Offer as soon as practicable after the expiration of the Offer.

(b) On the date of commencement of the Offer, Parent and Sub shall file with the Securities and Exchange Commission (the "SEC") a Tender Offer Statement on Schedule 14D-1 with respect to the Offer, which shall contain an offer to purchase and a related letter of transmittal (such Schedule 14D-1 and the documents therein pursuant to which the Offer will be made, together with any supplements or amendments thereto, the "Offer Documents"). The Company and its counsel shall be given an opportunity to review and comment upon the Offer Documents prior to the filing thereof with the SEC. The Offer Documents shall comply as to form in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (including the rules and regulations promulgated thereunder, the "Exchange Act"), and on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, the Offer Documents shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no

representation is made by Parent or Sub with respect to information supplied by the Company for inclusion in the Offer Documents. Each of Parent, Sub and the Company agrees promptly to correct any information provided by it for use in the Offer Documents if and to the extent that such information shall have become false or misleading in any material

respect, and each of Parent, Sub and Company further agrees to take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and to be disseminated to holders of shares of Common Stock, in each case as and to the extent required by applicable federal securities laws. Parent and Sub agree to provide the Company and its counsel in writing with any comments Parent, Sub or their counsel may receive from the SEC or its staff with respect to the Offer Documents.

(c) Prior to or concurrently with the expiration of the Offer, Parent shall provide or cause to be provided to Sub all of the funds necessary to purchase any shares of Common Stock that Sub becomes obligated to purchase pursuant to the Offer.

Section 1.2 Company Actions. (a) The Company hereby approves of and consents to the Offer and represents that the Board of Directors of the Company at a meeting duly called and held has duly adopted resolutions approving this Agreement, the Offer and the Merger, determining that the Merger is advisable and that the terms of the Offer and Merger are fair to, and in the best interests of, the Company's stockholders and recommending that the Company's stockholders accept the Offer and approve the Merger and this Agreement. The Company represents that its Board of Directors has received the written opinion of Morgan Stanley & Co. Incorporated that the proposed consideration to be received by the holders of shares of Common Stock pursuant to the Offer and the Merger is fair to such holders from a financial point of view. Subject to the fiduciary duties of the Board of Directors of the Company under applicable law as determined by the Board of Directors in good faith after consultation with the Company's outside counsel, the Company hereby consents to the inclusion in the Offer Documents of the recommendation of the board of directors of the Company described in the first sentence of this Section 1.2.

(b) On the date the Offer Documents are filed with the SEC, the Company shall file with the SEC a Solicitation/ Recommendation Statement on Schedule 14D-9 with respect to the Offer (such Schedule 14D-9, as amended from time to time, the "Schedule 14D-9") containing the recommendations described in paragraph (a) above (subject to the fiduciary duties of the Board of Directors of the Company under applicable law as determined by the Board of Directors in good faith after consultation with the Company's outside counsel) and shall mail the Schedule 14D-9 to the stockholders of the Company. To the extent practicable, the Company shall cooperate with Parent in mailing or otherwise disseminating the Schedule 14D-9 with the appropriate Offer Documents to the Company's stockholders. Parent and its counsel shall be given an opportunity to review and comment upon the Schedule 14D-9 prior to the filing thereof with the SEC. The Schedule 14D-9 shall comply as to form in all material respects with the requirements of the Exchange Act and, on the date filed with the SEC and on the date first published, sent or given to

the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information supplied by Parent or Sub for inclusion in the Schedule 14D-9. Each of the Company, Parent and Sub agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that such information shall have become

false or misleading in any material respect, and the Company further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and disseminated to the holders of shares of Common Stock, in each case as and to the extent required by applicable federal securities laws. The Company agrees to provide Parent and Sub and their counsel in writing with any comments the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments.

(c) In connection with the Offer, the Company shall cause its transfer agent to furnish Sub with mailing labels containing the names and addresses of the record holders of Common Stock as of a recent date and of those persons becoming record holders subsequent to such date, together with copies of all lists of stockholders, security position listings and computer files and all other information in the Company's possession or control regarding the beneficial owners of Common Stock, and shall furnish to Sub such information and assistance (including updated lists of stockholders, security position listings and computer files) as Sub may reasonably request in communicating the Offer to the Company's stockholders. Subject to the requirements of law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Parent and Sub and each of their affiliates and associates shall hold in confidence the information contained in any of such labels, lists and files, will use such information only in connection with the Offer and the Merger, and, if this Agreement is terminated, will promptly deliver to the Company all copies of such information then in their possession.

ARTICLE II

THE MERGER

Section 2.1 The Merger. Upon the terms and subject to the conditions hereof, and in accordance with the General Corporation Law of the State of Delaware, as amended (the "DGCL"), Sub shall be merged with and into the Company at the Effective Time (as hereinafter defined). Following the Merger, the separate corporate existence of Sub shall cease and the

Company shall continue as the surviving corporation (the "Surviving Corporation") and shall succeed to and assume all the rights and obligations of Sub in accordance with the DGCL.

Section 2.2 Effective Time. The Merger shall become effective when the Certificate of Merger or, if applicable, the Certificate of Ownership and Merger (each, the "Certificate of Merger"), executed in accordance with the relevant provisions of the DGCL, are accepted for record by the Secretary of State of the State of Delaware. When used in this Agreement, the term "Effective Time" shall mean the later of the date and time at which the Certificate of Merger is accepted for record or such later time established by the Certificate of Merger. The filing of the Certificate of Merger shall be made as soon as practicable after the satisfaction or waiver of the conditions to the Merger set forth herein.

Section 2.3 Effects of the Merger. The Merger shall have the effects set forth in the DGCL.

Section 2.4 Certificate of Incorporation and Bylaws; Directors and Officers. (a) The Certificate of Incorporation of the Sub, as in effect immediately prior to the Effective Time, shall be amended to change the name of Sub to "EMPHESYS Financial Group, Inc." and, as so amended, the Certificate of Incorporation and the Bylaws of Sub, shall be the Certificate of Incorporation and the Bylaws of the Surviving Corporation until thereafter changed or amended as provided therein or by Certificate of Incorporation and applicable law.

(b) The directors and officers of Sub immediately prior to the Effective Time shall be the directors and officers, respectively, of the Surviving Corporation as of the Effective Time.

Section 2.5 Conversion of Securities. As of the Effective Time, by virtue of the Merger and without any action on the part of any stockholder of the Company:

(a) All shares of Common Stock that are held in the treasury of the Company or by any wholly owned Subsidiary (as hereinafter defined) of the Company and any shares of Common Stock owned by Parent, Sub or any other wholly owned Subsidiary of Parent shall be cancelled and no consideration shall be delivered in exchange therefor.

(b) Each share of Common Stock issued and outstanding immediately prior to the Effective Time (other than shares to be cancelled in accordance with Section 2.5(a) and other than Dissenting Company Common Shares (as defined in Section 2.7)) shall be converted into the right to receive from the Surviving

Corporation in cash, without interest, the per share consideration in the Offer (the "Merger Consideration"). All such shares of Common Stock, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired and each holder of a certificate or certificates (the "Certificates") representing any such shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration.

(c) Each issued and outstanding share of the capital stock of Sub shall be converted into and become one fully paid and nonassessable share of Common Stock, par value $.01 per share, of the Surviving Corporation.

Section 2.6 Exchange of Certificates. (a) Paying Agent. Parent shall authorize a commercial bank or trust company having net capital of not less than $20 million (or such other person or persons as shall be reasonably acceptable to the Company) to act as paying agent hereunder (the "Paying Agent") for the payment of the Merger Consideration upon surrender of Certificates. All of the fees and expenses of the Paying Agent shall be borne by Parent.

(b) Surviving Corporation to Provide Funds. Parent shall take all steps necessary to enable and cause the Surviving Corporation to deposit in trust with the Paying Agent prior to the Effective Time cash in an amount necessary to pay for all of the shares of Common Stock pursuant to Section 2.5 (determined as though there are no Dissenting Company Common Shares) and, in connection with the Company Stock Options, pursuant to Section 7.4. Such amount shall hereinafter be referred to as the "Exchange Fund." If the amount of cash in the Exchange Fund is insufficient to pay all of the amounts required to be paid pursuant to Sections 2.5, 2.7 or 7.4, Parent from time to time after the Effective Time shall take all steps necessary to enable and cause the Surviving Corporation to deposit in trust additional cash with the Paying Agent sufficient to make all such payments.

(c) Exchange Procedures. As soon as practicable after the Effective Time, the Paying Agent shall mail to each holder of record of a Certificate, other than Parent, the Company and any Subsidiary of Parent or the Company, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon actual delivery of the Certificates to the Paying Agent and shall be in a form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent or to such other agent or agents as may be appointed by the Surviving Corporation, together with such letter of transmittal,

duly executed, and such other documents as may reasonably be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the amount of cash into which the shares of Common Stock theretofore represented by such Certificate shall have been converted pursuant to Section 2.5, and the Certificates so surrendered shall forthwith be cancelled. No interest will be paid or will accrue on the cash payable upon the surrender of any Certificate. If payment is to be made to a person other than the person in whose name the Certificate so surrendered is registered, it shall be a condition of payment that such Certificate shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such payment shall pay any transfer or other taxes required by reason of such Certificate or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.6, each Certificate (other than Certificates representing Dissenting Company Common Shares and Certificates representing any shares of Common Stock owned by Parent or any Subsidiary of Parent) shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the amount of cash, without interest, into which the shares of Common Stock theretofore represented by such Certificate shall have been converted pursuant to Section 2.5. Notwithstanding the foregoing, none of the Paying Agent, the Surviving Corporation or any party hereto shall be liable to a former stockholder of the Company for any cash or interest delivered to a public official pursuant to applicable abandoned property, escheat or similar laws. Any portion of the Exchange Fund that remains unclaimed by the stockholders of the Company for one year after the Effective Time shall be repaid to the Surviving Corporation (including, without limitation, all interest and other income received by the Paying Agent in respect of all such funds). Thereafter, holders of shares of Common Stock shall look only to Parent or the Surviving Corporation (subject to the terms of this Agreement, abandoned property, escheat and other similar laws) as general creditors thereof with respect to any Merger Consideration that may be payable upon due surrender of the Certificates held by them.

Section 2.7 Dissenting Company Common Shares. Notwithstanding any provision of this Agreement to the contrary, if required by the DGCL but only to the extent required thereby, shares of Common Stock which are issued and outstanding immediately prior to the Effective Time and which are held by holders of such shares of Common Stock who have properly exercised appraisal rights with respect thereto in accordance with Section 262 of the DGCL (the "Dissenting Company Common Shares") will not be exchangeable for the right to receive the Merger Consideration, and holders of such shares of Common Stock will be entitled to receive payment of the appraised value of such shares of Common Stock in accordance with the provisions of such Section 262 unless and until such holders fail to perfect or

effectively withdraw or lose their rights to appraisal and payment under the DGCL. If, after the Effective Time, any such holder fails to perfect or effectively withdraws or loses such right, such shares of Common Stock will thereupon be treated as if they had been converted into and to have become exchangeable for, at the Effective Time, the right to receive the Merger Consideration, without any interest thereon. The Company will give Parent prompt notice of any demands received by the Company for appraisals of shares of Common Stock. The Company shall not, except with the prior written consent of Parent, make any payment with respect to any demands for appraisal or offer to settle or settle any such demands.

Section 2.8 Merger Without Meeting of Stockholders. Notwithstanding the foregoing, in the event that Sub, or any other direct or indirect subsidiary of Parent, shall acquire at least 90 percent of the outstanding shares of Common Stock, the parties hereto agree to take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the expiration of the Offer without a meeting of stockholders of the Company, in accordance with Section 253 of the DGCL.

Section 2.9 No Further Ownership Rights in Common Stock. All

cash paid upon the surrender of Certificates in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to the shares of Common Stock.

Section 2.10 Closing of Company Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed and no transfer of shares of Common Stock shall thereafter be made. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged as provided in this Article II.

Section 2.11 Further Assurances. If at any time after the Effective Time the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (a) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of either of the Constituent Corporations, or (b) otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers and directors or their designees shall be authorized to execute and deliver, in the name and on behalf of either of the Constituent Corporations in the Merger, all such deeds, bills of sale, assignments and assurances and do, in the name and on behalf of such Constituent Corporations, all such other acts and things necessary, desirable or proper to vest, perfect or confirm its right, title or interest in, to or under any of the rights, privileges, powers,

franchises, properties or assets of such Constituent Corporation and otherwise to carry out the purposes of this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to the Company as follows:

Section 3.1 Organization, Standing and Power. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to carry on its business as now being conducted.

Section 3.2 Authority; Non-Contravention. Parent has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and the consummation by Parent of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent. This Agreement has been duly executed and delivered by Parent and (assuming the valid authorization, execution and delivery of this Agreement by the Company) constitutes a valid and binding obligation of Parent enforceable against Parent in accordance with its terms. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby and compliance with the provisions hereof will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Parent or any of its Subsidiaries under, any provision of (i) the Certificate of Incorporation or Bylaws of Parent or any provision of the comparable charter or organization documents of any of its Subsidiaries, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license applicable to Parent or any of its Subsidiaries or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or any of its Subsidiaries or any of their respective properties or assets, other than, in the case of clauses (ii) or (iii), any such conflicts, violations, defaults, rights, liens, security interests, charges or encumbrances that, individually or in the aggregate, would not have a Material Adverse Effect on Parent, materially impair the ability of Parent to perform its obligations hereunder or prevent

the consummation of any of the transactions contemplated hereby. No filing or registration with, or authorization, consent or

approval of, any domestic (federal and state), foreign or supranational court, commission, governmental body, regulatory or administrative agency, authority or tribunal (a "Governmental Entity") is required by or with respect to Parent or any of its Subsidiaries in connection with the execution and delivery of this Agreement by Parent or is necessary for the consummation of the Offer, the Merger and the other transactions contemplated by this Agreement, except for (i) in connection, or in compliance, with the Exchange Act, (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, (iii) the filing required with the California Department of Corporations (the "DOC") and the Office of the Commissioner of Insurance of the State of Wisconsin (the "OCI") in connection with, and the approval of the DOC and the OCI of, the change-in-control contemplated by this Agreement and any other required filings with or approvals by state agencies regulating corporations or insurance companies applicable to the transactions contemplated hereby (collectively, such filings and approvals are the "Insurance Approvals"), (iv) such filings and consents, if any, as may be required under any environmental, health or safety law or regulation pertaining to any notification, disclosure or required approval triggered by the Offer, the Merger or the transactions contemplated by this Agreement, (v) such filings, if any, as may be required in connection with the Gains Taxes described in Section 7.7, (vi) such filings and approvals as may be required under the Hart-Scott-Rodino Improvements Act of 1976, as amended (the "Improvements Act"), and (vii) such other consents, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, have a Material Adverse Effect on Parent, materially impair the ability of Parent to perform its obligations hereunder or prevent the consummation of any of the transactions contemplated hereby. For purposes of this Agreement (a) "Material Adverse Change" or "Material Adverse Effect" means, when used with respect to Parent, Sub or the Company, as the case may be, any change or effect, either individually or in the aggregate, that is or may be materially adverse to the business, assets, liabilities, properties, condition (financial or otherwise) or results of operations of all or any material part of Parent and its Subsidiaries taken as a whole, Sub, or the Company and its Subsidiaries taken as a whole, as the case may be, and (b) "Subsidiary" means any significant corporation, partnership, joint venture or other legal entity of which Parent or the Company, as the case may be (either alone or through or together with any other Subsidiary), owns, directly or indirectly, 50% or more of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity. Except for the approval by the DOC and the OCI (or any other regulatory authority having

jurisdiction over the Company) required by virtue of the change-in-control of the Company contemplated by this Agreement, no approval by any state insurance regulatory agency pursuant to any insurance statute or regulation is required in order to consummate the transactions contemplated by this Agreement.

Section 3.3 Offer Documents and Proxy Statement. None of the information to be supplied by Parent or Sub for inclusion or incorporation by reference in the Offer Documents, the Schedule 14D-9, the information statement, if any, filed by the Company in connection with the Offer pursuant to Rule 14F-1 promulgated under the Exchange Act (the "Information Statement"), or the proxy statement (together with any amendments or supplements thereto, the "Proxy Statement") relating to the Stockholder Meeting (as defined in Section 7.1) will (i) in the case of the Offer Documents, the Schedule 14D-9 and the Information Statement, at the respective time such documents are filed

with the SEC or first published, sent or given to the Company's stockholders, or (ii) in the case of the Proxy Statement, at the time of the mailing of the Proxy Statement and at the time of the Stockholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. If at any time prior to the purchase of shares of Common Stock pursuant to the Offer there shall occur any event with respect to Parent, its officers and directors or any of its Subsidiaries which is required to be described in the Offer Documents, such event shall be so described, and an amendment or supplement shall be promptly filed with the SEC and, as required by law, disseminated to the stockholders of the Company.

Section 3.4 Financing. Parent has on hand or available through committed bank facilities all of the funds necessary to consummate the Offer and the Merger and the transactions contemplated hereby on a timely basis and to pay any and all related fees and expenses.

Section 3.5 Brokers. No broker, investment banker or other person, other than Smith Barney Inc., the fees and expenses of which will be paid by Parent, is entitled to any broker's, finder's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Sub.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Sub as follows:

Section 4.1 Organization, Standing and Power. The Company and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated and has the requisite corporate power and authority to carry on its business as now being conducted. The Company and each of its Subsidiaries is duly qualified to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

Section 4.2 Capital Structure. The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock, par value $5.00 per share ("Preferred Stock"). At the close of business on August 7, 1995, (i) 17,063,893 shares of Common Stock were issued and outstanding, (ii) 653,700 shares of Common Stock were reserved for issuance upon the exercise of outstanding Company Stock Options (as defined in Section 7.4) and (iii) 4,562 shares of Common Stock were held by the Company in its treasury. As of the date hereof there are no shares of Preferred Stock outstanding. There are no outstanding stock appreciation rights ("SARs") which were not granted in tandem with a related Company Stock Option. All outstanding shares of capital stock of the Company are validly issued, fully paid and nonassessable (except to the extent Section 180.0622(2)(b) of the Wisconsin Business Corporation Law may be applicable) and not subject to preemptive rights. Except for 653,700 Company Stock Options (as defined herein) under the 1994 Stock Incentive Plan ("the Stock Plan"), there are no options, warrants, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company or any of its Subsidiaries is a party or by which any of them is bound obligating the Company or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of the Company or of any of its Subsidiaries. No shares of the Company's capital stock have been issued other than pursuant to the exercise of stock options already in existence on such date since August 7, 1995. The Company has not granted any stock options for any capital stock of the Company since August 7,

1995. The Company has not adopted a shareholder's rights or a similar plan.

Section 4.3 Subsidiaries. All of the outstanding capital stock of, or ownership interests in, each Subsidiary of the Company is owned by the Company, directly or indirectly. Except as set forth in the letter from the Company to Parent dated the date hereof, which letter relates to this Agreement and is designated therein as the Company Disclosure Letter (the "Company Disclosure Letter"), all of such capital stock or ownership interest is owned by the Company, directly or

indirectly, free and clear of any security interests, liens, claims, pledges, options, rights of first refusal, agreements, charges or other encumbrances of any nature ("Liens") or any other limitation or restriction (including any restriction on the right to vote or sell the same, except as may be provided as a matter of law). There are no (i) securities of the Company or any of its Subsidiaries convertible into or exchangeable for, (ii) options or other rights to acquire from the Company or any of its Subsidiaries, or (iii) other contracts, understandings, arrangements or obligations (whether or not contingent) providing for the issuance or sale, directly or indirectly, in each case, with respect to any capital stock or other ownership interests in, or any other securities of, any Subsidiary of the Company. There are no outstanding contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any outstanding shares of capital stock or other ownership interest in any Subsidiary of the Company nor are there any irrevocable proxies with respect to any shares of the capital stock of any of the Company's Subsidiaries. All of the shares of capital stock of each Subsidiary of the Company are validly existing, fully paid and non-assessable (except to the extent Section 180.0622(2)(b) of the Wisconsin Business Corporation Law may be applicable). Except for statutory and regulatory restrictions, there are no restrictions which prevent or limit the payment of dividends by any of the Company's Subsidiaries.

Section 4.4 Other Interests. Except for the Company's interest in its Subsidiaries, investments in ordinary course consistent with past practice, and as set forth in the Company Disclosure Letter, neither the Company nor its Subsidiaries owns directly or indirectly any interest or investment (whether equity or debt) in, nor is the Company or any of its Subsidiaries subject to any obligation or requirement to provide for or to make any investment (in the form of a loan, capital contribution or otherwise) to or in, any corporation, partnership, joint venture, business, trust or entity.

Section 4.5 Authority; Non-Contravention. The Board of Directors of the Company has declared the Merger advisable and the Company has all requisite power and authority to enter into this Agreement and, subject to approval of the Merger by the stockholders of the Company (if required), to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, subject to such approval of the Merger by the stockholders of the Company (if required). This Agreement has been duly executed and delivered by the Company and (assuming the valid authorization, execution and delivery of this Agreement by Parent and Sub) constitutes a valid and binding obligation of the Company enforceable against the Company in accordance with its terms. Except as set forth in the Company SEC Documents (as hereinafter

defined) or the Company Disclosure Letter, the execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby and compliance with the provisions hereof will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of

any obligation or to the loss of a material benefit under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any of its Subsidiaries under, any provision of (i) the Certificate of Incorporation or Bylaws of the Company (true and complete copies of which as of the date hereof have been delivered to Parent) or any provision of the comparable charter or organization documents of any of its Subsidiaries, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license applicable to the Company or any of its Subsidiaries or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or any of its Subsidiaries or any of their respective properties or assets, other than, in the case of clause (ii) or (iii), any such conflicts, violations, defaults, rights, liens, security interests, charges or encumbrances that, individually or in the aggregate, would not have a Material Adverse Effect on the Company, materially impair the ability of the Company to perform its obligations hereunder or prevent the consummation of any of the transactions contemplated hereby. No filing or registration with, or authorization, consent or approval of, any Governmental Entity is required by or with respect to the Company or any of its Subsidiaries in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except for (i) in connection or in compliance with the provisions of the Exchange Act, (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, (iii) the Insurance Approvals, (iv) such filings and consents, if any, as may be required under any environmental, health or safety law or regulation pertaining to any notification, disclosure or required approval triggered by the Offer, the Merger or the transactions contemplated by this Agreement, (v) such filings, if any, as may be required in connection with the Gains Taxes described in Section 7.7, (vi) such filings and approvals as may be required under the Improvements Act, and (vii) such other consents, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, have a Material Adverse Effect on the Company, materially impair the ability of Company to perform its obligations hereunder or prevent the consummation of any of the transactions contemplated hereby. Except for the approval by the DOC and the OCI required by virtue of the change-in-control of the Company contemplated by this Agreement,

no approval by any state insurance regulatory agency pursuant to any insurance statute or regulation is required in order to consummate the transactions contemplated by this Agreement.

Section 4.6 SEC Documents. (a) Since January 1, 1994, the Company has filed all documents with the SEC required to be filed under the Securities Act of 1933, as amended (including the rules and regulations promulgated thereunder), or the Exchange Act (the "Company SEC Documents"). As of their respective dates, the Company SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and none of the Company SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Company SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly present the consolidated financial position of the Company and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and changes in financial position for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein).

(b) Except as set forth in the Company SEC Documents or the Company Disclosure Letter, neither the Company nor any of its Subsidiaries has

any liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) which would be required to be reflected on a balance sheet, or in the notes thereto, prepared in accordance with generally accepted accounting principles, except for liabilities and obligations incurred in the ordinary course of business consistent with past practice since December 31, 1994 which would not, individually or in the aggregate, have a Material Adverse Effect.

Section 4.7 Offer Documents and Proxy Statement. None of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the Offer Documents or the Schedule 14D-9, the Information Statement, if any, the Proxy Statement, if any, or any amendment or supplement thereto, will (i) in the case of the Offer Documents, the Schedule 14D-9 and the Information Statement, at the respective times such documents are filed with the SEC or first published, sent or given to the Company's stockholders, or (ii) in the case of the Proxy Statement, at the time of the mailing of the Proxy Statement and at the time of the Stockholder Meeting, contain any untrue

statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. If at any time prior to the Effective Time any event with respect to the Company, its officers and directors or any of its Subsidiaries should occur which is required to be described in an amendment of, or a supplement to, the Proxy Statement or the Offer Documents, such event shall be so described, and such amendment or supplement shall be promptly filed with the SEC and, as required by law, disseminated to the stockholders of the Company. The Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act.

Section 4.8 Absence of Certain Events. Since December 31, 1994, the Company and its Subsidiaries have operated their respective businesses only in the ordinary course substantially consistent with its historical practices and, except as disclosed in the Company Disclosure Letter, there has not occurred (i) any event, occurrence or conditions which, individually or in the aggregate, has, or is reasonably likely to have, a Material Adverse Effect on the Company; (ii) any entry into or any commitment or transaction that, individually or in the aggregate, has or is reasonably likely to have, a Material Adverse Effect on the Company; (iii) any change by the Company or any of its Subsidiaries in its accounting methods, principles or practices; (iv) any amendments or changes in the Certificate of Incorporation or Bylaws of the Company; (v) any revaluation by the Company or any of its Subsidiaries of any of their respective assets, including, without limitation, write-offs of accounts receivable, other than in the ordinary course of the Company's and its Subsidiaries' businesses consistent with past practices; (vi) any damage, destruction or loss which resulted in or is reasonably likely to result in a Material Adverse Effect on the Company; or (vii) except for regular quarterly dividends of $0.15 per share, any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Company, or any repurchase, redemption or other acquisition by the Company or any of its Subsidiaries of any outstanding shares of capital stock or other securities of, or other ownership interests in, the Company.

Section 4.9 Litigation. Except as disclosed in the Company Disclosure Letter, there are no actions, suits or proceedings pending against the Company or its Subsidiaries or, to the knowledge of the Company, threatened against the Company or its Subsidiaries, at law or in equity, or before or by any federal or state commission, board, bureau, agency, regulatory or administrative instrumentality or other Governmental Entity or any arbitrator or arbitration tribunal, that are reasonably likely to have a Material Adverse Effect on the Company, and, to the knowledge of the Company, no development has occurred with respect to any pending or threatened action, suit or proceeding

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that is reasonably likely to result in a Material Adverse Effect on the Company or would prevent or delay the consummation of the transactions contemplated hereby.

Section 4.10 Compliance with Applicable Law. The Company and its Subsidiaries hold, and at all required times have held, all permits, licenses, variances, exceptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "Company Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not, individually or in the aggregate, have a Material Adverse Effect on the Company from and after the date of this Agreement. The Company and its Subsidiaries are, and at all times have been, in compliance with the terms of the Company Permits, except where the failure so to comply would not have a Material Adverse Effect on the Company. The businesses of the Company and its Subsidiaries are not being, and have not been, conducted in violation of any law, ordinance or regulation of any Governmental Entity except for violations or possible violations which individually or in the aggregate do not and will not have a Material Adverse Effect on the Company. Except as set forth in the Company Disclosure Letter, no investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, threatened, nor, to the knowledge of the Company, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which the Company reasonably believes will not have a Material Adverse Effect on the Company.

Section 4.11 Employee Plans. (a) The Company and each of its Subsidiaries have complied with and performed all contractual obligations and all obligations under applicable federal, state and local laws, rules and regulations (domestic and foreign) required to be performed by it under or with respect to any of the Company Benefit Plans (as defined below) or any related trust agreement or insurance contract, other than where the failure to so comply or perform will not have, nor is reasonably likely to have, a Material Adverse Effect on the Company. All contributions and other payments required to be made by the Company and its Subsidiaries to any Company Benefit Plan or Multiemployer Plans (as defined below), prior to the date hereof have been made, other than where the failure to so contribute or make payments will not have, nor is reasonably likely to have, a Material Adverse Effect on the Company and all accruals or contributions required to be made under any Company Benefit Plan or Multiemployer Plan have been made. There is no claim, dispute, grievance, charge, complaint, restraining or injunctive order, litigation or proceeding pending, threatened or anticipated (other than routine claims for benefits) against or relating to any Company Benefit Plan or against the assets of any Company Benefit Plan, which will have, or is reasonably likely to have, a Material Adverse Effect on the Company. Neither the

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Company nor any of its Subsidiaries has communicated generally to employees or specifically to any employee regarding any future increase of benefit levels (or future creations of new benefits) with respect to any Company Benefit Plan beyond those reflected in the Company Benefit Plans, which benefit increases or creations, either individually or in the aggregate, will have or are reasonably likely to have, a Material Adverse Effect on the Company. Neither the Company nor any of its Subsidiaries presently sponsors, maintains, contributes to, nor is the Company or its Subsidiaries required to contribute to, nor has the Company or any of its Subsidiaries ever sponsored, maintained, contributed to, or been required to contribute to, any employee pension benefit plan within the meaning of section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any multiemployer plan within the meaning of section 3(37) or 4001(a)(3) of ERISA, other than the Company's profit sharing plan which is qualified under Section 401 of the Internal Revenue Code of 1986, as amended.

(b) Neither the Company nor any of its Subsidiaries has incurred, nor has any event occurred which has imposed or is reasonably likely

to impose upon the Company or any of its Subsidiaries, any withdrawal liability (partial or complete) in respect of any multiemployer plan (within the meaning of section 3(37) or 4001(a)(3) of ERISA) (a "Multiemployer Plan"), which withdrawal liability has not been satisfied or discharged in full or which, either individually or in the aggregate, will cause, or is reasonably likely to cause, a Material Adverse Effect on the Company.

(c) Except as set forth in the Company Disclosure Letter, the execution, delivery and performance of this Agreement and the transactions contemplated hereby will not result in the imposition of any federal excise tax with respect to any Company Benefit Plan.

(d) Except as set forth in the Company Disclosure Letter, no payment or benefit which will or may be made by the Company or any of its Subsidiaries with respect to any of their employees under any plan or agreement in effect on the date hereof will be characterized as an "excess parachute payment" within the meaning of section 280G(b)(1) of the Internal Revenue Code, as amended.

(e) All awards pursuant to the Company's Management Incentive Plan are based on the Company's performance and are not discretionary. The maximum amount of such awards in respect of 1995 is set forth in the Company Disclosure Letter. Since April 1, 1995 (i) the Company's Management Incentive Plan has not been modified or amended and (ii) the dollar amount of benefits to which any participant under the Company's Management Incentive Plan is entitled (or the method of determining entitlement to benefits) has not been modified.

(f) (i) "Plan" means any bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, accident, disability, workers' compensation or other insurance, severance, separation or other employee benefit plan, practice, policy or arrangement of any kind, including, but not limited to, any "employee benefit plan" within the meaning of section 3(3) of ERISA and (ii) "Company Benefit Plan") means any employee pension benefit plan and any Plan, other than a Multiemployer Plan, established by the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries contributes or has contributed (including any such Plans not now maintained by the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries does not now contribute, but with respect to which the Company or any of its Subsidiaries has or may have any liability).

Section 4.12 Employment Relations and Agreement. (a) Except as would not constitute a Material Adverse Effect on the Company, (i) each of the Company and its Subsidiaries is, and at all times has been, in compliance in all material respects with all federal, state or other applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and has not and is not engaged in any unfair labor practice; (ii) no unfair labor practice complaint against the Company or any of its Subsidiaries is pending before the National Labor Relations Board; (iii) there is no labor strike, dispute, slowdown or stoppage actually pending or threatened against or involving the Company or any of its Subsidiaries, (iv) no representation question exists respecting the employees of the Company or any of its Subsidiaries; (v) no grievance exists, no arbitration proceeding arising out of or under any collective bargaining agreement is pending and no claim therefor has been asserted; (vi) no collective bargaining agreement is currently being negotiated by the Company or any of its Subsidiaries; and (vii) the Company and its Subsidiaries taken as a whole have not experienced any material labor difficulty during the last three years. There has not been and, to the knowledge of the Company, there will not be, any change in relations with employees of the Company or any of its Subsidiaries as a result of the transactions contemplated by this Agreement which could have a Material Adverse Effect on the Company.

(b) Except as set forth in the Company Disclosure Letter and other than employment agreements with Messrs. William J. Lawson and Gregory H.

Wolf (the "Officer Employment Agreements"), neither the Company nor any of its Subsidiaries has any written, or to the knowledge of the Company, any binding oral, employment or severance agreement with any other person. The copies of the Officer Employment Agreements previously delivered to Parent are true and correct and such Officer

Employment Agreements have not since been amended, modified or rescinded.

Section 4.13 Contracts. Except as set forth in the Company Disclosure Letter, to the knowledge of the Company, neither the Company nor its Subsidiaries is a party to, or has any obligation under, any contract or agreement, written or oral, which contains any covenants currently or prospectively limiting the freedom of the Company, any of its Subsidiaries or any of their respective affiliates to engage in any line of business or to compete with any entity. Neither the Company nor its Subsidiaries is a party to, or has any obligation under, any contract or agreement, written or oral, which contains any covenant currently or prospectively limiting the freedom of the Company, any of its Subsidiaries or any of their respective affiliates to engage in any line of business or to compete with any entity and which covenant would materially impair the ability of Parent and its Subsidiaries (including, after consummation of the Offer, the Company and its Subsidiaries) to conduct their business as now anticipated to be conducted in the future. All contracts and agreements to which the Company or any of its Subsidiaries is a party or by which any of their respective assets is bound are valid and binding, in full force and effect and enforceable against the parties thereto in accordance with their respective terms, other than (i) such failures to be so valid and binding, in full force and effect or enforceable which, would not, either individually or in the aggregate, have, or be reasonably likely to have, a Material Adverse Effect on the Company, and (ii) subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity. There is not under any such contract or agreement any existing default, or event which, after notice or lapse of time, or both, would constitute a default, by the Company or any of its Subsidiaries, or to the Company's knowledge, any other party, except to the extent such default would not, or would be reasonably likely not to, cause a Material Adverse Effect on the Company.

Section 4.14 Accreditations. Except as set forth in the Company Disclosure Schedule, none of the Company or its Subsidiaries has been denied or failed to obtain any accreditation by any health maintenance organization or insurance accreditation agency from whom the Company sought accreditation.

Section 4.15 Monthly Business Plans. The Company has previously delivered to Parent true and complete copies of monthly business plans of the Company for each month through December 1995 ("Monthly Plans").

Section 4.16 State Takeover Statutes. Pursuant to Article Tenth of the Company's Certificate of Incorporation, Section 203 of the DGCL is inapplicable to the transactions contemplated by this Agreement.

Section 4.17 Taxes. Except as may be disclosed in the Company Disclosure Letter, (i) the Company and each Subsidiary have filed all material Tax Returns required to have been filed on or before the date hereof, which returns are true and complete in all material respects; (ii) the Company and each Subsidiary have duly paid or made provision on its books for the payment of all material Taxes (including material estimated Taxes) which are due and payable on or before the date hereof, taking into account applicable extensions to pay such Taxes (whether or not shown on any such Tax Returns), and the Company and each Subsidiary have withheld or collected all material

Taxes they are required to withhold and collect, other than Taxes otherwise described in this clause (ii) that are being contested by the Company or a Subsidiary in good faith; (iii) neither the Company nor any Subsidiary has waived any statute of limitations in respect of material Taxes of the Company or such Subsidiary; (iv) the Tax Returns referred to in clause (i) relating to federal and state income Taxes have been examined by the Internal Revenue Service or the appropriate state taxing authority or the period for assessment of the Taxes in respect of which such Tax Returns were required to be filed has expired; (v) no issues that have been raised in writing by the relevant taxing authority in connection with the examination of the Tax Returns referred to in clause (i) are currently pending; and (vi) all deficiencies asserted or assessments made as a result of any examination of the Tax Returns referred to in clause (i) by a taxing authority have been paid in full. For purposes of this Agreement (a) "Tax" (and, with correlative meaning, "Taxes" and "Taxable") means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, premium, withholding, alternative or added minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any governmental authority, and (b) "Tax Return" means any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

Section 4.18 Brokers. No broker, investment banker or other person, other than Morgan Stanley & Co. Incorporated, the fees and expenses of which will be paid by the Company, is entitled to any broker's, finder's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company, which arrangements provide for the payment to Morgan Stanley & Co. Incorporated of a fee of $3,910,000 and expenses in connection with the transactions contemplated by this Agreement, and do not bind Parent and its affiliates (including, after consummation of the Offer, the Company and its Subsidiaries) other than with respect to indemnification and contribution and the payment of such fees and expenses.

ARTICLE V

REPRESENTATIONS AND WARRANTIES REGARDING SUB

Parent and Sub jointly and severally represent and warrant to the Company as follows:

Section 5.1 Organization and Standing. Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Sub was organized solely for the purpose of acquiring the Company engaging in the transactions contemplated by this Agreement and has not engaged in any business since it was incorporated which is not in connection with the acquisition of the Company and this Agreement.

Section 5.2 Capital Structure. The authorized capital stock of Sub consists of 1,000 shares of common stock, par value $.01 per share, all of which are validly issued and outstanding, fully paid and nonassessable and are owned by Parent free and clear of all Liens.

Section 5.3 Authority; Non-Contravention. Sub has the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement, the performance by Sub of its obligations hereunder and the consummation of the transactions contemplated hereby have been duly authorized by its Board of Directors and Parent as its sole stockholder, and, except for the corporate filings required by state law, no other corporate proceedings on the part of Sub are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Sub and (assuming the due authorization, execution and delivery hereof by the Company) constitutes a valid and binding obligation of Sub

enforceable against Sub in accordance with its terms. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby and compliance with the provisions hereof will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Sub under, any provision of (i) the Certificate of Incorporation or Bylaws of Sub, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license applicable to Sub or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Sub or any of its properties or assets, other than, in the case of clauses (ii) or (iii), any such conflicts, violations, defaults, rights,

liens, security interests, charges or encumbrances that, individually or in the aggregate, would not have a Material Adverse Effect on Sub, materially impair the ability of Sub to perform its obligations hereunder or prevent the consummation of any of the transactions contemplated hereby.

ARTICLE VI

COVENANTS RELATING TO CONDUCT OF BUSINESS

Section 6.1 Conduct of Business by the Company Pending the Merger. Except as otherwise expressly contemplated by this Agreement or as described in the Company Disclosure Letter, during the period from the date of this Agreement through the Effective Time, the Company shall, and shall cause its Subsidiaries to, in all material respects carry on their respective businesses in, and not enter into any material transaction other than in accordance with, the regular and ordinary course and, to the extent consistent therewith, use its reasonable best efforts to preserve intact their current business organizations, keep available the services of their current officers and employees and preserve their relationships with customers, suppliers and others having business dealings with them. Without limiting the generality of the foregoing, and, except as otherwise expressly contemplated by this Agreement or as described in the Company Disclosure Letter, the Company shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of Parent:

(a) (x) declare, set aside or pay any dividends on, or make any other actual, constructive or deemed distributions in respect of, any of its capital stock, or otherwise make any payments to stockholders of the Company in their capacity as such, other than (1) dividends declared prior to the date of this Agreement, and (2) dividends payable to the Company declared by any of the Company's Subsidiaries, (y) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (z) purchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its Subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

(b) issue, deliver, sell, pledge, dispose of or otherwise encumber any shares of its capital stock, any other voting securities or equity equivalent or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities or equity equivalent (other than, in the case of the Company, the issuance of Common Stock during

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the period from the date of this Agreement through the Effective Time upon the exercise of Company Stock Options outstanding (as set forth in Section 4.2) on the date of this Agreement in accordance with their current terms;

(c) amend its charter or bylaws;

(d) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets, in each case that are material, individually or in the aggregate, to the Company and its Subsidiaries taken as a whole;

(e) sell, lease or otherwise dispose of or agree to sell, lease or otherwise dispose of, any of its assets that are material, individually or in the aggregate, to the Company and its Subsidiaries taken as a whole;

(f) incur any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or guarantee any debt securities of others, except for borrowings or guarantees incurred in the ordinary course of business consistent with past practice, or make any loans, advances or capital contributions to, or investments in, any other person, other than to the Company or any wholly owned Subsidiary of the Company and other than in the ordinary course of business consistent with past practice;

(g) alter through merger, liquidation, reorganization, restructuring or in any other fashion the corporate structure or ownership of any Subsidiary of the Company;

(h) enter into or adopt or amend any existing severance plan, agreement or arrangement or, other than in the ordinary course of business, enter into or amend any employee benefit plan (including without limitation, the Stock Plan) or employment or consulting agreement except (x) as permitted by Section 7.11 or (y) with respect to employees that are not executive officers or directors, compensation increases associated with promotions and regular reviews in the ordinary course of business consistent with past practices; or

(i) waive, amend or allow to lapse any term or condition of any confidentiality or "standstill" agreement to which the Company is a party.

During the period from the date of this Agreement through the Effective Time, (i) as requested by Parent, the Company shall

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confer on a regular basis with one or more representatives of Parent with respect to material operational matters; (ii) the Company shall, within 20 days following each fiscal month, deliver to Parent financial statements, including an income statement and balance sheet for such month, together with a statement reconciling differences between the projected results of operations for such month set forth in the applicable Monthly Plan and the actual results of operations set forth in the financial statements delivered pursuant to this clause (ii); and (iii) upon the knowledge of the Company of any Material Adverse Change on the Company, any material litigation or material governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the breach in any material respect of any representation or warranty contained herein, the Company shall promptly notify Parent thereof.

Section 6.2 Acquisition Proposals. From and after the date of this Agreement and prior to the Effective Time, except as provided below, the Company agrees (a) that neither the Company nor its Subsidiaries shall, and the Company shall direct and use its reasonable best efforts to cause its

officers, directors, employees and authorized agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its Subsidiaries) not to, initiate, solicit or encourage, directly or indirectly, any inquiries or the making or implementation of any proposal or offer (including, without limitation, any proposal or offer to its stockholders) with respect to a merger, acquisition, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets or any equity securities of, the Company or its Subsidiaries (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal; (b) that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing and will take the necessary steps to inform the individuals or entities referred to above of the obligations undertaken in this Section 6.2; and (c) that it will notify Parent immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, it, but need not disclose the identity of the other party or the terms of its proposals; provided, however, that nothing contained in this Section 6.2 shall prohibit the Board of Directors of the Company from (i) furnishing information to or entering into discussions or negotiations with, any person or entity that makes an unsolicited bona fide proposal in writing, not subject to any financing condition, to acquire the Company pursuant to a merger,

consolidation, share exchange, purchase of a substantial portion of the assets, business combination or other similar transaction, if, and only to the extent that (A) the Board of Directors determines in good faith after consultation with the Company's outside counsel that such action is required for the Board of Directors to comply with its fiduciary duties to stockholders imposed by laws, (B) prior to or concurrently with furnishing such information to, or entering into discussions or negotiations with, such a person or entity, the Company provides written notice to Parent to the effect that it is furnishing information to, or entering into discussions or negotiations with, such a person or entity, and (C) the Company keeps Parent informed of the status (not the identity or terms) of any such discussions or negotiations; and (ii) to the extent applicable, complying with Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal. Subject to Article IX, nothing in this Section 6.02 shall (x) permit the Company to terminate this Agreement, (y) permit the Company to enter into any agreement with respect to an Acquisition Proposal during the term of this Agreement, or (z) effect any other obligation of any party under this Agreement.

Section 6.3 Conduct of Business of Sub Pending the Merger. During the period from the date of this Agreement through the Effective Time, Sub shall not engage in any activities of any nature except as provided in or contemplated by this Agreement.

ARTICLE VII

ADDITIONAL AGREEMENTS

Section 7.1 Company Stockholder Approval; Proxy Statement. (a) If approval of the Merger by the stockholders of the Company is required by applicable law, the Company shall call a meeting of its stockholders (the "Stockholder Meeting") for the purpose of voting upon the Merger and shall use its reasonable best efforts to obtain stockholder approval of the Merger. The Stockholder Meeting shall be held as soon as practicable following the purchase of shares of Common Stock pursuant to the Offer and the Company will, through its Board of Directors but subject to the fiduciary duties of its Board of Directors under applicable law as determined by the Board of Directors in good faith after consultation with the Company's outside counsel, recommend to its stockholders the approval of the Merger and not rescind its declaration that the Merger is advisable. The record date for the Stockholder Meeting shall be a date subsequent to the date Parent or Sub becomes a record holder of Common

Stock purchased pursuant to the Offer.

(b) If required by applicable law, the Company will, as soon as practicable following the expiration of the Offer,

prepare and file a preliminary Proxy Statement with the SEC and will use its reasonable best efforts to respond to any comments of the SEC or its staff and to cause the Proxy Statement to be cleared by the SEC. The Company will notify Parent of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement or for additional information and will supply Parent with copies of all correspondence between the Company or any of its representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Proxy Statement or the Merger. The Company shall give Parent and its counsel the opportunity to review the Proxy Statement prior to its being filed with the SEC and shall give Parent and its counsel the opportunity to review all amendments and supplements to the Proxy Statement and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Each of the Company and Parent agrees to use its reasonable best efforts, after consultation with the other parties hereto to respond promptly to all such comments of and requests by the SEC. As promptly as practicable after the Proxy Statement has been cleared by the SEC, the Company shall mail the Proxy Statement to the stockholders of the Company. If at any time prior to the approval of this Agreement by the Company's stockholders there shall occur any event that should be set forth in an amendment or supplement to the Proxy Statement, the Company will prepare and mail to its stockholders such an amendment or supplement.

(c) The Company shall use its reasonable best efforts to obtain the necessary approvals by its stockholders of the Merger, this Agreement and the transactions contemplated hereby.

(d) Parent agrees, subject to applicable law, to cause all shares of Common Stock purchased pursuant to the Offer and all other shares of Common Stock owned by Sub or any other Subsidiary of Parent to be voted in favor of the approval of the Merger.

Section 7.2 Access to Information. The Company shall, and shall cause each of its Subsidiaries to, afford to Parent, and to Parent's accountants, counsel, financial advisers and other representatives, reasonable access and permit them to make such inspections as they may reasonably require during normal business hours during the period from the date of this Agreement through the Effective Time to all their respective properties, books, contracts, commitments and records and, during such period, the Company shall, and shall cause each of its Subsidiaries to, furnish promptly to Parent (i) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state laws and (ii) all other information concerning its business, properties and personnel as Parent may reasonably request. In no event shall the Company be requested to supply to

Parent, or to Parent's accountants, counsel, financial advisors or other representatives, any information relating to indications of interest from, or discussions with, any other potential acquirors of the Company which were received or conducted prior to the date hereof, except to the extent necessary for use in the Offer Documents, the Schedule 14D-9 and the Proxy Statement. Except as required by law, Parent will hold, and will cause its affiliates, associates and representatives to hold, any nonpublic information in confidence until such time as such information otherwise becomes publicly available and shall use its reasonable best efforts to ensure that such affiliates, associates and representatives do not disclose such information to others

without the prior written consent of the Company. In the event of termination of this Agreement for any reason, Parent shall promptly destroy all nonpublic documents so obtained from the Company or any of its Subsidiaries and any copies made of such documents for Parent.

Section 7.3 Fees and Expenses. (a) Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

(b) In the event that (A) any person (other than Parent or any of its affiliates) shall have become, prior to the termination of this Agreement, the beneficial owner of 50% or more of the outstanding shares of Common Stock, (B) the Offer shall have expired at a time when the Minimum Condition (as defined in Exhibit A) shall not have been satisfied and at any time on or prior to nine months after the expiration of the Offer any person (other than Parent or any of its affiliates) shall acquire beneficial ownership of 50% or more of the outstanding shares of Common Stock or shall consummate an Acquisition Proposal, (C) at any time prior to the termination of this Agreement any person (other than Parent or any of its affiliates) shall publicly announce any Acquisition Proposal and, at any time on or prior to nine months after the termination of this Agreement, shall become the beneficial owner of 50% or more of the outstanding shares of Common Stock or shall consummate an Acquisition Proposal, or (D) the Company terminates this Agreement pursuant to Section 9.1(b)(ii), then the Company shall, in the case of clause (A), (B) or (C), promptly, but in no event later than two business days after the first of such events to occur, or, in the case of clause (D) at or prior to the time of such termination, pay Parent $18 million. If the Company fails to pay such amount when due in accordance with the immediately preceding sentence, which failure is finally determined by a court of competent jurisdiction, Parent shall be entitled to the payment from the Company, in addition to such amount, of any legal fees and expenses incurred in procuring such judicial determination.

(c) In the event the Board of Directors of the Company shall modify or amend its recommendation of the Offer and/or the Merger in a manner adverse to Parent or shall withdraw its recommendation of the Offer or shall recommend any Acquisition Proposal, or shall resolve to do any of the foregoing, or shall have failed to reject any Acquisition Proposal within 10 business days after receipt by the Company or public announcement thereof, the Company shall reimburse Parent and Sub (not later than two business days after submission of statements therefor) for all reasonable, documented cost and expenses (including, without limitation, all legal, investment banking, printing, depositary and related fees and expenses, but excluding any internal allocations of overhead attributable to the Offer, the Merger or the transactions contemplated by this Agreement); provided, however, that the amount to be paid to Parent and Sub pursuant to this Section 7.3(c) shall not exceed $2 million; provided, further, that any amount paid pursuant to this Section 7.3(c) shall be credited against any amount that may become payable pursuant to Section 7.3(b); and provided, further, that if the Company has paid $18 million pursuant to Section 7.3(b) prior to any payment pursuant to this Section 7.3(c), then no amount shall be payable pursuant to this Section 7.3(c).

Section 7.4 Company Stock Options. (a) The Company shall (i) terminate the Stock Plan immediately prior to the Effective Time without prejudice to the holders of Company Stock Options (as hereinafter defined) and (ii) grant no additional Company Stock Options.

(b) Immediately upon the consummation of the Offer, provided that a "Change of Control" has occurred under the terms of Stock Plan (which Parent acknowledges and agrees shall occur upon the purchase of shares of Common Stock following satisfaction of the Minimum Condition), all outstanding employee stock options, whether or not then fully exercisable or vested, to purchase shares of Common Stock (a "Company Stock Option") heretofore granted under the Stock Plan shall become fully exercisable and vested, and, pursuant to the terms of the Stock Plan, the Company Stock Options shall, upon their surrender to the Company by the holders thereof, be cancelled by the Company,

and the holders thereof shall receive a cash payment from the Company in an amount (if any) equal to the number of shares of Common Stock subject to each surrendered option multiplied by the difference (if positive) between the exercise price per share of Common Stock covered by the option and the highest per share price paid to stockholders of the Company in the Offer; provided, however, that the making of such payment to any such holder shall be conditioned on such holder acknowledging the cancellation of all Company Stock Options held by such holder, including any Company Stock Options as to which the exercise price equals or exceeds $37.50 (the "Out-of-the-Money Options"). The Company shall use its best efforts to cause each holder of Out-of-the-Money Options to acknowledge, prior to the purchase of shares of

Common Stock pursuant to the Offer, the cancellation without consideration therefor of such holder's Out-of-the-Money Options and to cause each other holder of Company Stock Options to surrender their Company Stock Options in accordance with the prior sentence. Any Company Stock Option not cancelled in accordance with this paragraph (b) immediately prior to the consummation of the Offer shall be cancelled at the Effective Time in exchange for an amount in cash, payable at the Effective Time, equal to the amount which would have been paid had such Company Stock Option been cancelled immediately prior to the consummation of the Offer.

Section 7.5 Reasonable Best Efforts. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Merger, and the other transactions contemplated by this Agreement, including (a) promptly making their respective filings and thereafter making any other required submission under the Improvements Act with respect to the Offer and the Merger; (b) cooperating with one another to prepare and present to OCI and DOC as soon as practicable all filings and other presentations necessary in connection with seeking the Insurance Approvals; (c) diligently opposing any objections to, appeals from or petitions to reconsider or reopen any such approval by persons not a party to this Agreement; (d) in addition to the foregoing, the obtaining of all necessary actions or non-actions, waivers, consents and approvals from Governmental Entities and the making of all necessary registrations and filings (including filings with Governmental Entities) and the taking of all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by any Governmental Entity, (e) the obtaining of all necessary consents, approvals or waivers from third parties, (f) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed, and (g) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by this Agreement; provided, however, that the Company shall not be under any obligation to take any action to the extent that the Board of Directors shall conclude in good faith, after consultation with its outside counsel, that such action could be inconsistent with the Board of Director's fiduciary obligations under applicable law.

Section 7.6 Public Announcements. Parent and Sub, on the one hand, and the Company, on the other hand, will consult

with each other before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by this Agreement, and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law or by obligations pursuant to any listing agreement with any national securities

exchange.

Section 7.7 Real Estate Transfer and Gains Taxes. Parent and the Company agree that either the Company or the Surviving Corporation will pay any stamp tax, recording tax, sales tax, use tax, real property transfer or gains tax, stock transfer tax or similar tax, or any other state or local tax which is attributable to the transfer of the beneficial ownership of the Company's or its Subsidiaries real property, if any (collectively, the "Gains Taxes"), and any penalties or interest with respect to the Gains Taxes, payable in connection with the consummation of the Offer or the Merger. The Company agrees to cooperate with Sub in the filing of any returns with respect to the Gains Taxes, including supplying in a timely manner a complete list of all real property interests held by the Company or its Subsidiaries and any information with respect to such property that is reasonably necessary to complete such returns. The portion of the consideration allocable to the real property of the Company and its subsidiaries shall be determined by Sub or Parent in its reasonable discretion. The stockholders of the Company shall be deemed to have agreed to be bound by the allocation established pursuant to this Section 7.7 in the preparation of any return with respect to the Gains Taxes.

Section 7.8 1996 Monthly Plans. The Company shall prepare, in a manner (as to substance and timing) consistent with its past practices, monthly plans of the Company for each of January and February 1996, and, promptly following such preparation, supply them to Parent; provided, however, that, in any event, such plans shall be supplied to Parent by November 1, 1995. If Parent informs the Company in writing by November 13, 1995 that it approves such plans for purposes of Section 7.13, then they shall be deemed to be "Monthly Plans" in existence for purposes of Section 7.13.

Section 7.9 Indemnification; Directors and Officers Insurance. (a) From and after the Effective Time, Parent agrees to, and to cause the Surviving Corporation to, indemnify and hold harmless all past and present officers, directors, employees and agents (the "Indemnified Parties") of the Company and of its Subsidiaries to the full extent such persons may be indemnified by the Company pursuant to the Company's Certificate of Incorporation and Bylaws as in effect as of the date hereof for acts and omissions occurring at or prior to the Effective Time and shall advance reasonable litigation expenses incurred by such persons in connection with defending any action arising out of such acts or omissions, provided that such persons provide the

requisite affirmations and undertaking, as set forth in the Company's Bylaws prior to the Effective Time.

(b) Any Indemnified Party will promptly notify the Parent and the Surviving Corporation of any claim, action, suit, proceeding or investigation for which such party may seek indemnification under this Section; provided, however, that the failure to furnish any such notice shall not relieve Parent or the Surviving Corporation from any indemnification obligation under this Section except to the extent Parent or the Surviving Corporation is materially prejudiced thereby. In the event of any such claim, action, suit, proceeding, or investigation, (x) the Surviving Corporation will have the right to assume the defense thereof, and the Surviving Corporation will not be liable to such Indemnified Parties for any legal expenses of other counsel or any other expenses subsequently incurred thereafter by such Indemnified Parties in connection with the defense thereof, except that all Indemnified Parties (as a group) will have the right to retain one separate counsel, reasonably acceptable to such Indemnified Party and Parent, at the expense of the indemnifying party if the named parties to any such proceeding include both the Indemnified Party and the Surviving Corporation and the representation of such parties by the same counsel would be inappropriate due to a conflict of interest between them, (y) the Indemnified Parties will cooperate in the defense of any such matter, and (z) the Surviving Corporation will not be liable for any settlement effected without its prior written consent. In addition, Parent will provide, or cause the Surviving Corporation to provide, for a period of not less than six years after the Effective Time, the Company's current directors and officers an insurance and indemnification policy that provides coverage for events occurring at or prior to the Effective Time (the

"D&O Insurance") that is no less favorable than the existing policy or, if substantially equivalent insurance coverage is unavailable, the best available coverage; provided, however, that Parent and the Surviving Corporation shall not be required to pay an annual premium for the D&O Insurance in excess of one and one-half times the last annual premium paid prior to the date hereof, but in such case shall purchase as much such coverage as possible for such amount.

Section 7.10 Employee Benefits. (a) Until at least December 31, 1996, Parent shall maintain employee benefits and programs for retirees, officers and employees of the Company (other than Messrs. William J. Lawson and Gregory H. Wolf, as to whom benefits shall be as set forth in the agreements now in existence between the Company and such individuals) and its Subsidiaries that are no less favorable in the aggregate than those being provided to such retirees, officers and employees on the date hereof (it being understood that Parent will not be obligated to continue any one or more employee benefits or programs). For purposes of eligibility to participate in and vesting in all benefits provided to retirees, officers and

employees, retirees, officers and employees of the Company and its Subsidiaries will be granted their years of service with the Company and its Subsidiaries and years of service with prior employers to the extent service with prior employers is taken into account under plans of the Company. Amounts paid before the Effective Time by retirees, officers and employees of the Company under any medical plans of the Company shall after the Effective Time be taken into account in calculating balances for deductibles and maximum out-of-pocket limits applicable under the medical plan of Parent for the plan year during which the Effective Time occurs as if such amounts had been paid under such medical plan of Parent.

(b) After the Effective Time, Parent shall cause the Company to maintain for 1995, without modification or amendment, its Management Incentive Plan for all covered employees. Parent agrees that the following principles shall apply for purposes of determining bonuses for 1995 under the Company's Management Incentive Plan: (1) only persons who are employees of the Company or any of its Subsidiaries at the time that bonuses are paid (which shall not be later than February 28, 1996) and who, at such time, are covered by such plan shall be eligible to receive such bonuses, except that employees that are terminated (actually or constructively) without cause prior to the date that bonuses are paid shall be eligible to receive a pro rata portion of such bonuses; (2) whether any bonuses are payable under such plan and, if so, the amounts thereof shall be determined as if the transactions contemplated hereby had not occurred and the Company had remained an independent, publicly-owned company through December 31, 1995, taking into account to the extent reasonably applicable the limitations imposed by Section 6.1(a); and (3) the timing of payment of any bonuses payable pursuant to clause (2) above shall be consistent with past practices. The pro rata portion of an employee's bonus shall be the amount determined pursuant to the preceding sentence multiplied by a fraction, the numerator of which shall be the number of days during 1995 for which such employee was employed by the Company or any of its Subsidiaries and the denominator of which shall be 365.

(c) The foregoing shall not constitute any commitment, contract, understanding or guarantee (express or implied) on the part of the Surviving Corporation of a post-Effective Time employment relationship of any term or duration or on any terms other than those the Surviving Corporation may establish. Employment of any of the employees by the Surviving Corporation shall be "at will" and may be terminated by the Surviving Corporation at any time for any reason (subject to any legally binding agreement, or any applicable laws or collective bargaining agreement, or any arrangement or commitment). No provision of this Agreement shall create any third-party beneficiary with respect to any employee (or dependent thereof)

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of the Company or any of its Subsidiaries in respect of continued employment or resumed employment.

Section 7.11 Severance Policy. (a) With respect to any officer whom the Company Disclosure Letter states is covered by a severance policy separate from the standard severance policy for the Company's employees (which separate severance policy is referred to in the Disclosure Letter), Parent shall maintain such separate policy as in effect on the date hereof, and, as to all other officers and employees, Parent shall maintain the Company's standard severance policy as in effect on the date hereof for a period of at least six months from the Effective Time.

(b) Parent shall honor or cause to be honored all severance and employment agreements with the Company's officers and employees to the extent disclosed in the Company Disclosure Letter.

(c) Parent and its Subsidiaries shall provide reasonable and customary outplacement services ("Outplacement Services") to officers of the Company and its Subsidiaries who are terminated by the Company as a result of, or within one year following, the Merger, which Outplacement Services provided to such officer shall include one-on-one counseling and assistance; provided, however, that the amount paid by Parent to provide Outplacement Services shall not exceed $15,000 for any individual officer or $250,000 in the aggregate.

Section 7.12 Board Representations. Promptly upon the purchase of shares of Common Stock pursuant to the Offer, Parent shall be entitled to designate such number of directors, rounded up to the next whole number, on the Board of Directors of the Company as will give Parent, subject to compliance with Section 14(f) of the Exchange Act and the rule and regulations promulgated thereunder, representation on the Board of Directors equal to the product of (a) the total number of directors on the Board of Directors and (b) the percentage that the number of shares of Common Stock purchased by Parent bears to the number of shares of Common Stock outstanding, and the Company shall, upon request by Parent, promptly increase the size of the Board of Directors and/or exercise its reasonable best efforts to secure the resignations of such number of directors as is necessary to enable Parent's designees to be elected to the Board of Directors and shall cause Parent's designees to be so elected. The Company shall take, at its expense, all action required pursuant to Section 14(f) and Rule 14f-1 in order to fulfill its obligations under this Section 7.12 and shall include in the Schedule 14D-9 or otherwise timely mail to its stockholders such information with respect to the Company and its officers and directors as is required by Section 14(f) and Rule 14f-1 in order to fulfill its obligations under this Section 7.12. Parent will supply to the Company in writing and be solely responsible for any information

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with respect to itself and its or Parent's nominees, officers, directors and affiliates required by Section 14(f) and Rule 14f-1.

Section 7.13 Certificates. (a) Until Sub acquires shares of Common Stock pursuant to the Offer (subject to the limitation set forth in Section 1.1(a)), the Company shall deliver certificates to Parent and Sub containing the following information, each certificate being certified by the Chairman of the Board and the President of the Company as true and correct and as being prepared in accordance with the provisions of this Section 7.13 and the Company Disclosure Letter:

(x) No later than the tenth calendar day of each month, (1) the number of insured members (the "Members") in the Company's medical plans as of the end of the month immediately prior to said month (the "Prior Month") and (2) the Adjusted Premiums (as such term is defined below) for the period (the "Premium Measurement Period") from July 1, 1995 through the end of the Prior Month, inclusive; and

(y) No later than the first calendar day of each month, the Company's Adjusted Pretax Income (as such term is defined below) for the period (the "Pretax Measurement Period") from January 1, 1995 through the end of the month immediately prior to the Prior Month,

inclusive.

Notwithstanding the foregoing, if a Monthly Plan does not exist for January or February 1996, any certificate which is required to provide information as of or for a period ending January 31 or February 29, 1996 shall provide the relevant information as of December 31, 1995 or for the period ending December 31, 1995, as the case may be, whether or not an earlier certificate provided such information as of such date or for such period, it being understood and agreed that any such later certificate shall take into account any actual claims experience available through December 31, 1995. For purposes of the foregoing, (I) except as otherwise provided, all calculations shall be made in accordance with generally accepted accounting principles applied on a consistent basis with the accounting principles used in preparing the Company's Consolidated Statement of Income for the year ended December 31, 1994 as included in the Company SEC Documents (the "Income Statement"), (II) except as otherwise provided, all terms shall have the meanings customarily used for such terms in the healthcare industry, (III) the term "Adjusted Premiums" shall mean the Company's consolidated earned premiums (including administrative fees and any other items of revenue of the type included under the caption "Administrative fees and other" in the Income Statement) but shall not include premium reserve adjustments related to reserves which arose prior to July 1, 1995, investment income or realized gains or losses on investments and (IV) the term "Adjusted Pretax Income" shall mean the Company's consolidated pretax income as adjusted for certain

exclusions, adjustments and assumptions set forth in the Company Disclosure Letter.

(b) Until Sub acquires shares of Common Stock pursuant to the Offer (subject to the limitations set forth in Section 1.1(a)), on or prior to the 20th calendar day of each month the Company shall deliver to Parent and Sub a draft of the certificate (the "Pretax Certificate") referred to in clause (y) of paragraph (a) of this Section 7.13 which is required to be delivered on the first day of the following month, accompanied by a report of Ernst & Young, the Company's independent public accountants, of the type contemplated by Rule 436(d) promulgated under the Securities Act of 1933, as amended, and stating that the Adjusted Pretax Income included in the draft certificate was determined in a manner consistent with the methodology set forth in Section 7.13(a) and the Company Disclosure Letter. The Company agrees to make the appropriate officers and employees of the Company and its Subsidiaries and representatives of Ernst & Young available to discuss the draft certificate with representatives of Parent and Sub, together with Coopers & Lybrand, their independent public accountants. Subject to the Company complying with its obligations pursuant to Section 7.13(a) in a manner which under reasonable circumstances would permit Parent and Sub to complete their review within the time period hereinafter provided, Parent and Sub agree to complete their review and provide the Company with a detailed description of their comments and proposed modifications within five business days after the receipt of the draft certificate (which proposed modifications shall, in the reasonable judgment of the Parent and Sub, be necessary in order for the Adjusted Pretax Income to have been determined in a manner consistent with the methodology set forth in Section 7.13(a) hereof and the Company Disclosure Letter).

(c) If the Pretax Certificate is accompanied by a certificate from Milliman & Robertson (or such other firm acceptable to Parent and Sub) stating that, in its professional opinion, the medical claims component of Adjusted Pretax Income included in the Pretax Certificate was determined in a manner consistent with the methodology set forth in Section 7.13(a), Parent and Sub shall be bound by such determination but solely as it relates to the medical claims component of Adjusted Pretax Income. All fees and expenses of Milliman and Robertson (or such other firm) shall be paid by the Company.

(d) For purposes of exercising its right to terminate this Agreement pursuant to Section 9.1(c)(ii), notwithstanding the fact that the calculations included in the certificates delivered pursuant to this Section 7.13 comply with the thresholds established herein, Parent and Sub have the right, exercised in good faith, to disagree with any of the calculations made by the Company in such certificates (except to the extent provided in Section

7.13(c)) and to take any permitted action

under Section 9.1(c)(ii) had their calculations been included in such certificates (subject to the obligation of Parent and Sub, in any proceeding commenced by the Company claiming that Parent and Sub breached their obligations under this Agreement by improperly exercising their right to terminate pursuant to Section 9.1(c)(ii), to demonstrate that the Company's calculations were inaccurate and that, if the calculations were prepared accurately, Parent and Sub would have had the right to terminate this Agreement) unless in the case of calculation of Adjusted Pretax Income, (i) the Company modified its calculation of Adjusted Pretax Income contained in the corresponding draft certificate to take into account all of the comments provided to the Company by Parent and Sub, (ii) Parent and Sub acknowledged in writing to the Company that they had no comments on the calculation of Adjusted Pretax Income or (iii) Parent and Sub do not comply with their obligations pursuant to the last sentence of Section 7.13(b).

ARTICLE VIII

CONDITIONS PRECEDENT

Section 8.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Stockholder Approval. If approval of the Merger by the holders of the Common Stock is required by applicable law, the Merger shall have been approved by the requisite vote of such holders.

(b) No Order. No Governmental Entity or court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree or injunction which prohibits or has the effect of prohibiting the consummation of the Merger; provided, however, that the Company, Parent and Sub shall use their reasonable best efforts to have any such order, decree or injunction vacated.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after any approval by the stockholders of the Company:

(a) by mutual written consent of Parent and the Company;

(b) by the Company if:

(i) the Offer has not been timely commenced (except as a result of actions or omissions by the Company) in accordance with Section 1.1(a); or

(ii) there is an offer to acquire all of the outstanding shares of Common Stock or substantially all of the assets

of the Company for consideration that provides stockholders of the Company a value per share of Common Stock which, in the good faith judgment of the Board of Directors of the Company, provides a higher value per share than the consideration per share pursuant to the Offer or the Merger and the Board of Directors of the Company determines in good faith after consultation with the Company's outside counsel that the failure to approve such offer would not be consistent with the fiduciary duties to stockholders of the Board of Directors of the Company; provided, however, that the right to terminate this Agreement pursuant to this clause shall not be available (i) if the Company has breached in any material respect its obligations under Section 6.2, (ii) in respect of an offer that is subject to a financing condition, (iii) in respect of an offer involving consideration that is not entirely cash or does not permit stockholders to receive the payment of the offered consideration in respect of all shares at the same time, unless the Board of Directors of the Company has been furnished with a written opinion of a nationally recognized investment banking firm to the effect that such offer provides a higher value per share than the consideration per share pursuant to the Offer or the Merger or (iv) if, prior to or concurrently with any purported termination pursuant to this clause, the Company shall not have paid the fee contemplated by Section 7.3(b).

(iii) there has been a breach by Parent or Sub of any representation or warranty that would have a material adverse effect on Parent's or Sub's ability to perform its obligations under this Agreement and which breach has not been cured within five business days following receipt by Parent or Sub of notice of the breach; or

(iv) Parent or Sub fails to comply in any material respect with any of its material obligations or covenants contained herein, including, without limitation, the obligation of Sub to purchase shares of Common Stock pursuant to the Offer, unless such failure results from a breach of the Company of any obligation, representation, or warranty hereunder, which has not been cured within five business days following Company's receipt of notice of the breach;

(c) by Parent if:

(i) the Board of Directors of the Company shall have failed to recommend, or withdrawn, modified or amended in any material respect its approval or recommendations of the Offer or the Merger or shall have resolved to do any of the foregoing, or shall have failed to reject an Acquisition Proposal within 10 business days after receipt by the Company or public announcement thereof; or

(ii) the information contained in the last certificates delivered to Parent and Sub in accordance with Section 7.13(a) do not satisfy all of the following thresholds:

(x) the number of Members are at least 95% of the number of Members forecasted for the end of the applicable month in the Monthly Plans;

(y) the Adjusted Premiums are at least 90% of the Adjusted Premiums forecasted for the applicable Premium Measurement Period in the Monthly Plans; and

(z) the Adjusted Pretax Income is at least 90% of the Adjusted Pretax Income forecasted for the applicable Pretax Measurement Period in the Monthly Plans; or

(d) by either Parent or the Company if:

(i) the Merger has not been effected on or prior to the close of business on March 31, 1996; provided, however , that the right to terminate this Agreement pursuant to this clause shall not be available (y) to Parent if Sub or any affiliate of Sub acquires shares of Common Stock pursuant to the Offer, or (z) to any party whose failure to fulfill any obligation of this Agreement has been the cause of, or resulted in, the failure of the Merger to have occurred on or prior to the aforesaid date; or

(ii) any court of competent jurisdiction or any governmental, administrative or regulatory authority, agency or body shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; or

(iii) upon a vote at a duly held meeting or upon any adjournment thereof, the stockholders of the Company shall have failed to give any approval required by applicable law; or

(iv) as the result of the failure of any of the conditions set forth in Exhibit A hereto, the Offer shall have terminated or expired in accordance with its terms without Sub having purchased any shares of Common Stock pursuant to the Offer; provided, however, that the right to terminate this Agreement pursuant to this Section 9.1(d)(iv) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement results in the failure of any such condition; or

(v) Parent or the Company shall have reasonably determined that any Offer condition (other than the Minimum Condition (as defined in Exhibit A)) is not capable of being satisfied at any time in the future; provided, however , that the right to terminate this Agreement pursuant to this clause shall not be available to any party whose failure to fulfill any obligation of this Agreement has been the cause of, or resulted in, such Offer condition being incapable of satisfaction.

Section 9.2 Effect of Termination. In the event of termination of this Agreement by either Parent or the Company, as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability hereunder on the part of the Company, Parent or Sub or their respective officers or directors (except as set forth in the last two sentences of Section 7.2 and except for Section 7.3, which shall survive the termination); provided, however, that nothing contained in this Section 9.2 shall relieve any party hereto from any liability for any breach of this Agreement.

Section 9.3 Amendment. This Agreement may be amended by the parties hereto, by or pursuant to action taken by their respective Boards of Directors, at any time before or after any approval of the Merger by the stockholders of the Company but, after the purchase of shares of common stock pursuant to the Offer, no amendment shall be made which decreases the Merger Consideration or which in any way materially adversely affects the rights of such stockholders, without the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.4 Waiver. At any time prior to the Effective Time, the parties hereto may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained herein which may legally be waived. Any agreement on the part of a party

hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 9.5 Procedure for Termination, Amendment or Waiver. A termination of this Agreement pursuant to Section 9.1, an amendment of this Agreement pursuant to Section 9.3 or a waiver pursuant to Section 9.4 shall, in order to be effective, require (a) in the case of Parent, action by its Board of Directors or the duly authorized designee of its Board of Directors and (b) in the case of the Company, action by its Board of Directors.

ARTICLE X

GENERAL PROVISIONS

Section 10.1 Non-Survival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time.

Section 10.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, sent by overnight courier or telecopied (with a confirmatory copy sent by overnight courier) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Sub, to:

Humana Inc.
The Humana Building
500 West Main Street
Louisville, Kentucky 40201
Attn: President and Chief Operating Officer

with a copy to:

Humana Inc.
The Humana Building
500 West Main Street
Louisville, Kentucky 40201
Attn: Senior Vice President and General Counsel

and

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
Attn: Jeffrey Bagner

(b) if to the Company, to:

EMPHESYS Financial Group, Inc.
1100 Employers Boulevard
Green Bay, Wisconsin 54344
Attn: Chairman of the Board and
Chief Executive Officer

with a copy to:

EMPHESYS Financial Group, Inc.
1100 Employers Boulevard

Green Bay, Wisconsin 54344
Attn: Vice President, Secretary and
General Counsel

and

Sidley & Austin
One First National Plaza
Chicago, Illinois 60603
Attn: Thomas A. Cole and
Frederick C. Lowinger

Section 10.3 Interpretation. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." When the phrase "knowledge of the Company" is used herein, it shall refer to the actual knowledge of William J. Lawson, Gregory H. Wolf, Gail A. Hohenstein, Wayne R. Micksch, Tod J. Zacharias, David R. Astar, Michael R. Walker, David R. Nelson, Kenneth J. Fasala, Kenneth E. Roesler, Kirk E. Rothrock and Melissa L. Weaver M.D. As used in this Agreement, "business day" shall have the meaning ascribed thereto in Rule 14d-1(c)(6) under the Exchange Act.

Section 10.4 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

Section 10.5 Entire Agreement; No Third-Party Beneficiaries. This Agreement, including the documents and instruments referred to herein, (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and (b) except for the provisions of

Section 7.9, 7.10 and 7.11, is not intended to confer upon any person other than the parties any rights or remedies hereunder.

Section 10.6 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 10.7 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties without the prior written consent of the other parties, except that Sub may assign, in its sole discretion, any of or all its rights, interests and obligations under this Agreement to Parent or to any direct or indirect wholly owned subsidiary of Parent, but no such assignment shall relieve Sub of any of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 10.8 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions be consummated as originally contemplated to the fullest extent possible.

Section 10.9 Enforcement of this Agreement. The parties

agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

Section 10.10 Incorporation of Exhibits. The Company Disclosure Letter and all Exhibits and annexes attached hereto and referred to herein are hereby incorporated herein and made a part hereof for all purposes as if fully set forth herein.

IN WITNESS WHEREOF, Parent, Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized all as of the date first written above.

HUMANA INC.

By: /s/ Wayne T. Smith

Name: Wayne T. Smith
Title: President and Chief Operating Officer

HEW, INC.

By: /s/ Wayne T. Smith

Name: Wayne T. Smith
Title: President and Chief Operating Officer

EMPHESYS FINANCIAL GROUP, INC.

By: /s/ William J. Lawson

Name: William J. Lawson
Title: Chairman of the Board and Chief Executive Officer

EXHIBIT A

Notwithstanding any other term of the Offer or this Agreement, Parent shall not be required to accept for payment or pay for, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) of the Exchange Act, any shares of Common Stock not theretofore accepted for payment or paid for and may terminate or amend the Offer as to such shares of Common Stock unless (i) there shall have been validly tendered and not withdrawn prior to the expiration of the Offer that number of shares of Common Stock which would represent at least a majority of the outstanding shares of Common Stock on a fully diluted basis (the "Minimum Condition"), (ii) any waiting period under the Improvements Act applicable to the purchase of shares of Common Stock pursuant to the Offer shall have expired or been terminated and (iii) all

necessary filings with the DOC and the OCI shall have been completed and each of the DOC and the OCI shall have issued an order (which order shall not have been stayed or enjoined) that (x) constitutes a final order approving, exempting or otherwise authorizing consummation of the Offer and the Merger and all other transactions contemplated by this Agreement as may require such authorization and (y) does not impose on the Company, Parent, Sub or any of their respective affiliates any terms or conditions which in the reasonable opinion of Parent materially and adversely affect the economic benefits to Parent of the transactions contemplated by this Agreement. Furthermore, notwithstanding any other term of the Offer of this Agreement, Parent shall not be required to accept for payment or, subject as aforesaid, to pay for any shares of Common Stock not theretofore accepted for payment or paid for, and may terminate or amend the Offer if at any time on or after the date of this Agreement and before the acceptance of such shares of Common Stock for payment or the payment therefor, any of the following conditions exist or shall occur and remain in effect:

(a) there shall have been instituted or pending any action or proceeding by any governmental, regulatory or administrative agency or authority, which (i) seeks to challenge the acquisition by Parent of shares of Common Stock pursuant to the Offer, restrain, prohibit or delay the making or consummation of the Offer or the Merger, or obtain any material damages in connection therewith, (ii) seeks to make the purchase of or payment for some or all of the shares of Common Stock pursuant to the Offer or the Merger illegal, (iii) seeks to impose material limitations on the ability of Parent (or any of its affiliates) effectively to acquire or hold, or to require Parent or the Company or any of their respective affiliates or subsidiaries to dispose of or hold separate, any material portion of the assets or the business of Parent and its affiliates taken as a whole or the Company and its subsidiaries taken as a whole, or (iv) seeks to impose material limitations on the ability of

Parent (or its affiliates) to exercise full rights of ownership of the shares of Common Stock purchased by it, including, without limitation, the right to vote the shares purchased by it on all matters properly presented to the stockholders of the Company; or

(b) there shall have been promulgated, enacted, entered, enforced or deemed applicable to the Offer or the Merger, by any state, federal or foreign government or governmental authority or by any court, domestic or foreign, any statute, rule, regulation, judgment, decree, order or injunction, that could reasonably be expected to, in the judgment of Parent, directly or indirectly, result in any of the consequences referred to in clauses (i) through (iv) of subsection (a) above; or

(c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States which would reasonably be expected to have a Material Adverse Effect on the Company or prevent (or materially delay) the consummation of the Offer, (iv) any limitation (whether or not mandatory) by any governmental or regulatory authority on, or any other event which, in the reasonable judgment of Parent, is reasonably likely to materially adversely affect, the nature or extension of credit or further extension of credit by banks or other lending institutions in the United States, or, (v) from the date of the Merger Agreement through the date of termination or expiration of the Offer, a decline of at least 25% in either the Dow Jones Industrial Average or the Standard & Poor's 500 Index; or

(d) the Company and Parent shall have reached an agreement or understanding that the Offer or the Merger Agreement be terminated or the Merger Agreement shall have been terminated in accordance with its

terms; or

(e) any of the representations and warranties made by the Company in the Merger Agreement shall not have been true and correct in all material respects when made, or shall thereafter have ceased to be true and correct in any material respect as if made as of such later date (other than representations and warranties made as of a specified date), or the Company shall not in all material respects have performed each obligation and agreement and complied with each covenant to be performed and complied with by it under the Merger Agreement; provided, however, that all

references in this Agreement to the phrases "knowledge of the Company" and "to the best knowledge of the Company," and variants thereof, shall be disregarded for the purposes of determining whether the Company shall have breached its representations, warranties and covenants resulting in the ability of Parent to terminate this Agreement pursuant to this clause (e);

(f) the Company's Board of Directors shall have modified or amended its recommendation of the Offer in any manner adverse to Parent or shall have withdrawn its recommendation of the Offer, or shall have recommended acceptance of any Acquisition Proposal or shall have resolved to do any of the foregoing, or shall have failed to reject any Acquisition Proposal within 10 business days after receipt of the Company or public announcement thereof; or

(g) (i) any corporation, entity or "group" (as defined in Section 13(d)(3) of the Exchange Act) ("person"), other than Parent, shall have acquired beneficial ownership of 50% or more of the outstanding shares of Common Stock, or shall have been granted any options or rights, conditional or otherwise, to acquire a total of 50% or more of the outstanding shares of Common Stock; (ii) any new group shall have been formed which beneficially owns 50% or more of the outstanding shares of Common Stock; or (iii) any person (other than Parent or one or more of its affiliates) shall have entered into an agreement in principle or definitive agreement with the Company with respect to a tender or exchange offer for any shares of Common Stock or a merger, consolidation or other business combination with or involving the Company.

The foregoing conditions are for the sole benefit of Parent and may be asserted by Parent regardless of the circumstances giving rise to any such condition and may be waived by Parent, in whole or in part, at any time and from time to time, in the sole discretion of Parent. The failure by Parent at any time to exercise any of the foregoing rights will not be deemed a waiver of any right, the waiver of such right with respect to any particular facts or circumstances shall not be deemed a waiver with respect to any other facts or circumstances, and each right will be deemed an ongoing right which may be asserted at any time and from time to time.

Should the Offer be terminated pursuant to the foregoing provisions, all tendered shares of Common Stock not theretofore accepted for payment shall forthwith be returned by the Paying Agent to the tendering stockholders.

HUMANA PRESS RELEASE

For Further Information:

Laurie G. Scarborough
Investor Relations
502/580-1037
August 16, 1995

HUMANA COMMENCES TENDER OFFER FOR EMPHESYS

Louisville, KY -- Humana Inc. (NYSE: HUM) announced that today it commenced the previously announced tender offer of $37.50 per share for all the outstanding shares of EMPHESYS Financial Group, Inc. (NYSE: EFG). The offer is scheduled to expire on Friday, September 15, 1995, unless extended.

Chemical Mellon Shareholder Services is the depositary for the offer. D.F. King & Co., Inc. is the information agent. The dealer manager is Smith Barney Inc.

EMPHESYS, based in Green Bay, Wisconsin, is one of the nation's premier health insurers in the small group market. Headquartered in Louisville, Kentucky, Humana provides managed health care services to 2.4 million members through the operation of health maintenance organizations and preferred provider organizations located in 14 states and the District of Columbia.

EXECUTION COPY

CREDIT AGREEMENT

AMONG

HUMANA INC.,

THE SEVERAL BANKS AND OTHER FINANCIAL INSTITUTIONS
FROM TIME TO TIME PARTIES HERETO

AND

CHEMICAL BANK,
AS AGENT AND AS CAF LOAN AGENT

DATED AS OF JANUARY 12, 1994

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EXHIBIT H Form of Closing Certificate

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CREDIT AGREEMENT, dated as of January 12, 1994, among HUMANA INC., a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties to this Agreement (the "Banks") and CHEMICAL BANK, a New York banking corporation, as agent for the Banks hereunder (in such capacity, the "Agent") and as CAF Loan agent (in such capacity, the "CAF Loan Agent").

The parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms have the following meanings:

"Additional Bank": as defined in subsection 2.4(d).

"Admitted Asset": with respect to any HMO Subsidiary or Insurance Subsidiary, any asset of such HMO subsidiary or Insurance Subsidiary which qualifies as an "admitted asset" (or any like item) under the applicable Insurance Regulations and HMO Regulations.

"Affiliate": (a) any director or officer of any corporation or partner or joint venturer or Person holding a similar position in another Person or members of their families, whether or not living under the same roof, or any Person owning beneficially more than 5% of the outstanding common stock or other evidences of beneficial interest of the Person in question, (b) any Person of which any one or more of the Persons described in clause (a) above is an officer, director or beneficial owner of more than 5% of the shares or other beneficial interest and (c) any Person controlled by, controlling or under common control with the Person in question.

"Aggregate Outstanding Extensions of Credit": as to any Bank at any time, an amount equal to the sum of (a) the aggregate principal amount of all Loans made by such Bank then outstanding and (b) such Bank's Commitment Percentage of the L/C Obligations then outstanding.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Alternate Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Agent as its prime rate in effect

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at its principal office in New York City (each change in the Prime Rate to be effective on the date such change is publicly announced); "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D Assessment Rate; "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate

for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board of Governors of the Federal Reserve System (the "Board") through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it; "C/D Reserve Percentage" shall mean, for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board (or any successor), for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding one billion Dollars in respect of new non-personal three-month certificates of deposit in the secondary market in Dollars in New York City and in an amount of $100,000 or more; "C/D Assessment Rate" shall mean, for any day, the net annual assessment rate (rounded upward to the nearest 1/100th of 1%) determined by Chemical Bank to be payable on such day to the Federal Deposit Insurance Corporation or any successor ("FDIC") for FDIC's insuring time deposits made in Dollars at offices of Chemical Bank in the United States; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Agent from three federal funds brokers of recognized standing selected by it. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Alternate Base Rate Loans": Revolving Credit Loans hereunder at such time as they are made and/or being maintained at a rate of interest based upon the Alternate Base Rate.

"Applicable LIBOR Auction Advance Rate": in respect of any CAF Loan requested pursuant to a LIBOR Auction Advance Request, the London interbank offered rate for deposits in Dollars for the period commencing on the date of such CAF Loan and ending on the maturity date thereof which appears on Telerate Page 3750 as of 11:00 A.M., London time, two Working Days prior to the beginning of such period.

"Applicable Margin": for each Type of Revolving Credit Loan during a Level I Utilization Period, Level II Utilization Period or Level III Utilization Period, the rate per annum set forth under the relevant column heading in Schedule II. Increases or decreases in the Applicable Margin shall become effective on the first day of the Level I Utilization Period, Level II Utilization Period or Level III Utilization Period, as the case may be, to which such Applicable Margin relates.

"Application": any application, in such form as the Issuing Bank may specify from time to time, requesting the Issuing Bank to open a Letter of Credit.

"Available Commitments": at a particular time, an amount equal to the difference between (a) the amount of the Commitments at such time and (b) the Aggregate Outstanding Extensions of Credit at such time.

"Bank Obligations": as defined in subsection 8.1.

"Benefitted Bank": as defined in subsection 10.7.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.1(c) or 2.2(b) as a date on which the Company requests the Banks to make Revolving Credit Loans or CAF Loans, as the case may be, hereunder.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"CAF Loan": each CAF Loan made pursuant to subsection 2.2; the aggregate amount advanced by a CAF Loan Bank pursuant to subsection 2.2 on each CAF Loan Date shall constitute one or more CAF Loans, as specified by such CAF Loan Bank pursuant to subsection 2.2(b)(vi).

"CAF Loan Assignee": as defined in subsection 10.6(c).

"CAF Loan Assignment": any assignment by a CAF Loan Bank to a CAF Loan Assignee of a CAF Loan and related Individual CAF Loan Note; any such CAF Loan Assignment to be registered in the Register must set forth, in respect of the CAF Loan Assignee thereunder, the full name of such CAF Loan Assignee, its address for notices, its lending office address (in each case with telephone and facsimile transmission numbers) and payment instructions for all payments to such CAF Loan Assignee, and must contain an agreement by such CAF Loan Assignee to comply with the provisions of subsection 10.6(c) and subsection 10.6(h) to the same extent as any Bank.

"CAF Loan Banks": Banks from time to time designated as CAF Loan Banks by the Company by written notice to the CAF Loan Agent (which notice the CAF Loan Agent shall transmit to each such CAF Loan Bank).

"CAF Loan Confirmation": each confirmation by the Company of its acceptance of one or more CAF Loan Offers, which CAF Loan Confirmation shall be substantially in the form of Exhibit F and shall be delivered to the CAF Loan Agent in writing or by facsimile transmission.

"CAF Loan Date": each date on which a CAF Loan is made pursuant to subsection 2.2.

"CAF Loan Note": a Grid CAF Loan Note or an Individual CAF Loan Note.

"CAF Loan Offer": each offer by a CAF Loan Bank to make one or more CAF Loans pursuant to a CAF Loan Request, which CAF Loan Offer shall contain the information specified in Exhibit E and shall be delivered to the CAF Loan Agent by telephone, immediately confirmed by facsimile transmission.

"CAF Loan Request": each request by the Company for CAF Loan Banks to submit bids to make CAF Loans, which shall contain the information in respect of such requested CAF Loans specified in Exhibit D and shall be delivered to the CAF Loan Agent in writing or by facsimile transmission, or by telephone, immediately confirmed by facsimile transmission.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Change in Control": of any corporation, (a) any Person or "group" (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended), other than the

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Company, that shall acquire more than 50% of the Voting Stock of such corporation or (b) any Person or group (as defined in preceding clause (a)), other than the Company, that shall acquire more than 20% of the Voting Stock of such corporation and, at any time following an acquisition described in this clause (b), the Continuing Directors shall not constitute a majority of the board of directors of such corporation.

"Chemical Bank": Chemical Bank, a New York banking corporation.

"Closing Date": the date on which all of the conditions precedent for the Closing Date set forth in subsection 5.1 shall have been fulfilled.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commitment": as to any Bank, its obligation to make Revolving Credit Loans to the Company pursuant to subsection 2.1(a) and/or issue or participate in Letters of Credit issued on behalf of the Company in an aggregate principal amount and/or face amount not to exceed at any one time outstanding the amount set forth opposite such Bank's name in Schedule I, as such amount may be reduced or increased from time to time as provided herein.

"Commitment Percentage": as to any Bank, the percentage of the aggregate Commitments constituted by such Bank's Commitment.

"Commitment Period": the period from and including the Closing Date to but not including the Termination Date or such earlier date on which the Commitments shall terminate as provided herein.

"Commitment Transfer Supplement": a Commitment Transfer Supplement, substantially in the form of Exhibit G.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Company within the meaning of Section 4001 of ERISA or is part of a group which includes the Company and which is treated as a single employer under Section 414 of the Code.

"Consolidated Assets": the consolidated assets of the Company and its Subsidiaries, determined in accordance with GAAP.

"Consolidated Earnings Before Interest and Taxes": for any period for which the amount thereof is to be determined, Consolidated Net Income for such period plus all amounts deducted in computing such Consolidated Net Income in

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respect of Consolidated Interest Expense and income taxes, all determined in accordance with GAAP.

"Consolidated Interest Expense": for any period for which the amount thereof is to be determined, all amounts deducted in computing Consolidated Net Income for such period in respect of interest expense on Indebtedness determined in accordance with GAAP.

"Consolidated Net Income": for any period, the consolidated net income, if any, after taxes, of the Company and its Subsidiaries for such period determined in accordance with GAAP.

"Consolidated Net Tangible Assets": means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities as disclosed on

the consolidated balance sheet of the Company (excluding any thereof which are by their terms extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed and excluding any deferred income taxes that are included in current liabilities), and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent consolidated balance sheet of the Company and computed in accordance with GAAP.

"Consolidated Net Worth": Consolidated Assets of the Company and its Subsidiaries less the following:

(a) the amount, if any, at which any treasury stock appears on the assets side of the balance sheet;

(b) an amount equal to all amounts which appear or should appear as a credit on the balance sheet of the Company in respect of any class or series of preferred stock of the Company; and

(c) all liabilities which in accordance with GAAP should be reflected as liabilities on such consolidated balance sheet, but in any event including all Indebtedness.

"Consolidated Total Debt": the aggregate of all Indebtedness (including the current portion thereof) of the Company and its Subsidiaries on a consolidated basis.

"Continuing Bank": as defined in subsection 2.4(c).

"Continuing Director": any member of the Board of Directors of the Company who is a member of such Board on the date of this Agreement, and any Person who is a member

of such Board and whose nomination as a director was approved by a majority of the Continuing Directors then on such Board.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Control Group Person": any Person which is a member of the controlled group or is under common control with the Company within the meaning of Section 414(b) or 414(c) of the Code or Section 4001(b)(1) of ERISA.

"Default": any of the events specified in subsection 8.1, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Distribution": (a) the declaration or payment of any dividend on or in respect of any shares of any class of Capital Stock of the Company other than dividends payable solely in shares of common stock of the Company; (b) the purchase, redemption or other acquisition of any shares of any class of Capital Stock of the Company directly or indirectly through a Subsidiary or otherwise; and (c) any other distribution on or in respect of any shares of any class of Capital Stock of the Company.

"Dollars" and "$": dollars in lawful currency of the United States of America.

"Domestic Lending Office": initially, the office of each Bank designated as such in Schedule I; thereafter, such other office of such Bank, if any, located within the United States which shall be making or maintaining Alternate Base Rate Loans.

"Effective Date": as defined in subsection 2.4(b).

"ERISA": the Employee Retirement Income Security Act of 1974,

as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto), dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency

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Liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Lending Office": initially, the office of each Bank designated as such in Schedule I; thereafter, such other office of such Bank, if any, which shall be making or maintaining Eurodollar Loans.

"Eurodollar Loans": Revolving Credit Loans hereunder at such time as they are made and/or are being maintained at a rate of interest based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the average (rounded upwards to the nearest whole multiple of one sixteenth of one percent) of the respective rates notified to the Agent by the Reference Banks as the rate at which each of their Eurodollar Lending Offices is offered Dollar deposits two Working Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations of such Eurodollar Lending Office are then being conducted at or about 10:00 A.M., New York City time, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Loan of such Reference Bank to be outstanding during such Interest Period.

"Eurodollar Tranche": the collective reference to Eurodollar Loans having the same Interest Period (whether or not originally made on the same day).

"Event of Default": any of the events specified in subsection 8.1, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, event or act has been satisfied.

"Financing Lease": any lease of property, real or personal, if the then present value of the minimum rental commitment thereunder should, in accordance with GAAP, be capitalized on a balance sheet of the lessee.

"Fixed Rate Auction Advance Request": any CAF Loan Request requesting the CAF Loan Banks to offer to make CAF Loans at a fixed rate (as opposed to a rate composed of the Applicable LIBOR Auction Advance Rate plus or minus a margin).

"GAAP": (a) with respect to determining compliance by the Company with the provisions of subsections 7.1, 7.2 and 7.5, generally accepted accounting principles in the United States of America consistent with those utilized in preparing the audited financial statements referred to in

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subsection 4.6 and (b) with respect to the financial statements referred to in subsection 4.6 or the furnishing of financial

statements pursuant to subsection 6.4 and otherwise, generally accepted accounting principles in the United States of America from time to time in effect.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Grid CAF Loan Note": as defined in subsection 2.2(f).

"Guarantee Obligation": any arrangement whereby credit is extended to one party on the basis of any promise of another, whether that promise is expressed in terms of an obligation to pay the Indebtedness of another, or to purchase an obligation owed by that other, to purchase assets or to provide funds in the form of lease or other types of payments under circumstances that would enable that other to discharge one or more of its obligations, whether or not such arrangement is listed in the balance sheet of the obligor or referred to in a footnote thereto, but shall not include endorsements of items for collection in the ordinary course of business.

"Headquarters": the principal executive offices of the Company located at 500 West Main Street, Louisville, Kentucky 40202.

"HMO": a health maintenance organization doing business as such (or required to qualify or to be licensed as such) under HMO Regulations.

"HMO Regulation": all laws, regulations, directives and administrative orders applicable under federal or state law to health maintenance organizations and any regulations, orders and directives promulgated or issued pursuant thereto.

"HMO Regulator": any Person charged with the administration, oversight or enforcement of an HMO Regulation.

"HMO Subsidiary": any Subsidiary of the Company that is now or hereafter an HMO.

"Indebtedness": of a Person, at a particular date, the sum (without duplication) at such date of (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services or which is evidenced by a note, bond, debenture or similar instrument, (b) all obligations of such Person under Financing Leases,

(c) all obligations of such Person in respect of letters of credit, acceptances, or similar obligations issued or created for the account of such Person in excess of $1,000,000, (d) all liabilities secured by any Lien on any property owned by the Company or any Subsidiary even though such Person has not assumed or otherwise become liable for the payment thereof and (e) all Guarantee Obligations relating to any of the foregoing in excess of $1,000,000.

"Individual CAF Loan Note": as defined in subsection 2.2(g).

"Insolvency" or "Insolvent": at any particular time, a Multiemployer Plan which is insolvent within the meaning of Section 4245 of ERISA.

"Insurance Regulation": any law, regulation, rule, directive or order applicable to an insurance company.

"Insurance Regulator": any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

"Insurance Subsidiary": any Subsidiary of the Company that is now or hereafter doing business (or required to qualify or to be licensed) under Insurance Regulations.

"Interest Payment Date": (a) as to any Alternate Base Rate Loan, the last day of each March, June, September and December, commencing on the first of such days to occur after Alternate Base Rate Loans are made or Eurodollar Loans are converted to Alternate Base Rate Loans, (b) as to any Eurodollar Loan in respect of which the Company has selected an Interest Period of one, two or three months, the last day of such Interest Period and (c) as to any Eurodollar Loan in respect of which the Company has selected a longer Interest Period than the periods described in clause (b), the last day of each March, June, September and December falling within such Interest Period and the last day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loans:

(i) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loans and ending one, two, three or six months thereafter (or, with the consent of all the Banks, nine or twelve months thereafter), as selected by the Company in its notice of borrowing as provided in subsection 2.1(c) or its notice of conversion as provided in subsection 2.6(a), as the case may be; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loans and ending one, two, three or six months thereafter (or, with the consent of all the Banks, nine or twelve months thereafter), as selected by the Company by irrevocable notice to the Agent not less than three Business Days prior to the last day of the then current Interest Period with respect to such Eurodollar Loans;

provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(1) if any Interest Period pertaining to a Eurodollar Loan would otherwise end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(2) if the Company shall fail to give notice as provided above, the Company shall be deemed to have selected an Alternate Base Rate Loan to replace the affected Eurodollar Loan;

(3) any Interest Period pertaining to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(4) any interest period pertaining to a Eurodollar Loan that would otherwise end after the Termination Date shall end on the Termination Date; and

(5) the Company shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

"Issuing Bank": Chemical Bank, in its capacity as issuer of any Letter of Credit.

"L/C Fee Payment Date": the last day of each March, June, September and December.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant

to subsection 3.5.

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"L/C Participants": the collective reference to all the Banks other than the Issuing Bank.

"L/C Sublimit": $75,000,000.

"Letters of Credit": as defined in subsection 3.1(a).

"Level I Utilization Period": at a particular time, any six-month period (or, at any time which is prior to the date which is six-months after the Closing Date, such shorter period) ending at such time during which the average daily Aggregate Outstanding Extensions of Credit of all Banks is less than 33-1/3% of the aggregate amount of the average daily Commitments of all Banks.

"Level II Utilization Period": at a particular time, any six-month period (or, at any time which is prior to the date which is six months after the Closing Date, such shorter period) ending at such time during which the average daily Aggregate Outstanding Extensions of Credit of all Banks is greater than or equal to 33-1/3% of the aggregate amount of the average daily Commitments of all Banks but less than 66-2/3% of the aggregate amount of the average daily Commitments of all Banks.

"Level III Utilization Period": at a particular time, any six-month period (or, at any time which is prior to the date which is six months after the Closing Date, such shorter period) ending at such time during which the average daily Aggregate Outstanding Extensions of Credit of all Banks is greater than or equal to 66-2/3% of the aggregate amount of the average daily Commitments of all Banks.

"Leverage Ratio": at the last day of any full fiscal quarter of the Company, the ratio of (a) all Indebtedness of the Company and its Subsidiaries outstanding on such date to (b) Consolidated Net Income for the period of four fiscal quarters of the Company ended on such day plus, to the extent deducted from earnings in determining such Consolidated Net Income, Consolidated Interest Expense, income taxes, depreciation and amortization.

"LIBOR Auction Advance Request": any CAF Loan Request requesting the CAF Loan Banks to offer to make CAF Loans at an interest rate equal to the Applicable LIBOR Auction Advance Rate plus or minus a margin.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any

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financing lease having substantially the same economic effect as any of the foregoing).

"Loan": any loan made by any Bank pursuant to this Agreement.

"Loan Documents": this Agreement, the Notes and the Applications.

"Majority Banks": (a) during the Commitment Period, Banks whose Commitment Percentages aggregate at least 51% and (b) after the Commitments have expired or been terminated, Banks whose outstanding Loans represent in the aggregate 51% of all outstanding Loans.

"Material Adverse Effect": any material adverse effect on (a) the business, assets, operations or condition (financial or otherwise)

of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement and the Notes or (c) the rights and remedies of the Banks with respect to the Company and its Subsidiaries under any of the Loan Documents.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note": any Revolving Credit Note or CAF Loan Note.

"Participants": as defined in subsection 10.6(b).

"Payment Sharing Notice": a written notice from the Company, or any Bank, informing the Agent that an Event of Default has occurred and is continuing and directing the Agent to allocate payments thereafter received from the Company in accordance with subsection 2.10(c).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Company or a Control Group Person is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Purchasing Banks": as defined in subsection 10.6(d).

"Reference Banks": Chemical Bank, The Chase Manhattan Bank, N.A. and Citibank, N.A.

"Register": as defined in subsection 10.6(e).

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System.

"Reimbursement Obligation": the obligation of the Company to reimburse the Issuing Bank pursuant to subsection 3.5(a) for amounts drawn under Letters of Credit.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of such term as used in Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. subsection 2615.

"Requested Termination Date": as defined in subsection 2.4(b).

"Required Banks": (a) during the Commitment Period, Banks whose Commitment Percentages aggregate at least 66-2/3% and (b) after the Commitments have expired or been terminated, Banks whose outstanding Loans represent in the aggregate 66-2/3% of all outstanding Loans.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the chief executive officer, the

president, any executive or senior vice president or vice president of the Company, the chief financial officer, treasurer or controller of the Company.

"Revolving Credit Loans": as defined in subsection 2.1(a).

"Revolving Credit Notes": as defined in subsection 2.1(b).

"Significant Subsidiary": means, at any particular time, any Subsidiary of the Company having total assets of $5,000,000 or more at that time.

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"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Solvent": with respect to any Person (or group of Persons) on a particular date, that on such date (i) the fair value of the property of such Person (or group of Persons) is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person (or group of Persons), (ii) the present fair salable value of the assets of such Person (or group of Persons) is not less than the amount that will be required to pay the probable liability of such Person (or group of Persons) on its debts as they become absolute and matured, (iii) such Person (or group of Persons) is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person (or group of Persons) does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's (or group of Person's) ability to pay as such debts and liabilities mature, (v) such Person (or group of Persons) is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's (or group of Person's) property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person (or group of Persons) is engaged and (vi) such Person (or group of Persons) is solvent under all applicable HMO Regulations and Insurance Regulations. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Standby Letter of Credit": as defined in subsection 3.1(a).

"Subsidiary": as to any Person, a corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

"Taxes": as defined in subsection 2.14.

"Terminating Bank": as defined in subsection 2.4(c).

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"Termination Date": the third anniversary of the Closing Date (or, if such date is not a Business Day, the next succeeding Business Day), or such other Business Day to which the Termination Date may be changed pursuant to subsection 2.4).

"Transfer Effective Date": as defined in each Commitment Transfer Supplement.

"Transferee": as defined in subsection 10.6(g).

"Type": as to any Revolving Credit Loan, its nature as an Alternate Base Rate Loan or Eurodollar Loan.

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"Voting Stock": of any corporation, shares of capital stock or other securities of such corporation entitled to vote generally in the election of directors of such corporation.

"Working Day": any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Company and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein", and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 Revolving Credit Loans and Revolving Credit Notes. (a) Subject to the terms and conditions hereof, each Bank severally agrees to make loans ("Revolving Credit Loans") to the Company from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Bank's Commitment Percentage of the then outstanding L/C Obligations, does not exceed the Commitment of such Bank, provided that the Aggregate Outstanding Extensions of Credit of all Banks shall not at any time exceed the aggregate amount of the Commitments. During the Commitment Period the Company may use the Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may be (i) Eurodollar Loans, (ii) Alternate Base Rate Loans or (iii) a combination thereof, as determined by the Company and notified to the Agent in accordance with subsection 2.1 (c). Eurodollar Loans shall be made and maintained by each Bank at its Eurodollar Lending Office, and Alternate Base Rate Loans shall be made and maintained by each Bank at its Domestic Lending Office.

(b) The Revolving Credit Loans made by each Bank shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit A with appropriate insertions as to payee, date and principal amount (a "Revolving Credit Note"), payable to the order of such Bank and evidencing the obligation of the Company to pay a principal amount equal to the amount of the initial Commitment of such Bank or, if a lesser amount, the aggregate unpaid principal amount of all Revolving Credit Loans made by such Bank. Each Bank is hereby authorized to record the date, Type and amount of each Revolving Credit Loan made or converted by such Bank, and the date and amount of each payment or prepayment of principal thereof, and, in the case of Eurodollar Loans, the Interest Period with respect thereto, on the schedule annexed to and constituting a part of its Revolving Credit Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that the failure to make any such recordation

shall not affect the obligations of the Company hereunder or under any Revolving Credit Note. Each Revolving Credit Note shall (x) be dated the Closing Date, (y) be stated to mature on the Termination Date, and (z) bear interest on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum determined as provided in subsection 2.7.

(c) The Company may borrow under the Commitments during the Commitment Period on any Working Day if the borrowing is of Eurodollar Loans or on any Business Day if the borrowing is of Alternate Base Rate Loans; provided that the Company shall give the Agent irrevocable notice (which notice must be received by the Agent (i) prior to 11:30 A.M., New York City time three

Working Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, and (ii) prior to 10:00 A.M., New York City time, on the requested Borrowing Date, in the case of Alternate Base Rate Loans), specifying (A) the amount to be borrowed, (B) the requested Borrowing Date, (C) whether the borrowing is to be of Eurodollar Loans, Alternate Base Rate Loans, or a combination thereof, and (D) if the borrowing is to be entirely or partly of Eurodollar Loans, the length of the Interest Period therefor. Each borrowing pursuant to the Commitments shall be in an aggregate principal amount equal to the lesser of (i) $10,000,000 or a whole multiple of $1,000,000 in excess thereof and (ii) the then Available Commitments. Upon receipt of such notice from the Company, the Agent shall promptly notify each Bank thereof. Each Bank will make the amount of its pro rata share of each borrowing available to the Agent for the account of the Company at the office of the Agent set forth in subsection 10.2 prior to 12:00 P.M., New York City time, on the Borrowing Date requested by the Company in funds immediately available to the Agent. The proceeds of all such Revolving Credit Loans will then be made available to the Company by the Agent at such office of the Agent by crediting the account of the Company on the books of such office with the aggregate of the amounts made available to the Agent by the Banks.

2.2 CAF Loans and CAF Loan Notes. (a) The Company may borrow CAF Loans from time to time on any Business Day (in the case of CAF Loans made pursuant to a Fixed Rate Auction Advance Request) or any Working Day (in the case of CAF Loans made pursuant to a LIBOR Auction Advance Request) during the period from the Closing Date until the date occurring 14 days prior to the Termination Date in the manner set forth in this subsection 2.2 and in amounts such that the Aggregate Outstanding Extensions of Credit of all Banks at any time shall not exceed the aggregate amount of the Commitments at such time.

(b) (i) The Company shall request CAF Loans by delivering a CAF Loan Request to the CAF Loan Agent, not later than 12:00 Noon (New York City time) four Working Days prior to the proposed Borrowing Date (in the case of a LIBOR Auction Advance Request), and not later than 10:00 A.M. (New York City time) one Business Day prior to the proposed Borrowing Date (in the case of a Fixed Rate Auction Advance Request). Each CAF Loan Request may solicit bids for CAF Loans in an aggregate principal amount of $10,000,000 or an integral multiple thereof and for not more than three alternative maturity dates for such CAF Loans. The maturity date for each CAF Loan shall be not less than 7 days nor more than 360 days after the Borrowing Date therefor (and in any event not after the Termination Date). The CAF Loan Agent shall promptly notify each CAF Loan Bank by facsimile transmission of the contents of each CAF Loan Request received by it.

(ii) In the case of a LIBOR Auction Advance Request, upon receipt of notice from the CAF Loan Agent of the contents of

such CAF Loan Request, any CAF Loan Bank that elects, in its sole discretion, to do so, shall irrevocably offer to make one or more CAF Loans at the Applicable LIBOR Auction Advance Rate plus or minus a margin for each such CAF Loan determined by such CAF Loan Bank in its sole discretion. Any such irrevocable offer shall be made by delivering a CAF Loan Offer to the CAF Loan Agent, before 9:30 A.M., New York City time, three Working Days before the proposed Borrowing Date, setting forth the maximum amount of CAF Loans for each maturity date, and the aggregate maximum amount for all maturity dates, which such Bank would be willing to make (which amounts may, subject to subsection 2.2(a), exceed such CAF Loan Bank's Commitment) and the margin above the

Applicable LIBOR Auction Advance Rate at which such CAF Loan Bank is willing to make each such CAF Loan; the CAF Loan Agent shall advise the Company before 10:00 A.M., New York City time, three Working Days before the proposed Borrowing Date of the contents of each such CAF Loan Offer received by it. If the CAF Loan Agent in its capacity as a CAF Loan Bank shall, in its sole discretion, elect to make any such offer, it shall advise the Company of the contents of its CAF Loan Offer before 9:00 A.M., New York City time, three Working Days before the proposed Borrowing Date.

(iii) In the case of a Fixed Rate Auction Advance Request, upon receipt of notice from the Agent of the contents of such CAF Loan Request, any CAF Loan Bank that elects, in its sole discretion, to do so, shall irrevocably offer to make one or more CAF Loans at a rate or rates of interest for each such CAF Loan determined by such CAF Loan Bank in its sole discretion. Any such irrevocable offer shall be made by delivering a CAF Loan Offer to the CAF Loan Agent, before 9:30 A.M., New York City time, on the proposed Borrowing Date, setting forth the maximum amount of CAF Loans for each maturity date, and the aggregate maximum amount for all maturity dates, which such CAF Loan Bank would be willing to make (which amounts may, subject to subsection 2.2 (a), exceed such CAF Loan Bank's Commitment) and the rate or rates of interest at which such CAF Loan Bank is willing to make each such CAF Loan; the CAF Loan Agent shall advise the Company before 10:15 A.M., New York City time, on the proposed Borrowing Date of the contents of each such CAF Loan Offer received by it. If the CAF Loan Agent or any affiliate thereof in its capacity as a CAF Loan Bank shall, in its sole discretion, elect to make any such offer, it shall advise the Company of the contents of its CAF Loan Offer before 9:15 A.M., New York City time, on the proposed Borrowing Date.

(iv) The Company shall before 11:00 A.M., New York City time, three Working Days before the proposed Borrowing Date (in the case of CAF Loans requested by a LIBOR Auction Advance Request) and before 10:30 A.M., New York City time, on the proposed Borrowing Date (in the case of CAF Loans requested by a Fixed Rate Auction Advance Request) either, in its absolute discretion:

(A) cancel such CAF Loan Request by giving the CAF Loan Agent telephone notice to that effect, or

(B) accept one or more of the offers made by any CAF Loan Bank or CAF Loan Banks pursuant to clause (ii) or clause (iii) above, as the case may be, by giving telephone notice to the CAF Loan Agent (immediately confirmed by delivery to the CAF Loan Agent of a CAF Loan Confirmation) of the amount of CAF Loans for each relevant maturity date to be made by each CAF Loan Bank (which amount for each such maturity date shall be equal to or less than the maximum amount for such maturity date specified in the CAF Loan offer of such CAF Loan Bank, and for all maturity dates included in such CAF Loan Offer shall be equal to or less than the aggregate maximum amount specified in such CAF Loan offer for all such maturity dates) and reject any remaining offers made by CAF Loan Banks pursuant to clause (ii) or clause (iii) above, as the case may be; provided, however, that (x) the Company may not accept offers for CAF Loans for any maturity date in an aggregate principal amount in excess of the maximum principal amount requested in the related CAF Loan Request, (y) if the Company accepts any of such offers, it must accept offers strictly based upon pricing for such relevant maturity date and no other criteria whatsoever and (z) if two or more CAF Loan Banks submit offers for any maturity date at identical pricing and the Company accepts any of such offers but does not wish to borrow the total amount offered by such CAF Loan Banks with such identical pricing, the Company shall accept offers from all of such CAF Loan Banks in amounts allocated among them pro rata according to the amounts offered by such CAF Loan Banks (or as nearly pro rata as shall be practicable after giving effect to the requirement that CAF Loans made by a CAF Loan Bank on a Borrowing Date for each relevant maturity date shall be in a principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof provided that if the number of CAF Loan Banks that submit offers for any maturity date at identical pricing is such that, after the Company accepts such offers pro rata in accordance with the foregoing, the CAF Loans to be made by such CAF Loan Banks would be less then $5,000,000 principal amount, the number of such CAF Loan Banks shall be reduced by the CAF Loan Agent by lot until the CAF Loans to be made by such remaining CAF Loan Banks would be in a principal amount of $5,000,000

or an integral multiple of $1,000,000 in excess thereof).

(v) If the Company notifies the CAF Loan Agent that a CAF Loan Request is cancelled pursuant to clause (iv)(A) above, the CAF Loan Agent shall give prompt, but in no event more then one hour later, telephone notice thereof to the CAF Loan Banks, and the CAF Loans requested thereby shall not be made.

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(vi) If the Company accepts pursuant to clause (iv)(B) above one or more of the offers made by any CAF Loan Bank or CAF Loan Banks, the CAF Loan Agent shall promptly, but in no event more than one hour later, notify each CAF Loan Bank which has made such an offer of the aggregate amount of such CAF Loans to be made on such Borrowing Date for each maturity date and of the acceptance or rejection of any offers to make such CAF Loans made by such CAF Loan Bank. Each CAF Loan Bank which is to make a CAF Loan shall, before 12:00 Noon, New York City time, on the Borrowing Date specified in the CAF Loan Request applicable thereto, make available to the Agent at its office set forth in subsection 10.2 the amount of CAF Loans to be made by such CAF Loan Bank, in immediately available funds. The Agent will make such funds available to the Company as soon as practicable on such date at the Agent's aforesaid address. As soon as practicable after each Borrowing Date, the Agent shall notify each Bank of the aggregate amount of CAF Loans advanced on such Borrowing Date and the respective maturity dates thereof.

(c) Within the limits and on the conditions set forth in this subsection 2.2, the Company may from time to time borrow under this subsection 2.2, repay pursuant to paragraph (d) below, and reborrow under this subsection 2.2.

(d) The Company shall repay to the Agent for the account of each CAF Loan Bank which has made a CAF Loan (or the CAF Loan Assignee in respect thereof, as the case may be) on the maturity date of each CAF Loan (such maturity date being that specified by the Company for repayment of such CAF Loan in the related CAF Loan Request) the then unpaid principal amount of such CAF Loan. The Company shall not have the right to prepay any principal amount of any CAF Loan.

(e) The Company shall pay interest on the unpaid principal amount of each CAF Loan from the Borrowing Date to the stated maturity date thereof, at the rate of interest determined pursuant to paragraph (b) above (calculated on the basis of a 360-day year for actual days elapsed), payable on the interest payment date or dates specified by the Company for such CAF Loan in the related CAF Loan Request as provided in the CAF Loan Note evidencing such CAF Loan. If all or a portion of the principal amount of any CAF Loan or any interest or other amount payable hereunder in respect thereof shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall, without limiting any rights of any Bank under this Agreement, bear interest from the date on which such payment was due at a rate per annum which is 2% above the rate which would otherwise be applicable pursuant to the CAF Loan Note evidencing such CAF Loan until the scheduled maturity date with respect thereto as set forth in the CAF Loan Note evidencing such CAF Loan, and for each day thereafter at rate per annum which is 2% above the Alternate Base Rate until paid in full (as well after as before judgment).

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(f) The CAF Loans made by each CAF Loan Bank shall be evidenced initially by a promissory note of the Company, substantially in the form of Exhibit B with appropriate insertions (a "Grid CAF Loan Note"), payable to the order of such CAF Loan Bank and representing the obligation of the Company to pay the unpaid principal amount of all CAF Loans made by such CAF Loan Bank, with interest on the unpaid principal amount from time to time outstanding of each CAF Loan evidenced thereby as prescribed in subsection 2.2 (e). Each CAF Loan Bank is hereby authorized to record the date and amount of each CAF Loan made by such Bank, the maturity date thereof, the date and amount of each payment of principal thereof and the interest rate with respect thereto on the schedule annexed to and constituting part of its Grid CAF Loan Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that the failure to make any such recordation shall not affect the obligations of the Company hereunder or under any Grid CAF Loan Note. Each Grid CAF Loan Note shall be dated the

Closing Date and each CAF Loan evidenced thereby shall bear interest for the period from and including the Borrowing Date thereof on the unpaid principal amount thereof from time to time outstanding at the applicable rate per annum determined as provided in, and such interest shall be payable as specified in, subsection 2.2(e).

(g) Amounts advanced by a CAF Loan Bank pursuant to this subsection 2.2 on a Borrowing Date which have the same maturity date and interest rate shall be deemed to constitute one CAF Loan so long as such amounts remain evidenced by the Grid CAF Loan Note of such CAF Loan Bank; any such CAF Loan Bank that wishes such amounts to constitute more than one CAF Loan and to have each such CAF Loan evidenced by a separate promissory note payable to such CAF Loan Bank, substantially in the form of Exhibit C with appropriate insertions as to Borrowing Date, principal amount and interest rate (an "Individual CAF Loan Note"), shall notify the CAF Loan Agent and the Company by facsimile transmission of the respective principal amounts of the CAF Loans (which principal amounts shall not be less than $5,000,000 for any of such CAF Loans) to be evidenced by each such Individual CAF Loan Note. Not later than three Business Days after receipt of such notice, the Company shall deliver to such CAF Loan Bank an Individual CAF Loan Note payable to the order of such CAF Loan Bank in the principal amount of each such CAF Loan and otherwise conforming to the requirements of this Agreement. Upon receipt of such Individual CAF Loan Note, such CAF Loan Bank shall endorse on the schedule attached to its Grid CAF Loan Note the transfer of such CAF Loan from Grid CAF Loan Note to such Individual CAF Loan Note.

2.3 Fees. (a) The Company agrees to pay to the Agent, for the account of each Bank, a facility fee computed at the rate of .175% per annum on the average daily amount of the Commitment of such Bank during the period for which payment is made, payable quarterly in arrears on the last day of each March, June,

September and December and on any earlier date on which the Commitments shall terminate as provided herein and the Revolving Credit Loans shall have been repaid in full, commencing on the first of such dates to occur after the date hereof.

(b) The Company agrees to pay to the Agent the other fees in the amounts, and on the dates, agreed to by the Company and the Agent in the fee letter, dated November 29, 1993, between the Agent and the Company.

2.4 Termination, Reduction or Extension of Commitments. (a) The Company shall have the right, upon not less than five Business Days' notice to the Agent, to terminate the Commitments or, from time to time, to reduce ratably the amount of the Commitments, provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the then outstanding principal amount of the Loans, when added to the then L/C Obligations, would exceed the amount of the Commitments then in effect. Any such reduction shall be in an amount of $10,000,000 or a whole multiple of $1,000,000 in excess thereof, and shall reduce permanently the amount of the Commitments then in effect.

(b) The Company may request, in a notice given as herein provided to the Agent and each of the Banks not less than 90 days and not more than 120 days prior to the second anniversary of the Closing Date, that the Termination Date be extended, which notice shall specify that the requested extension is to be effective (the "Effective Date") on the second anniversary of the Closing Date, and that the new Termination Date to be in effect following such extension (the "Requested Termination Date") is to be the fifth anniversary of the Closing Date. Each Bank shall, not later than 30 days following such notice, notify the Company and the Agent of its election to extend or not to extend the Termination Date with respect to its Commitment. The Company may, not later than 15 days following such notice from the Banks, revoke its request to extend the Termination Date. If the Required Banks elect to extend the Termination Date with respect to their Commitments and the Company has not revoked its request to extend the Termination Date, then, subject to the provisions of this subsection 2.4, the Termination Date shall be extended for two years. Notwithstanding any provision of this Agreement to the contrary, any notice by any Bank of its willingness to extend the Termination Date with respect to its Commitment shall be revocable by such Bank in its sole and absolute discretion at any

time prior to the Effective Date. Any Bank which shall not notify the Company and the Agent of its election to extend the Termination Date within 30 days following such notice shall be deemed to have elected not to extend the Termination Date with respect to its Commitment.

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(c) Provided that the Required Banks shall have elected to extend their Commitments as provided in this subsection 2.4, if any Bank shall timely notify the Company and the Agent pursuant to subsection 2.4 (b) of its election not to extend its Commitment or its revocation of any extension, or shall be deemed to have elected not to extend its Commitments, (any such Bank being called a "Terminating Bank"), then the remaining Banks (the "Continuing Banks") or any of them shall have the right (but not the obligation), upon notice to the Company and the Agent not later than 30 Business Days preceding the Effective Date to increase their Commitments, by an amount up to, in the aggregate, the Commitments of any Terminating Banks. If, in the aggregate, any of the Remaining Banks elect to increase their Commitments by an amount in excess of the aggregate Commitments of the Terminating Banks, then the Commitment of each such Bank shall be increased pro rata on the relative basis of the amount of increase it so elected such that the aggregate amount of all such increases shall be equal to the aggregate Commitments of the Terminating Banks. Each increase in the Commitment of a Continuing Bank shall be evidenced by a written instrument executed by such Continuing Bank, the Company and the Agent, and shall take effect on the Effective Date. Notwithstanding any provision of this Agreement to the contrary, any notice by any Continuing Bank of its willingness to increase its Commitment as provided in this subsection 2.4(c) shall be revocable by such Bank in its sole and absolute discretion at any time prior to the Effective Date.

(d) In the event the aggregate Commitments of any Terminating Banks shall exceed the aggregate amount by which the Continuing Banks have agreed to increase their Commitments pursuant to subsection 2.4(c), the Company may, with the approval of the Agent, designate one or more other banking institutions willing to extend Commitments until the Requested Termination Date in an aggregate amount not greater than such excess. Any such banking institution (an "Additional Bank") shall, on the Effective Date, execute and deliver to the Company and the Agent a Commitment Transfer Supplement, satisfactory to the Company and the Agent, setting forth the amount of such Additional Bank's Commitment and containing its agreement to become, and to perform all the obligations of, a Bank hereunder, and the Commitment of such Additional Bank shall become effective on the Effective Date. Notwithstanding any provision of this Agreement to the contrary, any notice by any Additional Bank of its willingness to become a Bank hereunder shall be revocable by such Additional Bank in its sole and absolute discretion at any time prior to the Effective Date.

(e) The Company shall deliver to each Continuing Bank and each Additional Bank, on the Effective Date, in exchange for the Notes held by such Bank, new Notes, maturing on the Requested Termination Date, in the principal amount of such Bank's Commitment after giving effect to the adjustments made pursuant to this subsection 2.4.

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(f) If the Required Banks shall have elected to extend their Commitments as provided in this subsection 2.4 and the Company has not revoked its request to extend the Termination Date as provided in this subsection 2.4, then (i) the Commitments of the Continuing Banks and any Additional Banks shall continue until the Requested Termination Date specified in the notice from the Company, and as to such Banks the term "Termination Date", as used herein shall mean such Requested Termination Date; (ii) the Commitments of any Terminating Bank shall continue until the Effective Date, and shall then terminate (as to any Terminating Bank, the term "Termination Date", as used herein, shall mean the Effective Date) upon the payment in full of the outstanding principal amount, together with accrued interest to such date and any other amounts owed by the Company to such Terminating Bank pursuant to any Loan Document of the Loans of such Terminating Bank; and (iii) from and after the Effective Date, the term "Banks" shall be deemed to include the Additional Banks and (except with respect to subsections 2.15 and 10.5 to the extent the rights under such subsections arise after the Termination Date in respect of Terminating Banks) to exclude the Terminating Banks.

2.5 Optional Prepayments. The Company may on the last day of the relevant Interest Period if the Revolving Credit Loans to be prepaid are in whole or in part Eurodollar Loans, or at any time and from time to time if the Revolving Credit Loans to be prepaid are Alternate Base Rate Loans, prepay the Revolving Credit Loans, in whole or in part, without premium or penalty, upon at least three Business Days' irrevocable notice to the Agent, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Alternate Base Rate Loans or a combination thereof, and if of a combination thereof, the amount of prepayment allocable to each. Upon receipt of such notice the Agent shall promptly notify each Bank thereof. If such notice is given, the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Partial prepayments shall be in an aggregate principal amount of $5,000,000, or a whole multiple thereof, and may only be made if, after giving effect thereto, subsection 2.6(c) shall not have been contravened.

2.6 Conversion Options; Minimum Amount of Loans.
(a) The Company may elect from time to time to convert Eurodollar Loans to Alternate Base Rate Loans by giving the Agent at least two Business Days' prior irrevocable notice of such election (given before 10:00 A.M., New York City time, on the date on which such notice is required), provided that any such conversion of Eurodollar Loans shall, subject to the fourth following sentence, only be made on the last day of an Interest Period with respect thereto. The Company may elect from time to time to convert Alternate Base Rate Loans to Eurodollar Loans by giving the Agent at least three Business Days' prior irrevocable notice of such election (given before 11:30 A.M., New York City

time, on the date on which such notice is required). Upon receipt of such notice, the Agent shall promptly notify each Bank thereof. Promptly following the date on which such conversion being made each Bank shall take such action as is necessary to transfer its portion of such Revolving Credit Loans to its Domestic Lending Office or its Eurodollar Lending Office, as the case may be. All or any part of outstanding Eurodollar Loans and Alternate Base Rate Loans may be converted as provided herein, provided that, unless the Majority Banks otherwise agree, (i) no Revolving Credit Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing, (ii) partial conversions shall be in an aggregate principal amount of $5,000,000 or a whole multiple thereof, and (iii) any such conversion may only be made if, after giving effect thereto, subsection 2.6(c) shall not have bean contravened.

(b) Any Eurodollar Loans may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Company with the notice provisions contained in subsection 2.6(a); provided that, unless the Majority Banks otherwise agree, no Eurodollar Loan may be continued as such when any Event of Default has occurred and is continuing, but shall be automatically converted to an Alternate Base Rate Loan on the last day of the then current Interest Period with respect thereto. The Agent shall notify the Banks promptly that such automatic conversion contemplated by this subsection 2.6 (b) will occur.

(c) All borrowings, conversions, payments, prepayments and selection of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising any Eurodollar Tranche shall not be less than $10,000,000. At no time shall there be more than 6 Eurodollar Tranches.

2.7 Interest Rate and Payment Dates for Revolving Credit Loans.
(a) The Eurodollar Loans comprising each Eurodollar Tranche shall bear interest for each day during each Interest Period with respect thereto on the unpaid principal amount thereof at a rate per annum equal to the Eurodollar Rate plus the Applicable Margin.

(b) Alternate Base Rate Loans shall bear interest for each day from and including the date thereof on the unpaid principal amount thereof at a rate per annum equal to the Altermate Base Rate plus the Applicable Margin.

(c) If all or a portion of the (i) principal amount of any Loans, (ii) any interest payable thereon or (iii) any fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is 2% above the Alternate Base Rate, and any overdue

interest or

other amount payable hereunder shall bear interest at a rate per annum which is 2% above the Alternate Base Rate, in each case from the date of such non-payment until paid in full (after as well as before judgment). If all or a portion of the principal amount of any Loans shall not be paid when due (whether at stated maturity, by acceleration or otherwise), each Eurodollar Loan shall, unless the Majority Banks otherwise agree, be converted to an Alternate Base Rate Loan at the end of the last Interest Period with respect thereto.

(d) Interest shall be payable in arrears on each Interest Payment Date.

2.8 Computation of Interest and Fees. (a) Interest in respect of Alternate Base Rate Loans shall be calculated on the basis of a (i) 365-day (or 366-day, as the case may be) year for the actual days elapsed when such Alternate Base Rate Loans are based on the Prime Rate, and (ii) a 360-day year for the actual days elapsed when based on the Base CD Rate or the Federal Funds Effective Rate. Interest in respect of Eurodollar Loans shall be calculated on the basis of a 360-day year for the actual days elapsed. The Agent shall as soon as practicable notify the Company and the Banks of each determination of a Eurodollar Rate. Any change in the interest rate on a Revolving Credit Loan resulting from a change in the Alternate Base Rate or the Applicable Margin or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change in the Alternate Base Rate is announced, such Applicable Margin changes as provided herein or such change in or the Eurocurrency Reserve Requirements shall become effective, as the case may be. The Agent shall as soon as practicable notify the Company and the Banks of the effective date and the amount of each such change.

(b) Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Company and the Banks in the absence of manifest error. The Agent shall, at the request of the Company, deliver to the Company a statement showing the quotations used by the Agent in determining any interest rate pursuant to subsection 2.7(a) or (c).

(c) If any Reference Bank's Commitment shall terminate (otherwise than on termination of all the Commitments), or its Revolving Credit Loans shall be assigned for any reason whatsoever, such Reference Bank shall thereupon cease to be a Reference Bank, and if, as a result of the foregoing, there shall only be one Reference Bank remaining, then the Agent (after consultation with the Company and the Banks) shall, by notice to the Company and the Banks, designate another Bank as a Reference Bank so that there shall at all times be at least two Reference Banks.

(d) Each Reference Bank shall use its best efforts to furnish quotations of rates to the Agent as contemplated hereby. If any of the Reference Banks shall be unable or otherwise fails to supply such rates to the Agent upon its request, the rate of interest shall be determined on the basis of the quotations of the remaining Reference Banks or Reference Bank.

(e) Facility fees shall be computed on the basis of a 365-day year for the actual days elapsed.

2.9 Inability to Determine Interest Rate. In the event that:

(i) the Agent shall have determined (which determination shall be conclusive and binding upon the Company) that, by reason of circumstances affecting the interbank eurodollar market generally, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any requested Interest Period;

(ii) only one of the Reference Banks is able to obtain bids for its Dollar deposits for such Interest Period in the manner contemplated by the term "Eurodollar Rate"; or

(iii) the Agent shall have received notice prior to the first

day of such Interest Period from Banks constituting the Majority Banks that the interest rate determined pursuant to subsection 2.7(a) for such Interest Period does not accurately reflect the cost to such Banks (as conclusively certified by such Banks) of making or maintaining their affected Loans during such Interest Period;

with respect to (A) proposed Revolving Credit Loans that the Company has requested be made as Eurodollar Loans, (B) Eurodollar Loans that will result from the requested conversion of Alternate Base Rate Loans into Eurodollar Loans or (C) the continuation of Eurodollar Loans beyond the expiration of the then current Interest Period with respect thereto, the Agent shall forthwith give facsimile or telephonic notice of such determination to the Company and the Banks at least one day prior to, as the case may be, the requested Borrowing Date for such Eurodollar Loans, the conversion date of such Loans or the last day of such Interest Period. If such notice is given (x) any requested Eurodollar Loans shall be made as Alternate Base Rate Loans, (y) any Alternate Base Rate Loans that were to have been converted to Eurodollar Loans shall be continued as Alternate Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Alternate Base Rate Loans. Until such notice has been withdrawn by the Agent, no further Eurodollar Loans shall be made, nor shall the Company have the right to convert Alternate Base Rate Loans to Eurodollar Loans. The Agent shall withdraw

such notice upon its determination that the event or events which gave rise to such notice no longer exist.

2.10 Pro Rata Borrowinqs and Payments. (a) Each borrowing by the Company of Revolving Credit Loans shall be made ratably from the Banks in accordance with their Commitment Percentages.

(b) Whenever any payment received by the Agent under this Agreement or any Note is insufficient to pay in full all amounts then due and payable to the Agent and the Banks under this Agreement and the Notes, and the Agent has not received a Payment Sharing Notice (or if the Agent has received a Payment Sharing Notice but the Event of Default specified in such Payment Sharing Notice has been cured or waived), such payment shall be distributed and applied by the Agent and the Banks in the following order: first, to the payment of fees and expenses due and payable to the Agent under and in connection with this Agreement; second, to the payment of all expenses due and payable under subsection 10.5(a), ratably among the Banks in accordance with the aggregate amount of such payments owed to each such Bank; third, to the payment of fees due and payable under subsection 2.3, ratably among the Banks in accordance with their Commitment Percentages; fourth, to the payment of interest then due and payable under the Notes, ratably among the Banks in accordance with the aggregate amount of interest owed to each such Bank; and fifth, to the payment of the principal amount of the Notes which is then due and payable, ratably among the Banks in accordance with the aggregate principal amount owed to each such Bank.

(c) After the Agent has received a Payment Sharing Notice which remains in effect, all payments received by the Agent under this Agreement or any Note shall be distributed and applied by the Agent and the Banks in the following order: first, to the payment of all amounts described in clauses first through third of the foregoing paragraph (b), in the order set forth therein; and second, to the payment of the interest accrued on and the principal amount of all of the Notes, regardless of whether any such amount is then due and payable, ratably among the Banks in accordance with the aggregate accrued interest plus the aggregate principal amount owed to such Bank.

(d) all payments (including prepayments) to be made by the Company on account of principal, interest and fees shall be made without set-off or counterclaim and shall be made to the Agent, for the account of the Banks, at the Agent's office set forth in subsection 10.2, in lawful money of the United States of America and in immediately available funds. The Agent shall distribute such payments to the Banks promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the CAF Loans made pursuant to a LIBOR Auction Advance Request) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next

succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a CAF Loan made pursuant to a LIBOR Auction Advance Request becomes due and payable on a day other than a Working Day, the maturity thereof shall be extended to the next succeeding Working Day unless the result of such extension would be to extend such payment into another calendar month in which event such payment shall be made on the immediately preceding Working Day.

(e) Unless the Agent shall have been notified in writing by any Bank prior to a Borrowing Date that such Bank will not make the amount which would constitute its Commitment Percentage of the borrowing of Revolving Credit Loans on such date available to the Agent, the Agent may assume that such Bank has made such amount available to the Agent on such Borrowing Date, and the Agent may, in reliance upon such assumption, make available to the Company a corresponding amount. If such amount is made available to the Agent on a date after such Borrowing Date, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period as quoted by the Agent, times (ii) the amount of such Bank's Commitment Percentage of such borrowing, times (iii) a fraction the numerator of which is the number of days that elapse from and including such Borrowing Date to the date on which such Bank's Commitment Percentage of such borrowing shall have become immediately available to the Agent and the denominator of which is 360. A certificate of the Agent submitted to any Bank with respect to any amounts owing under this subsection 2.10 (e) shall be conclusive, absent manifest error. If such Bank's Commitment Percentage of such borrowing is not in fact made available to the Agent by such Bank within three Business Days of such Borrowing Date, the Agent shall be entitled to recover such amount with interest thereon at the rate per annum applicable to Alternate Base Rate Loans hereunder, on demand, from the Company.

2.11 Illegality. Notwithstanding any other provisions herein, if after the date hereof the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Bank to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the Bank shall, within 30 Working Days after it becomes aware of such fact, notify the Company, through the Agent, of such fact, (b) the commitment of such Bank hereunder to make Eurodollar Loans or convert Alternate Base Rate Loans to Eurodollar Loans shall forthwith be cancelled and (c) such Bank's Revolving Credit Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Alternate Base Rate Loans on the respective last days of the then current Interest Periods for such Revolving Credit Loans or within such earlier period as required by law. Each Bank shall take such action as may be reasonably available to it without legal or financial disadvantage (including changing its Eurodollar Lending Office) to prevent the adoption of or any

change in any such Requirement of Law from becoming applicable to it.

2.12 Requirements of Law. (a) If after the date hereof the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Bank with any request or directive (whether or not having the force of law) after the date hereof from any central bank or other Governmental Authority:

(i) shall subject any Bank to any tax of any kind whatsoever with respect to this Agreement, any Revolving Credit Note, any Letter of Credit, any Application or any Eurodollar Loans made by it, or change the basis of taxation of payments to such Bank of principal, facility fee, interest or any.other amount payable hereunder in respect of Revolving Credit Loans (except for changes in the rate of tax on the overall net income of such Bank);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Bank which are not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Bank any other condition;

and the result of any of the foregoing is to increase the cost to such Bank, by any amount which such Bank deems to be material, of making, renewing or maintaining advances or extensions of credit (including, without limitation, issuing or participating in Letters of Credit) or to reduce any amount receivable hereunder, in each case, in respect thereof, then, in any such case, the Company shall promptly pay such Bank, upon its demand, any additional amounts necessary to compensate such Bank for such additional cost or reduced amount receivable. If a Bank becomes entitled to claim any additional amounts pursuant to this subsection 2.12(a), it shall, within 30 Business Days after it becomes aware of such fact, notify the Company, through the Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by such Bank, through the Agent, to the Company shall be conclusive in the absence of manifest error. Each Bank shall take such action as may be reasonably available to it without legal or financial disadvantage (including changing its Eurodollar Lending Office) to prevent any such Requirement of Law or change from becoming applicable to it. This covenant shall survive the termination of this Agreement and payment of the outstanding Revolving Credit Notes and all other amounts payable hereunder.

(b) In the event that after the date hereof a Bank is required to maintain reserves of the type contemplated by the definition of "Eurocurrency Reserve Requirements", such Bank may require the Company to pay, promptly after receiving notice of the amount due, additional interest on the related Eurodollar Loan of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the applicable Eurodollar Rate divided by (B) one minus the Eurocurrency Reserve Requirements over (ii) the applicable Eurodollar Rate. Any Bank wishing to require payment of any such additional interest on account of any of its Eurodollar Loans shall notify the Company no more than 30 Working Days after each date on which interest is payable on such Eurodollar Loan of the amount then due it under this subsection 2.12 (b), in which case such additional interest on such Eurodollar Loan shall be payable to such Bank at the place indicated in such notice. Each such notification shall be accompanied by such information as the Company may reasonably request.

2.13 Capital Adequacy. If any Bank shall have determined that after the date hereof the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Bank or any corporation controlling such Bank with any request or directive after the date hereof regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, does or shall have the effect of reducing the rate of return on such Bank's or such corporation's capital as a consequence of its obligations hereunder or under any Letter of Credit to a level below that which such Bank or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy) by an amount which is reasonably deemed by such Bank to be material, then from time to time, promptly after submission by such Bank, through the Agent, to the Company of a written request therefor (such request shall include details reasonably sufficient to establish the basis for such additional amounts payable and shall be submitted to the Company within 30 Working Days after it becomes aware of such fact), the Company shall promptly pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction. The agreements in this subsection 2.13 shall survive the termination of this Agreement and payment of the Loans and the Notes and all other amounts payable hereunder.

2.14 Taxes. (a) All payments made by the Company under this Agreement shall be made free and clear of, and without reduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority excluding, in the case of the Agent and each Bank, net income and franchise taxes imposed on the Agent or

such Bank by the jurisdiction under the laws of which the Agent or such Bank is organized or any political subdivision or taxing authority thereof or therein, or by any jurisdiction in which such Bank's Domestic Lending Office or

Eurodollar Lending Office, as the case may be, is located or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, deductions, charges or withholdings being hereinafter called "Taxes"). If any Taxes are required to be withheld from any amounts payable to the Agent or any Bank hereunder or under the Notes, the amounts so payable to the Agent or such Bank shall be increased to the extent necessary to yield to the Agent or such Bank (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes. Whenever any Taxes are payable by the Company, as promptly as possible thereafter, the Company shall send to the Agent for its own account or for the account of such Bank, as the case may be, a certified copy of an original official receipt received by the Company showing payment thereof. If the Company fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, the Company shall indemnify the Agent and the Banks for any incremental taxes, interest or penalties that may become payable by the Agent or any Bank as a result of any such failure.

(b) Each Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to the Company and the Agent (i) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Bank is entitled to receive payments under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes, and (ii) Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Bank which delivers to the Company and the Agent a Form 1001 or 4224 and Form W-8 or W-9 pursuant to the next preceding sentence further undertakes to deliver to the Company and the Agent two further copies of the said letter and Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms, or other manner of certification, as the case may be, on or before the date that any such letter or form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent letter and form previously delivered by it to the Company, and such extensions or renewals thereof as may reasonably be requested by the Company, certifying in the case of a Form 1001 or 4224 that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless in any such cases an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms

inapplicable or which would prevent such Bank from duly completing and delivering any such letter or form with respect to it and such Bank advises the Company that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

(c) The agreements in subsection 2.14 shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

2.15 Indemnity. The Company agrees to indemnify each Bank and to hold each Bank harmless from any loss or expense (other than any loss of anticipated margin or profit) which such Bank may sustain or incur as a consequence of (a) default by the Company in payment when due of the principal amount of or interest on any Eurodollar Loans of such Bank, (b) default by the Company in making a borrowing or conversion after the Company has given a notice of borrowing in accordance with subsection 2.1 (c) or a notice of continuation or conversion pursuant to subsection 2.6, (c) default by the Company in making any prepayment after the Company has given a notice in accordance with subsection 2.5 or (d) the making of a prepayment of a Eurodollar Loan on a day which is not the last day of an Interest Period with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it to maintain its Eurodollar Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. Any Bank claiming any amount under this subsection 2.15 shall provide calculations, in reasonable detail, of the amount of its loss or expense. This covenant shall survive termination of this Agreement and payment of the outstanding Notes and all other amounts payable hereunder.

2.16 Application of Proceeds of Loans. Subject to the provisions of the following sentence, the Company may use the proceeds of the Loans for any lawful corporate purpose. The Company will not, directly or indirectly, apply any part of the proceeds of any such Loan for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose.

2.17 Notice of Certain Circumstances; Assignment of Commitments Under Certain Circumstances. (a) Any Bank claiming any additional amounts payable pursuant to subsections 2.12, 2.13 or 2.14 or exercising its rights under subsection 2.11, shall, in accordance with the respective provisions thereof, provide notice to the Company and the Agent. Such notice to the Company and the Agent shall include details reasonably sufficient to establish the basis for such additional amounts payable or the rights to be exercised by the Bank.

(b) Any Bank claiming any additional amounts payable pursuant to subsections 2.12, 2.13 or 2.14 or exercising its rights under subsection 2.11, shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Company or to change the jurisdiction of its applicable lending office if the making of such filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue or avoid the circumstances giving rise to such exercise and would not, in the sole determination of such Bank, be otherwise disadvantageous to such Bank.

(c) In the event that the Company shall be required to make any additional payments to any Bank pursuant to subsections 2.12, 2.13 or 2.14 or any Bank shall exercise its rights under subsection 2.11, the Company shall have the right at its own expense, upon notice to such Bank and the Agent, to require such Bank to transfer and to assign without recourse (in accordance with and subject to the terms of subsection 10.6) all its interest, rights and obligations under this Agreement to another financial institution (including any Bank) acceptable to the Agent (which approval shall not be unreasonably withheld) which shall assume such obligations; provided that (i) no such assignment shall conflict with any Requirement of Law and (ii) such assuming financial institution shall pay to such Bank in immediately available funds on the date of such assignment the outstanding principal amount of such Bank's Notes together with accrued interest thereon and all other amounts accrued for its account or owed to it hereunder, including, but not limited to additional amounts payable under subsections 2.3, 2.11, 2.12, 2.13, 2.14 and 2.15.

SECTION 3. LETTERS OF CREDIT

3.1 L/C Sublimit. (a) Subject to the terms and conditions hereof, the Issuing Bank, in reliance on the agreements of the other Banks set forth in subsection 3.4 (a), agrees to issue letters of credit ("Letters of Credit") for the account of the Company on any Business Day during the Commitment Period in such form as may be approved from time to time by the Issuing Bank; provided that the Issuing Bank shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Sublimit or (ii) the Available Commitment would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars, (ii) be a standby letter of credit issued to support obligations of the Company or its Subsidiaries, contingent or otherwise (a "Standby Letter of Credit") and (iii) expire no later than the Termination Date.

(b) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(c) The Issuing Bank shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Bank or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

(d) No Letter of Credit shall have an expiry date more than 365

days after its date of issuance.

3.2 Procedure for Issuance of Letters of Credit. The Company may from time to time request that the Issuing Bank issue a Letter of Credit by delivering to the Issuing Bank at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Bank, and such other certificates, documents and other papers and information as the Issuing Bank may request. Upon receipt of any Application, the Issuing Bank will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Bank be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Bank and the Company. The Issuing Bank shall furnish a copy of such Letter of Credit to the Company promptly following the issuance thereof.

3.3 Fees, Commissions and Other Charges. (a) The Company shall pay to the Agent, for the account of the Issuing Bank and the L/C Participants, a letter of credit commission with respect to each Letter of Credit, computed for the period from the date of issuance to the expiry date thereof at the rate of .45% per annum, calculated on the basis of a 365-day (or 366-day, as the case may be) year, on the face amount of each such Letter of Credit, of which .125% per annum shall be payable to the Issuing Bank and .325% per annum shall be payable to the L/C Participants to be shared ratably among them in accordance with their respective Commitment Percentages. Such fee shall be payable in advance on the date of issuance of each Letter of Credit and on each L/C Fee Payment Date to occur thereafter and shall be nonrefundable.

(b) In addition to the foregoing fees, the Company shall pay or reimburse the Issuing Bank for such normal and customary costs and expenses as are incurred or charged by the Issuing Bank in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

(c) The Agent shall, promptly following its receipt thereof, distribute to the Issuing Bank and the L/C Participants

all fees received by the Agent for their respective accounts pursuant to this subsection.

3.4 L/C Participation. (a) The Issuing Bank irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Bank to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Bank, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Commitment Percentage in the Issuing Bank's obligations and rights under each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Bank thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Bank that, if a draft is paid under any Letter of Credit for which the Issuing Bank is not reimbursed in full by the Company in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Bank upon demand at the Issuing Bank's address for notices specified herein an amount equal to such L/C Participant's Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) If any amount required to be paid by any L/C Participant to the Issuing Bank pursuant to subsection 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Bank under any Letter of Credit is paid to the Issuing Bank within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Bank on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal funds rate, as quoted by the Issuing Bank, during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Bank, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to subsection 3.4(a) is not in fact made available to

the Issuing Bank by such L/C Participant within three Business Days after the date such payment is due, the Issuing Bank shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Revolving Credit Loans that are Alternate Base Rate Loans hereunder. A certificate of the Issuing Bank submitted to any L/C Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Bank has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with subsection 3.4(a), the Issuing Bank receives any payment related to such Letter of Credit (whether directly from the Company or otherwise, including proceeds of collateral, if any, applied thereto by the Issuing Bank), or any payment of interest

on account thereof, the Issuing Bank will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Bank shall be required to be returned by the Issuing Bank, such L/C Participant shall return to the Issuing Bank the portion thereof previously distributed by the Issuing Bank to it.

3.5 Reimbursement Obligation of the Borrower. The Company agrees to reimburse the Issuing Bank on each date on which the Issuing Bank notifies the Company of the date and amount of a draft presented under any Letter of Credit and paid by the Issuing Bank for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Bank in connection with such payment. Each such payment shall be made to the Issuing Bank at its address for notices specified herein in lawful money of the United States of America and in immediately available funds. Interest shall be payable on any and all amounts remaining unpaid by the Company under this subsection from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full at a rate per annum equal to the Alternate Base Rate plus 2%.

3.6 Obligations Absolute. The Company's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Company may have or have had against the Issuing Bank or any beneficiary of a Letter of Credit. The Company also agrees with the Issuing Bank that the Issuing Bank shall not be responsible for, and the Company's Reimbursement Obligations under subsection 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Company and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Company against any beneficiary of such Letter of Credit or any such transferee. The Issuing Bank shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Bank's gross negligence or willful misconduct. The Company agrees that any action taken or omitted by the Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence of willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Company and shall not result in any liability of the Issuing Bank to the Company.

3.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing

Bank shall promptly notify the Company of the date and amount thereof. The responsibility of the Issuing Bank to the Company in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

3.8 Application. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

SECTION 4. REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants that:

4.1 Corporate Existence; Compliance with Law. Each of the Company and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law, including, without limitation, HMO Regulations and Insurance Regulations, except to the extent that the failure to be so qualified or to comply therewith could not have a Material Adverse Effect.

4.2 No Legal Obstacle to Agreement; Enforceability. Neither the execution and delivery of any Loan Document, nor the making by the Company of any borrowings hereunder, nor the consummation of any transaction herein or therein referred to or contemplated hereby or thereby nor the fulfillment of the terms hereof or thereof or of any agreement or instrument referred to in this Agreement, has constituted or resulted in or will constitute or result in a breach of any Requirement of Law, including without limitation, HMO Regulations and Insurance Regulations, or any Contractual Obligation of the Company or any of its Subsidiaries, or result in the creation under any agreement or instrument of any security interest, lien, charge or encumbrance upon any of the assets of the Company or any of its Subsidiaries. No approval, authorization or other action by any Governmental Authority, including, without limitation, HMO Regulators and Insurance Regulators, or any other Person is required to be obtained by the Company or any of its Subsidiaries in connection with the execution, delivery and performance of

this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, or the making of any borrowing by the Company hereunder. This Agreement has been, and each other Loan Document will be, duly executed and delivered on behalf of the Company. This Agreement constitutes, and each other Loan Document when executed and delivered will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.3 Litigation. Except as disclosed in the Company's Annual Report on Form 10-K for its fiscal year ended August 31, 1992 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 1993, June 30, 1993 and September 30, 1993 filed with the Securities and Exchange Commission and previously distributed to the Banks, there is no litigation, at law or in equity, or any proceeding before any federal, state, provincial or municipal board or other governmental or administrative agency, including without limitation, HMO Regulators and Insurance Regulators, pending or to the knowledge of the Company threatened which, after giving effect to any applicable insurance, may involve any material risk of a Material Adverse Effect or which seeks to enjoin the consummation of any of the transactions contemplated by this Agreement or any other Loan Document, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency, including without limitation, HMO Regulators and Insurance Regulators, has been issued against the Company or any Subsidiary which has, or may involve, a material risk of a Material Adverse Effect. The Company does not believe that the final resolution of the matters disclosed in its Annual Report on Form 10-K for its fiscal year ended August 31, 1992 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 1993, June 30, 1993 and September 30, 1993 filed with the Securities and Exchange Commission and previously distributed to the Banks, will have a Material Adverse Effect.

4.4 Disclosure. Neither this Agreement nor any agreement, document, certificate or statement furnished to the Banks by the Company in connection herewith (including, without limitation, the information relating to the Company and its Subsidiaries included in the Confidential Information Memorandum dated December 1993 delivered in connection with the syndication of the credit facilities hereunder) contains any untrue statement of material fact or, taken as a whole together with all other information furnished to Banks by the Company, omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. All pro forma financial statements made available to Banks have been prepared in good

faith based upon reasonable assumptions. There is no fact known to the Company which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business, operations, affairs or condition of the Company and its Subsidiaries on a consolidated basis, except to the extent that they may be affected by future general economic conditions.

4.5 Defaults. Neither the Company nor any of its Subsidiaries is in default under or with respect to any Requirement of Law or Contractual Obligation in any respect which has had, or may have, a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.6 Financial Condition. The Company has furnished to the Agent and each Bank copies of the following:

(a) The Annual Report of the Company on Form 10-K for the fiscal year ended August 31, 1992;

(b) the Quarterly Reports of the Company on Form 10-Q for each of the fiscal quarters ended November 30, 1992, March 31, 1993, June 30, 1993 and September 30, 1993; and

(c) the Proxy Statement of the Company dated January 22, 1993.

The financial statements included therein, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein). As of the date of such financial statements, neither the Company nor any of its Subsidiaries had any known contingent liabilities of any significant amount which in accordance with GAAP are required to be referred to in said financial statements or in the notes thereto which could reasonably be expected to have a Material Adverse Effect. During the period from August 31, 1992 to and including the date hereof, there has been no sale, transfer or other disposition by the Company or any of its consolidated Subsidiaries of any asset reflected on the balance sheet referred to above that would have been a material part of its business or property (excluding the spin-off of the Company's hospital business as described in the Proxy Statement referred to in subsection 4.6(c)) and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Company and its consolidated Subsidiaries at August 31, 1992.

4.7 Changes in Condition. Since August 31, 1992, there has been no development or event nor any prospective development or event, which has had, or may have, a Material Adverse Effect.

4.8 Assets. The Company and each Subsidiary have good and marketable title to all material assets carried on their books and reflected in the financial statements referred to in subsection 4.6 or furnished pursuant to subsection 6.4, except for assets held on Financing Leases or purchased subject to security devices providing for retention of title in the vendor, and except for assets disposed of as permitted by this Agreement.

4.9 Tax Returns. The Company and each of its Subsidiaries have filed all tax returns which are required to be filed and have paid, or made adequate provision for the payment of, all taxes which have or may become due

pursuant to said returns or to assessments received. All federal tax returns of the Company and its Subsidiaries through their fiscal years ended in 1987 have been audited by the Internal Revenue Service or are not subject to such audit by virtue of the expiration of the applicable period of limitations, and the results of such audits are fully reflected in the balance sheets referred to in subsection 4.6. The Company knows of no material additional assessments since said date for which adequate reserves appearing in the said balance sheet have not been established.

4.10 Contracts, etc. Attached hereto as Schedule III is a statement of outstanding Indebtedness of the Company and its Subsidiaries for borrowed money in excess of $1,000,000 as of the date set forth therein, and a complete and correct list of all agreements, contracts, indentures, instruments, documents and amendments thereto to which the Company or any Subsidiary is a party or by which it is bound pursuant to which any such Indebtedness of the Company and its Subsidiaries is outstanding on the date hereof. Said Schedule III also includes a complete and correct list of all such Indebtedness of the Company and its Subsidiaries outstanding on the date indicated in respect of Guarantee Obligations in excess of $1,000,000 and letters of credit in excess of $1,000,000, and there have been no increases in such Indebtedness since said date other than as permitted by this Agreement.

4.11 Subsidiaries. As of the date hereof, the Company has only the Subsidiaries set forth in Schedule IV, all of the outstanding capital stock of each of which is duly authorized, validly issued, fully paid and nonassessable and owned as set forth in said Schedule IV. Schedule IV indicates all Subsidiaries of the Company which are not Wholly-Owned Subsidiaries and the percentage ownership of the Company and its Subsidiaries in each such Subsidiary. The capital stock and securities owned by the Company and its Subsidiaries in each of the Company's Subsidiaries are owned free and clear of any mortgage, pledge, lien, encumbrance, charge or restriction on the transfer thereof other than restrictions on transfer imposed by applicable securities laws and restrictions, liens and encumbrances outstanding on the date hereof and listed in said Schedule IV.

4.12 Burdensome Obligations. Neither the Company nor any Subsidiary is a party to or bound by any agreement, deed, lease or other instrument, or subject to any charter, by-law or other corporate restriction which, in the opinion of the management thereof, is so unusual or burdensome as to in the foreseeable future have a Material Adverse Effect. The Company does not presently anticipate that future expenditures of the Company and its Subsidiaries needed to meet the provisions of any federal or state statutes, orders, rules or regulations will be so burdensome as to have a Material Adverse Effect.

4.13 Pension Plans. Each Plan maintained by the Company, any Subsidiary or any Control Group Person or to which any of them makes or will make contributions is in material compliance with the applicable provisions of ERISA and the Code. Neither the Company nor any Subsidiary nor any Control Group Person maintains, contributes to or participates in any Plan that is a "defined benefit plan" as defined in ERISA. Neither the Company, any Subsidiary, nor any Control Group Person has since August 31, 1987 maintained, contributed to or participated in any Multiemployer Plan, with respect to which a complete withdrawal would result in any withdrawal liability. The Company and its Subsidiaries have met all of the funding standards applicable to all Plans that are not Multiemployer Plans, and there exists no event or condition which would permit the institution of proceedings to terminate any Plan that is not a Multiemployer Plan. The current value of the benefits guaranteed under Title IV of ERISA of each Plan that is not a Multiemployer Plan does not exceed the current value of such Plan's assets allocable to such benefits.

4.14 Environmental and Public and Employee Health and Safety Matters. The Company and each Subsidiary has complied with all applicable Federal, state, and other laws, rules and regulations relating to environmental pollution or to environmental regulation or control or to public or employee health or safety, except to the extent that the failure to so comply would not be reasonably likely to result in a Material Adverse Effect. The Company's and the Subsidiaries' facilities do not contain, and have not previously contained, any hazardous wastes, hazardous substances, hazardous materials, toxic substances or toxic pollutants regulated under the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, the Toxic Substance

Control Act, the Clean Air Act, the Clean Water Act or any other applicable law relating to environmental pollution or public or employee health and safety, in violation of any such law, or any rules or regulations promulgated pursuant thereto, except for violations that would not be reasonably likely to result in a Material Adverse Effect. The Company is aware of no events, conditions or circumstances involving environmental pollution or contamination or public or employee health or safety, in each case applicable to it or its

Subsidiaries, that would be reasonably likely to result in a Material Adverse Effect.

4.15 Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose which violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System. If requested by any Bank or the Agent, the Company will furnish to the Agent and each Bank a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

4.16 Investment Company Act; Other Regulations. The Company is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Company is not subject to regulation under any Federal or State statute or regulation which limits its ability to incur Indebtedness.

4.17 Solvency. Each of the Company, and the Company and its Subsidiaries taken as a whole, is Solvent.

4.18 Casualties. Neither the businesses nor the properties of the Company or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other material labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that could reasonably be expected to have a Material Adverse Effect.

4.19 Business Activity. Neither the Company nor any of its Subsidiaries is engaged in any line of business that is not related to the healthcare industry other than the sale of life insurance in connection with the sale of medical insurance or other healthcare services or any business or activity which is immaterial to the Company and its Subsidiaries on a consolidated basis.

4.20 Purpose of Loans. The proceeds of the Loans shall be used by the Company for general corporate purposes.

SECTION 5. CONDITIONS

5.1 Conditions to the Closing Date. The obligations of each Bank to make the Loans contemplated by subsections 2.1 and 2.2 and of the Issuing Bank to issue Letters of Credit contemplated by subsection 3.1 shall be subject to the compliance by the Company with its agreements herein contained and to the satisfaction of the following conditions on or before the Closing Date:

(a) Loan Documents. The Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank and (ii) for the account of each Bank, a Revolving Credit Note and a Grid CAF Loan Note conforming to the requirements hereof and executed by a duly authorized officer of the Company.

(b) Legal Opinions. On the Closing Date and on any Borrowing Date as the Agent shall request, each Bank shall have received from any general, associate, or assistant general counsel to the Company, such opinions as the Agent shall have reasonably requested with respect to the transactions contemplated by this Agreement.

(c) Closing Certificate. The Agent shall have received, with a counterpart for each Bank, a Closing Certificate, substantially in

the form of Exhibit H and dated the Closing Date, executed by a Responsible Officer of the Company.

(d) Legality, etc. The consummation of the transactions contemplated hereby shall not contravene, violate or conflict with, nor involve the Agent, the Issuing Bank or any Bank in any violation of, any Requirement of Law including, without limitation, HMO Regulations and Insurance Regulations, and all necessary consents, approvals and authorizations of any Governmental Authority or any Person to or of such consummation shall have been obtained and shall be in full force and effect.

(e) Fees. The Agent shall have received the fees to be received on the Closing Date referred to in subsection 2.3.

(f) Corporate Proceedings. The Agent shall have received, with a counterpart for each Bank, a copy of the resolutions, in form and substance satisfactory to the Agent, of the Board of Directors of the Company authorizing (i) the execution, delivery and performance of this Agreement, the Notes and the other Loan Documents, and (ii) the borrowings contemplated hereunder, certified by the Secretary or an Assistant Secretary of the Company as of the Closing Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded and shall be in form and substance satisfactory to the Agent.

(g) Corporate Documents. The Agent shall have received, with a counterpart for each Bank, true and complete copies of the certificate of incorporation and by-laws of the Company, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary of the Company.

(h) No Material Litigation. Except as previously disclosed to the Agent and the Banks pursuant to subsection 4.3, no litigation, inquiry, investigation, injunction or restraining order (including any proposed statute, rule or regulation) shall be pending, entered or threatened which, in the reasonable judgment of the Majority Banks, could reasonably be expected to have a Material Adverse Effect.

(i) Incumbency Certificate. The Agent shall have received, with a counterpart for each Bank, a certificate of the Secretary or an Assistant Secretary of the Company, dated the Closing Date, as to the incumbency and signature of the officers of the Company executing each Loan Document and any certificate or other document to be delivered by it pursuant hereto and thereto, together with evidence of the incumbency of such Secretary or Assistant Secretary.

(j) Good Standing Certificates. The Agent shall have received, with a copy for each Bank, copies of certificates dated as of a recent date from the Secretary of State or other appropriate authority of such jurisdiction, evidencing the good standing of the Company in its jurisdiction of incorporation and in Kentucky.

(k) No Change. There shall not have occurred any change, or development of event involving a prospective change, and a Bank shall not have become aware of any previously undisclosed information, which in either case in the reasonable judgment of the Majority Banks could reasonably be expected to have a Material Adverse Effect.

5.2 Conditions to Each Loan. The agreement of each Bank to make any extension of credit requested to be made by it on any date is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Company and its Subsidiaries in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans requested to be made on such date.

(c) Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be satisfactory in form and substance to the Agent, and the Agent shall have received such other documents, instruments, legal opinions or other items of information reasonably requested by it, including, without limitation, copies of

any debt instruments, security agreements or other material contracts to which the Company may be a party in respect of any aspect or consequence of the transactions contemplated hereby or thereby as it shall reasonably request.

Each borrowing by the Company hereunder shall constitute a representation and warranty by the Company as of the date of such extension of credit that the conditions contained in this subsection 5.2 have been satisfied.

SECTION 6. AFFIRMATIVE COVENANTS

The Company hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Note or Letter of Credit remains outstanding and unpaid or any other amount is owing to any Bank or the Agent hereunder, the Company shall and (except in the case of delivery of financial information, reports and notices) shall cause each of its Subsidiaries to:

6.1 Taxes, Indebtedness, etc. Duly pay, discharge or otherwise satisfy, or cause to be paid, discharged or otherwise satisfied, before the same shall become in arrears, all taxes, assessments, levies and other governmental charges imposed upon such corporation and its properties, sales and activities, or any part thereof, or upon the income or profits therefrom; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves in conformity with GAAP with respect thereto. Each of the Company and its Subsidiaries will promptly pay when due, or in conformance with customary trade terms, all other Indebtedness, liabilities and other obligations of whatever nature incident to its operations; provided, however, that any such Indebtedness, liability or obligation need not be paid if the validity or amount thereof shall currently be contested in good faith and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves in conformity with GAAP with respect thereto.

6.2 Maintenance of Properties; Maintenance of Existence. Keep its material properties in good repair, working order and condition and will from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto and will comply at all times with the provisions of all material leases and other material agreements to which it is a party so as to prevent any loss or forfeiture thereof or thereunder unless compliance therewith is being contested in good faith by appropriate proceedings and if the Company or the Subsidiary in question shall have set aside on its books appropriate reserves in conformity with GAAP with respect thereto; and in the case of the Company or any Subsidiary of the

Company while such Person remains a Subsidiary, will do all things necessary to preserve, renew and keep in full force and effect and in good standing its corporate existence and all rights, privileges and franchises necessary or desirable to continue such businesses.

6.3 Insurance. Maintain or cause to be maintained, with financially sound and reputable insurers including any Subsidiary which is engaged in the business of providing insurance protection, insurance (including, without limitation, public liability insurance, business interruption insurance, reinsurance for medical claims and professional liability insurance against claims for malpractice) with respect to its material properties and business and the properties and business of its Subsidiaries in at least such amounts and against at least such risks as are

customarily carried under similar circumstances by other corporations engaged in the same or a similar business; and furnish to each Bank, upon written request, full information as to the insurance carried. Such insurance may be subject to co-insurance, deductibility or similar clauses which, in effect, result in self-insurance of certain losses, and the Company may self-insure against such loss or damage, provided that adequate insurance reserves are maintained in connection with such self-insurance.

6.4 Financial Statements. The Company will and will cause each of its Subsidiaries to maintain a standard modern system of accounting in which full, true and correct entries will be made of all dealings or transactions in relation to its business and affairs in accordance with GAAP consistently applied, and will furnish the following to each Bank (in duplicate if so requested):

(a) Annual Statements. As soon as available, and in any event within 120 days after the end of each fiscal year, the consolidated balance sheet as at the end of each fiscal year and consolidated statements of profit and loss and of retained earnings for such fiscal year of the Company and its Subsidiaries, together with comparative consolidated figures for the next preceding fiscal year, accompanied by reports or certificates of Coopers & Lybrand, or, if they cease to be the auditors of the Company, of other independent public accountants of national standing and reputation, to the effect that such balance sheet and statements were prepared in accordance with GAAP consistently applied and fairly present the financial position of the Company and its Subsidiaries as at the end of such fiscal year and the results of their operations and changes in financial position for the year then ended and the statement of such accountants and of the treasurer of the Company that such said accountants and treasurer have caused the provisions of this Agreement to be reviewed and that nothing has come to their attention to lead them to believe that any Default exists hereunder or, if such is not

the case, specifying such Default or possible Default and the nature thereof. In addition, such financial statements shall be accompanied by a certificate of the treasurer of the Company containing computations showing compliance with subsections 7.1, 7.2, 7.3 and 7.5.

(b) Quarterly Statements. As soon as available, and in any event within 60 days after the close of each of the first three fiscal quarters of the Company and its Subsidiaries in each year, consolidated balance sheets as at the end of such fiscal quarter and consolidated profit and loss and retained earnings statements for the portion of the fiscal year then ended, of the Company and its Subsidiaries, together with computations showing compliance with subsections 7.1, 7.2, 7.3 and 7.5, accompanied by a certificate of the treasurer of the Company that such statements and computations have been properly prepared in accordance with GAAP, consistently applied, and fairly present the financial position of the Company and its Subsidiaries as at the end of such fiscal quarter and the results of their operations and changes in financial position for such quarter and for the portion of the fiscal year then ended, subject to normal audit and year-end adjustments, and to the further effect that he has caused the provisions of this Agreement and all other agreements to which the Company or any of its Subsidiaries is a party and which relate to Indebtedness to be reviewed, and has no knowledge that any Default has occurred under this Agreement or under any such other agreement, or, if said treasurer has such knowledge, specifying such Default and the nature thereof.

(c) ERISA Reports. The Company will furnish the Agent with copies of any request for waiver of the funding standards or extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after any such request is submitted by the Company to the Department of Labor or the Internal Revenue Service, as the case may be. Promptly after a Reportable Event occurs, or the Company or any of its Subsidiaries receives notice that the PBGC or any Control Group Person has instituted or intends to institute proceedings to terminate any pension or other Plan, or prior to the Plan administrator's terminating such Plan

pursuant to Section 4041 of ERISA, the Company will notify the Agent and will furnish to the Agent a copy of any notice of such Reportable Event which is required to be filed with the PBGC, or any notice delivered by the PBGC evidencing its institution of such proceedings or its intent to institute such proceedings, or any notice to the PBGC that a Plan is to be terminated, as the case may be. The Company will promptly notify each Bank upon learning of the occurrence of any of the following events with respect to any Plan which is a Multiemployer Plan: a partial or complete withdrawal from

any Plan which may result in the incurrence by the Company or any of is Subsidiaries of withdrawal liability in excess of $1,000,000 under Subtitle E of Title IV of ERISA, or of the termination, insolvency or reorganization status of any Plan under such Subtitle E which may result in liability to the Company or any of its Subsidiaries in excess of $1,000,000. In the event of such a withdrawal, upon the request of the Agent or any Bank, the Company will promptly provide information with respect to the scope and extent of such liability, to the best of the Company's knowledge.

6.5 Certificates; Other Information. Furnish to each Bank:

(a) within five days after the same are sent, copies of all financial statements and reports which the Company sends to its stockholders, and within five days after the same are filed, copies of all financial statements and reports which the Company may make to, or file with, the Securities and Exchange Commission;

(b) not later than thirty days prior to the end of each fiscal year of the Company, the Company shall deliver to the Agent and the Banks a schedule of the Company's insurance coverage and such supplemental schedules with respect thereto as the Agent and the Banks may from time to time reasonably request; and

(c) promptly, such additional financial and other information as any Bank may from time to time reasonably request.

6.6 Compliance with ERISA. Each of the Company and its Subsidiaries will meet, and will cause all Control Group Persons to meet, all minimum funding requirements applicable to any Plan imposed by ERISA or the Code (without giving effect to any waivers of such requirements or extensions of the related amortization periods which may be granted), and will at all times comply, and will cause all Control Group Persons to comply, in all material respects with the provisions of ERISA and the Code which are applicable to the Plans. At no time shall the aggregate actual and contingent liabilities of the Company under Sections 4062, 4063, 4064 and other provisions of ERISA (calculated as if the 30% of collective net worth amount referred to in Section 4062(b)(1)(A)(i)(II) of ERISA exceeded the actual total amount of unfunded guaranteed benefits referred to in Section 4062 (B)(1)(A)(i)(I) of ERISA) with respect to all Plans (and all other pension plans to which the Company, any Subsidiary, or any Control Group Person made contributions prior to such time) exceed $5,000,000. Neither the Company nor its Subsidiaries will permit any event or condition to exist which could permit any Plan which is not a Multiemployer Plan to be terminated under circumstances which would cause the lien

provided for in Section 4068 of ERISA to attach to the assets of the Company or any of its Subsidiaries.

6.7 Compliance with Laws. Comply with all Contractual Obligations and Requirements of Law (including, without limitation, the HMO Regulations, Insurance Regulations and laws relating to the protection of the environment), except where compliance therewith shall be contested in good faith by appropriate proceedings, the Company or the Subsidiary in question shall have set aside on its books appropriate reserves in conformity with GAAP with respect thereto, and the failure to comply therewith could not, in the aggregate, have a Material Adverse Effect.

6.8 Inspection of Property; Books and Records; Discussions. Keep proper books of records and account in which full, true and correct entries in conformity with GAAP, all Requirements of Law, including but not limited to, HMO Regulations and Insurance Regulations, and the terms hereof shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of any Bank to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Company and its Subsidiaries with officers and employees of the Company and its Subsidiaries and with its independent certified public accountants.

6.9 Notices. Promptly give notice to the Agent and each Bank of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Company or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the Company or any of its Subsidiaries and any Governmental Authority (including, without limitation, HMO Regulators and Insurance Regulators), which in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting the Company or any of its Subsidiaries in which the amount involved is $5,000,000 or more and not covered by insurance or in which material injunctive or similar relief is sought;

(d) a material development or material change in any ongoing litigation or proceeding affecting the Company or any of its Subsidiaries in which the amount involved is $5,000,000 or more and not covered by insurance or in which material injunctive or similar relief is sought;

(e) the following events, as soon as possible and in any event within 30 days after the Company knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, or any withdrawal from, or the termination, Reorganization or Insolvency of any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Company or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the terminating, Reorganization or Insolvency of, any Plan;

(f) a development or event which could have a Material Adverse Effect;

(g) the material non-compliance or potential material non-compliance with any Contractual Obligation or Requirement of Law, including, without limitation, HMO Regulations and Insurance Regulations that is not currently being contested in good faith by appropriate proceedings;

(h) the revocation of any material license, permit, authorization, certificate, qualification or accreditation of the Company or any Subsidiary by any Governmental Authority, including, without limitation, the HMO Regulators and Insurance Regulators; and

(i) any significant change in or material additional restriction placed on the ability of a Significant Subsidiary to continue business as usual, including, without limitation, its ability to pay dividends to the Company, by any Governmental Authority, including, without limitation, the HMO Regulators and Insurance Regulators.

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Company proposes to take with respect thereto.

6.10 Maintenance of Accreditation, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, all licenses, permits, authorizations, certifications and qualifications (including, without limitation, those qualifications with respect to solvency and capitalization) required under the HMO Regulations or the Insurance Regulations in connection with the ownership or operation of HMO's or insurance companies except were the failure to do so would not result in a Material Adverse Effect.

6.11 Further Assurances. Execute any and all further documents, and take all further action which the Majority Banks or the Agent may reasonably request in order to effectuate the transactions contemplated by the Loan Documents.

SECTION 7. NEGATIVE COVENANTS

The Company hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Note or Letter of Credit remains outstanding and unpaid or any other amount is owing to any Bank or the Agent hereunder, the Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants.

(a) Maintenance of Net Worth. Permit Consolidated Net Worth at any time to be less than 80% of its Consolidated Net Worth of the Company and its consolidated subsidiaries as at September 30, 1993 plus 75% of the Company's Consolidated Net Income determined on an after-extraordinary items basis for each full fiscal quarter after the Closing Date (without any deduction for any such fiscal quarter in which Consolidated Net Income is a negative number).

(b) Fixed Charge Coverage. Permit, on the last day of any fiscal quarter of the Company, the ratio of (i) Consolidated Earnings before Interest and Taxes for the four consecutive fiscal quarters of the Company ending on such date to (ii) Consolidated Interest Expense during such period, to be less than 3.0 to 1.0.

(c) Maximum Leverage Ratio. Permit the Leverage Ratio on the last day of any full fiscal quarter of the Company to be more than 3.0 to 1.0.

7.2 Limitation on Subsidiary Indebtedness. The Company shall not permit any of the Subsidiaries of the Company to create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Subsidiary to the Company or any other Subsidiary;

(b) Indebtedness of a corporation which becomes a Subsidiary after the date hereof, provided that (i) such indebtedness existed at the time such corporation became a Subsidiary and was not created in anticipation thereof and (ii) immediately before and after giving effect to the acquisition of such corporation by the Company no Default or Event of Default shall have occurred and be continuing; and

(c) additional Indebtedness of Subsidiaries of the Company not exceeding $75,000,000 in aggregate principal amount at any one time outstanding.

7.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens, if any, securing the obligations of the Company under this Agreement and the Notes;

(b) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate

reserves with respect thereto are maintained on the books of the Company or its Subsidiaries, as the case may be, in conformity with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(d) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Company or such Subsidiary;

(g) Liens in existence on the Closing Date listed on Schedule V, securing Indebtedness in existence on the Closing Date, provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(h) Liens securing Indebtedness of the Company and its Subsidiaries not prohibited hereunder incurred to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (iii) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 80% of the original purchase price of such property;

(i) Liens on the property or assets of a corporation which becomes a Subsidiary after the date hereof securing Indebtedness permitted by subsection 7.2(b), provided that (i) such Liens existed at the time such corporation became a

Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not spread to cover any property or assets of such corporation after the time such corporation becomes a Subsidiary and (iii) the amount of Indebtedness secured thereby is not increased;

(j) Liens on the Headquarters; and

(k) Liens not otherwise permitted under this subsection 7.3 securing obligations in an aggregate amount not exceeding at any time 10% of Consolidated Net Tangible Assets as at the end of the immediately preceding fiscal quarter of the Company.

7.4 Limitations on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or make any material change in its method of conducting business, or purchase or otherwise acquire all or substantially all of Capital Stock, or the property, business or assets, of any other Person (other than any Subsidiary) or any business division thereof except:

(a) any Subsidiary of the Company may be merged or consolidated with or into the Company (provided that the Company shall be the continuing or surviving corporation) and any Subsidiary of the Company (except a Subsidiary the Indebtedness with respect to which is referred to in subsection 7.2 (b)) may be merged or consolidated with

or into any one or more wholly owned Subsidiaries of the Company (provided that the wholly owned Subsidiary or Subsidiaries shall be the continuing or surviving corporation);

(b) the Company may merge into another corporation owned by the Company for the purpose of causing the Company to be incorporated in a different jurisdiction; and

(c) the Company may merge with another corporation, provided that (i) the Company shall be the continuing or surviving corporation of such merger and (ii) immediately before and after giving effect to such merger no Default or Event of Default shall have occurred and be continuing.

7.5 Limitation on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, except:

(a) obsolete or worn out property disposed of in the ordinary course of business;

(b) the sale or discount without recourse of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(c) the sale or other disposition of the Headquarters; and

(d) the sale or other disposition of securities held for investment purposes in the ordinary course of business;

(e) any wholly owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Company or any other wholly owned Subsidiary of the Company (except to a Subsidiary referred to in subsection 7.2(b)); and

(f) the sale or other disposition of any other property, provided that the aggregate book value of all assets so sold or disposed of in any fiscal year of the Company shall not exceed in the aggregate 12% of the Consolidated Assets of the Company and its Subsidiaries as at the end of the immediately preceding fiscal year of the Company.

7.6 Limitation on Distributions. The Company shall not make any Distribution except that, so long as no Event of Default exists or would exist after giving effect thereto, the Company may make a Distribution.

7.7 Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate (other than the Company and its Subsidiaries) unless such transaction is otherwise permitted under this Agreement, is in the ordinary course of the Company's or such Subsidiary's business and is upon fair and reasonable terms no less favorable to the Company or such Subsidiary, as the case may be, than it would obtain in an arm's length transaction.

7.8 Sale and Leaseback. Enter into any arrangement with any Person providing for the leasing by the Company or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Company or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Company or such Subsidiary, unless such arrangement is upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtained in a comparable arm's length transaction between an informed and willing seller or lessor under no compulsion to sell or lease and an informed and willing buyer or lessee under no compulsion to buy or lease.

7.9 Limitation on Negative Pledge Clauses. Enter into any agreement, other than any industrial revenue bonds, purchase money mortgages or Financing Leases permitted by this Agreement (in which cases, any prohibition or limitation may only be with respect to the real or personal property which is the subject thereof and other property reasonably related thereto), with any Person other than the Banks pursuant hereto which prohibits or limits the ability of the Company or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired.

SECTION 8. DEFAULTS

8.1 Events of Default. Upon the occurrence of any of the following events:

(a) any default shall be made by the Company in any payment in respect of: (i) interest on any of the Notes, any Reimbursement Obligation or any facility fee payable hereunder as the same shall become due and such default shall continue for a period of five days; or (ii) any Reimbursement Obligation or principal of the Indebtedness evidenced by the Notes as the same shall become due, whether at maturity, by prepayment, by acceleration or otherwise; or

(b) any default shall be made by either the Company or any Subsidiary of the Company in the performance or observance of any of the provisions of subsections 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.8 and 7.9; or

(c) any default shall be made in the due performance or observance of any other covenant, agreement or provision to be performed or observed by the Company under this Agreement, and such default shall not be rectified or cured to the satisfaction of the Majority Banks within a period expiring 30 days after written notice thereof by the Agent to the Company; or

(d) any representation or warranty made or deemed made by the Company herein or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement shall have been untrue in any material respect on or as of the date made and the facts or circumstances to which such representation or warranty relates shall not have been subsequently corrected to make such representation or warranty no longer incorrect; or

(e) any default shall be made in the payment of any item of Indebtedness of the Company or any Subsidiary or under the terms of any agreement relating to such Indebtedness and such default shall continue without having been duly cured, waived or consented to, beyond the period

of grace, if any, therein specified; provided, however, that such default shall not constitute an Event of Default unless (i) the outstanding principal amount of such item of Indebtedness exceeds $5,000,000, or (ii) the aggregate outstanding principal amount of such item of Indebtedness and all other items of Indebtedness of the Company and its Subsidiaries as to which such defaults exist and have continued without being duly cured, waived or consented to beyond the respective periods of grace, if any, therein specified exceeds $15,000,000, or (iii) such default shall have continued without being rectified or cured to the satisfaction of the Majority Banks for a period of 30 days after written notice thereof by the Agent to the Company; or

(f) either the Company or any Subsidiary shall be involved in financial difficulties as evidenced:

(i) by its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors or other governing body, the commencement of such a voluntary case;

(ii) by the filing against it of a petition commencing an involuntary case under said Title 11 which shall not have been dismissed within 60 days after the date on which said petition is filed or by its filing an answer or other pleading within said 60-day period admitting or failing to deny the material allegations of such a petition or seeking, consenting or acquiescing in the relief therein provided;

(iii) by the entry of an order for relief in any involuntary case commenced under said Title 11;

(iv) by its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief;

(v) by the entry of an order by a court of competent jurisdiction (i) finding it to be bankrupt or insolvent, (ii) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of its creditors, or (iii) assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of its property; or

(vi) by its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a

receiver or other custodian for all or a substantial part of its property; or

(g) a Change in Control of the Company shall occur;

(h) (i) any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Majority Banks, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Company or any Commonly Controlled Entity shall, or in the reasonable opinion of the Majority Banks is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist, with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Company or any of its Subsidiaries to any tax, penalty or other liabilities which in the aggregate could have a Material Adverse Effect; or

(i) one or more judgments or decrees shall be entered against the Company or any of its Subsidiaries and such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 45 days from the entry thereof that (i) involves in the aggregate a liability (not paid or fully covered by insurance) of $15,000,000 or more, or (ii) could reasonably be expected to have a Material Adverse Effect; or

(j) (i) any material non-compliance by the Company or any Significant Subsidiary with any term or provision of the HMO Regulations or Insurance Regulations pertaining to fiscal soundness, solvency or financial condition; or (ii) the assertion in writing by an HMO Regulator or Insurance Regulator that it intends to take administrative action against the Company or any Significant Subsidiary to revoke or modify any contract of insurance, license, permit, certification, authorization, accreditation or charter or to

enforce the fiscal soundness, solvency or financial provisions or requirements of the HMO Regulations or Insurance Regulations against any of such entities which could reasonably be expected to have a Material Adverse Effect; or

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(k) on or after the Closing Date, (i) for any reason any Loan Document ceases to be or is not in full force and effect or (ii) the Company shall assert that any Loan Document has ceased to be or is not in full force and effect;

then, and in any such event, (A) if such event is an Event of Default specified in paragraph (f) above with respect to the Company, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Majority Banks, the Agent may, or upon the request of the Majority Banks, the Agent shall, by notice to the Company declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Majority Banks, the Agent may, or upon the request of the Majority Banks, the Agent shall, by notice of default to the Company, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) (the "Bank Obligation") to be due and payable forthwith, whereupon the same shall immediately become due and payable.

With respect to all Letters of Credit as to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, the Company shall at such time deposit in a cash collateral account opened by the Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Company hereunder and under the Notes. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Company hereunder and under the Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Company.

Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

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8.2 Annulment of Defaults. An Event of Default shall not be deemed to be in existence for any purpose of this Agreement if the Agent, with the consent of or at the direction of the Majority Banks, subject to subsection 10.1, shall have waived such event in writing or stated in writing that the same has been cured to its reasonable satisfaction, but no such waiver shall extend to or affect any subsequent Event of Default or impair any rights of the Agent or the Banks upon the occurrence thereof.

8.3 Waivers. The Company hereby waives to the extent permitted by applicable law (a) all presentments, demands for performance, notices of nonperformance (except to the extent required by the provisions hereof), protests, notices of protest and notices of dishonor in connection with any Reimbursement Obligation or any of the Indebtedness evidenced by the Notes, (b) any requirement of diligence or promptness on the part of any Bank in the enforcement of its rights under the provisions of this Agreement, any Letter of Credit or any Note, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law and any defense of any kind which the Company may now or hereafter have with respect to its liability under this Agreement, any Letter of Credit or any Note.

8.4 Course of Dealing. No course of dealing between the Company and any Bank shall operate as a waiver of any of the Banks' rights under this Agreement or any Note. No delay or omission on the part of any Bank in exercising any right under this Agreement or any Note or with respect to any of the Bank Obligations shall operate as a waiver of such right or any other right hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon any Bank unless it is in writing and signed by the Agent or such of the Banks as may be required by the provisions of this Agreement. The making of a Loan or issuance of a Letter of Credit hereunder during the existence of a Default shall not constitute a waiver thereof.

SECTION 9. THE AGENT

9.1 Appointment. Each Bank hereby irrevocably designates and appoints Chemical Bank as the Agent and CAF Loan Agent of such Bank under this Agreement, and each such Bank irrevocably authorizes Chemical Bank, as the Agent and CAF Loan Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Agent or CAF Loan Agent, as the case may be, by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, neither the Agent nor the

CAF Loan Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent or the CAF Loan Agent.

9.2 Delegation of Duties. The Agent or the CAF Loan Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Agent nor the CAF Loan Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither the Agent nor the CAF Loan Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement (except for its or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Company or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent or the CAF Loan Agent under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the Notes or for any failure of the Company to perform its obligations hereunder. Neither the Agent nor the CAF Loan Agent shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Company.

9.4 Reliance by Agent. The Agent and the CAF Loan Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Agent or the CAF Loan Agent. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. The Agent and the CAF Loan Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Majority Banks as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all

liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent and the CAF Loan Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Majority Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the Notes.

9.5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall promptly give notice thereof to the Banks. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Banks; provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

9.6 Non-Reliance on Agent and Other Banks. Each Bank expressly acknowledges that neither the Agent nor the CAF Loan Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent or the CAF Loan Agent hereinafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent and the CAF Loan Agent that it has, independently and without reliance upon the Agent or the CAF Loan Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Company and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Agent or the CAF Loan Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Agent or the CAF Loan Agent hereunder, neither the Agent nor the CAF Loan Agent shall have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, financial and other condition or

creditworthiness of the Company which may come into the possession of the Agent or the CAF Loan Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

9.7 Indemnification. The Banks agree to indemnify the Agent and the CAF Loan Agent in its capacity as such (to the extent not reimbursed by the Company and without limiting the obligation of the Company to do so), ratably according to the respective amounts of their then existing Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Agent or the CAF Loan Agent in any way relating to or arising out of this Agreement, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Agent or the CAF Loan Agent under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Agent's or the CAF Loan Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Notes and all other amounts payable hereunder.

9.8 Agent and CAF Loan Agent in Its Individual Capacity. The Agent and the CAF Loan Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company as though

the Agent or the CAF Loan Agent were not the Agent or the CAF Loan Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it and with respect to any Letter of Credit issued or participated in by it, the Agent and the CAF Loan Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall include the Agent or the CAF Loan Agent in its individual capacity.

9.9 Successor Agent and CAF Loan Agent. The Agent or the CAF Loan Agent may resign as Agent or CAF Loan Agent, as the case may be, upon 10 days' notice to the Banks. If the Agent or the CAF Loan Agent shall resign as Agent or CAF Loan Agent, as the case may be, under this Agreement, then the Majority Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Company, whereupon such successor agent shall succeed to the rights, powers and duties of the Agent or CAF Loan Agent, as the case may be, and the term "Agent" or "CAF Loan Agent", as the case may be, shall mean such successor agent effective upon its appointment, and the former Agent's or CAF Loan Agent's rights, powers and duties as Agent or CAF Loan Agent shall be terminated, without any other or further act or deed on the part of such former Agent

or CAF Loan Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Agent's or CAF Loan Agent's resignation hereunder as Agent or CAF Loan Agent, the provisions of this subsection 9.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent or CAF Loan Agent under this Agreement.

SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers. Neither this Agreement, any Note, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. With the written consent of the Majority Banks, the Agent and the Company may, from time to time, enter into written amendments, supplements or modifications hereto for the purpose of adding any provisions to this Agreement or the Notes or changing in any manner the rights of the Banks or of the Company hereunder or thereunder or waiving, on such terms and conditions as the Agent may specify in such instrument, any of the requirements of this Agreement or the Notes or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (a) extend the maturity (whether as stated, by acceleration or otherwise) of any Note (subject to the extension provisions of subsection 2.4 hereof), or reduce the rate or extend the time of payment of interest thereon, or reduce any fee payable to the Banks hereunder, or reduce the principal amount thereof, or change the amount of any Bank's Commitment or amend, modify or waive any provision of this subsection 10.1 or reduce the percentage specified in the definition of Required Banks or Majority Banks, or consent to the assignment or transfer by the Company of any of its rights and obligations under this Agreement, in each case without the written consent of all the Banks, or (b) amend, modify or waive any provision of Section 9 without the written consent of the then Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Company, the Banks, the Agent and all future holders of the Notes. In the case of any waiver, the Company, the Banks and the Agent shall be restored to their former position and rights hereunder and under the outstanding Notes, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

10.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when sent, confirmation of receipt received, addressed as follows

in the case of the Company, the Agent, and the CAF Loan Agent and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future

holders of the Notes:

The Company:	Humana Inc. The Humana Building 500 West Main Street Louisville, Kentucky 40201-1438 Attention: James W. Doucette, Vice President, Investments and Treasurer Telecopy: (502) 580-4089
The Agent and CAF Loan Agent:	Chemical Bank 270 Park Avenue New York, New York 10017 Attention: Carol Burt, Managing Director Telecopy: (212) 270-3279
with a copy to:	Chemical Bank Agency Services Corporation 140 East 45th Street New York, New York 10017 Attention: Janet Belden, Vice President Telecopy: (212) 622-0854

provided that any notice, request or demand to or upon the Agent or the Banks pursuant to Section 2 shall not be effective until received.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes.

10.5 Payment of Expenses and Taxes; Indemnity. (a) The Company agrees (i) to pay or reimburse the Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the Notes and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent, (ii) to pay or reimburse each Bank and the Agent for all their reasonable costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes and any such other documents, including, without limitation, reasonable fees and disbursements of counsel to the Agent and to the several Banks, and (iii) to pay, indemnify, and hold each Bank and the Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes and any such other documents.

(b) The Company will indemnify each of the Agent and the Banks and the directors, officers and employees thereof and each Person, if any, who controls each one of the Agent and the Banks (any of the foregoing, an "Indemnified Person") and hold each Indemnified Person harmless from and against any and all claims, damages, liabilities and expenses (including without limitation all

fees and disbursements of counsel with whom an Indemnified Person may consult in connection therewith and all expenses of litigation or preparation therefor) which an Indemnified Person may incur or which may be asserted against it in connection with any litigation or investigation involving this Agreement, the use of any proceeds of any Loans under this Agreement by the Company or any Subsidiary, any officer, director or employee thereof, other than litigation commenced by the Company against any of the Agent or the Banks which (i) seeks enforcement of any of the Company's right hereunder and (ii) is determined adversely to any of the Agent or the Banks.

(c) The agreements in this subsection 10.5 shall survive repayment of the Notes and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations; Purchasing Banks. (a) This Agreement shall be binding upon and inure to the benefit of the Company, the Banks, the Agent, all future holders of the Notes and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank.

(b) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loans owing to such Bank, any Notes held by such Bank, any Commitments of such Bank or any other interests of such Bank hereunder and under the other Loan Documents. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement to the other parties under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Notes for all purposes under this Agreement, and the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and under the other Loan Documents. The Company agrees that if amounts outstanding under this Agreement and the Notes are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of offset in respect of its participating interest in amounts owing under this Agreement and any Notes to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement or any Notes, provided that such right of offset shall be subject to the obligation of such Participant to share with the Banks, and the Banks agree to share with such Participant, as provided in subsection 10.7. The Company also agrees that each Participant shall be entitled to the benefits of subsections 2.12, 2.13 and 2.15 with respect to its participation in the Commitments and the Eurodollar Loans outstanding from time to time; provided that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Bank would have been entitled to receive in respect of the amount of the participation transferred by such transferor Bank to such Participant had no such transfer occurred. No Participant shall be entitled to consent to any amendment, supplement, modification or waiver of or to this Agreement or any Note, unless the same is subject to clause (a) of the proviso to subsection 10.1.

(c) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time assign to one or more banks or other entities ("CAF Loan Assignees") any CAF Loan owing to such Bank and any Individual CAF Loan Note held by such Bank evidencing such CAF Loan, pursuant to a CAF Loan Assignment executed by the assignor Bank and the CAF Loan Assignee. Upon such execution, from and after the date of such CAF Loan Assignment, the CAF Loan Assignee shall, to the extent of the assignment provided for in such CAF Loan Assignment, be deemed to have the same rights and benefits of payment and enforcement with respect to such CAF Loan and Individual CAF Loan Note and the same rights of offset pursuant to subsection 8.1 and under applicable law and obligation to share pursuant to subsection 10.7 as it would have had if it were

a Bank hereunder; provided that unless such CAF Loan Assignment shall otherwise specify and a copy of such CAF Loan Assignment shall have been delivered to the Agent for its acceptance and recording in the Register in accordance with subsection 10.6(f), the assignor thereunder shall act as collection agent for

the CAF Loan Assignee thereunder, and the Agent shall pay all amounts received from the Company which are allocable to the assigned CAF Loan or Individual CAF Loan Note directly to such assignor without any further liability to such CAF Loan Assignee. A CAF Loan Assignee under a CAF Loan Assignment shall not, by virtue of such CAF Loan Assignment, become a party to this Agreement or have any rights to consent to or refrain from consenting to any amendment, waiver or other modification of any provision of this Agreement or any related document; provided that if a copy of such CAF Loan Assignment shall have been delivered to the Agent for its acceptance and recording in the Register in accordance with subsection 10.6(f), neither the principal amount of, the interest rate on, nor the maturity date of any CAF Loan or Individual CAF Loan Note assigned to the CAF Loan Assignee thereunder will be modified without the written consent of such CAF Loan Assignee. If a CAF Loan Assignee has caused a CAF Loan Assignment to be recorded in the Register in accordance with subsection 10.6(f), such CAF Loan Assignee may thereafter, in the ordinary course of its business and in accordance with applicable law, assign such Individual CAF Loan Note to any Bank, to any affiliate or subsidiary of such CAF Loan Assignee or to any other financial institution that has total assets in excess of $1,000,000,000 and that in the ordinary course of its business extends credit of the type evidenced by such Individual CAF Loan Note, and the foregoing provisions of this subsection 10.6(c) shall apply, mutatis mutandis, to any such assignment by a CAF Loan Assignee. Except in accordance with the preceding sentence, CAF Loans and Individual CAF Loan Notes may not be further assigned by a CAF Loan Assignee, subject to any legal or regulatory requirement that the CAF Loan Assignee's assets must remain under its control.

(d) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to any Bank or any affiliate thereof, and, with the consent of the Company and the Agent (which in each case shall not be unreasonably withheld) to one or more additional banks or financial institutions ("Purchasing Banks") all or any part of its rights and obligations under this Agreement and the Notes pursuant to a Commitment Transfer Supplement, executed by such Purchasing Bank, such transferor Bank and the Agent (and, in the case of a Purchasing Bank that is not then a Bank or an affiliate thereof, by the Company); provided, however, that (i) the Commitments purchased by such Purchasing Bank that is not then a Bank shall be equal to or greater than $10,000,000 and (ii) the transferor Bank which has transferred less than all of its Loans and Commitments to any such Purchasing Bank shall retain a minimum Commitment, after giving effect to such sale, equal to or greater than $10,000,000. Upon (i) such execution of

such Commitment Transfer Supplement, (ii) delivery of an executed copy thereof to the Company and (iii) payment by such Purchasing Bank, such Purchasing Bank shall for all purposes be a Bank party to this Agreement and shall have all the rights and obligations of a Bank under this Agreement, to the same extent as if it were an original party hereto with the Commitment Percentage of the Commitments set forth in such Commitment Transfer Supplement. Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank and the resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Bank of all or a portion of the rights and obligations of such transferor Bank under this Agreement and the Notes. Upon the consummation of any transfer to a Purchasing Bank, pursuant to this subsection 10.6(d), the transferor Bank, the Agent and the Company shall make appropriate arrangements so that, if required, replacement Notes are issued to such transferor Bank and new Notes or, as appropriate, replacement Notes, are issued to such Purchasing Bank, in each case in principal amounts reflecting their Commitment Percentages or, as appropriate, their outstanding Loans as adjusted pursuant to such Commitment Transfer Supplement.

(e) The Agent shall maintain at its address referred to in subsection 10.2 a copy of each CAF Loan Assignment and each Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of (i) the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time, and (ii) with respect to each CAF Loan Assignment delivered to the Agent, the name and address of the CAF Loan Assignee and the principal amount of each CAF Loan owing to such CAF Loan Assignee. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agent and the Banks may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Bank or CAF Loan Assignee at any reasonable

time and from time to time upon reasonable prior notice.

(f) Upon its receipt of a CAF Loan Assignment executed by an assignor Bank and a CAF Loan Assignee, together with payment to the Agent of a registration and processing fee of $1,000, the Agent shall promptly accept such CAF Loan Assignment, record the information contained therein in the Register and give notice of such acceptance and recordation to the assignor Bank, the CAF Loan Assignee and the Company. Upon its receipt of a Commitment Transfer Supplement executed by a transferor Bank and a Purchasing Bank (and, in the case of a Purchasing Bank that is not then a Bank or an affiliate thereof, by the Company and the Agent) together with payment to the Agent of a registration and processing fee of $2,500, the Agent shall (i) promptly accept such Commitment Transfer Supplement (ii) on the Transfer

Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Banks and the Company.

(g) The Company authorizes each Bank to disclose to any Participant, CAF Loan Assignee or Purchasing Bank (each, a "Transferee") and any prospective Transferee any and all financial information in such Bank's possession concerning the Company which has been delivered to such Bank by the Company pursuant to this Agreement or which has been delivered to such Bank by the Company in connection with such Bank's credit evaluation of the Company prior to entering into this Agreement.

(h) If, pursuant to this subsection 10.6, any interest in this Agreement or any Note is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Bank (for the benefit of the transferor Bank, the Agent and the Company) that under applicable law and treaties no taxes will be required to be withheld by the Agent, the Company or the transferor Bank with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the transferor Bank (and, in the case of any Purchasing Bank and any CAF Loan Assignee registered in the Register, the Agent and the Company) either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder) and (iii) to agree (for the benefit of the transferor Bank, the Agent and the Company) to provide the transferor Bank (and, in the case of any Purchasing Bank and any CAF Loan Assignee registered in the Register, the Agent and the Company) a new Form 4224 or Form 1001 upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(i) Nothing herein shall prohibit any Bank or any Affiliate thereof from pledging or assigning any Note to any Federal Reserve Bank in accordance with applicable law.

10.7 Adjustments; Set-off. If any Bank (a "Benefitted Bank") shall at any time receive any payment of all or part of its Loans or the Reimbursement Obligations owing to it, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by offset, pursuant to events or proceedings of the nature referred to in subsection 8.1(f), or otherwise) in a greater proportion than any such payment to and collateral received by any other Bank, if any, in respect of such other Bank's Loans or the Reimbursement Obligations owing to it, or interest thereon, such Benefitted

Bank shall purchase for cash from the other Banks such portion of each such other Bank's Loans or the Reimbursement Obligations owing to it, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Bank, such

purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Company agrees that each Bank so purchasing a portion of another Bank's Loan may exercise all rights of a payment (including, without limitation, rights of offset) with respect to such portion as fully as if such Bank were the direct holder of such portion.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Company and the Agent.

10.9 GOVERNING LAW. THIS AGREEMENT AND THE NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.10 WAIVERS OF JURY TRIAL. THE COMPANY, THE AGENT, THE CAF LOAN AGENT AND THE BANKS EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE NOTES OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.11 Submission To Jurisdiction; Waivers. The Company hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof; and

(b) consents that any such action or proceeding may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same.

10.12 Confidentiality of Information. Each Bank acknowledges that some of the information furnished to such Bank

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pursuant to this Agreement may be received by such Bank prior to the time such information shall have been made public, and each Bank agrees that it will keep all information so furnished confidential and shall make no use of such information until it shall have become public, except (a) in connection with matters involving operations under or enforcement of this Agreement or the Notes, (b) in accordance with each Bank's obligations under law or pursuant to subpoenas or other process to make information available to governmental agencies and examiners or to others, (c) to each Bank's corporate Affiliates and Transferees and prospective Transferees so long as such Persons agree to be bound by this subsection 10.12 and (d) with the prior consent of the Company.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

HUMANA INC.

By: /s/ JAMES W. DOUCETTE

Name: James W. Doucette

Title: V.P. Investments & Treasurer

CHEMICAL BANK, as Agent, as CAF
Loan Agent and as a Bank

By: /s/ PETER ECKSTEIN

Name: Peter Eckstein

Title: V.P.

CITIBANK, N.A.

By: /s/ BARBARA A. COHEN

Name: Barbara A. Cohen

Title: Vice President

NATIONSBANK OF GEORGIA, N.A.

By: /s/ ASHLEY M. CRABTREE

Name: Ashley M. Crabtree

Title: Vice President

NATIONAL CITY BANK, KENTUCKY

By: /s/ CHARLES P. DENNY

Name: Charles P. Denny

Title: Senior Vice President

PNC BANK, KENTUCKY, INC.

By: /s/ JEFFERSON M. GREEN

Name: Jefferson M. Green

Title: V.P.

WACHOVIA BANK OF GEORGIA, N.A.

By: /S/ DAVID L. GAINES

Name: David L. Gaines

Title: SENIOR VICE PRESIDENT

BANK OF AMERICA NATIONAL TRUST
& SAVINGS ASSOCIATION

By: /s/ KATHERINE MCNALLEN

Name: Katherine McNallen

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H ASHBY
Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

THE CHASE MANHATTAN BANK, N.A.

By: /s/ MICHAEL K. BAYLEY
Name: Michael K. Bayley
Title: Vice President

FIRST INTERSTATE BANK OF CALIFORNIA

By: /s/ BRUCE P. MCDONALD
Name: Bruce P. McDonald
Title: Vice President

LIBERTY NATIONAL BANK AND TRUST
CO. OF KENTUCKY

By: /s/ EARL A. DORSEY
Name: Earl A. Dorsey
Title: S.V.P.

THE TORONTO-DOMINION BANK

By: /S/ E.E. WALKER
Name: E.E. Walker
Title: Mgr. Cr. Admin.

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By: /s/ PETER J. PAWLAK
Name: Peter J. Pawlak
Title: Senior Vice President and Senior Manager

BANK OF LOUISVILLE & TRUST COMPANY

By: /s/ GAIL W. POHN
Name: Gail W. Pohn
Title: Executive Vice President

BARNETT BANK OF BROWARD
COUNTY, N.A.

By: /s/ MICHAEL COONEY
Name: Michael Cooney
Title: Vice President

THE BOATMEN'S NATIONAL BANK OF
ST. LOUIS

By: /s/ DOUGLAS W. THORNSBERRY
Name: Douglas W. Thornsberry
Title: Corporate Banking Officer

SHAWMUT BANK CONNECTICUT, N.A.

By: /s/ MANFRED O. EIGENBROD
Name: Manfred O. Eigenbrod
Title: Vice President

AGREEMENT AND AMENDMENT

AGREEMENT AND AMENDMENT, dated as of October 27, 1994, among HUMANA INC., a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks") and CHEMICAL BANK, a New York banking corporation, as agent for the Banks hereunder (in such capacity, the "Agent") and as CAF Loan agent (in such capacity, the "CAF Loan Agent").

W I T N E S S E T H :

WHEREAS, the Company, the Agent, the CAF Loan Agent and certain banks and other financial institutions (the "Original Banks") are parties to the Credit Agreement, dated as of January 12, 1994 (as amended, supplemented or otherwise modified to the date hereof, the "Original Credit Agreement"), pursuant to which the Original Banks committed to make loans to the Company for a period of three years;

WHEREAS, effective as of the Closing Date (as defined below), the Company intends to terminate the Commitments (as defined in the Original Credit Agreement) of the Original Banks under the Original Credit Agreement pursuant to subsection 2.4(a) thereof;

WHEREAS, the Company has requested that the Agent, the CAF Loan Agent and the Banks enter into a new agreement adopting and incorporating by reference all of the terms and provisions of the Original Credit Agreement with certain amendments and modifications thereto; and

WHEREAS, the Agent, the CAF Loan Agent and the Banks are willing to so enter into a new agreement, but only upon the terms and subject to the conditions set forth below;

NOW THEREFORE, in consideration of the premises and mutual agreements herein contained and for other good and valuable consideration, the receipt and

sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereto hereby agree as follows:

SECTION 1. Adoption and Incorporation of Original Credit Agreement. Subject to the amendments and modifications set forth in Sections 3 through 13 of this Agreement, all of the terms and provisions of the Original Credit Agreement are hereby adopted and incorporated by reference into this Agreement, with the same force and effect as if fully set forth herein. This Agreement shall not constitute an amendment or waiver of any provision of the Original Credit Agreement not expressly referred to herein and shall not be construed as an amendment, waiver or consent to any action on the part of the Company that would

require an amendment, waiver or consent of the Agent or the Banks except as expressly stated herein. Except as expressly amended hereby, the provisions of the Original Credit Agreement as adopted and incorporated by reference into this Agreement are and shall remain in full force and effect.

SECTION 2. Definitions. As used in this Agreement, terms defined herein are used as so defined and, unless otherwise defined herein, terms defined in the Original Credit Agreement are used herein as therein defined.

SECTION 3. Defined Terms. For purposes of this Agreement, subsection 1.1 of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended as follows:

(a) by deleting the defined terms "Level I Utilization Period", "Level II Utilization Period" and "Level III Utilization Period" in their entirety.

(b) by deleting the defined terms "Agreement", "Applicable Margin", "Closing Date", "L/C Sublimit" and "Termination Date" in their entirety and substituting in lieu thereof the following:

"`Agreement': this Credit Agreement as adopted and incorporated by reference into the Agreement and Amendment, as amended by the Agreement and Amendment and as further amended, supplemented or otherwise modified from time to time.";

"`Applicable Margin': for each Type of Revolving Credit Loan, for any fiscal quarter, the applicable rate per annum set forth in Schedule 2 hereto opposite the Consolidated Capitalization Ratio then in effect. Such Applicable Margin shall be in effect for the period beginning the first Business Day following the date to which the Consolidated Capitalization Ratio Certificate is applicable.

"`Closing Date': the date on which all of the conditions precedent for the Closing Date set forth in Section 14 of the Agreement and Amendment shall have been fulfilled; provided, however, that for purposes of Section 5 of the Original Credit Agreement, the term "Closing Date" shall mean the Original Closing Date.";

"`L/C Sublimit': $100,000,000."; and

"`Termination Date': the date one day before the fifth anniversary of the Closing Date (or, if such date is not a Business Day, the next succeeding Business Day), or such other Business Day to which the Termination Date may be changed pursuant to subsection 2.4 of the Original Credit

Agreement as adopted and incorporated by reference into the Agreement and Amendment).".

(c) by inserting in said subsection 1.1 of the Original Credit Agreement in the appropriate alphabetical order the following defined terms:

"`Agreement and Amendment': the Agreement and Amendment, dated as of October 27, 1994, among the Company, the Banks, the Agent and the CAF Loan Agent.";

"`Average Quarterly Commitment': as defined in subsection 2.3(a) hereto.";

"`Banks': the several banks and other financial institutions (which may include certain Original Banks) from time to time parties to the Agreement and Amendment.";

"`Consolidated Capitalization Ratio': as at the end of any fiscal quarter, the ratio of (i) Consolidated Total Debt to (ii) the sum of (A) Consolidated Total Debt and (B) Consolidated Net Worth, in each case at such date.";

"`Consolidated Capitalization Ratio Certificate': as defined in subsection 6.4(b) hereto.";

"`Original Banks': as defined in the recitals to the Agreement and Amendment.";

"`Original Closing Date': January 12, 1994."; and

"`Original Credit Agreement': as defined in the recitals to the Agreement and Amendment.".

SECTION 4. Fees.

For purposes of this Agreement, subsection 2.3(a) of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"(a) The Company agrees to pay to the Agent, for the account of each Bank, on the last day of each fiscal quarter, a facility fee in respect of the average daily amount of the Commitment of such Bank during such fiscal quarter (such amount, the "Average Quarterly Commitment"). Such fee shall be computed at the rate per annum set forth in the table below opposite the Consolidated Capitalization Ratio then in effect (as determined in accordance with the definition of Applicable Margin).

Consolidated Capitalization Ratio	Facility Fee (Rate Per Annum)
less than .20	.1250%
at least .20 but less than .30	.1750%
at least .30 but less than .40	.2250%
at least .40	.3125%.".

SECTION 5. Extension of Commitments. For purposes of this Agreement, subsection 2.4(b) of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting the word "fifth" in the ninth line thereof and substituting in lieu thereof the word "seventh".

SECTION 6. Letters of Credit. For purposes of this Agreement, subsection 3.3(a) of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"(a) The Company shall pay to the Agent, for the account of the Issuing Bank and the L/C Participants, a letter of credit commission with respect to each Letter of Credit, computed at the rate per annum set forth in the table below opposite the Consolidated Capitalization Ratio then in effect (as determined in accordance with the definition of Applicable Margin), of which .125% per annum shall be payable to the Issuing Bank and the balance shall be payable to the L/C Participants to be shared ratably among them in accordance with their respective Commitment Percentages. Such fee shall be payable on each L/C Fee Payment Date and shall be nonrefundable.".

Consolidated Capitalization Ratio	L/C Commission (Rate per Annum)
less than .20	.3750%
at least .20 but less than .30	.4500%
at least .30 but less than .40	.5000%
at least .40	.5625%.".

SECTION 7. Litigation. For purposes of this Agreement, subsection 4.3 of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"4.3 Litigation. Except as disclosed in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1993 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 1994 and June 30, 1994 filed with the Securities and Exchange Commission and previously distributed to the Banks, there is no litigation, at law or in equity, or any proceeding before any federal, state, provincial or municipal board or other governmental or administrative agency, including without limitation, HMO Regulators and Insurance Regulators, pending or to the knowledge of the Company threatened which, after giving effect to any applicable insurance, may involve any material risk of a Material Adverse Effect or which seeks to enjoin the consummation of any of the transactions contemplated by this Agreement or any other Loan Document, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency, including without limitation, HMO Regulators and Insurance Regulators, has been issued against the Company or any Subsidiary which has, or may involve, a material risk of a Material Adverse Effect. The Company does not believe that the final resolution of the matters disclosed in its Annual Report on Form 10-K for its fiscal year ended December 31, 1993 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 1994 and June 30, 1994 filed with the Securities and Exchange Commission and previously distributed to the Banks, will have a Material Adverse Effect.

SECTION 8. Financial Condition. For purposes of this Agreement, subsection 4.6 of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"4.6 Financial Condition. The Company has furnished to the Agent and each Bank copies of the following:

(a) The Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 1993; and

(b) the Quarterly Reports of the Company on Form 10-Q for each of the fiscal quarters ended March 31, 1994 and June 30, 1994.".

The financial statements included therein, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied

consistently throughout the

periods involved (except as disclosed therein). As of the date of such financial statements, neither the Company nor any of its Subsidiaries had any known contingent liabilities of any significant amount which in accordance with GAAP are required to be referred to in said financial statements or in the notes thereto which could reasonably be expected to have a Material Adverse Effect. During the period from December 31, 1993 to and including the date hereof, there has been no sale, transfer or other disposition by the Company or any of its consolidated Subsidiaries of any asset reflected on the balance sheet referred to above that would have been a material part of its business or property and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Company and its consolidated Subsidiaries at December 31, 1993.".

SECTION 9. Changes in Condition. For purposes of this Agreement, subsection 4.7 of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"4.7 Changes in Condition. Since December 31, 1993, there has been no development or event nor any prospective development or event, which has had, or may have, a Material Adverse Effect.".

SECTION 10. Financial Statements. For purposes of this Agreement, subsection 6.4(b) of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended adding the following sentence to the end thereof:

"At such time that annual statements or quarterly statements, as the case may be, are furnished to each Bank pursuant to subsections 6.4(a) and 6.4(b), respectively, herein, the treasurer of the Company shall deliver to the Agent and the CAF Loan Agent a certificate showing the Consolidated Capitalization Ratio (the " Consolidated Capitalization Ratio Certificate") as of the last day of such fiscal quarter.".

SECTION 11. Financial Condition Covenants. For purposes of this Agreement, subsection 7.1(a) of the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting the phrase "the Closing Date" in the sixth and seventh lines thereof and substituting in lieu thereof the phrase "September 30, 1993".

SECTION 12. Commitment Amounts and Percentages; Lending Offices; Addresses for Notice. For purposes of this

Agreement, Schedule 1 to the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such Schedule in its entirety and substituting in lieu thereof Schedule 1 to this Agreement.

SECTION 13. Applicable Margins. For purposes of this Agreement, Schedule 2 to the Original Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such Schedule in its entirety and substituting in lieu thereof Schedule 2 to this Agreement.

SECTION 14. Conditions Precedent. The obligations of each Bank to make the Loans contemplated by subsections 2.1 and 2.2 and of the Issuing Bank to issue Letters of Credit contemplated by Section 3 of the Original Credit Agreement as adopted and incorporated by reference into this Agreement shall be subject to the compliance by the Company with its agreements herein contained (including its agreements contained in the Original Credit Agreement as adopted

and incorporated by reference into this Agreement) and to the satisfaction on or before the Closing Date of the following further conditions:

(a) Loan Documents. The Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank, and (ii) for the account of each Bank, a Revolving Credit Note and a Grid CAF Loan Note conforming to the requirements hereof and executed by a duly authorized officer of the Company.

(b) Legal Opinions. On the Closing Date as the Agent shall request, each Bank shall have received from any general, associate, or assistant general counsel to the Company, such opinions as the Agent shall have reasonably requested with respect to the transactions contemplated by this Agreement.

(c) Company Officers' Certificate. The representations and warranties contained in Section 4 of the Original Credit Agreement as adopted and incorporated by reference into, and as amended by, this Agreement shall be true and correct on the Closing Date with the same force and effect as though made on and as of such date; on and as of the Closing Date and after giving effect to this Agreement, no Default shall have occurred (except a Default which shall have been waived in writing or which shall have been cured) and no Default shall exist after giving effect to the Loan to be made; and the Agent shall have received a certificate containing a representation

to these effects dated the Closing Date and signed by a Responsible Officer.

SECTION 15. Expenses. The Company agrees to pay or reimburse the Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the Notes and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

SECTION 16. GOVERNING LAW. THIS AGREEMENT AND THE NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 17. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Company and the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

HUMANA INC.

By: /s/ James W. Doucette

Title: Vice President-Investments & Treasurer

CHEMICAL BANK, as Agent, as CAF
Loan Agent and as a Bank

By: /s/ B. Joseph Lillis

Title: Managing Director

CITIBANK, N.A.

By: /s/ Barbara A. Cohen

Title: Vice President

NATIONSBANK OF GEORGIA, N.A.

By: /s/ John E. Ball

Title: Senior Vice President

NATIONAL CITY BANK, KENTUCKY

By: /s/ Charles P. Denny

Title: Senior Vice President

PNC BANK, KENTUCKY, INC.

By: /s/ Michael B. V....

Title: Senior Vice President

WACHOVIA BANK OF GEORGIA, N.A.

By: /s/ J.P. Peyton

Title: Senior Vice President

BANK OF AMERICA NATIONAL TRUST
& SAVINGS ASSOCIATION

By: /s/ Wyatt R. Ritchie

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ Dana Maloney

Title: Relationship Manager

THE CHASE MANHATTAN BANK, N.A.

By: /s/ Michael K. Baxley

Title: Vice Prseident

FIRST INTERSTATE BANK OF CALIFORNIA

By: /s/ Daniel H. Hom

Title: Vice President
By: /s/ Wendy V.C. Purcell

Title: Vice President

LIBERTY NATIONAL BANK AND TRUST
CO. OF KENTUCKY

By: /s/ Earl A. Darsey, Jr.

Title: Senior Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Jay G. Sepanski

Title: Corporate Banking Officer

THE SUMITOMO BANK, LTD.,
NEW YORK BRANCH

By: /s/ Yoshinori Kawamura

Title: Joint General Manager

THE TORONTO-DOMINION BANK

By: /s/ Warren Finlay

Title: Manager Credit

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By: /s/ Naoki Ueyama

Title: Assistant Vice President

BANK OF LOUISVILLE & TRUST COMPANY

By: /s/ Roy L. Johnson Jr.

Title: Senior Vice President

BARNETT BANK OF BROWARD
COUNTY, N.A.

By: /s/ Michael Cooney

Title: Vice President

THE BOATMEN'S NATIONAL BANK OF ST. LOUIS

By: /s/ Douglas W. Thornsberry

Title: Corporate Banking Officer

SHAWMUT BANK CONNECTICUT, N.A.

By: /s/ Manfred D. Eigenbrod

Title: Managing Director

SCHEDULE 1

Commitment Amounts and Percentages;
Lending Offices; Address for Notices

A. Commitment Amounts and Percentages

Name of Bank	Commitment Amount	Commitment Percentage
Chemical Bank	$ 31,000,000	8.857%
Citibank, N.A.	$ 25,000,000	7.143%
NationsBank of Georgia, N.A.	$ 25,000,000	7.143%
National City Bank, Kentucky	$ 25,000,000	7.143%
PNC Bank, Kentucky, Inc.	$ 25,000,000	7.143%
Wachovia Bank of Georgia, N.A	$ 25,000,000	7.143%
Bank of America National Trust & Savings Association	$ 18,000,000	5.143%
The First National Bank of Chicago	$ 18,000,000	5.143%
The Chase Manhattan Bank, N.A.	$ 18,000,000	5.143%
First Interstate Bank of California	$ 18,000,000	5.143%
Liberty National Bank and Trust Co. of Kentucky	$ 18,000,000	5.143%
The Sumitomo Bank, Ltd., New York Branch	$ 18,000,000	5.143%

The Toronto-Dominion Bank	$ 18,000,000	5.143%
The Sanwa Bank, Limited, Atlanta Agency	$ 18,000,000	5.143%
The Bank of Nova Scotia	$ 10,000,000	2.857%
Bank of Louisville & Trust Company	$ 10,000,000	2.857%
Barnett Bank of Broward County, N.A.	$ 10,000,000	2.857%
The Boatmen's National Bank of St. Louis	$ 10,000,000	2.857%
Shawmut Bank Connecticut, N.A.	$ 10,000,000	2.857%

TOTAL	$350,000,000	100.00%

B. LENDING OFFICES; ADDRESSES FOR NOTICES

CHEMICAL BANK

Domestic Lending Office	Chemical Bank 270 Park Avenue New York, NY 10017
Eurodollar Lending Office	Chemical Bank 270 Park Avenue New York, NY 10017
Address for Notices	Chemical Bank 270 Park Avenue New York, NY 10017 Attention: James Ely Telecopy: (212) 270-3279

CITIBANK, N.A.

Domestic Lending Office	Citibank, N.A. 399 Park Avenue New York, NY 10043
Eurodollar Lending Office	Citibank, N.A. 399 Park Avenue New York, NY 10043
Address for Notices	Citicorp North America, Inc. 2001 Ross Ave., Suite 1400 Dallas, TX 75201 Attn: J. Lang Aston Telecopy: (214) 953-3888

NATIONSBANK OF GEORGIA, N.A.

Domestic Lending Office	NationsBank of Georgia, N.A. 600 Peachtree Street, N.E. 21st Floor Atlanta, GA 30308
Eurodollar Lending Office	NationsBank of Georgia, N.A. 600 Peachtree Street, N.E. 21st Floor Atlanta, GA 30308
Address for Notices	NationsBank of Georgia, N.A. 1 NationsBank Plaza Corporate Banking Dept. Nashville, TN 37239-1697 Attention: Ashley M. Crabtree Telecopy: (615) 749-4112

NATIONAL CITY BANK, KENTUCKY

Domestic Lending Office	National City Bank, Kentucky 101 S. Fifth Street Louisville, KY 40202
Eurodollar Lending Office	National City Bank, Kentucky 101 S. Fifth Street Louisville, KY 40202
Address for Notices	National City Bank, Kentucky 101 S. Fifth Street Louisville, KY 40202 Attention: Charles P. Denny Telecopy: (502) 581-4424

PNC BANK, KENTUCKY, INC.

Domestic Lending Office	PNC Bank, Kentucky, Inc. 500 W. Jefferson Street Louisville, KY 40202
Eurodollar Lending Office	PNC Bank, Kentucky, Inc. 500 W. Jefferson Street Louisville, KY 40202
Address for Notices	PNC Bank, Kentucky, Inc. 500 W. Jefferson Street Louisville, KY 40202 Attention: Donald Buchanan Telecopy: (502) 581-3355

WACHOVIA BANK OF GEORGIA, N.A.

Domestic Lending Office	Wachovia Corporate Services, Inc. 191 Peachtree Street, N.E. Atlanta, GA 30303
Eurodollar Lending Office	Wachovia Corporate Services, Inc. 191 Peachtree Street, N.E. Atlanta, GA 30303
Address for Notices	Wachovia Corporate Services, Inc. 191 Peachtree Street, N.E. Atlanta, GA 30303 Attention: Solomon Elisha Telecopy: (404) 332-6898

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION

Domestic Lending Office	Bank of America 1850 Gateway Blvd., 4th Floor Concord, CA 94520
Eurodollar Lending Office	Bank of America 1850 Gateway Blvd., 4th Floor Concord, CA 94520
Address for Notices	Bank of America 555 S. Flower Street, 11th Floor Mail Code 5618 Los Angeles, CA 90071 Attention: Wyatt Ritchie Telecopy: (213) 228-9734

THE FIRST NATIONAL BANK OF CHICAGO

Domestic Lending Office	The First National Bank of Chicago 1 First National Plaza Chicago, IL 60670
Eurodollar Lending Office	The First National Bank of Chicago 1 First National Plaza Chicago, IL 60670
Address of Notices	The First National Bank of Chicago 1 First National Plaza Chicago, IL 60670 Attention: Jennifer Childe Telecopy : (312) 732-2016

THE BANK OF NOVA SCOTIA

Domestic Lending Office	The Bank of Nova Scotia, Atlanta Agency 600 Peachtree Street, N.E. Suite 2700 Atlanta, GA 30308
Eurodollar Lending Office	The Bank of Nova Scotia, Atlanta Agency 600 Peachtree Street, N.E. Suite 2700 Atlanta, GA 30308
Address for Notices	The Bank of Nova Scotia Atlanta Agency 600 Peachtree Street, N.E. Suite 2700 Atlanta, GA 30308 Attention: Greg Hurst Telecopy: (312) 201-4108

THE CHASE MANHATTAN BANK, N.A.

Domestic Lending Office	The Chase Manhattan Bank, N.A. 1 Chase Manhattan Plaza, 5th Floor New York, NY 10081
Eurodollar Lending Office	The Chase Manhattan Bank, N.A. 1 Chase Manhattan Plaza, 5th Floor New York, NY 10081
Address for Notices	The Chase Manhattan Bank, N.A. 1 Chase Manhattan Plaza, 5th Floor New York, NY 10081 Attention: Michael Bayley Telecopy: (212) 552-1457

FIRST INTERSTATE BANK OF CALIFORNIA

Domestic Lending Office	First Interstate Bank of California Commercial Loan Service Center, B10-6 1055 Wilshire Blvd. Los Angeles, CA 90017
Eurodollar Lending Office	First Interstate Bank of California Commercial Loan Service Center, B10-6 1055 Wilshire Blvd. Los Angeles, CA 90017

Address for Notices	First Interstate Bank of California 707 Wilshire Blvd., W16-12 Los Angeles, CA 90017 Attention: Bruce P. McDonald Telecopy: (213) 614-2569

LIBERTY NATIONAL BANK AND TRUST CO. OF KENTUCKY

Domestic Lending Office	Liberty National Bank and Trust Co. of Kentucky 416 W. Jefferson Street Louisville, KY 40202
Eurodollar Lending Office	Liberty National Bank and Trust Co. of Kentucky 416 W. Jefferson Street Louisville, KY 40202
Address for Notices	Liberty National Bank and Trust Co. of Kentucky 416 W. Jefferson Street Louisville, KY 40202 Attention: Earl Dorsey, Jr. Telecopy: (502) 566-2367

THE SUMITOMO BANK, LTD.,
NEW YORK BRANCH

Domestic Lending Office	The Sumitomo Bank, Ltd., New York Branch One World Trade Center, Suite 9651 New York, NY 10048
Eurodollar Lending Office	The Sumitomo Bank, Ltd., New York Branch One World Trade Center, Suite 9651 New York, NY 10048
Address for Notices	The Sumitomo Bank, Ltd., New York Branch One World Trade Center, Suite 9651 New York, NY 10048 Attention: Jeff Toner Telecopy: (212) 524-0612

THE TORONTO-DOMINION BANK

Domestic Lending Office	The Toronto-Dominion Bank 909 Fanin Street, Suite 1700 Houston, Texas 77010

Eurodollar Lending Office	The Toronto-Dominion Bank 909 Fanin Street, Suite 1700 Houston, Texas 77010
Address for Notices	The Toronto-Dominion Bank 31 West 52nd Street New York, New York 10019 Attention: Robert F. Maloney Telecopy: (212) 262-1929

THE SANWA BANK, LIMITED, ATLANTA AGENCY

Domestic Lending Office	The Sanwa Bank, Limited, Atlanta Agency 133 Peachtree Street, Suite 4750 Atlanta, GA 30303
Eurodollar Lending Office	The Sanwa Bank, Limited, Atlanta Agency 133 Peachtree Street, Suite 4750 Atlanta, GA 30303
Address for Notices	The Sanwa Bank, Limited, Atlanta Agency 133 Peachtree Street, Suite 4750 Atlanta, GA 30303 Attention: Peter J. Pawlak Telecopy: (404) 589-1629

BANK OF LOUISVILLE & TRUST COMPANY

Domestic Lending Office	Bank of Louisville & Trust Company 500 West Broadway Louisville, KY 40202
Eurodollar Lending Office	Bank of Louisville & Trust Company 500 West Broadway Louisville, KY 40202
Address for Notices	Bank of Louisville & Trust Company 500 West Broadway Louisville, KY 40202 Attention: Roy L. Johnson, Jr. Telecopy: (502) 566-2367

BARNETT BANK OF BROWARD COUNTY, N.A.

Domestic Lending Office	Barnett Bank of Broward County, N.A. One East Broward Blvd., 2nd Floor Ft. Lauderdale, FL 33301
Eurodollar Lending Office	Barnett Bank of Broward County, N.A. One East Broward Blvd., 2nd Floor Ft. Lauderdale, FL 33301
Address for Notices	Barnett Bank 50 North Laura Street, 17th Floor Jacksonville, FL 32202 Attention: Larry Katz Telecopy: (904) 791-7023

THE BOATMEN'S NATIONAL BANK OF ST. LOUIS

Domestic Lending Office	The Boatmen's National Bank of St. Louis

	800 Market Street P.O. Box 236 St. Louis, MO 63166-0236
Eurodollar Lending Office	The Boatmen's National Bank of St. Louis 800 Market Street P.O. Box 236 St. Louis, MO 63166-0236
Address for Notices	The Boatmen's National Bank of St. Louis 800 Market Street P.O. Box 236 St. Louis, MO 63166-0236 Attention: Doug Thornsberry Telecopy: (314) 466-6499

SHAWMUT BANK CONNECTICUT, N.A.

Domestic Lending Office	Shawmut Bank Connecticut, N.A. 777 Main Street MSN 397 Hartford, CT 06115
Eurodollar Lending Office	Shawmut Bank Connecticut, N.A. 777 Main Street MSN 397 Hartford, CT 06115
Address for Notices	Shawmut Bank Connecticut, N.A. 777 Main Street MSN 397 Hartford, CT 06115 Attention: Manfred Eigenbrod Telecopy: (203) 986-5367

SCHEDULE 2

Applicable Margins

REVOLVING CREDIT LOANS

Consolidated Capitalization Ratio	Alternate Base Rate Loans	Eurodollar Loans
less than .20	.000%	.2500%
at least .20 but less than .30	.000%	.3250%
at least .30 but less than .40	.000%	.3750%
at least .40	.000%	.4375%

AMENDMENT, dated as of August 1, 1995 (this "August 1995 Amendment"), to the Agreement and Amendment, dated as of October 27, 1994 (as further amended, supplemented or otherwise modified from time to time, the "Agreement and Amendment"), among HUMANA INC., a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks") and CHEMICAL BANK, a New York banking corporation, as agent for the Banks thereunder (in such capacity, the "Agent") and as CAF Loan agent (in such capacity, the "CAF Loan Agent").

W I T N E S S E T H :

WHEREAS, pursuant to the Agreement and Amendment, the Banks have agreed to make, and have made, certain loans and other extensions of credit to the Company;

WHEREAS, the Company has requested that the Agent, the CAF Loan Agent and the Banks amend the Agreement and Amendment to permit proceeds of Loans to be used by the Company to purchase margin stock (as defined in Regulation U); and

WHEREAS, the Agent, the CAF Loan Agent and the Banks are willing to so amend the Agreement and Amendment, but only upon the terms and subject to the conditions set forth below;

NOW THEREFORE, in consideration of the premises and mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereto hereby agree as follows:

I. Amendments to Agreement and Amendment.

1. Definitions. (a) Unless otherwise defined in this Section I, terms which are defined in the Agreement and Amendment and used herein are so used as so defined. Unless otherwise indicated, all Section, subsection and Schedule references are to the Agreement and Amendment.

(b) Subsection 1.1 of the Original Credit Agreement, as adopted and incorporated by reference into the Agreement and Amendment pursuant to Section 1 thereof, is hereby amended by adding thereto, in the appropriate alphabetical order, the following new defined terms:

"`Margin Stock': as defined in Regulation U."

"`Margin Stock Collateral': all Margin Stock (other than Portfolio Margin Stock) of the Company and its Subsidiaries by which the Loans are deemed "indirectly secured" within the meaning of Regulation U."

"`Other Collateral': all assets of the Company and its Subsidiaries (other than Margin Stock) by which the Loans are deemed "indirectly secured" within the meaning of Regulation U."

"`Portfolio Margin Stock': Margin Stock held by Insurance Subsidiaries or HMO Subsidiaries as portfolio investments."

"`Regulation X': Regulation X of the Board of Governors of the Federal Reserve System."

2. Amendment to Subsection 2.16 of the Agreement and Amendment (Application of Proceeds of Loans). Subsection 2.16 of the Original Credit Agreement, as adopted and incorporated by reference into the Agreement and Amendment pursuant to Section 1 thereof, is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"2.16 Application of Proceeds of Loans. Subject to the provisions of the following sentence, the Company may use the proceeds of the Loans for any lawful corporate purpose. The Company will not, directly or indirectly, apply any part of the proceeds of any such Loan for the purpose of "purchasing" or "carrying" any Margin Stock within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, provided that the Company may use the proceeds of Loans for such purposes, if (i) such usage does not violate Regulation U as now and from time to time hereafter in effect and (ii) the Board of Directors of the issuer of the Margin Stock being purchased has expressly approved such transaction and expressly recommended such transaction to its shareholders.".

3. Addition of Subsection 2.18. The Original Credit Agreement, as adopted and incorporated by reference into the Agreement and Amendment pursuant to Section 1 thereof, is hereby amended by adding thereto the following new subsection 2.18:

"2.18 Regulation U. (a) If at any time the Company shall use the proceeds of any Loans for the purpose of "purchasing" or "carrying" any Margin Stock within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, the Company shall give notice thereof to the Agent and the Banks, and thereafter the Loans made by each Bank shall at all times be treated for purposes of Regulation U, as two separate extensions of credit (the "A

Credit" and the "B Credit" of such Bank and, collectively, the "A Credits" and the "B Credits"), as follows:

(i) the aggregate amount of the A Credit of such Bank shall be an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of the maximum loan value (as determined in accordance with Regulation U), of all Margin Stock Collateral; and

(ii) the aggregate amount of the B Credit of such Bank shall be an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of all Loans outstanding hereunder minus such Bank's A Credit.

In the event that any Margin Stock Collateral is acquired or sold, the amount of the A Credit of such Bank shall be adjusted (if necessary), to the extent necessary by prepayment, to an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of the maximum loan value (determined in accordance with Regulation U) as of the date of such acquisition or sale) of the Margin Stock Collateral immediately after giving effect to such acquisition or sale. Nothing contained in this subsection 2.18 shall be deemed to permit any sale of Margin Stock Collateral in violation of any other provisions of this Agreement.

(b) Each Bank will maintain its records to identify the A Credit of such Bank and the B Credit of such Bank, and, solely for the purposes of complying with Regulation U, the A and B Credits shall be treated as separate extensions of credit. Each Bank hereby represents and warrants that the loan value of the Other Collateral is sufficient for such Bank to lend its pro rata share of the B Credit.

(c) The benefits of the indirect security in Margin Stock Collateral created by any provisions of this Agreement, shall be allocated first to the benefit and security of the payment of the principal of and interest on the A Credits of the Banks and of all other amounts payable by the Company under this Agreement in connection with the A Credits (collectively, the "A Credit Amounts") and second, only after the payment in full of the A Credit Amounts, to the benefit and security of the payment of the principal of and interest on the B Credits of the Banks and of all other amounts payable by the Company under this Agreement in connection with the B Credits (collectively, the " B Credit Amounts"). The benefits of the indirect security in Other Collateral created by any provisions of this Agreement, shall be allocated first to the benefit and security of the payment of the B Credit Amounts and second, only after the

payment in full of the B Credit Amounts, to the benefit and security of the payment of the A Credit Amounts.

(d) The Company shall furnish to each Bank at the time of

each acquisition and sale of Margin Stock Collateral such information and documents as the Agent or such Bank may require to determine the A and B Credits, and at any time and from time to time, such other information and documents as the Agent or such Bank may reasonably require to determine compliance with Regulation U or Regulation G, as applicable.

(e) Each Bank shall be responsible for its own compliance with and administration of the provisions of this subsection 2.18 and Regulation U, and the Agent shall have no responsibility for any determinations or allocations made or to be made by any Bank as required by such provisions."

4. Amendment to Subsection 4.15 of the Agreement and Amendment (Federal Regulations). Subsection 4.15 of the Original Credit Agreement, as adopted and incorporated by reference into the Agreement and Amendment pursuant to Section 1 thereof, is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"4.15 Federal Regulations. No part of the proceeds of any Loans will be used in any transaction or for any purpose which violates the provisions of Regulation U as now and from time to time hereafter in effect. If requested by any Bank or the Agent, the Company will furnish to the Agent and each Bank a statement to the foregoing effect in conformity with the requirements of Form FR U-1 referred to in said Regulation U.".

4. Amendment to Subsection 4.20 of the Agreement and Amendment (Purpose of Loans). Subsection 4.20 of the Original Credit Agreement, as adopted and incorporated by reference into the Agreement and Amendment pursuant to Section 1 thereof, is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

"4.20 Purpose of Loans. The proceeds of the Loans shall be used for general corporate purposes provided that no part of the proceeds of any Loans will be used in any transaction or for any purpose which violates the provisions of Regulation U as now and from time to time hereafter in effect.".

5. Amendment to Subsection 5.2 of the Agreement and Amendment (Conditions to Each Loan). Subsection 5.2 of the Original Credit Agreement, as adopted and incorporated by reference into the Agreement and Amendment pursuant to Section 1

thereof, is hereby amended by adding the following paragraphs (d) and (e) to the end thereof:

"(d) Form FR U-1. In the case of any Loan the proceeds of which will be used, in whole or in part, to purchase or carry Margin Stock, the Company shall have executed and delivered to the Agent and each Bank a statement on Form FR U-1 referred to in Regulation U, showing compliance with Regulation U after giving effect to such Loan.

(e) Legal Opinion. In the case of any Loan the proceeds of which will be used, in whole or in part, to purchase or carry Margin Stock, the Agent shall have received, with a copy for each Bank, a written legal opinion of Fried, Frank, Harris, Shriver & Jacobson, counsel to the Company, to the effect that such Loan and the Company's use of the proceeds thereof does not violate Regulation U or Regulation X.".

II. Miscellaneous Provisions.

1. Conditions Precedent. This August 1995 Amendment shall become effective as of the date (the "August 1995 Amendment Effective Date") that each of the conditions precedent set forth below shall have been fulfilled to the satisfaction of the Agent and the Majority Banks:

(a) August 1995 Amendment. The Agent shall have received

counterparts of this August 1995 Amendment, duly executed by the Company, the Agent and the Majority Banks.

(b) No Default or Event of Default. On and as of the August 1995 Amendment Effective Date and after giving effect to this August 1995 Amendment, no Default or Event of Default shall have occurred and be continuing.

(c) Representations and Warranties. The representations and warranties made by the Company in the Agreement and Amendment after giving effect to this August 1995 Amendment and the transactions contemplated hereby shall be true and correct on and as of the August 1995 Amendment Effective Date as if made on such date, except where such representations and warranties relate to an earlier date in which case such representations and warranties shall be true and correct as of such earlier date; provided that all references to the Agreement and Amendment in such representations and warranties shall be and are deemed to mean this August 1995 Amendment as well as the Agreement and Amendment as amended hereby.

(d) Certificate. The Agent shall have received a Certificate of a Responsible Officer of the Company, dated

the August 1995 Amendment Effective Date, certifying the matters referred to in paragraphs (b) and (c) above.

(e) Other. The Agent shall have received copies of opinions, certificates, or agreements reasonably requested by the Agent or the Majority Banks.

2. Expenses. The Company agrees to pay or reimburse the Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of this August 1995 Amendment and any other documents prepared in connection herewith, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

3. Continuing Effect; No Other Amendments. Except as expressly amended hereby, all of the terms and provisions of the Agreement and Amendment are and shall remain in full force and effect.

5. GOVERNING LAW. THIS AUGUST 1995 AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AUGUST 1995 AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

5. Counterparts. This August 1995 Amendment may be executed by one or more of the parties to this August 1995 Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this August 1995 Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

HUMANA INC.

By:_____
Name:_____
Title:_____

CHEMICAL BANK, as Agent, as CAF Loan Agent and as a Bank

By:_____
Name:_____
Title:_____

CITIBANK, N.A.

By:_____
Name:_____
Title: _____

NATIONSBANK OF GEORGIA, N.A.

By:_____
Name:_____
Title: _____

NATIONAL CITY BANK, KENTUCKY

By:_____
Name:_____
Title:_____

PNC BANK, KENTUCKY, INC.

By:_____
Name:_____
Title:_____

WACHOVIA BANK OF GEORGIA, N.A.

By:_____
Name:_____
Title:_____

BANK OF AMERICA NATIONAL TRUST
& SAVINGS ASSOCIATION

By:_____
Name:_____
Title:_____

THE BANK OF NOVA SCOTIA

By:_____
Name:_____
Title:_____

THE CHASE MANHATTAN BANK, N.A.

By:_____

Name:_____
Title:_____

FIRST INTERSTATE BANK OF CALIFORNIA

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

LIBERTY NATIONAL BANK AND TRUST
CO. OF KENTUCKY

By:_____
Name:_____
Title:_____

THE FIRST NATIONAL BANK OF CHICAGO

By:_____
Name:_____
Title:_____

THE SUMITOMO BANK, LTD.,
NEW YORK BRANCH

By:_____
Name:_____
Title:_____

THE TORONTO-DOMINION BANK

By:_____
Name:_____
Title:_____

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By:_____
Name:_____
Title:_____

BANK OF LOUISVILLE & TRUST COMPANY

By:_____
Name:_____

Title:_____

BARNETT BANK OF BROWARD
COUNTY, N.A.

By:_____
Name:_____
Title:_____

THE BOATMEN'S NATIONAL BANK OF
ST. LOUIS

By:_____
Name:_____
Title:_____

SHAWMUT BANK CONNECTICUT, N.A.

By:_____
Name:_____
Title:_____

1

STOCK OPTION AND TENDER AGREEMENT

Stock Option and Tender Agreement (this "Agreement"), dated as of August 9, 1995, between Humana Inc., a Delaware corporation ("Purchaser"), Lincoln National Corporation, an Indiana corporation ("Lincoln"), and American States Insurance Company, an Indiana corporation ("Stockholder").

Background

A. Stockholder is a wholly owned subsidiary of Lincoln. Stockholder owns (both beneficially and of record) 4,986,507 shares of common stock, par value $.01 per share ("Common Stock"), of EMPHESYS Financial Group, Inc., a Delaware corporation (the "Company").

B. Concurrently herewith, Purchaser, HEW, Inc., a Delaware corporation and a wholly owned subsidiary of Purchaser ("Sub"), and the Company are entering into an agreement and plan of merger, dated as of August 9, 1995 (the "Merger Agreement"), pursuant to which Sub has agreed to make a tender offer (the "Offer") for all outstanding shares of Common Stock at $37.50 per share (the "Offer Price"), net to the seller in cash, to be followed by a merger of Sub with and into the Company.

C. As a condition to the willingness of Purchaser to enter into the Merger Agreement, Purchaser has required that Stockholder agree, and in order to induce Purchaser to enter into the Merger Agreement, Stockholder has agreed, among other things, (i) to tender all of the shares of Common Stock now owned or which may hereafter be acquired by Stockholder (the "Shares"), (ii) to grant Purchaser the option to purchase the Shares, (iii) to appoint Purchaser as Stockholder's proxy to vote the Shares, and (iv) with respect to certain questions put to stockholders of the Company for a vote, to vote the Shares, in each case, in accordance with the terms and conditions of this Agreement.

2

In consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

Agreement

1. Tender of Shares. Stockholder agrees to tender and sell to Purchaser pursuant to the Offer all of the Shares. Stockholder agrees that Stockholder shall deliver to the depositary for the Offer, no later than the first Business Day (as defined below) following the commencement of the Offer, either a letter of transmittal together with the certificates for the Shares, if available, or a "Notice of Guaranteed Delivery", if the Shares are not available. Stockholder agrees not to withdraw any Shares tendered into the Offer.

2. Stock Option.

2.1. Grant of Stock Option. Stockholder hereby grants to Purchaser an irrevocable option (the "Stock Option") to purchase all of the Shares at such time as Purchaser may exercise the Stock Option at a purchase price equal to the Offer Price.

2.2. Exercise of Stock Option. (a) The Stock Option may be exercised by Purchaser, in whole or in part, at any time, or from time to time, prior to the earlier of (i) the date upon which the Effective Time (as defined in the Merger Agreement) occurs and (ii) the date forty-five days after the date of termination of the Merger Agreement.

(b) In the event Purchaser wishes to exercise the Stock Option, Purchaser shall send a written notice (an "Exercise Notice") to Stockholder specifying the total number of Shares Purchaser wishes to purchase from the Stockholder and a date, which shall be a Business Day, and a place, which shall be in the City of New York, for the closing of such purchase (a "Stock Option Closing").

(c) Upon receipt of an Exercise Notice, Stockholder

shall be obligated to deliver to Purchaser a certificate or certificates representing the number of Shares specified in such Exercise Notice, in accordance with the terms of this Agreement, on the later of the date specified in such Exercise Notice and the first Business Day on which the conditions

specified in Section 2.3 shall be satisfied. The date specified in such Exercise Notice may be as early as one day after the date of such Exercise Notice.

(d) If on the date an Exercise Notice is delivered to Stockholder, Purchaser is prohibited by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act") or by Applicable Insurance Regulations from purchasing the number of Shares specified in the Exercise Notice, then Purchaser shall exercise a Stock Option to purchase such lesser amount that represents the maximum number of Shares which it is then permitted to purchase by the HSR Act or by Applicable Insurance Regulations, as the case may be.

(e) For the purposes of this Agreement, the term "Business Day" shall mean a day on which banks are not required or authorized to be closed in the City of New York and the term "Applicable Insurance Regulations" shall mean all laws or regulations applicable to insurance companies or health maintenance organizations (including, without limitation, laws or regulations administered by the Office of the Commissioner of Insurance of the State of Wisconsin (the "OCI") or the Department of Corporations of the State of California (the "DOC")) under which any filing or registration with or authorization, consent or approval of, any governmental entity is required by or with respect to Purchaser, Stockholder or the Company or any of their respective subsidiaries in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

2.3. Conditions to Delivery of the Shares. The obligation of Stockholder to deliver the Shares upon any exercise of a Stock Option is subject to the following conditions:

(a) All waiting periods under the HSR Act applicable to such exercise of the Stock Option and the delivery of the Shares subject to such Stock Option in respect of such exercise shall have expired or been terminated;

(b) All regulatory or supervisory agency approvals required by any applicable law, rule or regulation for a Stock Option Closing (including Applicable Insurance Regulations) shall have been obtained and each approval shall have become final; and

(c) There shall be no preliminary or permanent injunction or other order by any court of competent jurisdiction restricting, preventing or prohibiting such exercise of such Stock Option or the delivery of the Shares subject to such Stock Option in respect of such exercise.

2.4. Stock Option Closings. At each Stock Option Closing, Stockholder will deliver to Purchaser a certificate or certificates evidencing the number of Shares specified in the Exercise Notice delivered to Stockholder in respect of such Stock Option Closing, each such certificate being duly endorsed in blank and accompanied by such stock powers and such other documents as may be necessary in Purchaser's judgment to transfer record ownership of the Shares into Purchaser's name on the stock transfer books of the Company and Purchaser will purchase the delivered Shares at the Offer Price. All payments

made by Purchaser to Stockholder pursuant to this Section 2.4 shall be made by wire transfer of immediately available funds or by certified bank check payable to Stockholder, in an amount equal to the product of (a) the Offer Price and (b) the number of Shares specified in the Exercise Notice delivered in respect of such Stock Option Closing.

2.5. Adjustments Upon Changes in Capitalization. In the event of any change in the number of issued and outstanding shares of Common Stock by reason of any stock dividend, subdivision, merger, recapitalization, combination, conversion or exchange of shares, or any other change in the corporate or capital structure of the Company (including, without limitation, the declaration or payment of an extraordinary dividend of cash or securities) which would have the effect of diluting or otherwise adversely affecting Purchaser's rights and privileges under this Agreement, the number and kind of the Shares and the consideration payable in respect of the Shares shall be appropriately and equitably adjusted to restore to Purchaser its rights and privileges under this Agreement. Without limiting the scope of the

foregoing, in any such event, at the option of Purchaser, the Stock Option shall represent the right to purchase, in addition to the number and kind of Shares which Purchaser would be entitled to purchase pursuant to the immediately preceding sentence, whatever securities, cash or other property the Shares subject to the Stock Option shall have been converted into or otherwise exchanged for, together with any securities, cash or other property which shall have been distributed with respect to such Shares.

2.6. Purchaser Sale of Shares. (a) If subsequent to the exercise of the Stock Option and prior to the Termination Date (as defined in Section 8), Purchaser (or any affiliate of Purchaser to which the Shares have been transferred) sells or otherwise in any way disposes of, in whole or in part, the Shares to a third party (other than an affiliate of Purchaser), in a transaction in which Purchaser (or its affiliated transferee) receives cash and/or securities having a value in excess (such excess is hereinafter the "Excess") of the Offer Price, Purchaser will, promptly after the completion or sale or other disposition, pay or deliver to Stockholder 50% of the Excess for each Share sold or otherwise disposed of. The Excess shall be paid, to the extent Purchaser (or its transferee) received cash, in cash and, to the extent that Buyer (or its transferee) received securities or other consideration, in such securities, or other consideration.

(b) The value of such securities or other consideration shall be determined as of the date of the receipt thereof. If Purchaser and Stockholder cannot within 15 days of receipt of such securities or other consideration agree as to its value, the value of such consideration shall be determined by agreement between two nationally recognized investment banking firms, one of which will be designated by Purchaser and the other of which will be designated by Stockholder. Each of Purchaser and Stockholder shall be responsible for the costs and expenses of the investment banking firm it designates. If such investment banking firms are unable to agree as to the value of such securities or other consideration within 30 days after receipt thereof by Purchaser, such value shall be established by a third investment banking firm selected by the initial investment banking firms. All costs and expenses of the third investment banking firm shall be shared equally by Purchaser and Stockholder.

3. Representations and Warranties of Lincoln and Stockholder. Each of Lincoln and Stockholder hereby represents and warrants to Purchaser as follows:

3.1. Title to the Shares. Stockholder is the owner (both beneficially and of record) of the Shares (which term as of the date hereof is

comprised of 4,986,507 shares of Common Stock) and Stockholder does not have any rights of any nature to acquire any additional shares of Common Stock. Stockholder owns all of the Shares free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on Stockholder's voting rights, charges and other encumbrances of any nature whatsoever, and, except as provided in this Agreement, Stockholder has not appointed or granted any proxy, which appointment or grant is still effective, with respect to any of the Shares. Upon the exercise of the Stock Option and the delivery to Purchaser by Stockholder of a certificate or certificates evidencing the Shares, Purchaser will receive good, valid and marketable title to the Shares, free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on Purchaser's voting rights, charges and other encumbrances of any nature whatsoever.

3.2. Authority Relative to This Agreement. Each of Lincoln and Stockholder has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each of Lincoln and Stockholder and the consummation by each of Lincoln and Stockholder of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of each of Lincoln and Stockholder, respectively. This Agreement has been duly and validly executed and delivered by each of Lincoln and Stockholder and, assuming the due authorization, execution and delivery by Purchaser, constitutes a legal, valid and binding obligation of each of Lincoln and Stockholder, enforceable against each of Lincoln and Stockholder in accordance with its terms.

3.3. No Conflict. The execution and delivery of this Agreement by each of Lincoln and Stockholder does not, and the performance of this Agreement by each of

Lincoln and Stockholder will not, (a) require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign, except for (i) requirements of federal and state securities laws, (ii) requirements arising out of the HSR Act, and (iii) requirements of Applicable Insurance Regulations, (b) conflict with or violate the certificate of incorporation or bylaws or equivalent organizational documents, if any, of Lincoln or Stockholder, (c) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Lincoln or Stockholder or by which any property or asset of Lincoln or Stockholder is bound or affected, or (d) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance of any nature whatsoever on any property or asset of Lincoln or Stockholder pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Lincoln or Stockholder is a party or by which Lincoln or Stockholder or any property or asset of Lincoln or Stockholder is bound or affected, except in each case to the extent any such breach or default, whether taken singly or in the aggregate, would not have a material adverse effect on Lincoln or Stockholder or its ability to consummate the transactions contemplated hereby.

3.4. $50 Million Company Promissory Note. Lincoln is the Designated Holder of that certain $50,000,000 promissory note due December 31, 1996 (the "Note") issued by the Company. ("Designated Holder" shall have the meaning ascribed thereto in the Note.) Lincoln hereby represents and acknowledges that Lincoln approves of the transactions contemplated by this Agreement and the Merger Agreement and that, therefore, such transactions will not give rise to rights of acceleration under Section 5 of the Note.

3.5. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Lincoln or Stockholder.

4. Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Lincoln and Stockholder as follows:

4.1. Authority Relative to This Agreement. Purchaser has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming the due authorization, execution and delivery by Lincoln and Stockholder, constitutes a legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms.

4.2. No Conflict. The execution and delivery of this Agreement by Purchaser does not, and the performance of this Agreement by Purchaser will not, (a) require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign, except for (i) requirements of federal and state securities laws, (ii) requirements arising out of the HSR Act, and (iii) requirements of Applicable Insurance Regulations, (b) conflict with or violate the certificate of incorporation or bylaws or equivalent organizational documents, if any, of Purchaser, (c) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Purchaser or by which any property or asset of Purchaser is bound or affected, or (d) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance of any nature whatsoever on any property or asset of Purchaser pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Purchaser is a party or by which Purchaser or any property or asset of Purchaser is bound or affected, except in each case to the extent any

such breach or default, whether taken singly or in the aggregate, would not have a material adverse effect on Purchaser or its ability to consummate the transactions contemplated hereby.

4.3. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from Lincoln or Stockholder in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Purchaser.

5. Covenants of Lincoln and Stockholder.

5.1. No Disposition or Encumbrance of Shares; No Acquisition of Shares. (a) Each of Lincoln and Stockholder hereby covenants and agrees that, except as contemplated by this Agreement, neither Lincoln nor Stockholder shall, and neither shall offer or agree to, sell, transfer, tender, assign, hypothecate or otherwise dispose of, or create or permit to exist any security interest, lien, claim, pledge, option, right of first refusal, agreement, limitation on Stockholder's voting rights, charge or other encumbrance of any nature whatsoever with respect to the Shares now owned or that may hereafter be acquired by Lincoln or Stockholder.

(b) Each of Lincoln and Stockholder hereby covenants and agrees that it shall not, and shall not offer to agree to, acquire any additional shares of Common Stock, or options, warrants or other rights to acquire shares of Common Stock, without the prior written consent of Purchaser.

5.2. No Solicitation of Transactions. (a) Neither Lincoln nor Stockholder shall, directly or indirectly, through any agent or representative or otherwise, solicit, initiate or encourage the submission of any proposal or offer from any individual, corporation, partnership, limited partnership, syndicate, person (including, without limitation, a "person" as defined in section 13(d)(3) of the Securities Exchange Act of 1934, as amended), trust, association or entity or government, political subdivision, agency or instrumentality of a government (collectively, other than Purchaser and any affiliate of Purchaser, a "Person") relating to (i) any acquisition or purchase of all or any of the Shares or (ii) any acquisition or purchase of all or (other than in the ordinary course of business) any portion of the assets of, or

any equity interest in, the Company or any of its subsidiaries (each, a "Subsidiary") or any business combination with the Company or any Subsidiary or participate in any negotiations regarding, or furnish to any Person any information with respect to, or otherwise cooperate in any way with, or assist or participate in or facilitate or encourage, any effort or attempt by any Person to do or seek any of the foregoing. Each of Lincoln and Stockholder hereby represents that neither it nor its agents or representatives is now engaged in any discussions or negotiations with any Person with respect to any of the foregoing.

(b) Paragraph (a) of this Section 5.2 shall not restrict Stockholder or any officer or director of Stockholder or its affiliates from otherwise exercising the fiduciary duties owed by such officer or director to the Company; provided, however, that Lincoln and Stockholder shall notify Purchaser promptly of any such proposal or offer, or any inquiry or contact with any Person with respect thereto, (but need not disclose the identity of the Person making such proposal, offer, inquiry or contact and the terms and conditions of such proposal, offer, inquiry or contact.

5.3. Compliance of Stockholder with This Agreement. Lincoln covenants and agrees that it shall cause Stockholder to take all actions and forbear from all actions, in each case, necessary in order that (a) all of Stockholder's representations and warranties hereunder are true and correct and (b) Stockholder fulfills all of its obligations hereunder.

6. Covenants and Acknowledgment of Purchaser.

6.1. No Exercise of Stock Option During Tender Offer. Purchaser hereby covenants and agrees that, during the pendency of the Offer, Purchaser shall not exercise the Stock Option.

6.2. Purchaser hereby acknowledges and agrees that if the Offer Price for the Offer is increased, Stockholder shall be entitled to tender and sell to Purchaser pursuant to the Offer all of the Shares at the increased Offer Price.

7. Voting Agreement; Proxy of Stockholder.

7.1. Voting Agreement. Each of Lincoln and Stockholder hereby agrees that, during the time this Agreement is in effect, at any meeting of the stockholders of the Company, however called, and in any action by written consent of the stockholders of the Company, Stockholder shall (a) vote all of the Shares in favor of the Merger, the Merger Agreement (as amended from time to time) and any of the transactions contemplated by the Merger Agreement; (b) vote the Shares against any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty or any other obligation of the Company under the Merger Agreement; and (c) vote the Shares

against any action or agreement that would impede, interfere with or attempt to discourage the Offer or the Merger, including, but not limited to: (i) any extraordinary corporate transaction (other than the Merger), such as a merger, reorganization, recapitalization or liquidation involving the Company or any Subsidiary; (ii) a sale or transfer of a material amount of assets of the Company or any Subsidiary; (iii) any change in the management or board of directors of the Company, except as otherwise agreed to in writing by Purchaser; (iv) any material change in the present capitalization or dividend policy of the Company; or (v) any other material change in the Company's corporate structure or business.

7.2. Irrevocable Proxy. Each of Lincoln and Stockholder agrees that, in the event Stockholder shall fail to comply with the provisions of Section 7.1 hereof as determined by Purchaser in its sole discretion, such failure shall result, without any further action by Stockholder, in the irrevocable appointment of Purchaser as the attorney and proxy of Stockholder pursuant to the provisions of section 212 of the DGCL, with full power of substitution, to vote, and otherwise act (by written consent or otherwise) with respect to all shares of Common Stock, including the Shares, that Stockholder is entitled to vote at any meeting of stockholders of the Company (whether annual or special and whether or not an adjourned or postponed meeting) or consent in lieu of any such meeting or otherwise, on the matters and in the manner specified in Section 7.1 hereof. THIS PROXY AND POWER OF

ATTORNEY IS IRREVOCABLE AND COUPLED WITH AN INTEREST. Stockholder hereby revokes, effective upon the execution and delivery of the Merger Agreement by the parties thereto, all other proxies and powers of attorney with respect to the Shares that Stockholder may have heretofore appointed or granted, and no subsequent proxy or power of attorney (except in furtherance of Stockholder's obligations under Section 7.1 hereof) shall be given or written consent executed (and if given or executed, shall not be effective) by Stockholder with respect thereto so long as this Agreement remains in effect.

8. Termination. Other than the Stock Option, the termination which shall be governed by Section 2.2(a), this Agreement shall terminate on the date (the "Termination Date") that is the earlier of

(i) the date upon which the Effective Date occurs and

(ii) (A) if the Merger Agreement is terminated

(I) by the Company in accordance section 9.1(b)(iii), 9.1(b)(iv) or 9.1(d)(ii) thereof,

(II) (a) by the Company in accordance with section 9.1(b)(i) thereof, (b) no Acquisition Proposal (as defined in the Merger Agreement) shall be pending or shall have been proposed or announced and (c) the Company shall not have exercised its rights set forth in the proviso of section 6.2 of the Merger Agreement,

(III) by the Parent in accordance with Section 9.1(c)(ii) or 9.1(d)(ii) thereof,

(IV) by the Parent and the Company in accordance with section 9.1(a) thereof, or

(V) (a) by the Company or the Parent in accordance with Section 9.1(d)(i) thereof and (b) no Acquisition Proposal shall be pending or shall have been proposed or announced and (c) the Company shall not have exercised its rights set forth in the proviso of section 6.2 of the Merger Agreement,

the date of the termination of the Merger Agreement or

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(B) if the Merger Agreement is otherwise terminated in accordance with section 9.1 of the Merger Agreement, the date four months after the date of the termination of the Merger Agreement. Notwithstanding the foregoing, if (x) the Merger Agreement has been terminated in a manner described in clause (ii)(B) of this Section 8 and (y) on the date four months after the date of termination of the Merger Agreement the Company shall be a party to an agreement with a party, other than Purchaser (or an affiliate of Purchaser), that contemplates a merger, acquisition, consolidation or similar transaction involving the Company or any of "significant subsidiaries" (as defined in 17 C.F.R. Section 210.01-02), or any purchase of all or any significant portion of the assets or any equity securities of the Company or any of such significant subsidiaries, then the Termination Date shall be the date nine months after the date of termination of the Merger Agreement.

9. Miscellaneous.

9.1. Expenses. Except as otherwise provided herein, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

9.2. Further Assurances. Lincoln, Stockholder and Purchaser will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

9.3. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

9.4. Entire Agreement. This Agreement constitutes the entire agreement between Lincoln, Purchaser and Stockholder with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, between Lincoln, Purchaser and Stockholder with respect to the subject matter hereof.

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9.5. Assignment. This Agreement shall not be assigned by operation of law or otherwise, except that Purchaser may assign all or any of its rights and obligations hereunder to any affiliate of Purchaser, provided that no such assignment shall relieve Purchaser of its obligations hereunder if such assignee does not perform such obligations.

9.6. Parties in Interest. This Agreement shall be binding upon, inure solely to the benefit of, and be enforceable by, the parties hereto and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

9.7. Amendment; Waiver. This Agreement may not be amended except by an instrument in writing signed by the parties hereto. Any party hereto may (a) extend the time for the performance of any obligation or other act of any other party hereto, (b) waive any inaccuracy in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any agreement or condition contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby.

9.8. Severability. If any term or other provision of this

Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

9.9. Notices. Except as otherwise provided herein, all notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and

shall be deemed to have been duly given upon receipt) by delivery in person, by cable, facsimile transmission, telegram or telex or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 9.9):

if to Purchaser:

Humana Inc.
The Humana Building
500 West Main Street
P.O. Box 1438
Louisville, Kentucky 40201-1438
Attention: W. Roger Drury
Chief Financial Officer
Facsimile: (502) 580-3610
Telephone (502) 580-3923

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004-1980
Attention: Jeffrey Bagner, Esq.
Facsimile: (212) 859-4000
Telephone: (212) 859-8136

if to Lincoln:

Lincoln National Corporation
200 East Berry Street
Fort Wayne, Indiana 46802-2706
Attention: John L. Steinkamp, Esq.
Facsimile: (219) 455-4531
Telephone: (219) 455-3628

if to Stockholder:

American States Insurance Company
500 North Meridian Street
Indianapolis, Indiana 46204-1275
Attention: Thomas Ober
Facsimile: (317) 262-6616
Telephone: (317) 262-6262

with a copy of all communications to Lincoln or Stockholder to:

Sutherland, Asbill & Brennan
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2404
Attention: David A. Massey, Esq.
Facsimile: (202) 637-3593
Telephone: (202) 383-0100

9.10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in New York without regard to any principles of choice of law or conflicts of law of such state. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in any state or federal court sitting in the City of New York.

9.11. Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

9.12. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and delivered as of the date first written above.

HUMANA INC.

By: /S/ ARTHUR P. HIPWELL

Name: Arthur P. Hipwell
Title: Senior Vice President

LINCOLN NATIONAL CORPORATION

By: /S/ IAN M. ROLLAND

Name: Ian M. Rolland
Title: Chairman & CEO

AMERICAN STATES INSURANCE COMPANY

By: /S/ F. CEDRIC MCCURLEY

Name: F. Cedric McCurley
Title: President & CEO