UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
FOR THE TRANSITION PERIOD FROM TO
---------- --------

COMMISSION FILE NUMBER 1-5975

HUMANA INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	61-0647538
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
500 WEST MAIN STREET LOUISVILLE, KENTUCKY	40202
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 502-580-1000
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $.16 2/3 PAR VALUE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in the Registrant's definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of voting stock held by non-affiliates of the Registrant as of March 1, 1994, was $2,933,544,705 calculated using the average

price on such date of $19.50. The number of shares outstanding of the Registrant's Common Stock as of March 1, 1994, was 160,534,362.

DOCUMENTS INCORPORATED BY REFERENCE

Part II and portions of Part IV incorporate herein by reference the Registrant's 1993 Annual Report to Stockholders; a portion of Part III incorporates herein by reference the Registrant's Proxy Statement to be filed pursuant to Regulation 14A covering the Annual Meeting of Stockholders scheduled to be held May 26, 1994.

PART I

ITEM 1. BUSINESS

GENERAL

Humana Inc. is a Delaware corporation organized in 1961. Its principal executive offices are located at 500 West Main Street, Louisville, Kentucky 40202, and its telephone number at that address is (502) 580-1000. As used herein, the term "the Company" includes Humana Inc. and its subsidiaries.

On March 1, 1993, the Company separated its acute-care hospital and managed care health plan businesses into two independent publicly-held companies (the "Spinoff"). The Spinoff was effected through the distribution to Humana stockholders of record as of the close of business on March 1, 1993, of all of the outstanding shares of common stock of a new hospital company, Galen Health Care, Inc. ("Galen"). Galen was subsequently merged, through an unrelated transaction, with a subsidiary of Columbia Healthcare Corporation (now Columbia/HCA Healthcare Corporation) ("Columbia") and, therefore, became a wholly-owned subsidiary of Columbia. The Company continues to operate the managed care health plan business. In conjunction with the Spinoff, the Company changed its fiscal year end from August 31 to December 31.

Since 1983, the Company has offered managed health care products which integrate financing and 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 other means, including the use of utilization controls such as pre-admission approval for hospital inpatient services and pre-authorization of outpatient surgical procedures.

The HMO and PPO products of the Company are primarily marketed to employer and other groups ("Commercial") and Medicare-eligible individuals. The products marketed to Medicare-eligible individuals are either HMO products that provide health care services which include all Medicare benefits, and in certain circumstances, additional health care services that are not included in Medicare benefits ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement"). Since 1983, the growth in the Company's HMO business has been primarily attributable to acquisitions, while the growth in its PPO business has been exclusively from internally produced sales.

COMMERCIAL PRODUCTS

HMOs

An HMO provides prepaid health care services to its members through primary care and specialty physicians employed by the HMO at facilities owned by the HMO, or through a network of independent primary care and specialty physicians and other health care providers who contract with the HMO or the primary care

physician to furnish such services. Primary care physicians include internists, family practitioners and pediatricians. Generally, access to specialty physicians and other health care providers must be approved by the member's primary care physician. These other health care providers include, among others, hospitals, nursing homes, home health agencies, pharmacies, mental health and substance abuse centers, diagnostic centers, optometrists, outpatient surgery centers, dentists, urgent care centers, and durable medical equipment suppliers. Because access to these other health care providers must be approved by the primary care physician, the HMO product is the most restrictive form of managed care.

At December 31, 1993, the Company owned and operated ten HMOs, which contract with approximately 27,400 physicians (including approximately 5,900 primary care physicians) and 480 hospitals. In addition, the Company has approximately 1,300 contracts with other providers to provide services to HMO members. The Company also employed approximately 450 physicians in its HMOs.

An HMO member pays a monthly fee which generally covers, with minimal co-payments, health care services received or approved by the member's primary care physician. For the year ended December 31, 1993, Commercial HMO premium revenues totaled approximately $1.4 billion or 43 percent of the Company's

premium revenues of $3.1 billion. Approximately $168 million of the Company's premium revenues for the year ended December 31, 1993, were derived from contracts with the United States Office of Personnel Management ("OPM") under which the Company provides health care benefits to approximately 122,700 federal civilian employees and their dependents. Pursuant to these contracts, payments made by OPM may be retrospectively adjusted downward by OPM if an audit discloses that a comparable product was offered by the Company to a similarly sized subscriber group using a rating formula which resulted in a lower premium rate than that offered to OPM.

PPOs

PPO products include many elements of managed health care. In a PPO, the enrollee is encouraged, through financial incentives, to use preferred health care providers which have contracted with the PPO to provide services at favorable rates. PPOs are also similar to traditional health insurance because they provide an enrollee with the freedom to choose a physician or other health care provider.

At December 31, 1993, approximately 24,300 physicians and 480 hospitals contracted with the Company to provide services to PPO enrollees. In addition, the Company has approximately 1,300 contracts with other providers to provide services to PPO enrollees.

For the year ended December 31, 1993, premium revenues from Commercial PPOs totaled $357 million or 11 percent of the Company's premium revenues of $3.1 billion.

MEDICARE PRODUCTS

Medicare is a federal program that provides persons age 65 and over and some disabled persons certain hospital and medical insurance benefits, which include hospitalization benefits for up to 90 days per incident of illness plus a lifetime reserve aggregating 60 days. Each Medicare eligible individual is entitled to receive inpatient hospital care (Part A) without the payment of any premium, but is required to pay a premium to the federal government, which is annually adjusted, to be eligible for physician and other services (Part B).

Even though participating in both Part A and Part B of Medicare, beneficiaries are still required to pay certain deductible and co-insurance amounts. They may, if they choose, supplement their Medicare coverage by purchasing policies which pay these deductibles and co-insurance amounts. Many

of these policies also cover other services (such as prescription drugs) which are not included in Medicare coverage. These policies are known as Medicare supplement policies.

Certain managed care companies which operate HMOs contract with the federal government's Health Care Financing Administration ("HCFA") to provide medical benefits to Medicare-eligible individuals residing in the geographic areas in which their HMOs operate in exchange for a fixed monthly payment from HCFA per enrollee. Individuals who elect to participate in these Medicare risk programs are relieved of the obligation to pay some or all of the deductible or co-insurance amounts but are required to use exclusively the services provided by the HMO. Other than the Part B premium paid by the enrollee to the Medicare program, the enrollee does not pay the HMO a premium for these services except where the benefits provided by the HMO exceed the benefits provided by the Medicare program.

Medicare Risk

As discussed above, a Medicare risk product involves a contract between an HMO and HCFA pursuant to which HCFA makes a fixed monthly payment to the HMO on behalf of each Medicare-eligible individual who chooses to enroll for coverage by the HMO. Enrollment may be terminated by the member upon 30 days' notice. The fixed monthly payment is determined and adjusted annually by HCFA, and takes into account, among other things, the cost of providing medical care in the geographic area where the member resides.

The Company markets a variety of Medicare risk HMO products. All of these products provide an enrolled individual with all of the benefits covered by the Medicare program but relieve the enrolled individual of the obligation to pay deductibles and co-insurance that would otherwise apply. Some of these products also

provide additional benefits not covered by Medicare, such as vision and dental care services and prescription drugs.

Where competitive conditions permit, the Company also charges a premium to members (in addition to the payment from HCFA) for some of the Medicare risk products. At December 31, 1993, approximately 73,300 members in nine markets were paying premiums which totaled $51 million for the year ended December 31, 1993.

The Company provides Medicare risk services under seven contracts with HCFA ("HCFA Contracts") in 10 markets. At December 31, 1993, HCFA Contracts covered approximately 270,800 Medicare risk members for which the Company received HCFA revenues of approximately $1.2 billion or 40 percent of the Company's premium revenues for the year ended December 31, 1993, of $3.1 billion. At December 31, 1993, one such HCFA Contract covered approximately 210,000 members in Florida. For the year ended December 31, 1993, this Florida HCFA Contract accounted for $1 billion or 80 percent of the Company's HCFA revenues of approximately $1.2 billion or 32 percent of the Company's total premium revenues. Each HCFA Contract is renewed each December 31 unless HCFA or the Company terminates it upon at least 90 days' notice prior thereto. Management believes termination of the HCFA Contract covering the members in Florida would have a material adverse effect on the Company's revenues, profitability and business prospects. Moreover, changes in the Medicare risk program, such as reduction in payments by HCFA or mandated increases in benefits without corresponding increases in payments, could also have a material adverse effect on the Company's revenues, profitability and business prospects.

Effective January 1, 1994, payments under the Company's HCFA Contracts increased by an average of approximately 3 percent. Although annual increases have varied significantly, increases have averaged approximately 7 percent over the last five years, including the increase of January 1994.

Medicare Supplement

The Company's Medicare supplement product is an insurance policy which pays for hospital deductibles, co-payments and co-insurance for which the Medicare program participant is responsible.

Under the terms of existing Medicare supplement policies, the Company may not reduce or cancel the benefits contracted for by policyholders. These policies are annually renewable by the insured at the Company's prevailing rates, which may increase subject to approval by appropriate state insurance regulators.

At December 31, 1993, the Company provided Medicare supplement benefits to approximately 153,600 members. Premium revenues derived from this product for the year ended December 31, 1993, totaled $132 million.

PROVIDER ARRANGEMENTS

The Company's HMOs contract with individual or groups of primary care physicians, generally for an actuarially determined, fixed, per-member-per-month fee called a "capitation" payment. These contracts typically obligate primary care physicians to provide or arrange for the provision of all covered health care services to HMO members, including health care services provided by specialty physicians and other health care providers. The capitation payment does not vary with the nature or extent of health care services arranged for or provided to the member and is generally designed to shift all or part of the HMO's financial risk to the primary care physician. However, the degree to which the Company shifts its risk varies by provider. The Company remains financially responsible for the provision of or payment for such health care services if a primary care physician fails to perform his or her obligations under the contract. The Company also employs 450 physicians in markets where it operates staff model HMOs. The Company is directly responsible for all health care services provided by these employed physicians. In order to control costs, improve quality and create comprehensive networks, the Company also contracts with medical specialists and other providers to which a primary care physician may refer a member. Typically, payments by the Company to these specialists and other providers reduce the ultimate payment that otherwise would be made to a primary care physician.

The Company's HMOs and PPOs contract for hospital services generally under a per diem payment arrangement for inpatient hospital services and a discounted fee-for-service payment arrangement for outpatient services. The Company's PPOs contract on a per diem or discounted basis with other health care providers.

Many of the physicians who contract with the Company's HMOs also contract with its PPOs to provide services to enrollees at discounted fees. In addition, in a number of markets the Company's PPOs contract with physicians who have not contracted with its HMOs.

Physician participation in the Company's HMOs and PPOs is conditioned upon meeting its HMOs' and PPOs' requirements concerning the physician's professional qualifications.

Effective with the consummation of the Spinoff, the Company entered into a three-year operating agreement with Galen whereby the Company will use the services of Galen's hospitals guaranteeing certain minimum utilization levels. The rate increases charged for such services are defined under the terms of the agreement. Commercial rate increases are limited to the lesser of the increase in the hospital Consumer Price Index or the Company's premium rate increases, less 1 percent. The Medicare risk rate increases are equal to the percentage adjustment in HCFA's market specific hospital payment rate to the Company. During the year ended December 31, 1993, 16 percent of the Company's total medical costs were incurred in Galen's hospitals.

MARKETING

Individuals become members of the Company's Commercial HMOs and PPOs through their employer or other groups which typically offer employees or members a selection of health care products, pay for all or part of the premiums and make payroll deductions for any premiums payable by the employees. The Company attempts to become an employer's or group's exclusive source of health care benefits by offering HMO and PPO products that provide cost-effective quality care consistent with the health care needs and expectations of the employees or members.

The Company uses various methods to market its Commercial and Medicare products, including television, radio, telemarketing and mailings. At December 31, 1993, the Company used approximately 2,000 independent licensed brokers and agents and 160 licensed employees to sell its Commercial products. Many employer groups are represented by insurance brokers and consultants who assist these groups in the design and purchase of health care products. The Company generally pays brokers a commission based on premiums, with commissions varying by market and premium volume. At December 31, 1993, approximately 260 independent licensed brokers and 430 employed sales representatives, who are each paid a salary and/or per member commission, marketed the Company's Medicare products.

The following table lists the Company's Commercial, Medicare risk and Medicare supplement membership at December 31, 1993, by market and product:

	MEMBERS				
	COMMERCIAL				
MARKET	PPO	HMO	MEDICARE RISK	MEDICARE SUPPLEMENT	TOTAL
Chicago, IL	25,900	266,900	23,700	100	316,600
Corpus Christi, TX	11,200	21,400	5,200	3,900	41,700
Daytona, FL	4,100	15,800	18,000	3,500	41,400
Kansas City, MO	3,000	84,900	6,700	5,100	99,700
Las Vegas, NV	7,600	14,100		4,600	26,300
Lexington, KY	38,400	35,400		7,600	81,400
Louisville, KY	15,300	177,300	2,600	28,000	223,200
Orlando, FL	7,400	30,700	22,300	3,700	64,100
Phoenix, AZ	2,900	19,700	12,400	3,900	38,900
San Antonio, TX	28,700	60,600	10,200	5,600	105,100
South Florida, FL(1)	53,900	152,200	107,600	3,300	317,000
Tampa, FL	15,100	66,300	62,100	6,100	149,600
Others	14,500	40,700		78,200	133,400
TOTAL	228,000	986,000	270,800	153,600	1,638,400

- ---

(1) Includes Dade, Broward and Palm Beach counties.

The Company acquired an HMO in Washington, D.C., with approximately 125,000 members for $55 million on February 28, 1994.

The Company's 25 largest group contracts at December 31, 1993, accounted for approximately 33 percent of total Commercial membership. No one group contract accounted for as much as 5 percent of the Company's Commercial product premium revenues; however, certain employer groups accounted for a significant percentage of Commercial insurance premiums in some markets. The loss of one or more of these contracts in a particular market could have a material adverse effect on the Company's operations in that market.

CONTROL OF HEALTH CARE COSTS

The focal point for cost control in the Company's HMOs is the primary care physician, whether employed or under contract, who provides services and controls utilization of services by directing or approving hospitalization and referrals to specialists and other health care providers. Cost control in the Company's PPOs is achieved through obtaining discounts from participating health care providers. With respect to both HMO and PPO products, cost control is further achieved through use of a utilization review system managed by the Company designed to reduce unnecessary hospital admissions and lengths of stay and unnecessary or inappropriate medical procedures.

New technologies (which typically require substantial expenditures), inflation, increasing hospital costs and numerous other external factors may adversely affect the ability of the Company to control health care costs in the future.

RISK MANAGEMENT

Through the use of internally developed underwriting criteria, the Company determines the risk it is willing to assume and the amount of premium to charge for its Commercial products. Employer and other groups must meet the Company's underwriting standards in order to qualify to contract with the Company for coverage. Underwriting techniques are not employed in connection with Medicare risk HMO products

because of HCFA regulations that require the Company to accept all eligible Medicare applicants regardless of their health or prior medical history.

COMPETITION

The health care benefit industry is highly competitive and contracts for the sale of Commercial products are generally bid or renewed annually. The Company's competitors vary by local market and include Blue Cross/Blue Shield (including HMOs and PPOs owned by Blue Cross/Blue Shield plans), national insurance companies and other HMOs and PPOs. Many of the Company's competitors have larger enrollments in local markets or greater financial resources. The Company's ability to sell its products and to retain customers is influenced by such factors as benefits, pricing, contract terms, number and quality of participating physicians and other health care providers, utilization review, claims processing and administrative efficiency.

GOVERNMENT REGULATION

Of the Company's 13 licensed HMO subsidiaries, six are qualified under the Federal Health Maintenance Organization Act of 1973, as amended. Four of these six subsidiaries are parties to HCFA Contracts to provide Medicare risk HMO products in 10 markets.

An HMO which is federally qualified may require employers with more than 25 employees that offer health insurance benefits to include federally qualified HMO products as an option available to their employees. To obtain federal qualification, an HMO must meet certain requirements, including conformance with financial criteria, a standard method of rate setting, a comprehensive benefit package, and prohibition of medical underwriting of individuals. In certain markets, and for certain products, the Company operates HMOs that are not federally qualified because this provides greater flexibility with respect to product design and pricing than is possible for federally qualified HMOs.

HCFA audits Medicare risk HMOs at least biannually and may perform other reviews more frequently to determine compliance with federal regulations and contractual obligations. These audits include review of the HMOs' administration and management (including management information and data collection systems), fiscal stability, utilization management and incentive arrangements, health services delivery, quality assurance, marketing, enrollment activity, claims

processing and complaint systems. HCFA regulations require quarterly and annual submission of financial statements and restrict the number of Medicare risk enrollees to no more than the HMO's Commercial enrollment in a specified service area. HCFA regulations also require independent review of medical records and quality of care, review and approval by HCFA of all advertising, marketing and communication materials, and independent review of all denied claims and service complaints which are not resolved in favor of a member.

Laws in each of the states in which the Company operates its HMOs and PPOs regulate its operations, including the scope of benefits, rate formula, delivery systems, utilization review procedures, quality assurance, enrollment requirements, claim payments, marketing and advertising. The PPO products offered by the Company are sold under insurance licenses issued by the applicable state insurance regulators. The Company's HMOs and PPOs are required to be in compliance with certain minimum capital requirements. These requirements must be satisfied by investing in approved investments that generally cannot be used for other purposes. Under state laws, the Company's HMOs and PPOs are audited by state departments of insurance for financial and contractual compliance, and its HMOs are audited for compliance with health services standards by respective state departments of health.

Management believes that the Company is in substantial compliance with all governmental laws and regulations affecting its business.

NATIONAL HEALTH CARE REFORM

Congress is in the process of evaluating a number of legislative proposals that would effect major changes in the United States health care system. Among the proposals under consideration are government imposed cost controls, measures to increase the availability of group health insurance coverage to employees, and the

creation of statewide health alliances that would cover individuals and families not enrolled in large employer health plans. Legislative reform is not anticipated before the latter part of 1994 and implementation of any reform package could take several additional years. In general, managed care is being considered as a means by which health care costs may be reduced. Although management believes the Company is well positioned to take advantage of the opportunities which will be afforded by national health care reform, it is not possible to predict the final form these proposals will take or the affect these proposals may have on the Company's operations.

STATE HEALTH CARE REFORM

During 1993, the State of Florida adopted health care reform legislation which, among other things, established a mechanism through which small employers and self-employed individuals may acquire health care coverage through state chartered non-profit entities known as Community Health Purchasing Alliances (CHPAs). It is intended the CHPAs will also be used to acquire insurance for state employees and Medicaid beneficiaries in the future. The legislation divides the state into 11 geographic areas and establishes a separate CHPA in each area. Humana intends to offer products in each of these geographic areas.

In order to sell health care coverage to CHPA membership, an entity must register as an Accountable Health Partnership (AHP). An AHP may be either an insurer or an HMO and must specify in which geographic areas it wishes to offer its product. There are other requirements relating to organization, grievance procedures, terminations and product offerings for AHPs. Applicable Company HMOs and PPOs are in the process of registering as AHPs.

Certain other states in which the Company operates are also actively pursuing health care reform; however, at this time it is not possible to predict the ultimate impact on the Company's operations.

OTHER RELATED PRODUCTS

The Company offers administrative services to employers who self-insure their employee health benefits. At December 31, 1993, the Company provided claims processing, utilization review and other administrative services to 40 self-insured employer groups, for approximately 63,700 employees and employee dependents. For the year ended December 31, 1993, revenues from these services totaled approximately $5 million.

The Company operates a prescription drug management service which administers drug benefit programs for various HMOs and PPOs, including those of the Company. For the year ended December 31, 1993, prescription drug management service revenues from third-party customers totaled approximately $3 million.

On June 30, 1993, the Company acquired the operations of a dental services company which provides dental products to employer groups, HMOs and PPOs, including those of the Company. Since the acquisition, dental service revenues from third-party customers totaled approximately $2 million.

On March 3, 1994, the Company acquired a minority interest in a mental health HMO, which will provide services to the Company's members in certain markets as well as to third-party customers.

OTHER BUSINESSES

Hospital

The Company operates a 170-bed hospital in Lexington, Kentucky, which was contributed to the Company by Galen in connection with the Spinoff. The hospital provides care primarily to members of the Company's managed care plans in Lexington. The Company is currently reviewing alternatives for the ultimate sale or third-party management of the hospital.

Captive Insurance Company

The Company insures substantially all professional liability risks through a wholly-owned subsidiary (the "Captive Subsidiary") which was incorporated in January 1993 in the State of Vermont. Previous to the Captive Subsidiary beginning operations in February 1993, professional liability risks were insured by a

subsidiary of Galen. In connection with the Spinoff, the Captive Subsidiary and the Galen subsidiary entered into a loss portfolio reinsurance agreement whereby the Captive Subsidiary will indemnify the Galen subsidiary, subject to aggregate limits, against all liabilities incurred by the Galen subsidiary related to the professional liability risks of the Company prior to September 1, 1993.

Centralized Management Services

Centralized management services are provided to each health plan from the Company's headquarters. These services include management information systems, financing, personnel, development, accounting, legal advice, public relations, marketing, insurance, purchasing, risk management, actuarial, underwriting and claims processing.

EMPLOYEES

As of December 31, 1993, the Company and its subsidiaries had approximately 8,800 full-time employees.

ITEM 2. PROPERTIES

The Company owns its principal executive office, which is located in the Humana Building, 500 West Main Street, Louisville, Kentucky 40202.

The Company provides medical services in medical centers owned or leased ranging in size from approximately 1,200 to 80,000 square feet. The Company's administrative market offices are generally leased, with square footage ranging from 1,000 to 75,000. The following chart lists the location of properties used in the operation of the Company at December 31, 1993:

	MEDICAL CENTERS		ADMINISTRATIVE OFFICES		
STATES AND DISTRICTS	OWNED	LEASED	OWNED	LEASED	TOTAL
Alabama				2	2
Arizona				2	2
District of Columbia				2	2
Florida	7	51		16	74
Illinois	7	19		5	31
Indiana	1				1
Kansas	1	5			6
Kentucky	8	3		1	12
Missouri	2	8		1	11
Nevada			1		1
Ohio				1	1
Texas	5	2		4	11
TOTAL	31	88	1	34	154

In addition, the Company owns buildings in Louisville, Kentucky, and San Antonio, Texas, and leases a facility in Jacksonville, Florida, which are used for customer service and claims processing. The Louisville facility also performs enrollment processing and other corporate functions.

The Company also owns a hospital and medical office building in Lexington, Kentucky.

ITEM 3. LEGAL PROCEEDINGS

1. A class action law suit styled Mary Forsyth, et al v. Humana Inc., et al, Case #CV-5-89-249-PMP(L.R.L.), was filed on March 29, 1989, in the United States District Court for the District of Nevada (the "Forsyth" case). The claims asserted by plaintiffs included an ERISA count seeking $49,440,000 of damages plus approximately $15,396,000 of interest, a RICO count seeking $103,562,165 of damages (before trebling) plus approximately $31,800,000 of interest, and an antitrust count for an unspecified

amount of damages which appears to be similar to those sought in the RICO count. Despite allegations made by the plaintiffs, the Company considered the substance of these claims to be a dispute concerning the calculation of health insurance benefits and believed the claimed damages were greatly in excess of any possible recovery even if plaintiffs were successful on every claim asserted.

On July 21, 1993, summary judgment was entered in favor of the Company on all counts, although the court granted the co-payer class until August 24, 1993, to file a third amended complaint in which its members could seek to recover the difference between their co-insurance payments and what those payments

would have been if co-insurance obligations of the co-payer class had originally been based on the discounted payments made by Humana Health Insurance Company of Nevada to Sunrise Hospital and Medical Center, Las Vegas, Nevada, (now owned by Columbia).

On August 24, 1993, a third amended complaint styled Marietta Cade, et al vs. Humana Health Insurance of Nevada, Inc., et al was filed seeking damages as described above. On January 28, 1994, summary judgment was entered in favor of plaintiffs on this third amended complaint. A subsequent hearing will ascertain the amount of damages suffered by the co-payer class. The Company believes the final resolution of this litigation will not have a material adverse effect on its operations or financial position.

2. On April 22, 1993, an alleged stockholder of the Company filed a purported shareholder derivative action in the Court of Chancery of the State of Delaware, County of New Castle, styled Lewis v. Austen, et al, Civil Action No. 12937. The action was purportedly brought on behalf of the Company and Galen against all of the directors of both companies at the time of the Spinoff alleging, among other things, that the defendants had improperly amended the Company's existing stock option plans in connection with the Spinoff. The plaintiff claims that the amendment to the stock option plans constituted a waste of corporate assets to the extent that employees of each company received options in the stock of the other company. (The challenged amendment to the plan was approved by the Company's stockholders at the 1993 Annual Meeting of Stockholders.) The plaintiff requests, among other things, an injunction prohibiting the exercise of Galen (now Columbia) stock options by the Company's personnel and the exercise of Company stock options by Galen (now Columbia) personnel and an award of damages. On June 14, 1993, the defendants filed a motion to dismiss the plaintiff's complaint. That motion is still pending. The Company believes that the complaint is without merit.

Damages for claims for personal injuries and medical benefit denials are usual in the Company's business. Personal injury claims are covered by insurance from the Captive Subsidiary and excess carriers, except to the extent that claimants seek punitive damages, which may not be covered by insurance if awarded. Punitive damages generally are not paid where claims are settled and generally are awarded only where there has been a willful act or omission to act. The Company does not believe that any pending actions will have a material adverse effect on its consolidated financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE COMPANY

Set forth below are names and ages of all of the current executive officers of the Company as of March 1, 1994, their positions, date of election to such position and the date first elected an officer of the Company:

NAME	AGE	POSITION	SERVED IN SUCH CAPACITY SINCE	FIRST ELECTED OFFICER
David A. Jones(1)	62	Chairman of the Board and Chief Executive Officer	08/69	09/64
Wayne T. Smith	48	President and Chief Operating Officer and Director	03/93	06/78
W. Larry Cash	45	Senior Vice President -- Finance and Operations	09/91	09/82

Karen A. Coughlin	46	Senior Vice President -- Region II	02/93	09/88
W. Roger Drury	47	Chief Financial Officer	05/92	09/83
Philip B. Garmon	50	Senior Vice President -- Region I	09/88	11/82
Ronald S. Lankford, M.D.	42	Senior Vice President -- Medical Affairs	03/93	08/87
James E. Murray(2)	40	Vice President and Controller	03/93	08/90
Walter E. Neely	50	Vice President, General Counsel and Secretary	03/93	09/88

- ---------------

(1) Elected an officer of a predecessor corporation in 1961.
(2) Mr. Murray was appointed Controller of the Company at the time of the Spinoff, previous to which he served in the capacity of Vice President and Controller -- Health Plans since August 1990 and Controller -- Health Care Division since October 1989. From October 1985 to October 1989, he was a Certified Public Accountant with Coopers & Lybrand.

Executive officers are elected annually by the Company's Board of Directors and serve until their successors are elected or until resignation or removal. There are no family relationships among any of the directors or executive officers of the Company, except that Mr. Jones is the father of David A. Jones, Jr., a director of the Company. Except for Mr. Murray, all of the above-named executive officers have been employees of the Company for more than five years.

PART II

Information for Items 5 through 8 of this Report which appears in the 1993 Annual Report to Stockholders as indicated on the following table is incorporated by reference in this report:

		ANNUAL REPORT TO STOCKHOLDERS PAGE
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	37
ITEM 6.	SELECTED FINANCIAL DATA	18
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	19-22
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA:	
	Consolidated Financial Statements.	23-33
	Quarterly Financial Information.	34

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item other than the information set forth in Part I under the Section entitled "EXECUTIVE OFFICERS OF THE COMPANY", is herein incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on May 26, 1994, appearing under the caption "ELECTION OF DIRECTORS OF THE COMPANY FOR 1994" on pages 3 through 6 of the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is herein incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on May 26, 1994, appearing under the caption "EXECUTIVE COMPENSATION OF THE COMPANY" on pages 9 through 15 of the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is herein incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on May 26, 1994, appearing under the caption "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS OF COMPANY COMMON STOCK" on pages 6 through 8 of the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The financial statements, financial statement schedules and exhibits set forth below are filed as part of this report.

(1) Financial Statements -- The response to this portion of Item 14 is submitted as Item 8 of this report.

(2) Index to Consolidated Financial Statement Schedules:

Consolidated schedules as of and for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and the four months ended December 31, 1992:

II	Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other Than Related Parties
III	Parent Company Financial Information
VIII	Valuation and Qualifying Accounts

All other schedules have been omitted because they are not applicable, not required or because the required information is contained in the Consolidated Financial Statements or notes thereto.

(3) Exhibits:

3(a)	Restated Certificate of Incorporation filed with the Secretary of State of Delaware on November 9, 1989, as restated pursuant to Item 102(c) of regulation S-T to incorporate the amendment of January 9, 1992, and the correction of March 23, 1992. Exhibit 4.(i) to the Company's Post-Effective Amendment to the Registration Statement on Form S-8 (Reg. No. 33-49305) filed February 2, 1994, is incorporated by reference herein.
(b)	By-laws, as amended. Exhibit 3(a) to the Company's Current Report on Form 8-K (File No. 1-5975) filed March 5, 1993, is incorporated by reference herein.
4(a)	Restated Certificate of Incorporation as amended and corrected and

By-laws as amended. (See 3(a) and (b) above.)

(b) Form of Rights Agreement dated March 5, 1987, between Humana Inc. and Mid-America Bank of Louisville and Trust Company (the "Rights Agreement"). Exhibit 1 to the Form SE for the Registration Statement (File No. 1-5975) on Form 8-A dated March 9, 1987, is incorporated by reference herein.

(c) Amendment No. 1, dated December 7, 1992, to the Rights Agreement. Exhibit 1.1 to the Company's Form 8 (File No. 1-5975) filed December 16, 1992, is incorporated by reference herein.

(d) Amendment No. 2, dated March 2, 1993, to the Rights Agreement. Exhibit 1.2 to the Company's Form 8 (File No. 1-5975) filed March 2, 1993, is incorporated by reference herein.

(e) There are no instruments defining the rights of holders with respect to long-term debt in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Other long-term indebtedness of the Company is described in Note 7 of Notes to Consolidated Financial Statements. The Company agrees to furnish copies of all such instruments defining the rights of the holders of such indebtedness to the Commission upon request.

10(a)* 1981 Non-Qualified Stock Option Plan, as amended. Exhibit 10(c) to Form SE filed on November 25, 1987, is incorporated by reference herein.

(b)* Amendment No. 2 to the 1981 Non-Qualified Stock Option Plan, as amended. Annex A to the Company's Proxy Statement covering the Annual Meeting of Stockholders on February 18, 1993, is incorporated by reference herein.

(c)* 1989 Stock Option Plan for Employees. Exhibit A to the Proxy Statement covering the Annual Meeting of Stockholders on January 11, 1990, is incorporated by reference herein.

(d)* Amendment No. 1 to the 1989 Stock Option Plan for Employees. Annex B to the Company's Proxy Statement covering the Annual Meeting of the Stockholders on February 18, 1993, is incorporated by reference herein.

(e)* Amendment No. 2 to the 1989 Stock Option Plan for Employees, filed herewith.

10(f)* 1989 Stock Option Plan for Non-Employee Directors. Exhibit B to the Proxy Statement covering the Annual Meeting of the Stockholders on January 11, 1990, is incorporated by reference herein.

(g)* Amendment No. 1 to the 1989 Stock Option Plan for Non-Employee Directors. Annex C to the Company's Proxy Statement covering the Annual Meeting of Stockholders on February 18, 1993, is incorporated by reference herein.

(h)* Amendment No. 2 to the 1989 Stock Option Plan for Non-Employee Directors, filed herewith.

(i)* Executive Management Incentive Compensation Plan -- Group A, Corporate, filed herewith.

(j)* Executive Management Incentive Compensation Plan -- Group I, Corporate, filed herewith.

(k)* Regional Incentive Compensation Plan -- Group I, Regional Senior Vice President, filed herewith.

(l)* Senior Management Incentive Compensation Plan -- Group II, Corporate, filed herewith.

(m)* Stock Bonus Plan. Exhibit A to the Company's Proxy Statement covering the Annual Meeting of Stockholders on January 10, 1991, is incorporated by reference herein.

(n)* Agreement providing for termination benefits in the event of a change of control, filed herewith.

(o)* First Amendment to the change of control agreement, filed herewith.

(p)* Employment Agreement as amended. Exhibit 10(m) to the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 1991, (File No. 1-5975) is incorporated by reference herein.

(q)* Directors' Retirement Policy as amended. Exhibit 10(m) to the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 1992, (File No. 1-5975) is incorporated by reference herein.

(r)* Humana Officers' Target Retirement Plan as amended. Exhibit 10(n) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1992, (File No. 1-5975) is incorporated by reference herein.

(s)* Form Letter Agreement concerning Officer's Target Retirement Plan dated June 18, 1992 for Messrs. Jones and Smith, filed herewith.

(t)* Humana Thrift Excess Plan. Exhibit 10(hh) to Form SE filed on November 29, 1989, is incorporated by reference herein.

(u)* Humana Supplemental Executive Retirement Plan. Exhibit 10(ii) to Form SE filed on November 29, 1989, is incorporated by reference herein.

(v) Indemnity Agreement. Appendix B to the Proxy Statement covering the Annual Meeting of the Stockholders held on January 8, 1987, is incorporated by reference herein.

(w) Agreement between The Secretary of the Department of Health and Human Services and Humana Medical Plan, Inc., filed herewith.

(x) Humana Inc. $200 million Credit Agreement dated January 12, 1994, filed herewith.

(y)	Operating Agreement between the Company and Galen Health Care, Inc., now known as Columbia/HCA Healthcare Corporation ("Galen"). Exhibit 10(d) to the Company's Current Report on Form 8-K filed on March 5, 1993, (the "8-K"), is incorporated by reference herein.
(z)	Form of Hospital Services Agreement between the Company, Galen and certain of their respective subsidiaries. Exhibit 10(e) to the 8-K is incorporated by reference herein.
(aa)	Medicare Supplement Agreement between the Company and Galen. Exhibit 10(f) to the 8-K is incorporated by reference herein.
(bb)	Assumption of Liabilities and Indemnification Agreement between the Company and Galen. Exhibit 10(g) to the 8-K is incorporated by reference herein.

- ---------------

* Exhibits 10(a) through and including 10(u) are compensatory plans or management contracts.

(cc)	Employee Benefits Allocation Agreement between the Company and Galen. Exhibit 10(h) to the 8-K is incorporated by reference herein.
(dd)	Tax Sharing and Indemnification Agreement between the Company and Galen. Exhibit 10(i) to the 8-K is incorporated by reference herein.
(ee)	Loss Portfolio Reinsurance Agreement between Health Care Indemnity, Inc. and Managed Care Indemnity, Inc. Exhibit 10(j) to the 8-K is incorporated by reference herein.
10(ff)	Lease Agreement between the Company and Galen regarding 500 West Main Street, Louisville, Kentucky. Exhibit 10(k) to the 8-K is incorporated by reference herein.
(gg)	Lease Agreement between the Company and Galen regarding 516 West Main Street, Louisville, Kentucky. Exhibit 10(l) to the 8-K is incorporated by reference herein.
(hh)	Lease Agreement between the Company and Galen regarding 101 West Main Street, Louisville, Kentucky. Exhibit 10(m) to the 8-K is incorporated by reference herein.
(ii)	Lease Agreement between the Company and Galen regarding 708 West Magazine Street, Louisville, Kentucky. Exhibit 10(n) to the 8-K is incorporated by reference herein.
(jj)	Lease Agreement between the Company and Galen regarding 8119 Data Point Drive, San Antonio, Texas. Exhibit 10(o) to the 8-K is incorporated by reference herein.
(kk)	Intellectual Property Agreement between the Company and Galen. Exhibit 10(p) to the 8-K is incorporated by reference herein.
(ll)	Aircraft Management Agreement between the Company and Galen. Exhibit 10(q) to the 8-K is incorporated by reference herein.
(mm)	Aircraft Interchange Agreement between the Company and Galen. Exhibit 10(r) to the 8-K is incorporated by reference herein.
(nn)	Information Systems Split Agreement between the Company and Galen. Exhibit 10(s) to the 8-K is incorporated by reference herein.
(oo)	Intercompany Information Systems Agreement between the Company and Galen. Exhibit 10(t) to the 8-K is incorporated by reference herein.
(pp)	Intercompany Communications Agreement between the Company and Galen. Exhibit 10(u) to the 8-K is incorporated by reference herein.
(qq)	Alternative Dispute Resolution Agreement between the Company and Galen dated March 8, 1993, filed herewith.
(rr)	Workers Compensation Administrative Services Agreement between Humana Health Insurance Company of Florida, Inc., a wholly-owned subsidiary of the Company, and Galen. Exhibit 10(w) to the 8-K is incorporated by reference herein.
(ss)	Administrative Services Agreement between Humana Insurance Company, a wholly-owned subsidiary of the Company, and Galen. Exhibit 10(x) to the 8-K is incorporated by reference herein.
12	Statement re Computation of Ratio of Earnings to Fixed Charges.
13	1993 Annual Report to Stockholders. The Annual Report shall not be deemed to be filed with the Commission except to the extent that information is specifically incorporated herein by reference.
21	List of Subsidiaries, filed herewith.
23	Consent of Coopers & Lybrand, filed herewith.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the last quarter of the period covered by this report.

16

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

HUMANA INC.

By: /s/ W. ROGER DRURY

W. Roger Drury
Chief Financial Officer

Date: March 29, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ JAMES E. MURRAY James E. Murray	Vice President and Controller (Principal Accounting Officer)	March 29, 1994
/s/ DAVID A. JONES David A. Jones	Chairman of the Board and Chief Executive Officer	March 29, 1994
/s/ WAYNE T. SMITH Wayne T. Smith	President and Chief Operating Officer and Director	March 29, 1994
/s/ K. FRANK AUSTEN, M.D. K. Frank Austen, M.D.	Director	March 29, 1994
/s/ MICHAEL E. GELLERT Michael E. Gellert	Director	March 29, 1994
/s/ JOHN R. HALL John R. Hall	Director	March 29, 1994
/s/ DAVID A. JONES, JR. David A. Jones, Jr.	Director	March 29, 1994
/s/ IRWIN LERNER Irwin Lerner	Director	March 29, 1994
/s/ W. ANN REYNOLDS, Ph.D. W. Ann Reynolds, Ph.D.	Director	March 29, 1994

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Humana Inc.

We have audited the consolidated financial statements and the financial statement schedules of Humana Inc. as listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Humana Inc. as of December 31, 1993, and 1992, and the consolidated results of operations and cash flows for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and for the four-month period ended December 31, 1992, in conformity with generally accepted accounting principles. In addition, in our opinion the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note 2 to the consolidated financial statements, Humana Inc. adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", effective September 1, 1991, and the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", effective December 31, 1993.

COOPERS & LYBRAND

Louisville, Kentucky
January 31, 1994

HUMANA INC.

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES
AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES
FOR THE YEARS ENDED DECEMBER 31, 1993, DECEMBER 31, 1992, AUGUST 31, 1992, AND AUGUST 31, 1991,
AND THE FOUR MONTHS ENDED DECEMBER 31, 1992
(DOLLARS IN THOUSANDS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	BALANCE AT END OF PERIOD	
				CURRENT	NOT CURRENT
Year ended August 31, 1991:					
David K. Jarboe	$	$ 283	$ 223	$	$ 60
	$	$ 283	$ 223	$	$ 60

Year ended August 31, 1992:					
David K. Jarboe	$ 60				$ 60
Michael McCallister		$ 188	$	$ 188	
	$ 60	$ 188	$	$ 188	$ 60
Four months ended December 31, 1992:					
David K. Jarboe	$ 60				$ 60
Michael McCallister	188	$	$ 188	$	
	$248	$	$ 188	$	$ 60
Year ended December 31, 1992:					
David K. Jarboe	$ 60				$ 60
Michael McCallister		$ 188	$ 188	$	
	$ 60	$ 188	$ 188	$	$ 60
Year ended December 31, 1993:					
David K. Jarboe	$ 60				$ 60(a)
George E. Bennett		$ 125	$	$	125(b)
	$ 60	$ 125	$	$	$ 185

- ---

(a) Noninterest bearing ; collateralized by deed of trust on personal residence; payable either in periodic installments or upon termination of employment, sale of residence or default on any collateral instrument having priority over Humana Inc.'s deed of trust.

(b) Bears interest at the rate of three percent; collateralized by second mortgage on personal residence; payable upon sale of residence, termination of employment or default on any other financing arrangement which is secured by a mortgage on the residence.

HUMANA INC.

SCHEDULE III -- PARENT COMPANY FINANCIAL INFORMATION(A)
CONDENSED BALANCE SHEET
DECEMBER 31, 1993 AND 1992
(DOLLARS IN MILLIONS)

ASSETS	DECEMBER 31,	
	1993	1992
Cash and cash equivalents	$ 27	$
Marketable securities	103	5
Other current assets	168	158
Total current assets	298	163
Property and equipment, net	125	142
Investments in subsidiaries	509	271
Long-term marketable securities	110	
Other	35	5
TOTAL ASSETS	$1,077	$581

LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities	$ 164	$195
Other	24	10
Total liabilities	188	205
Contingencies(b)		
Common stock 16 2/3 cents par; authorized 300,000,000 shares; issued and outstanding 160,343,788 shares -- December 31, 1993	27	
Other stockholders' equity	862	376
Total common stockholders' equity	889	376
TOTAL LIABILITIES AND COMMON STOCKHOLDERS' EQUITY	$1,077	$581

- ---

(a) Parent company financial information has been derived from the consolidated financial statements of the Company and excludes the accounts of all operating subsidiaries. This information should be read in conjunction with the consolidated financial statements of the Company.

(b) In the normal course of business the parent company indemnifies certain of its subsidiaries for their health plan obligations.

HUMANA INC.

SCHEDULE III -- PARENT COMPANY FINANCIAL INFORMATION(A)
CONDENSED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1993, DECEMBER 31, 1992,
AUGUST 31, 1992, AND AUGUST 31, 1991,
AND THE FOUR MONTHS ENDED DECEMBER 31, 1992
(DOLLARS IN MILLIONS)

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEARS ENDED AUGUST 31,	
	1993	1992	1992	1992	1991
Revenues:					
Management fees charged to operating subsidiaries	$121	$ 87	$ 38	$ 71	$ 54
Interest income	14			1	1
	135	87	38	72	55
Expenses:					
Selling, general and administrative	147	101	30	116	117
Depreciation and amortization	18	19	6	19	12
Restructuring and unusual charges		58		58	
Interest expense	16	11	2	13	12
	181	189	38	206	141
Loss before income taxes and equity in income (loss) of subsidiaries	(46)	(102)		(134)	(86)
Income tax benefit	17	34		45	31
Loss before equity in income (loss) of subsidiaries	(29)	(68)		(89)	(55)
Equity in income (loss) of subsidiaries	118	(39)	9	(25)	64
Net income (loss)	$ 89	$(107)	$ 9	$(114)	$ 9

- ---------------

(a) Parent company financial information has been derived from the consolidated financial statements of the Company and excludes the accounts of all operating subsidiaries. This information should be read in conjunction with the consolidated financial statements of the Company.

HUMANA INC.

SCHEDULE III -- PARENT COMPANY FINANCIAL INFORMATION(A)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1993, DECEMBER 31, 1992,
AUGUST 31, 1992, AND AUGUST 31, 1991,
AND THE FOUR MONTHS ENDED DECEMBER 31, 1992
(DOLLARS IN MILLIONS)

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEARS ENDED AUGUST 31,	
	1993	1992	1992	1992	1991
Net cash provided by (used in) operating activities	$ 20	$ (79)	$(64)	$ 9	$ (34)
Cash flows from investing activities:					
Net change in property and equipment	(1)	3	5	(18)	(74)
Change in marketable securities	(208)	6	30	(7)	(5)
Parent funding of operating subsidiaries	(160)	(19)	(9)	(77)	(103)
Dividends from operating subsidiaries	40	24		24	44
Other	(21)	(39)	18		
Net cash (used in) provided by investing activities	(350)	(25)	44	(78)	(138)
Cash flows from financing activities:					
Equity funding from Galen	383	72		74	176
Other	(26)	32	20	(5)	(4)
Net cash provided by financing activities	357	104	20	69	172
Increase in cash and cash equivalents	27				
Cash and cash equivalents at beginning of period					
Cash and cash equivalents at end of period	$ 27	$	$	$	$

- ---------------

(a) Parent company financial information has been derived from the consolidated financial statements of the Company and excludes the accounts of all operating subsidiaries. This information should be read in conjunction with the consolidated financial statements of the Company.

HUMANA INC.

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1993, DECEMBER 31, 1992,

AUGUST 31, 1992, AND AUGUST 31, 1991,
AND THE FOUR MONTHS ENDED DECEMBER 31, 1992
(DOLLARS IN MILLIONS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS OR WRITEOFFS	BALANCE AT END OF PERIOD
Allowance for loss on premiums receivable:				
Year ended August 31, 1991	$ 10	$3	$ (4)	$ 9
Year ended August 31, 1992	9	7	(5)	11
Four months ended December 31, 1992	11	3		14
Year ended December 31, 1992	10	8	(4)	14
Year ended December 31, 1993	14	4	(1)	17

23

Exhibit Index

Exhibit No.	Description
3(a)	Restated Certificate of Incorporation filed with the Secretary of State of Delaware on November 9, 1989, as restated pursuant to Item 102(c) of regulation S-T to incorporate the amendment of January 9, 1992, and the correction of March 23, 1992. Exhibit 4.(i) to the Company's Post-Effective Amendment to the Registration Statement on Form S-8 (Reg. No. 33-49305) filed February 2, 1994, is incorporated by reference herein.
(b)	By-laws, as amended. Exhibit 3(a) to the Company's Current Report on Form 8-K (File No. 1-5975) filed March 5, 1993, is incorporated by reference herein.
4(a)	Restated Certificate of Incorporation as amended and corrected and By-laws as amended. (See 3(a) and (b) above.)
(b)	Form of Rights Agreement dated March 5, 1987, between Humana Inc. and Mid-America Bank of Louisville and Trust Company (the "Rights Agreement"). Exhibit 1 to the Form SE for the Registration Statement (File No. 1-5975) on Form 8-A dated March 9, 1987, is incorporated by reference herein.
(c)	Amendment No. 1, dated December 7, 1992, to the Rights Agreement. Exhibit 1.1 to the Company's Form 8 (File No. 1-5975) filed December 16, 1992, is incorporated by reference herein.
(d)	Amendment No. 2, dated March 2, 1993, to the Rights Agreement. Exhibit 1.2 to the Company's Form 8 (File No. 1-5975) filed March 2, 1993, is incorporated by reference herein.
(e)	There are no instruments defining the rights of holders with respect to long-term debt in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Other long-term indebtedness of the Company is described in Note 7 of Notes to Consolidated Financial Statements. The Company agrees to furnish copies of all such instruments defining the rights of the holders of such indebtedness to the Commission upon request.
10(a)*	1981 Non-Qualified Stock Option Plan, as amended. Exhibit 10(c) to Form SE filed on November 25, 1987, is incorporated by reference herein.
(b)*	Amendment No. 2 to the 1981 Non-Qualified Stock Option Plan, as amended. Annex A to the Company's Proxy Statement covering the Annual Meeting of Stockholders on February 18, 1993, is incorporated by reference herein.
(c)*	1989 Stock Option Plan for Employees. Exhibit A to the Proxy Statement covering the Annual Meeting of Stockholders on January 11, 1990, is incorporated by reference herein.
(d)*	Amendment No. 1 to the 1989 Stock Option Plan for Employees. Annex B to the Company's Proxy Statement covering the Annual Meeting of the Stockholders on February 18, 1993, is incorporated by reference herein.
(e)*	Amendment No. 2 to the 1989 Stock Option Plan for Employees, filed herewith.

Exhibit No.	Description
10(f)*	1989 Stock Option Plan for Non-Employee Directors. Exhibit B to the Proxy Statement covering the Annual Meeting of the Stockholders on January 11, 1990, is incorporated by reference herein.
(g)*	Amendment No. 1 to the 1989 Stock Option Plan for Non-Employee Directors. Annex C to the Company's Proxy Statement covering the Annual Meeting of Stockholders on February 18, 1993, is incorporated by reference herein.
(h)*	Amendment No. 2 to the 1989 Stock Option Plan for Non-Employee Directors, filed herewith.
(i)*	Executive Management Incentive Compensation Plan -- Group A, Corporate, filed herewith.
(j)*	Executive Management Incentive Compensation Plan -- Group I, Corporate, filed herewith.
(k)*	Regional Incentive Compensation Plan -- Group I, Regional Senior Vice President, filed herewith.
(l)*	Senior Management Incentive Compensation Plan -- Group II, Corporate, filed herewith.
(m)*	Stock Bonus Plan. Exhibit A to the Company's Proxy Statement covering the Annual Meeting of Stockholders on January 10, 1991, is incorporated by reference herein.
(n)*	Agreement providing for termination benefits in the event of a change of control, filed herewith.
(o)*	First Amendment to the change of control agreement, filed herewith.
(p)*	Employment Agreement as amended. Exhibit 10(m) to the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 1991, (File No. 1-5975) is incorporated by reference herein.
(q)*	Directors' Retirement Policy as amended. Exhibit 10(m) to the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 1992, (File No. 1-5975) is incorporated by reference herein.
(r)*	Humana Officers' Target Retirement Plan as amended. Exhibit 10(n) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1992, (File No. 1-5975) is incorporated by reference herein.
(s)*	Form Letter Agreement concerning Officer's Target Retirement Plan dated June 18, 1992 for Messrs. Jones and Smith, filed herewith.
(t)*	Humana Thrift Excess Plan. Exhibit 10(hh) to Form SE filed on November 29, 1989, is incorporated by reference herein.
(u)*	Humana Supplemental Executive Retirement Plan. Exhibit 10(ii) to Form SE filed on November 29, 1989, is incorporated by reference herein.
(v)	Indemnity Agreement. Appendix B to the Proxy Statement covering the Annual Meeting of the Stockholders held on January 8, 1987, is incorporated by reference herein.
(w)	Agreement between The Secretary of the Department of Health and Human Services and Humana Medical Plan, Inc., filed herewith.
(x)	Humana Inc. $200 million Credit Agreement dated January 12, 1994, filed herewith.
(y)	Operating Agreement between the Company and Galen Health Care, Inc., now known as Columbia/HCA Healthcare Corporation ("Galen"). Exhibit 10(d) to the Company's Current Report on Form 8-K filed on March 5, 1993, (the "8-K"), is incorporated by reference herein.
(z)	Form of Hospital Services Agreement between the Company, Galen and certain of their respective subsidiaries. Exhibit 10(e) to the 8-K is incorporated by reference herein.
(aa)	Medicare Supplement Agreement between the Company and Galen. Exhibit 10(f) to the 8-K is incorporated by reference herein.
(bb)	Assumption of Liabilities and Indemnification Agreement between the Company and Galen. Exhibit 10(g) to the 8-K is incorporated by reference herein.

- ---

* Exhibits 10(a) through and including 10(u) are compensatory plans or management contracts.

Exhibit No.	Description
(cc)	Employee Benefits Allocation Agreement between the Company and Galen. Exhibit 10(h) to the 8-K is incorporated by reference herein.
(dd)	Tax Sharing and Indemnification Agreement between the Company and Galen. Exhibit 10(i) to the 8-K is incorporated by reference herein.
(ee)	Loss Portfolio Reinsurance Agreement between Health Care Indemnity, Inc. and Managed Care Indemnity, Inc. Exhibit 10(j) to the 8-K is incorporated by reference herein.

10(ff)	Lease Agreement between the Company and Galen regarding 500 West Main Street, Louisville, Kentucky. Exhibit 10(k) to the 8-K is incorporated by reference herein.
(gg)	Lease Agreement between the Company and Galen regarding 516 West Main Street, Louisville, Kentucky. Exhibit 10(l) to the 8-K is incorporated by reference herein.
(hh)	Lease Agreement between the Company and Galen regarding 101 West Main Street, Louisville, Kentucky. Exhibit 10(m) to the 8-K is incorporated by reference herein.
(ii)	Lease Agreement between the Company and Galen regarding 708 West Magazine Street, Louisville, Kentucky. Exhibit 10(n) to the 8-K is incorporated by reference herein.
(jj)	Lease Agreement between the Company and Galen regarding 8119 Data Point Drive, San Antonio, Texas. Exhibit 10(o) to the 8-K is incorporated by reference herein.
(kk)	Intellectual Property Agreement between the Company and Galen. Exhibit 10(p) to the 8-K is incorporated by reference herein.
(ll)	Aircraft Management Agreement between the Company and Galen. Exhibit 10(q) to the 8-K is incorporated by reference herein.
(mm)	Aircraft Interchange Agreement between the Company and Galen. Exhibit 10(r) to the 8-K is incorporated by reference herein.
(nn)	Information Systems Split Agreement between the Company and Galen. Exhibit 10(s) to the 8-K is incorporated by reference herein.
(oo)	Intercompany Information Systems Agreement between the Company and Galen. Exhibit 10(t) to the 8-K is incorporated by reference herein.
(pp)	Intercompany Communications Agreement between the Company and Galen. Exhibit 10(u) to the 8-K is incorporated by reference herein.
(qq)	Alternative Dispute Resolution Agreement between the Company and Galen dated March 8, 1993, filed herewith.
(rr)	Workers Compensation Administrative Services Agreement between Humana Health Insurance Company of Florida, Inc., a wholly-owned subsidiary of the Company, and Galen. Exhibit 10(w) to the 8-K is incorporated by reference herein.
(ss)	Administrative Services Agreement between Humana Insurance Company, a wholly-owned subsidiary of the Company, and Galen. Exhibit 10(x) to the 8-K is incorporated by reference herein.
12	Statement re Computation of Ratio of Earnings to Fixed Charges.
13	1993 Annual Report to Stockholders. The Annual Report shall not be deemed to be filed with the Commission except to the extent that information is specifically incorporated herein by reference.
21	List of Subsidiaries, filed herewith.
23	Consent of Coopers & Lybrand, filed herewith.

Exhibit 10(e)

AMENDMENT NUMBER TWO TO HUMANA INC.
1989 STOCK OPTION PLAN FOR EMPLOYEES

This AMENDMENT NUMBER TWO TO HUMANA INC. 1989 STOCK OPTION PLAN FOR EMPLOYEES ("AMENDMENT") is hereby adopted by HUMANA INC., a Delaware corporation (the "COMPANY").

WHEREAS, the Company maintains the Humana Inc. 1989 Stock Option Plan for Employees (the "PLAN"); and

WHEREAS, the Plan has been amended by Amendment Number One dated December 7, 1992; and

WHEREAS, the Board of Directors has determined that it is desirable to increase the total amount of Shares for which Options may be granted under the Plan by 7,000,000 Shares, i.e. from 6,600,000 Shares (the total current authorized Shares) to 13,600,000 Shares; and

WHEREAS, the Board of Directors has also determined that it is desirable to establish a maximum number of Options which may be granted to an individual employee from February 18, 1993 for the remaining term of the Plan in order to enable the Plan to meet certain exceptions to the non-deductibility rule contained in Section 162(m) of the Internal Revenue Code.

NOW, THEREFORE, pursuant to the right to amend as set forth in Section 17 of the Plan, effective upon approval by the stockholders of the Company at the 1994 Annual Meeting of Stockholders, the Plan is hereby amended as hereinafter set forth.

1. The second sentence of Section 5 entitled "Stock Available for Options" is hereby amended by substituting the number "13,600,000" for the number "4,400,000" (currently adjusted to 6,600,000 due to a 3 for 2 stock split on July 1, 1991) so that the sentence now reads as follows:

> "The total amount of Shares for which Options may be granted under the Plan shall not exceed 13,600,000 shares."

2. A new Section 19 is hereby added to the Plan as follows:

> "19. MAXIMUM OPTIONS TO AN INDIVIDUAL EMPLOYEE. Commencing on February 18, 1994 (the "Commencement Date") and continuing thereafter for the remaining term of the Plan, no individual employee may be

> granted Options to purchase Shares in excess of fifteen percent (15%) of the sum of 2,917,459 Shares (the number of Shares available under the Plan on the Commencement Date) plus all increases in the total number of Shares authorized under the Plan over 6,600,000 (the total authorized Shares at the Commencement Date)."

IN WITNESS WHEREOF, the Company has caused this Amendment to be duly executed as of the date set forth below.

HUMANA INC.

Date: January 13, 1994

BY: /s/ David A. Jones

Chairman of the Board

and Chief Executive Officer

Exhibit 10(h)

AMENDMENT NUMBER TWO TO HUMANA INC.
1989 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

This AMENDMENT NUMBER TWO TO HUMANA INC. 1989 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS ("AMENDMENT") is hereby adopted by HUMANA INC., a Delaware corporation (the "COMPANY").

WHEREAS, the Company maintains the Humana Inc. 1989 Stock Option Plan for Non-Employee Directors (the "PLAN"); and

WHEREAS, the Plan has been amended by Amendment Number One dated December 7, 1992; and

WHEREAS, the Board of Directors has determined that it is desirable to increase the total amount of Shares for which Options may be granted under the Plan from 6,600,000 Shares (the total current authorized Shares) to 13,600,000 Shares and to provide for automatic grants of Non-Qualified Options to non-employee directors, all as more fully hereinafter set forth.

NOW, THEREFORE, pursuant to the right to amend as set forth in Section 17 of the Plan, effective upon approval by the stockholders of the Company at the 1994 Annual Meeting of Stockholders, the Plan is hereby amended as hereinafter set forth.

1. The second sentence of Section 5 entitled "Stock Available for Options" is hereby amended by substituting the number "13,600,000" for the number "4,400,000" (currently adjusted to 6,600,000 due to a 3 for 2 stock split on July 1, 1991) so that the sentence now reads as follows:

> "The total amount of Shares for which Options may be granted under the Plan shall not exceed 13,600,000 shares."

2. A new Section 17 is hereby added to the Plan as follows:

> "17. AUTOMATIC GRANTS. In addition to the onetime grants which shall be made hereunder pursuant to Section 3, commencing on January 3, 1994 and on the first (1st) business day of each January thereafter, grants of Options to purchase five thousand (5,000) Shares of Company Stock will automatically be made to each non-employee director of the Company who has been a director continuously for at least the full calendar year prior thereto. Each such automatic grant will be for Non-Qualified Options at the Fair Market Value of the Stock on date of grant and

> will vest and become exercisable one (1) year thereafter. The term of each such Option shall be ten (10) years."

3 . The present Sections 17 and 18 of the Plan entitled "Amendment to the Plan" and "Effective Date and Term of the Plan," respectively, are hereby renumbered Sections 18 and 19, respectively.

IN WITNESS WHEREOF, the Company has caused this Amendment to be duly executed as of the date set forth below.

HUMANA INC.

Date: January 13, 1994

BY: /s/ David A. Jones

Chairman of the Board and
Chief Executive Officer

Exhibit 10(i)

HUMANA INC.

EXECUTIVE MANAGEMENT INCENTIVE COMPENSATION PLAN - GROUP A

CHIEF EXECUTIVE OFFICER & CHIEF OPERATING OFFICER

CORPORATE

I. OBJECTIVES

The objectives of the Humana Inc. Executive Management Incentive Compensation Plan are:

A. To reward executive management for their efforts in optimizing the profitability and growth of Humana Inc. (the "Company") consistent with the Company's mission of achieving unequaled, measurable quality and productivity and with other goals of the Company, its stockholders and its employees.

B. To provide significant opportunity for those members of executive management who have major profit responsibility within the Company.

II. ELIGIBILITY AND AWARDS

A. Membership in this Plan will consist of the Chief Executive Officer and the Chief Operating Officer of the Company (the "Participants") plus any other executive officers as chosen by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"). The Compensation Committee will notify Participants of their selection prior to the commencement of each fiscal year.

B. Incentive compensation will be computed by measuring (i) the Company's achievement of actual consolidated net income ("Consolidated Net Income") for each fiscal year against Consolidated Net Income objectives established by the Compensation Committee for each fiscal year prior to the commencement thereof or (ii) such other performance goals as may be established by the Compensation Committee from time to time and approved by the Company's shareholders in accordance with Internal Revenue Service regulations promulgated under Section 162(m) of the Internal Revenue Code.

C. Incentive compensation for a fiscal year shall be based on the Participant's salary at the beginning of such fiscal year exclusive of any bonus or fringe benefits paid or accrued during such fiscal year ("Salary"). The maximum incentive compensation paid for any fiscal year to any Participant shall not exceed one-hundred percent (100%) of Salary; the precise percentage earned shall be based upon a schedule of target goals as to Consolidated Net Income established pursuant to Section II (B) above. The Compensation Committee may not increase this maximum but may, in its sole discretion, decrease the amount of incentive compensation to be paid for any fiscal year to an amount less than would be payable based on the Company's actual performance for that

year. Notwithstanding anything herein to the contrary, the maximum incentive compensation paid for any fiscal year to any Participant may not exceed one million ($1,000,000) dollars.

D. The Company's actual Consolidated Net Income for each fiscal year will be determined in accordance with generally accepted accounting principles; provided, however, that (a) the effects of accounting policy changes from the prior fiscal year and unusual non-recurring gains and losses will be excluded, and (b) incentive compensation generated pursuant to incentive plans of the Company, including this Plan, shall be accrued and deducted as an expense for such fiscal year.

E. Incentive compensation is earned in addition to consideration for merit and promotional increases under the Company's wage and salary program. Incentive compensation will be paid to Participants on or before March 15, following the close of the fiscal year in respect of which it was earned.

III. ADMINISTRATION OF THIS PLAN

This Plan shall be administered by the Compensation Committee which shall have full power and final authority to construe, interpret and administer the Plan. Following the close of a fiscal year and before any payments are made hereunder for that fiscal year, the Compensation Committee must certify in writing whether and to what extent the performance goals have been satisfied. No member of the Compensation Committee shall be personally liable for damage, in the absence of bad faith, for any act or omission with respect to his service on the Committee.

IV. ELIGIBILITY DURING FISCAL YEAR

Subject to the discretion of the Compensation Committee as set forth in Section II.C. of this Plan, an individual who becomes a Participant in this Plan due to employment, transfer or promotion during the fiscal year will be eligible to receive partial incentive compensation based upon the Participant's Salary for the period of time eligible and the level of achievement in relation to targeted goals for the entire fiscal year. In no event, however, will partial payments be made for any period of time of less than two months.

V. INELIGIBILITY DURING FISCAL YEAR

A Participant in this Plan who becomes ineligible during the fiscal year due to transfer or change of position shall cease to be eligible for further participation in this Plan on the date of transfer or change to the ineligible position. Subject to the discretion of the Compensation Committee as set forth in Section II.C. of this Plan, if the Participant, prior to the date of transfer or change, has been a Participant in the Plan for a minimum of two calendar months of the fiscal year, the Participant will be eligible to receive partial incentive compensation based upon the Participant's Salary for such period of time and the level of achievement in relation to targeted goals for the entire fiscal year.

VI. TERMINATION OF EMPLOYMENT; LEAVE OF ABSENCE

Subject to the discretion of the Compensation Committee as set forth in Section II.C. of this Plan, a Participant who has been employed (a) during the entire fiscal year for which incentive compensation is to be paid, but whose employment is terminated, voluntarily or involuntarily (other than for cause) or who is granted a leave of absence, after the end of such fiscal year and prior to the payment

date therefor, will be eligible to receive his/her full incentive compensation with respect to such fiscal year as determined in accordance with the provisions of this Plan, or (b) through the first two calendar months of any fiscal year, but whose employment is terminated, voluntarily or involuntarily (other than for cause) or who is granted a leave of absence, after the end of the first two calendar months of

any fiscal year but prior to the end of such fiscal year, will be eligible to receive partial incentive compensation with respect to such fiscal year based upon the Participant's Salary for the period of time he/she was a Participant at the level of achievement in relation to targeted goals for the entire fiscal year. A Participant whose employment is terminated for cause or whose employment is terminated for any other reason prior to the end of the first two calendar months of such fiscal year shall not be eligible to receive any incentive compensation under this Plan other than those amounts which have been paid to him/her prior to the date he/she is terminated.

VII. DEFERRED COMPENSATION

A Participant in this Plan may irrevocably elect to defer receipt of any amount earned pursuant to this Plan, provided such election is made in writing. The terms of any deferred compensation arrangement must be approved in writing by the Chairman of the Compensation Committee and the Participant. Any amount deferred pursuant to this Plan will bear interest at a rate determined by the Compensation Committee.

VIII. COMPANY'S RIGHT TO TERMINATE

The Company shall have the right to terminate this Plan, with or without notice, in whole or in part, at any time.

IX. GENERAL PROVISIONS

A. No person has any claim or right to be included in this Plan or to be granted incentive compensation under this Plan until such individual has been declared a Participant and received an official written notice thereof in accordance with the procedures as set forth in this Plan. In addition, all of the requirements and applicable rules and regulations of this Plan must have been met including, but not limited to, the availability of funds for incentive compensation awards and the determination by the Compensation Committee of the extent to which targeted goals have been met.

B. The designation of an individual as a Participant under this Plan does not in any way alter the nature of the Participant's employment relationship.

X. SHAREHOLDER APPROVAL

Notwithstanding anything herein to the contrary, this Plan is subject to and conditioned upon the approval of the Company's shareholders at

the May 26, 1994 annual meeting of shareholders.

Exhibit 10(j)

HUMANA INC.

EXECUTIVE MANAGEMENT INCENTIVE COMPENSATION PLAN - GROUP I

CORPORATE

I. OBJECTIVES

The objectives of the Humana Inc. Executive Management Incentive Compensation Plan are:

A. To optimize the profitability and growth of Humana Inc. (the "Corporation") consistent with Humana's mission of achieving unequaled, measurable quality and productivity and with other goals of the Corporation, its stockholders and its employees.

B. To promote teamwork among members of corporate management, foster cooperation between corporate and field management, as well as to encourage excellence in the performance of individual responsibilities.

C. To provide significant opportunity for those members of corporate management who have major profit responsibility within the Corporation.

II. ELIGIBILITY AND AWARDS

A. Membership in this Plan will be approved by the Chief Executive Officer. Individuals selected to participate (a "Participant") will be notified in writing by the Vice President of Human Resources.

B. Incentive compensation funds will be generated by the Corporation's performance against annual objectives established by the Compensation Committee. Except as hereinafter provided, the attainment of such objectives shall be determined by comparing them against the actual results as certified by the Corporation's independent accountants. A Participant's incentive compensation will be earned pursuant to a schedule attached hereto of target goals established for each fiscal year by the Compensation Committee (the "Schedule"). The target goals in the Schedule will be based upon the Corporation's approved annual business plan.

C. Incentive compensation shall be based on the Participant's paid salary, exclusive of any bonus or fringe benefits. The maximum incentive compensation paid shall not exceed one-hundred percent (100%) of such paid salary.

D. The Board of Directors of the Corporation reserves the right to pass upon the quality of earnings and to adjust earnings prior to calculation of incentive compensation awards if such earnings are not in accordance with the assumptions included in the Corporation's business plan.

E. Incentive compensation is earned in addition to consideration for merit and promotional increases under the Corporation's wage and salary program. Incentive compensation will be paid to Participants on or before March 15, following the close of

the fiscal year.

III. EARNINGS PER SHARE OBJECTIVE

The minimum earnings per share objective shall be set by the Compensation Committee so as to always require an increase in earnings per share over the prior fiscal year before any incentive compensation whatsoever may be earned pursuant to this Plan. That is, should earnings per share decline in any fiscal year, for whatever reason, there shall be no incentive compensation paid for such fiscal year. In determining whether earnings per share objectives have been achieved, incentive compensation generated for all Incentive Plans shall be accrued and deducted as an expense for the fiscal year.

IV. ADMINISTRATION OF THIS PlAN

This Plan shall be administered by the Compensation Committee which shall have full power and final authority to construe, interpret and administer the Plan. No member of the Committee shall be personally liable for damage, in the absence of bad faith, for any act or omission with respect to his service on the Committee.

V. ELIGIBILITY DURING FISCAL YEAR

An individual who becomes a Participant in this Plan due to employment, transfer or promotion during the fiscal year will be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time eligible and the level of achievement in relation to targeted goals for the entire fiscal year. In no event, however, will partial payments be made for any period of time of less than two months.

VI. INELIGIBILITY DURING FISCAL YEAR

A Participant in this Plan who becomes ineligible during the fiscal year due to transfer or change of position shall cease to be eligible for further participation in this Plan on the date of transfer or change to the ineligible position. If the Participant, prior to the date of transfer or change, has been a Participant in the Plan for a minimum of two calendar months of the fiscal year, the Participant will be eligible to receive partial incentive compensation based upon the Participant's paid salary for such period of time and the level of achievement in relation to targeted goals for the entire fiscal year.

VII. TERMINATION

Except as specifically provided herein to the contrary, in order to be eligible for incentive compensation, a Participant must be an active employee at the time incentive compensation is paid. Termination, voluntary or involuntary, prior to the date of payment will result in the forfeiture of any incentive compensation claims for any year.

VIII. RETIREMENT

A Participant who has been employed during the entire fiscal

year for which incentive compensation is to be earned, but who is retired at or after the end of such fiscal year, will be eligible for full incentive compensation as determined in accordance with the provisions of this Plan. If a Participant retires prior to the end of the fiscal year but after April 30, the Participant will be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time he/she was a participant at the level of achievement in relation to targeted goals for the entire fiscal year.

IX. LEAVE OF ABSENCE OR DISABILITY

A Participant who becomes disabled or who is granted a leave of absence after April 30 may, at the discretion of the Compensation Committee, and under such rules as the Committee may from time to time prescribe, be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time he/she was a Participant at the level of achievement in relation to targeted goals for the entire fiscal year.

X. DEATH

If a Participant has been employed during the entire fiscal year for which incentive compensation is to be earned, but dies prior to the date of payment, there will be no forfeiture and the Participant's estate will be eligible to receive the Participant's incentive compensation. If a Participant dies after April 30 and before the end of the fiscal year, the Participant's estate will be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time he/she was a Participant at the level of achievement in relation to targeted goals for the entire fiscal year.

XI. DEFERRED COMPENSATION

A Participant in this Plan may elect to defer receipt of any amount earned pursuant to this Plan, provided such election is made in writing. The terms of any deferred compensation arrangement must be approved in writing by the Chairman of the Compensation Committee and the Participant.

XII. CORPORATION'S RIGHT TO MODIFY OR TERMINATE

The Corporation shall have the right to change, modify or terminate this plan, with or without notice, in whole or in part, at any time.

XIII. GENERAL PROVISIONS

A. No person has any claim or right to be included in this Plan or to be granted incentive compensation under this Plan until such individual has been declared a Participant and received an official written notice thereof in accordance with the procedures as set forth in this Plan. In addition, all of the requirements and applicable rules and regulations of this Plan must have been met including, but not limited to, the availability of funds for incentive compensation awards

and the determination of the extent to which targeted goals have been met.

B. The designation of an individual as a Participant under this Plan does not in any way alter the nature of the Participant's employment relationship.

Exhibit 10(k)

Humana Inc.

Regional Incentive Compensation Plan - Group I
Regional Senior Vice President

I. OBJECTIVES OF THE PLAN

The objectives of the Regional Management Incentive Compensation Plan are:

1. To optimize the profitability of Humana Inc., and each of its facilities consistent with the mission of Humana Inc.

2. To promote teamwork among members of management, as well as encourage excellence in the performance of individual responsibilities while emphasizing the improvement of quality patient care and satisfaction.

3. To provide significant opportunity for those members of regional management who have major responsibility within the Corporation.

II. ELIGIBILITY

Membership in this plan will be approved by the President and the Senior Vice President/Operations of Humana Inc.

III. AWARDS

1. Incentive compensation is generated by performance against annual objectives established by the President and the Senior Vice President/Operations of Humana Inc. as described in Attachment I.

2. Incentive compensation for individuals shall be based on the participant's paid salary, exclusive of any bonus or fringe benefits. The maximum incentive compensation shall not exceed one-hundred percent (100%) of paid salary.

3. All participants will automatically receive seventy-five percent (75%) of the available incentive compensation pool generated by performance against targeted objectives; the remaining twenty-five percent (25%) will be placed in a fund. All or part of this fund will be distributed among participants in this plan on a discretionary basis, which will take into account executive management's evaluation of individual performance against personal objectives. Any amounts remaining in this fund after all payments are made shall be retained by the Corporation and the fund shall terminate.

4. Incentive compensation will be paid to participants following distribution of the annual report to shareholders.

5. Incentive compensation is earned in addition to

consideration for merit and promotional increases under the Corporation's wage and salary program.

IV. EVALUATION OF PERFORMANCE

Evaluation of performance will be based on goals for the current fiscal year found in Attachment I.

Evaluation of performance against these goals will be the responsibility of the President and the Senior Vice President/Operations of Humana Inc. using the attached schedules. They shall establish a percentage of the incentive compensation pool that is available for participants in this plan based on the actual performance versus the attached incentive compensation measurements.

V. ADMINISTRATION OF THIS PLAN

The plan shall be administered by the President and the Senior Vice President/Operations of Humana Inc., and they shall have full power and final authority to construe, interpret, amend and administer the plan.

VI. ELIGIBILITY DURING FISCAL YEAR

An individual who becomes eligible, and with approval by the President and the Senior Vice President/Operations of Humana Inc., for participation in this plan due to employment, transfer or promotion during the fiscal year, will be eligible to receive partial incentive compensation based upon the participant's paid salary for the period of time eligible and the level of achievement in relation to targeted objectives for the fiscal year. In no event, however, will partial payments be made for any period of time of less than two months.

VII. INELIGIBILITY DURING FISCAL YEAR

A participant in this plan who becomes ineligible during the fiscal year due to transfer or change of position shall cease to be eligible for further participation in this plan on the date of transfer to the ineligible position. If the participant, prior to the date of transfer, had been in an eligible position for a minimum of two calendar months of the fiscal year, the participant will be eligible to receive partial incentive compensation based upon the participant's salary for the period of time eligible and the level of achievement in relation to targeted objectives for the fiscal year.

VIII. TERMINATION

Except as specifically provided herein to the contrary, in order to be eligible for incentive compensation, a participant must be an active employee at the time incentive compensation is paid. Termination of employment, voluntary or involuntary, prior to the date of payment will result in the forfeiture of any incentive compensation claims for any year.

IX. RETIREMENT

A participant who has been employed during the entire fiscal year for which incentive compensation is to be earned, but who is retired at the end of the fiscal year, will be eligible for full incentive compensation as determined in accordance with this plan. If a participant retires prior to the end of the fiscal year, but after April 30, the participant will be eligible to receive partial incentive compensation based upon the level of achievement in relation to targeted objectives for the fiscal year.

X. LEAVE OF ABSENCE OR DISABILITY

A participant who becomes disabled or who is granted a leave of absence after April 30 may, at the discretion of the President and the Senior Vice President/Operations, and under such rules as the President and the Senior Vice President/Operations of Humana Inc. may from time to time prescribe, be eligible to receive partial incentive compensation based upon the level of achievement in relation to targeted objectives for the fiscal year.

XI. DEATH

A participant who has been employed during the entire fiscal year for which incentive compensation is to be earned, but who dies prior to the date of payment, will be eligible for full incentive compensation. If participant dies after April 30 and before the end of the fiscal year, the participant's estate will be eligible to receive partial incentive compensation based upon the level of achievement in relation to targeted objectives for the fiscal year.

XII. QUALITY OF EARNINGS

The Chief Executive Officer reserves the right to pass upon the quality of earnings and to reduce any suspect earnings prior to calculation of Incentive Compensation awards.

XIII. PROFIT OBJECTIVE

Incentive Compensation generated for the Groups shall be accrued and deducted as an expense for the fiscal year in determining whether profit objectives have been achieved.

XIV. GENERAL PROVISIONS

1. Any deviation from accepted operating practices and accounting, including but not by way of limitation, unreasonable deferral of preventive or other maintenance, late processing of invoices or inconsistent accounting practices, significant adjustments to data, whether or not done by participant, may, at the discretion of the President of Humana Inc., reduce or forfeit a participant's claim or award under this plan.

2. No individual employee or any other person has any claim or right to be included in this plan or to be granted Incentive Compensation under this plan until such individual has been declared a participant and

received an official written notice thereof in accordance with the procedures as set forth in this plan. In addition, all of the requirements and applicable rules and regulations of this plan must have been met including, but not limited to, the availability of funds for Incentive Compensation Awards, the determination of the extent to which goals have been met and the individual performance evaluations.

3. The designation of an individual as a participant under this plan does not alter the nature of the participant's employment relationship.

XV. CORPORATION'S RIGHT TO MODIFY OR TERMINATE

The corporation shall have the right to change, modify, or terminate this plan, with or without notice, in whole or in part, at any time.

Exhibit 10(l)

HUMANA INC.

SENIOR MANAGEMENT INCENTIVE COMPENSATION PlAN - GROUP II

CORPORATE

I. OBJECTIVES

The objectives of the Humana Inc. Senior Management Incentive Compensation Plan are:

A. To optimize the profitability and growth of Humana Inc. (the "Corporation") consistent with Humana's mission of achieving unequaled, measurable quality and productivity and with other goals of the Corporation, its stockholders and its employees.

B. To promote teamwork among members of corporate management, foster cooperation between corporate and field management, as well as to encourage excellence in the performance of individual responsibilities.

C. To provide significant opportunity for those members of corporate management who have major profit responsibility within the Corporation.

II. ELIGIBILITY AND AWARDS

A. Membership in this Plan will be approved by the Chief Executive Officer. Individuals selected to participate (a "Participant") will be notified in writing by the Vice President of Human Resources.

B. Incentive compensation funds will be generated by the Corporation's performance against annual objectives established by the Compensation Committee. Except as hereinafter provided, the attainment of such objectives shall be determined by comparing them against the actual results as certified by the Corporation's independent accountants. A Participant's incentive compensation will be earned pursuant to a schedule attached hereto of target goals established for each fiscal year by the Compensation Committee (the "Schedule"). The target goals in the Schedule will be based upon the Corporation's approved annual business plan.

C. A Participant's incentive compensation shall be based on his/her paid salary, exclusive of any bonus or fringe benefits. The maximum Incentive Compensation shall not exceed sixty percent (60%) of that individual's paid salary.

D. The Board of Directors of the Corporation reserves the right to pass upon the quality of earnings and to adjust earnings prior to calculation of incentive compensation awards if such earnings are not in accordance with the assumptions included in the Corporation's business plan.

E. Incentive compensation is earned in addition to consideration for merit and promotional increases under the Corporation's wage and salary program. Incentive compensation will be paid to Participants on or before March 15, following the close of the fiscal year.

III. EARNINGS PER SHARE OBJECTIVE

The minimum earnings per share objective shall be set by the Compensation Committee so as to always require an increase in earnings per share over the prior fiscal year before any incentive compensation whatsoever may be earned pursuant to this Plan. That is, should earnings per share decline in any fiscal year, for whatever reason, there shall be no incentive compensation paid for such fiscal year. In determining whether earnings per share objectives have been achieved, incentive compensation generated for all Incentive Plans shall be accrued and deducted as an expense for the fiscal year.

IV. ADMINISTRATION OF THIS PLAN

This Plan shall be administered by the Compensation Committee which shall have full power and final authority to construe, interpret and administer the Plan. No member of the Committee shall be personally liable for damage, in the absence of bad faith, for any act or omission with respect to his service on the Committee.

V. ELIGIBILITY DURING FISCAL YEAR

An individual who becomes a Participant in this Plan due to employment, transfer or promotion during the fiscal year will be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time eligible and the level of achievement in relation to targeted goals for the entire fiscal year. In no event, however, will partial payments be made for any period of time of less than two months.

VI. INELIGIBILITY DURING FISCAL YEAR

A Participant in this Plan who becomes ineligible during the fiscal year due to transfer or change of position shall cease to be eligible for further participation in this Plan on the date of transfer or change to the ineligible position. If the

Participant, prior to the date of transfer or change, has been a Participant in the Plan for a minimum of two calendar months of the fiscal year, the Participant will be eligible to receive partial incentive compensation based upon the Participant's paid salary for such period of time and the level of achievement in relation to targeted goals for the entire fiscal year.

VII. TERMINATION

Except as specifically provided herein to the contrary, in order to be eligible for incentive compensation, a Participant must be an active employee at the time incentive compensation is paid. Termination, voluntary or involuntary, prior to the date of payment will result in the forfeiture of any incentive compensation claims for any year.

VIII. RETIREMENT

A Participant who has been employed during the entire fiscal year for which incentive compensation is to be earned, but who is retired at or after the end of such fiscal year, will be eligible for full incentive compensation as determined in accordance with the provisions of this Plan. If a Participant retires prior to the end of the fiscal year but after April 30, the Participant will be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time he/she was a participant at the level of achievement in relation to targeted goals for the entire fiscal year.

IX. LEAVE OF ABSENCE OR DISABILITY

A Participant who becomes disabled or who is granted a leave of absence after April 30 may, at the discretion of the Compensation Committee, and under such rules as the Committee may from time to time prescribe, be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time he/she was a Participant at the level of achievement in relation to targeted goals for the entire fiscal year.

X. DEATH

If a Participant has been employed during the entire fiscal year for which incentive compensation is to be earned, but dies prior to the date of payment, there will be no forfeiture and the Participant's estate will be eligible to receive the Participant's incentive compensation. If a Participant dies after April 30 and before the end of the fiscal year, the Participant's estate will be eligible to receive partial incentive compensation based upon the Participant's paid salary for the period of time he/she was a Participant at the level of achievement in relation to targeted goals for the entire fiscal year.

XI. DEFERRED COMPENSATION

A Participant in this Plan may elect to defer receipt of any

amount earned pursuant to this Plan, provided such election is made in writing. The terms of any deferred compensation arrangement must be approved in writing by the Chairman of the Compensation Committee and the Participant.

XII. CORPORATION'S RIGHT TO MODIFY OR TERMINATE

The Corporation shall have the right to change, modify or terminate this plan, with or without notice, in whole or in part, at any time.

XIII. GENERAL PROVISIONS

A. No person has any claim or right to be included in this Plan or to be granted incentive compensation under this Plan until such individual has been declared a Participant and received an official written notice thereof in accordance with the procedures as set forth in this Plan. In addition, all of the requirements and applicable rules and regulations of this Plan must have been met including, but not limited to, the availability of funds for incentive compensation awards and the determination of the extent to which targeted goals have been met.

B. The designation of an individual as a Participant under this Plan does not in any way alter the nature of the Participant's employment relationship.

Exhibit 10(n)

AGREEMENT

THIS AGREEMENT is made by and between Humana Inc., Louisville, Kentucky (the "Company") and _____ (the "Employee").

WHEREAS, the Board of Directors of Humana Inc. determined to separate Humana Inc. into two separate publicly held companies on or about March 1, 1993 (the "Distribution Date") with one to be known as Humana Inc. and the other to be known as Galen Health Care, Inc.; and

WHEREAS, Employee previously had an agreement with the Company relating to Change in Control of the Company which is terminated as of the Distribution Date; and

WHEREAS, the Board of Directors of the Company (the "Board") desires to foster the continuous employment of the Employee and has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of the Employee to his duties free from distractions which could arise in the event of a threatened Change in Control of the Company;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the Company and the Employee agree as follows:

1. TERM OF AGREEMENT. This Agreement shall commence as of the Distribution Date and shall continue in effect until December 31, 1994; provided, however, commencing on January 1, 1994 and on each January 1 thereafter, there shall automatically be an extension of one (1) year on the then current term of this Agreement unless either the Company or the Employee shall have given written notice to the other at least ninety (90) days prior thereto that the term of this Agreement shall not be so extended. Notwithstanding any such notice by the Company not to extend, the term of this Agreement shall not expire prior to the expiration of thirty-six (36) months after a Change in Control (as hereinafter defined) if the Agreement is still in effect on the date of the Change in Control. Furthermore, if the Employee's employment with the Company shall be terminated prior to a Change in Control, this Agreement shall automatically expire.

2. TERMINATION BENEFITS.

a) If, following a Change in Control, and during the term of this Agreement (including any extensions of such term as provided in Section 1 hereof), the Employee's employment with the Company shall be terminated, the Employee shall be entitled to the following compensation and benefits (in addition to any compensation and benefits provided for under any of the Company's employee benefit plans, policies and practices or under the terms of any other contracts):

1) If the Employee's employment with the Company shall be terminated, (A) by reason of the Employee's Disability or Retirement, (B) by reason of the Employee's death or (C) by the Employee other than for Good Reason,

the Company shall pay the Employee his full base salary through the Date of Termination at the greater of the rate in effect at the time the Change in Control occurred or when the Notice of Termination was given (or the Date of Termination in the case of the Employee's death), plus any bonuses or incentive compensation which pursuant to the terms of any compensation or benefit plan

have been earned and are payable as of the Date of Termination.

2) If the Employee's employment with the Company shall be terminated for Cause, the Company shall pay the Employee his full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and the Company shall have no further obligations to the Employee under this Agreement.

3) If the Employee's employment with the Company shall be terminated, (A) by the Company other than for Cause or Disability, or (B) by the Employee for Good Reason, then the following provisions shall apply:

(i) The Company shall within five (5) days after the Date of Termination, pay the Employee his full base salary through the Date of Termination at the greater of the rate in effect at the time the Change in Control occurred or when the Notice of Termination was given, plus any bonuses or incentive compensation which pursuant to the terms of any compensation or benefit plan have been earned and are payable as of the Date of Termination, but which have not yet been paid;

(ii) The Company shall within five (5) days after the Date of Termination pay the Employee a lump sum in an amount equal to the product of (A) ONE (1) times the amount equal to the Employee's Annual Base Salary at the greater of the rate in effect at the time the Change in Control occurred or when the Notice of Termination was given and (B) a fraction, the numerator of which is the total number of years (any portion of a year shall be considered a full year) which the Employee has been an employee of the Company, (not to exceed 12) and the denominator of which is 12 (for this purpose the Employee shall be deemed to have been employed by the Company during any period that the Employee was employed by Humana Inc. or any direct or indirect subsidiary of Humana Inc.).

(iii) The Company shall maintain in full force and effect for the benefit of the Employee and the Employee's dependents and beneficiaries, at the Company's expense until the earlier of (A) the second anniversary of the Date of Termination, (B) the effective date of the employee's coverage under equivalent benefits from a new employer (provided that no such benefits shall be considered effective unless and until all pre-existing condition limitations and waiting period restrictions have been waived or have otherwise lapsed), or (C) the death of the Employee all life insurance, health insurance, dental insurance, accidental death and dismemberment insurance and disability insurance, under plans and programs in which the Employee and/or the Employee's dependents and beneficiaries participated immediately prior to the Date of Termination, provided

that continued participation is possible under the general terms and provisions of such plans and programs. If participation in any such plan or program is barred, the Company shall arrange at its own expense to provide the Employee with benefits substantially similar to those which he was entitled to receive under such plans and programs. At the end of the period of coverage, the Employee shall have the right to have assigned to him at no cost and with no apportionment of prepaid premiums, any assignable insurance policy relating specifically to him.

(iv) In the event that any payment or benefit (within the meaning of Section 280G (b) (2) of the Internal Revenue Code of 1986, as amended (the "Code")), to the Employee or for his or her benefit paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his or her employment with the Company or a change in ownership or effective control of the Company or of a substantial portion of its assets (a "Payment" or "Payments"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then the Employee will be

entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Employee of all taxes (including any interest or penalties, other than interest and penalties imposed by reason of the Executive's failure to file timely a tax return or pay taxes shown due on his or her return, imposed with respect to such taxes and the Excise Tax), including any Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(v) An initial determination as to whether a Gross-Up Payment is required pursuant to this Agreement and the amount of such Gross-Up Payment shall be made at the Company's expense by the accounting firm of Coopers and Lybrand, or another accounting firm designated by and reasonably acceptable to the Employee which is designated as one of the five largest accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations and documentation to the Company and the Employee within five days of the Termination Date if applicable, or such other time as requested by the Company or by the Employee (provided the Employee reasonably believes that any of the Payments may be subject to the Excise Tax) and if the Accounting Firm determines that no Excise Tax is payable by the Employee with respect to a Payment or Payments, it shall furnish the Employee with an opinion reasonably acceptable to the Employee that no Excise Tax will be imposed with respect to any such Payment or Payments. Within ten days of the delivery of the Determination to the Employee, the Employee shall have the right to dispute the Determination

(the "Dispute"). The Gross-Up Payment, if any, as determined pursuant to this Paragraph 5(b) shall be paid by the Company to the Employee within five days of the receipt of the Accounting Firm's determination. The existence of the Dispute shall not in any way affect the Employee's right to receive the Gross-Up Payment in accordance with the Determination. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Employee subject to the application of the Paragraph 5(c) below.

(vi) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Excess Payment") or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred (i) upon notice (formal or informal) to the Employee from any governmental taxing authority that the Employee's tax liability (whether in respect of the Employee's current taxable year or in respect of any prior taxable year) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which the Company has failed to make a sufficient Gross-Up Payment, (ii) upon a determination by a court, (iii) by reason of determination by the Company (which shall include the position taken by the Company, together with its consolidated group, on its federal income tax return) or (iv) upon the resolution of the Dispute to the Employee's satisfaction. If an Underpayment occurs, the Employee shall promptly notify the Company and the Company shall promptly, but in any event, at least five days prior to the date on which the applicable government taxing authority has requested payment, pay to the Employee an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of the Employee's failure to file timely a tax return or pay taxes shown due on the Employee's return) imposed on the Underpayment. An Excess payment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments (or portion thereof) with respect to which the Employee had previously received a Gross-Up Payment. A "Final Determination" shall be deemed to have occurred when the Employee has received from the applicable government taxing authority a refund of taxes or other

reduction in the Employee's tax liability by reason of the Excise Payment and upon either (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds the Employee and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (y) the statute of limitations with respect to the Employee's applicable tax return has expired. If an Excess Payment is determined

to have been made, the amount of the Excess Payment shall be treated as a loan by the Company to the Employee and the Employee shall pay to the Company on demand (but not less than 10 days after the determination) such Excess Payment plus interest at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to the Employee until the date of repayment to the Company.

(vii) Notwithstanding anything contained in this Agreement to the contrary, in the event that, according to the Determination, an Excise Tax will be imposed on any Payment or Payments, the Company shall pay to the applicable government taxing authorities as Excise Tax withholding, the amount of the Excise Tax that the Company has actually withheld from the Payment or Payments.

b) The Employee shall not be required to mitigate the amount of any payment or benefit provided for in Paragraph 2(a) by seeking other employment; nor shall the amount of any payment or benefit provided for in Paragraph 2(a) be reduced by any compensation earned by the Employee as a result of employment or otherwise. The amount of any payment or benefit provided for in Section 2 shall be in addition to any compensation or benefits due the Employee under any other written agreement entered into between the Company and the Employee unless such other agreement expressly provides otherwise.

c) For purposes of this Agreement the following definitions shall apply:

(1) "Change in Control" shall mean any of the following events:

(A) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term Person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a "Subsidiary"), (ii) the Company or any Subsidiary, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined).

(B) The individuals who, as of (date of this Agreement is approved by the Board), are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however,

that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided, further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(C) Approval by stockholders of the Company of:

(i) A merger, consolidation or reorganization involving the Company, unless,

(a) The stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(b) The individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation; and

(c) No Person (other than the Company, any subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities) has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding Voting Securities;

(d) A transaction described in clauses (a) through (c) shall herein be referred to as a "Non-Control Transaction."

(ii) A complete liquidation or dissolution of the Company; or

(iii) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial

7
Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

(2) "Disability" shall mean a physical or mental illness which impairs the Employee's ability to substantially perform his duties as an Employee and as a result of which the Employee shall have been absent from his duties with the Company on a full-time basis for six (6) consecutive months.

(3) "Retirement" shall mean the voluntary termination of the Employee's employment after having attained age sixty-five (65) or such other age as shall have been fixed in any retirement arrangement established by the Company with the Employee's consent.

(4) A termination for "Cause" is a termination by reason of the conviction of the Employee, by a Court of competent jurisdiction and following the exhaustion of all possible appeals, of a criminal act involving the Company or its assets.

(5) "Good Reason" shall mean the occurrence after a Change in Control of any of the following events without the Employee's express written consent:

(i) any change in the Employee' s title, authorities, responsibilities (including reporting responsibilities) which, in the Employee's reasonable judgment, does not represent a promotion from his status, title, position or responsibilities (including reporting responsibilities) which were in effect immediately prior to the Change in Control; the assignment to him of any duties or work responsibilities which, in his reasonable judgment, are inconsistent with such status, title, position or work responsibilities; or any removal of the Employee from, or failure to reappoint or reelect him to any of such positions, except if any such changes are because of Disability, Retirement, death or Cause;

(ii) a reduction by the Company in the Employee's Annual Base Salary as in effect on the date hereof or as the same may be increased from time to time or a failure by the Company to increase, within twelve (12) months of the Employee's last increase in Annual Base Salary, his Annual Base Salary by an amount not less than the greater of (A) six percent (6%) or (B) the average percentage increase in Annual Base Salary for all employees of the Company at the Employee's grade level during the twelve (12) month period immediately following

8

the Employee's last increase in base salary; provided, however that the Company's failure to increase the Employee's Annual Base Salary more than eight percent (8%) annually shall not constitute Good Reason under this paragraph under any circumstances;

(iii) the relocation of the Employee's office at which he is to perform his duties, to a location more than thirty (30) miles from the location

at which the Employee performed his duties prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with his business travel obligations prior to the Change in Control;

(iv) the adverse and substantial alteration of the nature and quality of the office space within which the Employee performed his duties prior to a Change in Control, including the size and location thereof, as well as in the secretarial and administrative support provided to the Employee;

(v) the failure by the Company to continue in effect any incentive, bonus or other compensation plan in which the Employee participates, including but not limited to the Company's stock-related incentive plans and annual incentive compensation plans, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue the Employee's participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein or reward opportunities thereunder;

(vi) the failure by the Company to continue in effect any employee benefit plan (including any medical, hospitalization, life insurance, dental or disability benefit plan in which the Employee participated), or any material fringe benefit or perquisite enjoyed by the Employee at the time of the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue the Employee's participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein, or the failure by the Company to provide the Employee with the number of paid vacation days to which he would be entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control.

(vii) any material breach by the Company of any provision of this Agreement;

(viii) the failure of the Company to obtain a satisfactory agreement from any successor or assign of the Company to assume and agree to perform this Agreement, as contemplated in Section 3 hereof; or

(ix) any purported termination of the Employee's employment

which is not effected pursuant to a Notice of Termination satisfying the requirements of Paragraph 2(c)(6) below; and for purposes of this Agreement, no such purported termination shall be effective. The Employee's right to terminate his employment for Good Reason shall not be affected by his incapacity due to physical or mental illness.

(6) "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement which is relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. Any purported termination by the Company or by the Employee shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 5 hereof. For purposes of this Agreement, no such purported termination shall be effective without such Notice of Termination.

(7) "Date of Termination" shall mean:

(i) if the Employee's employment is terminated for Disability,

thirty (30) days after Notice of Termination is given (provided that the Employee shall not have returned to the performance of his duties on a full - time basis during such thirty (30) day period); and

(ii) if the Employee's employment is terminated for any other reason, the date specified in the Notice of Termination (which in the case of a termination pursuant to Paragraph 2(c)(4) above shall not be less than thirty (30) days, and in the case of a termination pursuant to Paragraph 2(c)(5) above shall not be more than sixty (60) days, after the date such Notice of Termination is given); provided that if within thirty (30) days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined either by mutual written agreement of the parties, or by the final judgement, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been taken). Notwithstanding the pendency of any such dispute, the Company will continue to pay the Employee his full base salary and will continue the Employee as a participant in all compensation, incentive, bonus, pension, profit sharing, benefit and insurance plans in which he was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Paragraph.

(8) "Annual Base Salary" shall mean that yearly compensation rate established from time to time by the Company as an employee's regular compensation for the next succeeding twelve (12) month period, payable to an employee by the Company's payroll checks on a periodic basis.

3. SUCCESSORS; BINDING AGREEMENT.

(a) The Company will require any successor or assign (whether direct

or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no such succession or assignment had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee or other designee and if there is no such devisee, legatee or designee, to the Employee's estate.

4. FEES AND EXPENSES. Following a Change in Control, the Company shall pay all legal fees and related expenses (including the costs of experts, evidence and counsel) incurred by the Employee as a result of (a) the Employee's termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination of employment whether or not such contest or dispute is resolved in the Employee's favor) or (b) the Employee seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Company under which the Employee is or may be entitled to receive benefits or (c) the

Employee's challenge of any determination by the IRS that Payments together with any Gross-Up Payment would be subject to the excise tax imposed by Section 4999 of the Code.

5. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

6. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing and signed by the Employee and such officer of the Company as may be

specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

7. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of Kentucky without giving effect to the conflicts of laws principles thereof.

8. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

9. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Employee has executed this Agreement, each as of the day and year set forth below.

ATTEST:

- ----------
Secretary

HUMANA INC.

By: ----------
Title: Vice President and Associate General Counsel

Date

Employee

Date

Exhibit 10(o)

AMENDMENT TO AGREEMENT

This AMENDMENT TO AGREEMENT is made by and between HUMANA INC., Louisville, Kentucky (the "COMPANY") and _____ (the "EMPLOYEE").

WHEREAS, the Company and Employee have previously entered into an Agreement to provide certain benefits upon termination, or in connection with a change in responsibilities, following a change in control of the Company; and

WHEREAS, the Company and Employee desire to amend the Agreement;

NOW, THEREFORE, the Agreement is hereby amended as follows:

1. Section 2(a)(3)(ii) is deleted in its entirety and the following substituted therefore:

   "(ii) The Company shall within five (5) days after the Date of Termination pay the Employee a lump sum in an amount equal to the product of (A) one (1) times the amount equal to the sum of (1) the Employee's Annual Base Salary at the greater of the rate in effect at the time the Change in Control occurred or when the Notice of Termination was given plus (2) the maximum bonus or incentive compensation which could have been earned by the Employee during the then-current fiscal year of the Company pursuant to the terms of the incentive compensation plan in which he/she participates and (B) a fraction, the numerator of which is the total number of years (any portion of a year shall be considered a full year) which the Employee has been an employee of the Company (not to exceed 12), and the denominator of which is 12. If there is no incentive compensation plan in effect at the time the Notice of Termination is given, then for purposes of this Subsection it shall be assumed that the amount of incentive compensation to be paid to the Employee shall be the same as the amount which he/she could have earned during the last year during which there was an incentive compensation plan in effect."

2. In all other respects, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to Agreement to be executed by its duly-authorized officer and the Employee has executed this Amendment to Agreement, each as of the day and year set forth below.

ATTEST:

BY: _____
Assistant Secretary

HUMANA INC.

BY: _____
Vice President

DATE: _____

"EMPLOYEE"

_____
NAME:

DATE:

Exhibit 10(s)

LETTER AGREEMENT

Dear _____,

This letter confirms our agreement concerning your benefits under the Humana Officer's Target Retirement Plan ("Plan").

It is agreed that upon your retirement your Average Participating Compensation (as defined in Article 2.02), will be calculated using the greater of (i) the three highest years in effect as of the date of this letter or (ii) the three highest years of any five years (including one or more of the five years prior to the date hereof) preceding your date of retirement. In all other respects, your benefits continue to be in accordance with the Plan.

ACCEPTED:

- _____
PARTICIPANT

APPROVED:

_____
ARTHUR P. HIPWELL
SENIOR VICE PRESIDENT AND
ASSOCIATE GENERAL COUNSEL

1

Exhibit 10(w)

(Contract Period 01/01/92 - 12/31/92)

HEALTH INSURANCE BENEFITS FOR THE AGED AND DISABLED
(Contract With Eligible Organization Pursuant to
section 1876 of the Social Security Act)

CONTRACT (No. H1036)

Between

The Secretary of the Department of Health and Human Services,
who has delegated authority to the Administrator of the
Health Care Financing Administration, hereinafter referred to as HCFA, and

HUMANA MEDICAL PLAN, INC
(hereinafter referred to as the Organization).

The Secretary and the Organization, a health maintenance organization or competitive medical plan which has been determined to be an eligible organization by the Administrator of the Health Care Financing Administration under CFR 417.406, agree to the following for the purposes of section 1876 of the Social Security Act:

2

(Plan # H1036 Contract Period 01/01/92 - 12/31/92)

Article I

Term of Contract

The Contract Shall Begin on 01/01/92, and end on 12/31/92. The contract will be automatically renewed for successive periods of one year unless the Organization or HCFA gives written notice of intention not to renew the contract at least 90 days before the end of the current period. (Additional requirements concerning nonrenewal of contracts, binding on both HCFA and the Organization, may be found at 42 CFR 417.492.) This contract supersedes any previous contract under sections 1833 or 1876 of the Social Security Act (the Act).

Article II

Election of Payment Method

Under section 1876(a) of the Act the Organization may elect a method of payment for which it is eligible and qualified, and will be accordingly governed by the statute and regulations which pertain to that method. The Organization agrees to receive payment:

(initial one selection below)

x ---- 1. On a risk basis under section 1876(g) of the Act, subject to the provisions of Article V;

---- 2. On a reasonable cost basis under section 1876(h) of the Act, subject to the provisions of Article VI and its implementing regulations at 42 CFR 417.530-417.576.

Select one option (see 42 CFR 417.532(c)):

----- 1. (direct payment of Organization's providers by HCFA)

----- 2. (direct payment of Organization's providers by the Organization)

If option 2, list names of providers to be paid by the Organization:

(list others separately)

---- 3. On a risk basis under section 1876(g) for new Medicare enrollees and payment on a reasonable cost basis for unconverted, current non-risk Medicare enrollees, subject to the provisions of Articles V and VI.

Article III

Geographic Area

The Organization agrees that the contract shall be effective for the geographic area described in the attachment to this contract. (Modifications to the geographic area during the period of the contract are governed by Article VII.)

Article IV

General Conditions

A. The Organization agrees to comply with the law, regulations, and general instructions of the Health Care Financing Administration (HCFA) which concern the participation of health maintenance organizations (HMOs) and competitive medical plans (CMPs) in the

Medicare program.

B. As part of its ongoing quality assurance program:

1. The Organization agrees to comply with the requirements for Peer Review Organization (PRO) review of services furnished to Medicare enrollees as set forth in Subchapter D of Chapter IV, Title 42, Code of Federal Regulations 417.478(a).

2. The Organization shall furnish to the Peer Review Organization (PRO) requested on-site access to or copies of patient care records and other pertinent data, and permit the PRO or its subcontractor to examine its operations and records as necessary for the PRO to carry out its functions under the Act.

3. Each organization receiving payment on a risk basis will maintain a written agreement with a utilization and quality control Peer Review Organization with which HCFA has a contract under Part B of Title XI of the Act for the area in which the Organization is located. In accordance with sections 1154(a)(4)(B) and (a)(14) of the Act, the agreement must provide for the review of services (including both inpatient and outpatient services) provided by the organization pursuant to this contract for the purpose of determining whether such

services meet professionally recognized standards of health care, including whether appropriate services have not been provided or have been provided in inappropriate settings. The agreement must also provide for review by the PRO of all written complaints filed by Medicare beneficiaries or their representatives about the quality of services provided by the Organization. The cost of such agreement will be paid by HCFA directly to the PRO on behalf of the Organization.

4. Each Organization receiving payment on a risk basis must ensure that all hospitalization data required on HCFA Form 1450 (UB-82) for Medicare enrollees discharged between April 1, 1987 and July 31, 1988 is submitted to the fiscal intermediary or other HCFA designated entity.

5. Each Organization receiving payment on a risk basis must provide the hospital with any information necessary for the completion of HCFA Form 1450 (UB-82) which the hospital must submit to the intermediary for any discharges after July 31, 1988.

For purposes of this section, Peer Review Organization (PRO) is also deemed reference to other appropriate entitles with which HCFA has contracted pursuant to Section 1154(a)(4)(C) of the Act.

C. The Organization agrees to comply with:

1. Sections 1318(a) and (c) of the Public Health Service Act which pertain to disclosure of certain financial information;

2. Sections 1301(c)(1) and (c)(8) of the Public Health Service Act, which relate to fiscal, administrative, and management requirements and liability arrangements to protect all members

of the organization; and to notify HCFA 60 days prior to any changes in its insolvency arrangements; and

3. The reporting requirements in 42 CFR 417.107(j)(1) which pertain to the monitoring of an organization's continued compliance. For purposes of this paragraph, references in that section to an "HMO" are also deemed references to a "CMP."

D. The Organization agrees to comply with Title VI of the Civil Rights Act of 1964 (and pertinent regulations at 45 CFR Part 80), section 504 of the Rehabilitation Act of 1973 (and pertinent regulations at 45 CFR Part 84), and the Age Discrimination Act of 1975 (and pertinent regulations at 45 CFR Part 91).

E. The Organization agrees to the following:

1. HCFA may evaluate, through inspection or other means, the quality, appropriateness, and timeliness of services furnished under the contract to the Organization's Medicare enrollees;

2. HCFA may evaluate, through inspection or other means, the facilities of the organization when there is reasonable evidence of some need for that inspection;

3. HCFA, the Comptroller General, or their designees may audit or inspect any books and records of the organization or its transferee that pertain to any aspect of services performed, reconciliation of benefit liabilities, and determination of amounts payable under the contract;

4. HCFA may evaluate, through inspection or other means, the enrollment and disenrollment records for the current contract period and three prior periods, when there is reasonable evidence of some need for that inspection;

5. The right to inspect, evaluate, and audit, will extend through three years from the date of the final settlement for any contract period unless -

   a. HCFA determines there is a special need to retain a particular record or group of records for a longer period and notifies the Organization at least 30 days before the normal disposition date;

   b. There has been a termination, dispute, fraud, or similar fault by the Organization, in which case the retention may be extended to three years from the date of any resulting final settlement; or

   C. HCFA determines that there is a reasonable possibility of fraud, in which case it may reopen a final settlement at any time.

F. The Organization shall submit to HCFA (in such form and detail as the HCFA shall prescribe in regulations and general instructions), the following reports:

1. Data pertaining to health insurance claim numbers from beneficiaries, which shall be transmitted initially and on a continuing basis, as required to annotate the health insurance master file;

2. Statistical data on provider services and on medical and other services;

3. Enrollment and actuarial data; and

4. Any other reports or data that HCFA may require.

G. The Organization agrees to report all enrollment, disenrollment, and other beneficiary characteristic records according to HCFA program instructions. All records must be transmitted 1) through an approved HCFA systems contractor, or 2) over data transmission lines directly to HCFA, or 3) on magnetic tape unless otherwise prescribed by HCFA. All electronic transmissions and tapes must be totally compatible and consistent with the relevant HCFA computer record systems.

H. The Organization shall furnish to organizations serving as carriers and intermediaries under Title XVIII, information necessary to allow the carriers or intermediaries to make proper payment under Title XVIII for Medicare beneficiaries enrolled in the Organization.

I. The Organization agrees to require all entities related to the Organization, as determined under 42 CFR 417.484 (a), to agree that -

1. HCFA, the Comptroller General, or their designees have the right to inspect, evaluate, and audit any pertinent books, documents, papers, and records of the subcontractor involving transactions related to the subcontractor; and

2. The right under this section to information for any particular contract period will exist for a period equivalent to that specified in section E(5) of this Article.

(Plan # H1036 Contract Period 01/01/92 - 12/31/92)

J. The Organization agrees -

1. To submit to HCFA -

a. All financial information required under 42 CFR 417.530 through Section 417.576 and for final settlement; and

b. Any other information necessary for the administration or evaluation of the Medicare program.

2. To comply with the requirements set forth in 42 CFR Part 420,

Subpart C, pertaining to the disclosure of ownership and control information;

3. To comply with the requirements of the Privacy Act, as implemented by 45 CFR Part 5b and Subpart B or Part 401 of 42 CFR, with respect to any system of records developed in performing carrier or intermediary functions under 42 CFR 417.532 and section 417.533; and

4. To meet the confidentially requirement of 42 CFR 482.24 for medical records and for all other information on enrollees, not covered under item 3 above, that is contained in its records or obtained from HCFA or others.

5. To provide prompt payment (consistent with the provisions of section 1816(c)(2) and 1842(c)(2)) of claims submitted for services and items furnished to individuals pursuant to this contract, if the services or items are not furnished under a contract between the Organization and the provider or supplier.

K. Pursuant to 42 CFR 417.476 conditions of qualification set forth at 42 CFR 417.410 through section 417.418 may be waived by HCFA. However, for each of such qualifying conditions waived, this contract must contain -

1. The specific terms of the waiver;

2. The expiration date of the waiver;

3. Any other information required by HCFA.

L. The Organization shall provide and supply (1) full and complete information as to ownership of a subcontractor with whom such organization has had during the previous twelve months, business transactions in an aggregate amount in excess of $25,000, and (2) full and complete information as to any significant business transactions during the five year period ending on the date of HCFA's request, between the Organization and any wholly-owned supplier or between the Organization and any subcontractor. The required information must be provided in the manner required under section 1866(b)(2)(c)(ii) of the Act.

M. The Organization shall notify HCFA of loans and other special financial arrangements which are made between the Organization and subcontractors, affiliates and related parties.

N. The Organization agrees -

1. That for the duration of the contract, the Organization shall have an enrolled membership at least one-half of which consists of individuals who are not entitled to benefits under Medicare or Medicaid. HCFA may suspend enrollment or payment to the Organization or terminate this contract if this requirement is not met.

2. To submit quarterly reports of its commercial enrollment, Medicaid enrollment and Medicare enrollment in the geographic area defined by Article III of this contract.

0. The Organization agrees that no marketing material may be distributed

by an organization to (or for the use of) individuals eligible to enroll or enrolled in the organization under this contract unless at least 45 days before the distribution, the Organization has submitted the material to HCFA for review, and HCFA has not disapproved the distribution of the material.

P. The Organization agrees to allow eligible beneficiaries to enroll under this contract during any open enrollment period required by HCFA through regulations. The Organization agrees to accept beneficiaries up to the limit of its capacity as approved by HCFA.

Q. Upon termination of this contract, the Organization agrees:

1. To give its Medicare enrollees a written notice of the termination at least 60 days before the termination date;

2. To be responsible for the cost of the notice;

3. To submit a copy of the notice to HCFA for review;

4. If the Organization is a risk contractor, to include with the required notice a written description of alternatives available for obtaining Medicare services after termination.

R. The Organization hereby provides assurances to HCFA that in the event the Organization ceases to provide items and services under this contract, the Organization shall provide or arrange for supplemental coverage of benefits under Title XVIII of the Act related to a pre-existing condition with respect to any exclusion period, to all individuals enrolled with the entity who receive benefits under Title XVIII, for the lesser of six months or the duration of such period.

S. The Organization agrees to review and act upon requests for reconsideration from its Medicare enrollees within 60 days of receipt of the reconsideration request for the provision or payment of services or items which were initially denied. In those cases where the Organization will continue to deny services or items or payment for services or items, in whole or in part, the Organization must forward the beneficiaries' reconsideration requests along with the Organization's written explanation and documentation to HCFA or its contractor within 60 days of receipt of the reconsideration request.

In those cases where HCFA or its contractor determines that the Organization should provide services or items previously denied, or HCFA or its contractor determines that the Organization has financial liability for services or items received, the Organization must pay for or provide those services to the beneficiary within 60 days of the receipt of HCFA's or its contractor's determination.

Services previously denied will be arranged by the Organization in a manner consistent with services normally provided by the Organization.

T. If any Medicare beneficiaries residing in the Organization's service area are members of another risk-based contracting organization which nonrenews or terminates its contract, your Organization (if under a risk-based contract) agrees to hold a special 30-day terminations open enrollment period to enroll those Medicare beneficiaries enrolled in the other risk-contracting organization at the time of termination or nonrenewal of the other organization's contract.

This requirement will apply only to those Medicare beneficiaries enrolled in the other risk-sharing contracting organization who reside in your Organization's service area. The terminations open enrollment period must be conducted during the period designated by HCFA. You will be given notice 30 days before the start of the open enrollment period.

This does not preclude an organization from requesting a capacity waiver as described at 42 CFR 417.426(b)(1).

U. As part of advance directives requirements, the Organization agrees:

1. To inform all Medicare enrollees at the time of enrollment of their right (under State law whether statutory or recognized by the courts of the State) to accept or refuse treatment and to execute an advance directive, such as living wills or durable powers of attorney, and of the Organization's written policies on implementation of that right;

2. To document in the individual's medical records whether or not an individual has executed an advance directive;

3. To not condition treatment or otherwise discriminate on the basis of whether an individual has executed an advance directive;

4. To comply with State law (whether statutory or recognized by the courts of the State) on advance directives; and

5. To provide (individually or with others) for education for staff and the community on advance directives.

V. The Organization, if it has a risk contract, agrees not to employ or contract with, directly or indirectly, entities or individuals excluded from participation in Medicare or Medicaid under sections 1128 or 1128A of the Act, for the provision of health care, utilization review, medical social work, or administrative services.

Article V

Conditions For Payment on a Risk Basis

The following conditions apply to the Organization if it selected, in Article II of this contract, to be paid on a risk basis method under section 1876(g) of the Act, or if it selected to be paid on a risk basis and paid on a reasonable cost basis for unconverted, current non-risk Medicare enrollees:

A. Except as provided for in Article V.(D)., HCFA shall make payment under this contract for services rendered to Medicare enrollees on a

risk basis as provided in regulations.

B. The Organization agrees to maintain, and make available to HCFA upon request, books, records, documents, and other evidence of accounting procedures and practices that -

1. Are sufficient to -

a. Establish component rates of the adjusted community rate (ACR) for determining additional and supplementary benefits; and

b. Determine the rates utilized in setting premiums for State insurance agency purposes.

2. Include at least any records or financial reports filed with other Federal agencies or State authorities.

C. The Organization has the right to appeal a determination that the Organization's ACR computation is not acceptable, pursuant to the provisions of 42 CFR 417.594(e)(2).

D. To the extent that the Organization's members are unconverted, current non-risk Medicare enrollees, the Organization agrees to fully comply with the conditions in Article VI.

E. The Organization agrees, as required by section 1876(g)(2) of the Act, that if the ACR (as reduced for the actuarial value of the coinsurance and deductibles) is less than the average

of the per capita rates of payment to be made under section 1876(a)(1) for Medicare members enrolled under the risk basis method of payment, the Organization shall provide its Medicare members with additional benefits described at section 1876(g)(3), selected by the Organization, and which HCFA finds are at least equal in value to the difference between the average per capita payment and the adjusted community rate (as so reduced). This condition shall not apply to an organization which agrees to accept a lesser payment to the extent that there is no longer a difference between the average per capita payment and the adjusted community rate (as so reduced).

F. The Organization agrees -

1. To publicly offer and provide at least the level of Medicare covered benefits approved in the ACR. The Organization may choose to offer more services or to impose lower premiums or other charges (in the form of deductibles or coinsurance) than approved in the ACR.

However, such complimentary services or waived premiums or other charges must be approved in advance by HCFA and remain in effect throughout the contract period.

The only mid-year changes that are permitted are those which are entirely advantageous to Medicare enrollees. Premiums and copayments may be reduced at any time during the year, but once they are reduced, they cannot be increased later on during the same contract period. Benefits for which there is no charge may be added at any time during the contract period,

but also must remain in place for the remainder of the contract period. HCFA should be advised of any expanded benefits or decreases in premiums or copayments arising in the middle of a contract period.

Waived premiums and complimentary services provided solely to members of an employer group are governed by the Organization's contract with the employer.

2. Nothing in this article may be interpreted as a waiver or compromise of any appeal rights to which the Organization may be entitled under Title XVIII of the Act and implementing regulations.

(Plan # H1036 Contract Period 01/01/92 - 12/31/92)

Article VI

Conditions of the Reasonable Cost Method of Payment

The following conditions apply to the Organization if it selected in Article II of this contract to be paid on the Reasonable Cost Method under section 1876(h) of the Act, or if it selected to be paid on a risk basis and paid on a reasonable cost basis for unconverted, current non-risk Medicare enrollees:

A. HCFA shall make payment under this contract for services rendered to Medicare enrollees on a reasonable cost basis as provided in regulations.

B. The Organization agrees to maintain books, records, documents, and other evidence of accounting procedures and practices that -

1. Are sufficient to -

a. Ensure an audit trail; and

b. Properly reflect all direct and indirect costs claimed to have been incurred under the contract; and

2. Include at least records of the following:

a. Ownership, organization, and operation of the Organization's financial, medical and other recordkeeping systems;

b. Financial statements for the current contract period and three prior periods;

c. Federal income tax or information returns for the current contract period and three prior periods;

d. Assets acquisition, lease, sale, or other action;

e. Agreements, contracts, and subcontracts;

f. Franchise, marketing, and management agreements;

g. Schedules of charges for the Organization's fee-for-service patients;

h. Matters pertaining to costs of operations;

(Plan # H1036 Contract Period 01/01/92 - 12/31/92)

i. Amounts of income received, by source and payment;

j. Cash flow statements;

k. Any financial reports filed with other Federal programs or State authorities.

C. The Organization has the right to appeal any final determination of costs pursuant to the reimbursement appeals procedures contained in the regulations at 42 CFR Part 405, Subpart R.

D. The Organization shall make available for the purposes specified in paragraphs 1-4 of section D of Article IV, its premises, physical facilities, and equipment, its records relating to its Medicare enrollees, the records specified in 42 CFR 417.480, and any additional relevant information that HCFA may require.

E. The Organization agrees that -

1. Upon HCFA's request it will provide, subsequent to an accounting period, an independently certified financial statement of its per capita incurred cost, based on the types of components of expenses otherwise reimbursable under Title XVIII, for providing services described in section 1876(a)(1), including its method of allocating costs between individuals enrolled under this section and other individuals enrolled with the Organization, such statements to be provided in accordance with accounting procedures prescribed by HCFA;

2. Failure to report such information may be deemed evidence of likely overpayment upon which basis collection action may be taken;

3. The required financial statements will be consolidated to include an accounting for the costs of entities related to the Organization by common ownership or control;

4. Allowable costs for a related organization may not include costs for the types of expense otherwise reimbursable under Title XVIII, in excess of an amount which would be determined to be reasonable in accordance with regulations;

(Plan # H1036 Contract Period 01/01/92 - 12/31/92)

5. In any case in which compensation is paid substantially in excess of what is normally paid for similar services by similar practitioners, such compensation may, as appropriate, be considered a distribution of profits.

F. The Organization agrees to comply with the requirements of section 1833(a)(1)(A) of the Act and its implementing regulations, 42 CFR

417.800 through 42 CFR 417.810, for members who have not been converted from any previous Health Care Prepayment Plan (HCPP) contract(s) or arrangement(s).

Article VII

Modification, Termination or Non-renewal

This contract may be modified at any time by written consent of both parties (the Organization and HCFA). If the contract is modified, the Organization must notify its Medicare enrollees of any changes that HCFA determines are appropriate for notification. It may be terminated by either party in accordance with the provisions of 42 CFR 417.494 or a decision by either party not to renew the contract may be made in accordance with the provisions of 42 CFR 417.492.

Article VIII

Any revisions to applicable provisions of Title XI or Title XVIII of the Act, Title XIII of the Public Health Service Act, implementing regulations, policy issuances and instructions apply as of their effective date.

Article IX

General Contracting Requirements

A. FACILITIES NONDISCRIMINATION CLAUSE

The following provisions are applicable to and shall be included in all leases of real estate entered into for the administration of this agreement:

"As used in this clause, the term 'Facility' means stores, shops, restaurants, cafeterias, restrooms, and any other facility of a public nature in the building in which the space covered by this lease is located.

"The lessor agrees that he will not discriminate by segregation or otherwise against any person or persons because of race, color, religion, sex, or national origin in furnishing or by refusing to furnish, to such person or persons, the use of any facility including any or all services, privileges, accommodations, and activities provided thereby. Nothing herein shall require the furnishing to the general public of the use of any facility customarily furnished by the lessor solely to tenants, their employees, customers, patients, clients, guests and invitees.

"It is agreed that the lessor's noncompliance with the provisions of this clause shall constitute a material breach of this lease. In the event of such noncompliance, the lessee may take appropriate action to enforce compliance, may terminate this lease or may pursue such other remedies as may be provided by law. In the event of termination, the lessor shall be liable for all excess costs of the lessee in acquiring substitute space. Substitute space will be obtained in as close proximity to the lessor's building as is feasible and moving costs

will be limited to the actual expenses thereof as incurred.

"The lessor agrees to include, or to require the inclusion of the foregoing provisions of this clause (with the terms "lessor" and "lessee" appropriately modified) in every agreement or concession pursuant to which any person other than the lessor operates or has the right to operate any facility. Nothing herein contained, however, shall be deemed to require the lessor to include or require the inclusion of the foregoing provisions of this clause in any existing agreement or concession arrangement or one in which the contracting party other than the lessor has the unilateral right to renew or extend the agreement or arrangement, until the expiration of the existing agreement or arrangement and the unilateral right to renew or extend. The lessor also agrees that it will take any and all lawful actions as expeditiously as possible with respect to any such agreement as the contracting agency may direct to enforce this clause, including but not limited to termination of the agreement or concessions and institution of court action."

B. DISCLOSURE OF INFORMATION

The following clause shall be included in all subcontracts entered into either for the performance of functions required for the administration of this agreement or where a subcontractor, his agents, officers or employees might

reasonably be expected to have access to information within the purview of section 1106 of the Social Security Act and regulations prescribed pursuant thereto:

"The contractor agrees to establish and maintain procedures and controls so that no information contained in its records or obtained from HCFA or from others in carrying out the terms of this subcontract shall be used by or disclosed by it, its agents, officers, or employees except as provided in said section 1106 of the Social Security Act and regulations prescribed thereunder."

C. AUTOMATIC TERMINATION OF SUBCONTRACT CLAUSE

The following provision are applicable to and shall be included in all subcontracts entered into hereafter (except for the purchase of items and equipment), including leases of real property which exceed the term of this agreement except where HCFA agrees to its omission. Failure of the Contractor to include the clause in such subcontract without the written agreement of HCFA to its omission, shall make the related costs incurred after the effective date of the nonrenewal or termination, unallowable.

Notwithstanding the following, if the Contractor wishes to continue the subcontract relative to its own business after the contract between HCFA and the Contractor has been terminated or nonrenewed, it may do so provided it assures HCFA in writing that HCFA's obligations will terminate at the time the Medicare contract terminates or is nonrenewed subject to the termination cost provisions provided for in the contract.

The clause is as follows: "In the event the Medicare contract between HCFA and (Name of Contractor) is terminated or nonrenewed, the

contract between (Name of Contractor) and (Name of Firm) will be terminated unless HCFA and (Name of Contractor) agree to the contrary. Such termination shall be accomplished by delivery of written notice to (Name of Firm) of the date upon which said termination will become effective."

D. PROHIBITION AGAINST USE OF HCFA FUNDS TO INFLUENCE LEGISLATION OR APPROPRIATIONS

The following provision is applicable to this agreement:

No part of any funds under this agreement shall be used to pay the salaries or expenses of any Contractor, or any agent acting for the Contractor, to engage in any activity designed to influence legislation or appropriations pending before the Congress.

Lobbying costs are defined in and are unallowable in accordance with Federal Acquisition Regulation 31-205-22.

E. LIQUIDATED DAMAGES IN SUBCONTRACTS

The following provisions are applicable to and shall be included in any subcontract entered into or renewed under this agreement containing a liquidated damages provision which related solely to Medicare:

The Health Care Financing Administration (HCFA), after consultation with the Contractor, shall have the right to determine that the specified levels of performance have not been attained by the subcontractor. In such event, HCFA may direct the Contractor to notify the subcontractor of HCFA's determination that liquidated damages apply and to set-off the liquidated damages against the subcontractor. HCFA shall reimburse the Contractor for all reasonable costs relating to this activity and shall honor any judgement or award rendered against the Contractor directly resulting from the enforcement of such provision as directed by HCFA. Failure of the Contractor to timely comply with such direction, shall constitute cause for the application of any and all administrative, statutory, and judicial remedies which may be available to HCFA pursuant to this agreement, including but not limited to, offsetting an amount equivalent to the amount of such unenforced liquidated damages. In the event that such offset is made, the Contractor shall be obligated to continue to perform all terms and conditions of this agreement without additional payment from HCFA attributable to such offset amounts.

F. FEDERAL ACQUISITION REGULATIONS INCORPORATED BY REFERENCE

This agreement incorporates the following clauses by reference with the same force and effect as if they were given in full text. Upon

request, HCFA will make their full text available:

FEDERAL ACQUISITION REGULATION
(48 CFR CHAPTER 1) CLAUSES

52.222-26	Equal Opportunity (April 1984)
52.203-1	Officials Not to Benefit (April 1984)
52.203-5	Covenant Against Contingent Fees (April 1984)
52.219-8	Utilization of Small Business Concerns and Small Disadvantaged Business Concerns (April 1984)
52.219-9	Small Business and Small Disadvantaged Business Subcontracting Plan (April 1984)
52.220-3	Utilization of Labor Surplus Area Concerns (April 1984)
52.220-4	Labor Surplus Area Subcontracting Program (April 1984)
52.222-3	Convict Labor (April 1984)
52.222-21	Certification of Nonsegregated Facilities (April 1984)
52.222-35	Affirmative Action for Special Disabled and Vietnam Era Veterans (April 1984)
52.222-36	Affirmative Action for Handicapped Workers (April 1984)
52.203-7	Fees or Kick-Backs By Subcontractors (Anti-Kickback Act (41 U.S.C. 51-54)) (April 1984)
52.219-13	Utilization of Women-Owned Small Businesses (April 1984)
52.245-5	Government Property (April 1984) Applicable only to Contractors that have been furnished Government property.

(Plan # H1036 Contract Period 01/01/92 - 12/31/92)

Signature of the official authorized to request a change in the banking information needed for HCFA payment to your Organization.

/s/ WALTER B. STARK (Signature)

Walter B. Stark (Name)

Director Cash Management (Title)

In witness whereof, the parties hereby execute this contract.

Date January 30 , 1992

EFFECTIVE DATE
January 1 , 1992

For the Organization

/s/ JOSEPH E. SHYRIH (Signature)

Vice President (Title)

Humana Medical Plan, Inc. (Organization)

3400 Lakeside Drive
Miramar, Florida 33027 (Address)

For the Health Care Financing
Administration

/s/ CONNIE FORSTER (Signature)

for Act. Director
Office of Operation
Office of Prepaid Health Care
Operations and Oversight
Health Care Financing
Administration

21

12/02/91 PAGE: 1

GEOGRAPHIC AREA ATTACHMENT

ORGANIZATION HUMANA MEDICAL PLAN, INC - DADE H1036

IN THE STATE OF FL

- THE FOLLOWING COUNTY(IES):

BROWARD	DADE
HILLSBOROUGH	ORANGE
OSCEOLA	PALM BEACH
PASCO	PINELLAS
SEMINOLE	VOLUSIA

P = PARTIAL COUNTY

Exhibit 10(x)

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

- ---

TABLE OF CONTENTS

Page

Page

SCHEDULES

EXHIBITS

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

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.

7

"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).

8

"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

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

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

12

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

13

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.

"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

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.

"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).

"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.

21

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

22

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.

(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).

(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.

28

(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.

29

(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.

46

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.

47

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

53

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

54

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.

57

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:

58

(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

(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.

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

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.

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

Exhibit 10 (qq)

ALTERNATIVE DISPUTE RESOLUTION AGREEMENT

THIS ALTERNATIVE DISPUTE RESOLUTION AGREEMENT ("Agreement") is made this 8th day of March, by and between HUMANA INC., a Delaware corporation ("Humana"), and GALEN HEALTH CARE, INC., a Delaware corporation ("Galen").

RECITALS

Prior to the date of this Agreement, Humana and Galen were members of an affiliated group of companies. As part of the division of the formerly integrated business into separate businesses managed by unaffiliated companies, which has been accomplished as of the date hereof by distribution of the capital stock of Galen to Humana's shareholders, Humana and Galen have entered into certain agreements governing the division of such business and the distribution of its assets and liabilities. The purpose of this Agreement is to specify the sole and exclusive method and procedure by which disputes arising out of or relating to such agreements, or breaches of such agreements, are to be resolved. Humana and Galen intend that the procedures agreed upon herein will permit them to resolve such disputes, if any, expeditiously, economically and finally.

NOW, THEREFORE, in consideration of the premises and mutual covenants of the parties contained herein, the parties hereby agree as follows:

1. DEFINITIONS. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1:

1.1. AFFILIATE. An "affiliate" as defined under Rule 12b-2 of the regulations promulgated under the Securities Exchange Act of 1934, as amended.

1.2. AMOUNT IN CONTROVERSY. The monetary value of any Dispute. In determining the monetary value of any Dispute, in addition to the monies actually at issue, if interpretation of a provision of one of the Contracts could determine the rights of the parties with respect to future Disputes, the monetary value of such further Disputes which could reasonably arise under the Contract provision to be interpreted must be considered.

1.3. ARBITRATOR. The person appointed pursuant to Paragraph 4.4 below.

1.4. CONTRACTS. Each of the agreements set forth in Tab A.

1.5. DISPUTE. A claim, demand, liability or assertion by one party hereto against the other which arises out of or relates to the Contracts, or which alleges a breach thereof, concerning which the parties cannot reach agreement after good faith consultation and negotiation.

1.6. GALEN. Galen Health Care, Inc. and all of its subsidiaries after March 1, 1993.

1.7. HUMANA. Humana Inc. and all of its subsidiaries after March 1, 1993.

1.8. HUMANA GROUP. Humana Inc. and all of its existing and former subsidiaries and affiliates prior to March 1, 1993.

1.9. MEDIATOR. The person appointed pursuant to Paragraph 3.4 below.

3

1.10. PANEL. The list of potential Mediators or Arbitrators created in accordance with Paragraph 5 hereof.

2. NATURE OF THE DISPUTE.

2.1. If the Dispute involves an Amount in Controversy of less than $250,000, the parties shall submit such Dispute to binding mediation as set forth in Paragraph 3.17 below.

2.2. If the Dispute involves an Amount in Controversy of $250,000 or more, the parties shall first submit such Dispute to non-binding mediation. If the Dispute cannot be resolved through mediation, such Dispute shall then be submitted by the parties to binding arbitration in accordance with Section 4 below. Judgment upon the award rendered by the Arbitrator may be enforced as provided in Paragraph 6.1.

2.3. If the parties are unable to agree which of the above provisions (Paragraph 2.1 or Paragraph 2.2) governs a Dispute, the Mediator shall decide this issue prior to beginning any other part of the mediation.

3. MEDIATION.

3.1. Either party to a Dispute may initiate mediation by giving notice to the other that it requests mediation (the "Request").

3.2. The Request shall contain a brief statement of the nature of the Dispute.

3.3. Within fifteen (15) days of a Request, the parties will appoint a single Mediator. Such appointment shall be made as set forth in Paragraph 3.4 below.

4

3.4. The Mediator shall be selected from the Panel in the following manner. Within five (5) days of receipt of the Request or, in the case of a Panel constituted according to Paragraph 5.2, within five (5) days of receipt of the list of persons comprising the Panel, the parties shall meet to attempt to agree upon a particular Mediator. If the parties are unable to agree, each party shall cross off from the list any Panel member it deems unacceptable and attach in writing a numerical preference (with the numeral 1 representing most preferred) to the remaining persons, provided, however, that neither party may cross off one-half or more of the number of persons on the Panel. The Mediator shall be the person who (1) has not been crossed off the list by either party, and (2) receives the lowest numerical score when the written preferences of the parties are added together. In the event of a tie, the Mediator shall be chosen by lot from among those persons receiving the same numerical score.

3.5. No person shall serve as a Mediator in any Dispute in which the person has any financial or personal interest, except by the written consent of the parties. Prior to accepting an appointment, the prospective Mediator shall disclose any circumstances likely to create a presumption of bias or prevent a prompt meeting with the parties. If, in the opinion of either party, such circumstances disqualify the Mediator to serve, another Mediator shall be appointed within fifteen (15) days of one party's giving notice to the other that the first Mediator is disqualified. The appointment shall be made in the same manner as that described in Paragraph 3.4 above.

5

3.6. If one party fails to participate in the selection of the Mediator within the time specified, such party shall be deemed to agree to the selection of any member of the Panel and to authorize the other party to take any actions necessary to appoint a Mediator. Any Mediator thus appointed shall have all the powers conferred by this Section 3.

3.7. Subject to the provisions of Paragraph 3.11 below, either party may select persons of its choice to be corporate representatives at the mediation proceedings, excepting however that outside counsel shall not be permitted to attend or participate in the mediation proceedings.

3.8. Subject to the requirement that all mediation proceedings shall take place in Louisville, Kentucky unless otherwise agreed by the parties, the Mediator shall fix the time and place of each mediation session, the first such session to be scheduled not more than thirty (30) days after appointment of the Mediator, unless otherwise agreed by the parties.

3.9. At least five (5) days prior to the first scheduled mediation session, each party shall provide the Mediator and the other party with: (i) a summarized statement of position; (ii) all relevant documentation regarding factual basis and liability; and (iii) all relevant documentation regarding the amount in dispute or the damages asserted. Each party is expected to produce all information which may be reasonably required by the Mediator to understand the issues presented.

3.10. Excepting only with respect to those Disputes identified in Paragraph 2.1 above, the Mediator has no authority to impose a

6

settlement but will assist the parties in reaching a satisfactory resolution of the Dispute. The Mediator is authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement. The Mediator is further authorized to obtain expert advice concerning technical aspects of the Dispute, provided the parties agree and assume the expenses of obtaining such advice.

3.11. Only the parties may attend any mediation session, unless the parties and the Mediator consent to the attendance of other person(s).

3.12. Information disclosed to the Mediator by the parties or by witnesses, as well as all documents received, during the course of the mediation shall be maintained as confidential by the Mediator.

3.13. The parties and the Mediator shall maintain the confidentiality of the mediation and shall not rely upon or introduce as evidence in any arbitral, judicial or other proceeding (i) any views expressed or proposals made by the other party or Mediator, (ii) admissions made by the other party or (iii) settlement proposals and discussions made by either party or the Mediator during the course of the mediation. The Mediator shall not be compelled to divulge such records or to testify in regard to the mediation in any adversary proceeding or judicial forum.

3.14. The mediation shall be terminated upon the happening of any of the following: (i) by the execution of a settlement agreement by the parties; (ii) by written declaration of the Mediator that further efforts at mediation are no longer worth-

7
while; (iii) by a written declaration of one or both parties that the mediation proceedings are terminated; or (iv) by the passage of thirty (30) days after the first mediation session, unless the parties otherwise agree in writing.

3.15. Upon termination of mediation proceedings by reason of settlement, the parties shall execute all documents necessary to effect the settlement upon the agreed terms and conditions. Such settlement shall constitute a binding contract of the parties and shall be enforceable as provided in Paragraph 6.1 below.

3.16. Upon termination of mediation proceedings under Paragraph 3.14(ii), (iii) or (iv) above, and with respect to Disputes identified in Paragraph 2.2 above, the parties shall initiate arbitration proceedings as set forth in Section 4 below.

3.17. With respect to Disputes identified in Paragraph 2.1 above, upon termination of mediation proceedings under Paragraph 3.14(ii), (iii) or (iv) above, the Mediator shall arbitrate the Dispute in one of the following methods, as determined by the Mediator: (i) issue a binding award based upon the information previously provided by the parties; (ii) request additional written position statements and documentation from the parties upon which a binding award will issue; or (iii) schedule and conduct an expedited hearing in a manner which permits a fair presentation of the case by the parties, such hearing to be completed in one day and upon which a binding award will issue. The Mediator shall issue a binding award with respect to such Disputes no later than ten (10) days after termination of mediation proceedings under Section 3.14(ii), (iii) or (iv), unless the parties otherwise agree in writing. Fees and

8
expenses of the mediation shall be shared equally by the parties unless the Mediator determines that the position or conduct in the mediation was frivolous or uncooperative, in which case the Mediator may apportion such fees or expenses as the Mediator sees fit.

3.18. An award of the Mediator issued under Paragraph 3.17 above shall be enforceable in any court of competent jurisdiction as provided in Section 6.1 hereof. The parties hereby expressly agree that the validity or enforceability of any such award shall not be challenged in judicial proceedings for any reason other than fraud in the conduct of the arbitration proceedings resulting in such award.

4. ARBITRATION.

4.1. Either party to a Dispute identified in Paragraph 2.2 above which has not been settled or resolved through mediation may initiate arbitration by serving notice of a Demand for Arbitration ("Demand") upon the other party. Such Demand shall contain a statement setting forth its claim and the nature of the dispute, the amount involved and, if any, the remedy sought. If so desired, the party upon whom the Demand is made may serve an answering statement within seven (7) days upon the other party. If a counterclaim is asserted it shall contain a statement setting forth the nature of the counterclaim, the amount involved, if any, and the remedy sought. If no answer

is filed within the stated time, it will be assumed that the claim is denied. Failure to file an answer shall not operate to delay the arbitration.

4.2. If either party subsequently desires to make any new or different claim, such claim shall be made in writing and served upon the other party who shall have seven (7) days from the date of service within which to answer. After the Arbitrator is appointed, however, no new or different claim may be submitted except with the consent of both parties.

4.3. Within fifteen (15) days of receipt of a Demand the parties will appoint a single Arbitrator. Such appointment shall be made as set forth below.

4.4. The Arbitrator shall be selected from the Panel from which the Mediator in the case was selected. Within five (5) days of receipt of a Demand, the parties shall meet to attempt to agree upon a particular Arbitrator. If the parties are unable to agree, each party shall cross off from the list any Panel member (including the Panel member who served as Mediator in the case) it deems unacceptable and attach in writing a numerical preference (with the numeral 1 representing most preferred) to the remaining persons, provided, however, that neither party may cross off one-half or more of the number of persons on the panel. The Arbitrator shall be the person who (1) has not been crossed off the list by either party, and (2) receives the lowest numerical score when the written preferences of the parties are added together. In the event of a tie, the Arbitrator shall be chosen by lot from among those persons receiving the same numerical score.

4.5. No person shall serve as an Arbitrator in any Dispute in which the person has any financial or personal interest, except by the written consent of the parties. Prior to accepting an

appointment, the prospective Arbitrator shall disclose any circumstances likely to create a presumption of bias or prevent a prompt meeting with the parties. If, in the opinion of either party, such circumstances disqualify the Arbitrator to serve, another Arbitrator shall be appointed within fifteen (15) days of one party's giving notice to the other that the first Arbitrator is disqualified. The appointment shall be made in the same manner as that described in Paragraph 4.4 above.

4.6. All arbitration proceedings shall take place in Louisville, Kentucky, unless otherwise agreed by the parties in writing. The Arbitrator shall schedule a pre-hearing conference, of which each party shall have at least five (5) days' advance notice, to arrange for an exchange of information and a stipulation to uncontested facts to expedite the arbitration proceedings. Such pre-hearing conference shall be held within thirty (30) days of the appointment of the Arbitrator. At the pre-hearing conference, the parties will produce relevant documents, identify witnesses to be called, schedule further hearings and consider any other matters which will expedite the arbitration proceedings. At the pre-hearing conference, the Arbitrator, at the request of either party, shall have the authority to direct the production of any relevant documents or exhibits not produced. Failure to make production after such direction may subject the non-producing party to the same penalties as failure to respond to a subpoena as set forth in Section 4.14. Further hearings, including presentation of all evidence and

post-hearing briefs, shall be completed within thirty (30) days of the pre-hearing conference unless the Arbitrator

determines that more time is necessary to enable both parties to present their cases fairly. Any such determination shall be in writing, shall include a reasoned explanation, and shall fix a date certain for closing the hearings.

4.7. If one party fails to participate in the selection of the Arbitrator within the time specified, such party shall be deemed to agree to the selection of any member of the Panel and to authorize the other party to take any actions necessary to appoint an Arbitrator. Any Arbitrator thus appointed shall have all the powers conferred by this Section 4.

4.8. Any party may be represented by counsel. A party intending to be so represented shall notify the other party at the earliest possible date, but in any event no later than the date of appointment of the Arbitrator.

4.9. A verbatim record, through audiotape, shall be kept of the proceedings. Any party wishing a stenographic record shall make arrangements directly with the stenographer and shall notify the other party of such arrangements in advance of the hearing. The requesting party shall pay the cost of such record.

4.10. The Arbitrator shall maintain the privacy of the hearings. Any person having a direct interest in the arbitration is entitled to attend the hearings; otherwise, the Arbitrator shall have the power to require the exclusion of any witness, other than a party or other essential person, during the testimony of any other witness.

4.11. Unless the law provides to the contrary, the arbitration may proceed in the absence of any party which, after due

notice, fails to be present or fails to obtain an adjournment. An award shall not be made solely on the default of a party and the Arbitrator shall require the party who is present to submit such evidence as the Arbitrator may require for the making of an award.

4.12. The Arbitrator may adjourn the proceedings upon the request of a party or upon the Arbitrator's own initiative, but the Arbitrator shall make such adjournment only when all of the parties agree thereto.

4.13. The hearing shall be opened by the filing of the oath of the Arbitrator, where required, and by the recording of the place, time and date of the hearing, acknowledgement of the presence of the Arbitrator and the parties, and counsel, if any, and by the receipt of the Arbitrator of the statement of claim and answer, if any. The Arbitrator may also ask for statements clarifying the issues involved. The complaining party shall first present its claim and proofs and its witnesses, who shall submit to questions or other examination, including cross-examination by the other party. The defending party shall then present its defense and proofs and its witnesses, who shall submit to questions or other examination, including cross-examination by the other party. The Arbitrator may require witnesses to testify under oath administered by a duly qualified person. If required by law or if either party so demands, the Arbitrator shall require witnesses to

testify under oath administered by a duly qualified person.

4.14. The Arbitrator shall afford full and equal opportunity to all parties for the presentation of any material or relevant proofs. Exhibits, when offered by either party, may be received in

evidence by the Arbitrator. The names and addresses of all witnesses and exhibits in the order received shall be made a part of the record. The parties may offer such evidence as is relevant and material to the Dispute and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Dispute. The Arbitrator may subpoena witnesses or documents upon the request of any party, or independently. Failure to produce documents subject to subpoena may be grounds for a ruling in favor of the other party or a negative inference against the party failing to produce, in the Arbitrator's discretion. The Arbitrator shall be the sole judge of the relevance and materiality of the evidence offered and conformity to legal rules of evidence shall not be necessary. The Arbitrator shall also be the sole judge with respect to any procedural disputes between the parties. All evidence shall be taken in the presence of the Arbitrator and of the parties, except for any party which has waived the right to be present or failed to be present or to obtain an adjournment within the meaning of Paragraph 4.11.

4.15. Upon the statements of the parties that they have no further proof to offer nor witnesses to be heard or upon the expiration of the time set pursuant to Paragraph 4.6, the Arbitrator shall declare the hearings closed and a minute thereof shall be recorded. If post-hearing briefs are to be filed, the hearing shall be declared closed as of the date set by the Arbitrator for receipt of briefs. If it has been agreed upon by the parties at the hearing that additional documents shall be filed, such documents shall be

filed as of the date set for the receipt of briefs. The time limit within which the Arbitrator is required to make the award shall commence to run, in the absence of other agreement by the parties, upon the closing of the hearing.

4.16. The parties may provide, by written agreement, for the waiver of oral hearings with respect to any particular Dispute. When the parties have so agreed, the Arbitrator shall decide the issue based upon written documentation and briefs submitted by each party.

4.17. Any party who proceeds with arbitration after knowledge that any provision or requirement of this Agreement has not been complied with and who fails to state objection thereto in writing, shall be deemed to have waived the right to object.

4.18. Unless both parties have been given notice and an opportunity to participate, there shall be no communication between one or both parties and the Arbitrator other than at oral hearings.

4.19. The award shall be made promptly by the Arbitrator, but in no event later than fifteen (15) days from the date of the closing of the hearings, or if oral hearings have been waived, from the date of transmitting the final statements and proofs to the Arbitrator. The Arbitrator shall

also provide the parties a written explanation within sixty (60) days from the date of the closing of the hearings.

4.20. The award shall be in writing, signed by the Arbitrator, and shall be executed in the manner required by law.

4.21. The Arbitrator may grant any remedy or relief which the Arbitrator deems just and equitable and within the scope of the

agreement of the parties including specifically, but not limited to, injunctive relief and specific performance of a contract. The Arbitrator may not award consequential, exemplary, incidental, punitive or special damages. In any award involving money damages, the Arbitrator shall award both pre-arbitration and post-arbitration interest. Interest shall be at the prime rate as published from time to time by Chemical Bank, unless the agreement which is the subject of the Dispute provides otherwise. Fees and expenses of the arbitration shall be shared equally by the parties unless the Arbitrator determines that the position or conduct in the arbitration was frivolous or uncooperative, in which case the Arbitrator may apportion such fees or expenses as the Arbitrator sees fit.

4.22. If the parties settle their dispute during the course of the arbitration, the Arbitrator, upon their request, may set forth the terms of the agreed settlement in an award.

4.23. An award of the Arbitrator issued hereunder shall be enforceable in any court of competent jurisdiction as provided in Section 6.1 hereof. The parties hereby expressly agree that the validity or enforceability of any such award shall not be challenged in judicial proceedings for any reason other than fraud in the conduct of the arbitration proceedings resulting in such award.

5. CREATION OF PANEL.

5.1. Following the execution of this agreement, the parties shall use their best efforts to agree upon a list of five (5) or seven (7) persons to constitute a panel from which Mediators and

Arbitrators shall thereafter be drawn. This list, which may be amended by the written agreement of both parties, shall be attached hereto as Tab B.

5.2. If the parties have not agreed upon a list as provided in Paragraph 5.1 prior to the initiation of mediation by either party to a Dispute, the party requesting mediation shall, unless both parties otherwise agree in writing, request the New York office of the Judicial Arbitration & Mediation Services, Inc. to provide a list of seven (7) persons able to serve as Mediator or Arbitrator. This list shall constitute the Panel for both mediation and arbitration of that Dispute unless the parties otherwise agree in writing. If after following the procedures specified in Sections 3 and 4 above a Mediator or Arbitrator cannot be appointed from this list, the parties shall request additional lists from the New York office of the Judicial Arbitration & Mediation Services, Inc. as necessary.

6. JURISDICTION; SERVICE OF PROCESS.

6.1. JURISDICTION. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts of the Commonwealth of Kentucky in Louisville, Jefferson County, Kentucky, and the United States Federal District Courts for the Western District of Kentucky located in Louisville, Kentucky, over any action permitted by Section 4.23, Section 3.15 and Section 3.18 hereof. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such action. Each of the parties agrees that a judgment in any such action may

be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

6.2. SERVICE OF PROCESS. Each of the parties hereby consents to process being served by any party to this Agreement in any action specified in Section 6.1 above by the mailing or the delivery by hand of a copy thereof in accordance with the provisions of Section 7.1 of this Agreement.

6.3. TRIAL BY JURY. Each of the parties hereto hereby waives any right to trial by jury with respect to any action specified in Section 6.1 above.

7. MISCELLANEOUS PROVISIONS.

7.1. NOTICE. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been given (i) on the date of personal delivery or (ii) provided such notice, request, demand or communication is actually received by the party to which it is addressed in the ordinary course of delivery, on the date of (A) deposit in the United States mail, postage prepaid, by registered or certified mall, return receipt requested, (B) transmission by telegram, cable, telex or facsimile transmission, or (C) delivery to a nationally-recognized overnight courier service, in each case, addressed as follows, or to such other person or entity as either party shall designate by notice to the other in accordance herewith:

If to Humana: Humana Inc.
500 West Main Street
Box 1438
Louisville, Kentucky 40201-1438
Attn: Law Department

If to Galen: Galen Health Care, Inc.
201 West Main Street
Louisville, Kentucky 40202

Attn: Law Department

7.2. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky to the extent not inconsistent with the Federal Arbitration Act.

7.3. SEVERABILITY. The parties agree that each provision to this Agreement shall be construed independent of any other provision of this Agreement. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof. This Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

7.4. ENTIRE AGREEMENT. This Agreement, including Tabs A and B, constitutes the entire agreement between the parties regarding its subject matter. It supersedes all prior written or contemporaneous oral agreements related thereto.

7.5. AMENDMENT AND MODIFICATIONS. No amendment or other modification to this Agreement shall be binding upon any party unless executed in writing by all of the parties hereto.

7.6. WAIVER. No waiver by any party of any of the provisions of this Agreement will be deemed, or will constitute, a waiver of any other provision, whether similar, nor will any waiver constitute a continuing waiver. No waiver will be binding unless executed in writing by the party making the waiver.

7.7. ASSIGNMENT. Neither party may assign, by operation of law, merger or otherwise, license, sublicense or otherwise transfer

any of its rights or obligations under this Agreement to any other person or entity without obtaining the prior written consent of the other party.

7.8. CAPTIONS. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning and construction of any provision hereof.

7.9. BINDING EFFECT OF AGREEMENT. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the parties hereto, their respective Affiliates, successors and assigns.

7.10. NO THIRD PARTY BENEFICIARY. Nothing in this Agreement, express or implied, shall confer on any person other than the parties any rights or remedies under or by virtue of this Agreement.

IN WITNESS WHEREOF, the parties, by their duly authorized officers, have executed and delivered this Agreement on the date first written above.

HUMANA, INC.

By: /S/ W. E. NEELY

Title: Vice President

("Humana")

GALEN HEALTH CARE, INC.

By: /S/ KATHLEEN PELLEGRINO

Title: Vice President

("Galen")

TAB A

1. Distribution Agreement between Galen Health Care, Inc. and Humana Inc., dated as of January 19, 1993.

2. Operating Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

3. Hospital Services Agreement between Galen Health Care, Inc. Humana, Inc. and certain of their respective subsidiaries.

4. Medicare Supplement Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

5. Assumption of Liabilities and Indemnification Agreement between Galen health Care, Inc. and Humana Inc., dated as of March 1, 1993.

6. Employee Benefits Allocation Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

7. Tax Sharing and Indemnification Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

8. Lease Agreement between Galen Health Care, Inc. and Humana, Inc. regarding 500 West Main Street, Louisville, Kentucky, dated as of March 1, 1993.

9. Lease Agreement between Galen Health Care, Inc. and Humana, Inc. regarding 516 West Main Street, Louisville, Kentucky, dated as of March 1, 1993.

10. Lease Agreement between Galen Health Care, Inc. and Humana, Inc. regarding 101 East Main Street, Louisville, Kentucky, dated as of March 1, 1993.

11. Lease Agreement between Galen Health Care, Inc. and Humana, Inc. regarding 708 West Magazine Street, Louisville, Kentucky, dated as of March 1, 1993.

12. Lease Agreement between Galen Health Care, Inc. and Humana, Inc. regarding 8119 Data Point Drive, San Antonio, Texas, dated as of March 1, 1993.

13. Intellectual Property Agreement between Galen Health Care, Inc. and Humana, Inc., dated as of March 1, 1993.

14. Aircraft Management Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

15. Aircraft Interchange Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

16. Information Systems Split Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

17. Intercompany Information Systems Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

18. Intercompany Communications Agreement between Galen Health Care, Inc. and Humana Inc., dated as of March 1, 1993.

19. Workers Compensation Administrative Service Agreement between Humana Health Insurance Company of Florida, Inc., a wholly owned subsidiary of Humana Inc., and Galen Health Care, Inc., dated as of March 1, 1993.

20. Administrative Services Agreement between Humana Insurance Company, a wholly owned subsidiary of Humana Inc., and Galen Health Care, Inc., dated as of March 1, 1993.

21. Accounts Recovery Service Agreement between Humana Inc. and Galen Health Care, Inc., dated as of March 1, 1993.

22. Any other agreement between the parties which, by its terms, adopts the provisions of this Alternative Dispute Resolution Agreement.

Exhibit 12

HUMANA INC.
RATIO OF EARNINGS TO FIXED CHARGES
FOR THE YEARS ENDED DECEMBER 31, 1993, DECEMBER 31, 1992,
AUGUST 31, 1992, AUGUST 31, 1991, AND AUGUST 31, 1990
AND THE FOUR MONTHS ENDED DECEMBER 31, 1992

	Years Ended December 31,		Four Months Ended December 31,	Years Ended August 31,		
	1993	1992	1992	1992	1991	1990
Ratio of earnings (losses) to fixed charges	14.1	(A)	5.6	(A)	1.8	(A)

For the purpose of determining earnings in the calculation of the ratio of earnings to fixed charges, earnings (losses) have been increased (reduced) by the provision (benefit) for income taxes and fixed charges. Fixed charges consist of interest expense on borrowings and one-third (the proportion deemed representative of the interest portion) of rents.

(A) Earnings were inadequate to cover fixed charges by $139 million, $146 million and $6 million for the years ended December 31, 1992, August 31, 1992, and August 31, 1990, respectively. The deficiency for the years ended December 31, 1992, and August 31, 1992 was caused by the recording of $171 million (pre-tax) of restructuring and unusual charges in August 1992.

EXHIBIT 13

FINANCIAL SECTION

Humana Inc.

SELECTED FINANCIAL DATA

Humana Inc.

Dollars in millions except per share results

	December 31,		August 31,			
For the years ended	1993	1992	1992	1991	1990	1989
SUMMARY OF OPERATIONS						
Revenues:						
Premiums:						
Commercial	$1,709	$1,642	$1,576	$1,239	$ 776	$ 560
Medicare risk	1,296	1,112	1,073	898	653	486
Medicare supplement	132	127	122	94	65	42
Total premiums	3,137	2,881	2,771	2,231	1,494	1,088
Interest	48	36	37	36	31	28
Other income	10	4	3	2		
Total revenues	3,195	2,921	2,811	2,269	1,525	1,116
Income (loss) before income taxes	143	(154)(a)	(164)(a)	14	(9)	(38)
Net income (loss)	89	(107)(a)	(114)(a)	9	(4)	(23)
Earnings (loss) per common share	.56	(.68)(a)	(.72)(a)	.06	(.03)	(.15)
Net cash provided by (used in) operations	185					
	124	(57)	66	165	61	
FINANCIAL POSITION						

Total assets	$1,731	$1,189	$1,011	$1,005	$ 704	$ 650
Cash, cash equivalents and marketable securities	1,134	614	431	486	411	328
Equity	889	376	367	407	216	269
OPERATING DATA						
Medical loss ratio	83.8%	86.3%	86.0%	84.4%	86.1%	88.1%
Administrative cost ratio	13.2%	14.1%	14.7%	16.1%	16.9%	17.9%
Membership:						
Commercial	1,214,000	1,219,800	1,237,500	1,208,100	819,600	653,500
Medicare risk	270,800	266,300	262,300	249,900	193,400	147,000
Medicare supplement	153,600	198,900	203,900	203,100	159,100	126,400
Total membership	1,638,400	1,685,000	1,703,700	1,661,100	1,172,100	926,900

(a) Includes $171 million ($118 million or $.75 per share, net of tax) of charges related to restructuring and unusual charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Humana Inc.

The selected financial data of the Company in this Annual Report sets forth certain information with respect to the Company's financial position, results of operations and cash flows and should be read in conjunction with the following discussion and analysis.

INTRODUCTION

On March 1, 1993, Humana Inc. ("Humana" or the "Company") separated its acute-care hospital and managed care health plan businesses into two independent publicly-held companies (the "Spinoff"). The Spinoff was effected through the distribution to Humana stockholders of record as of the close of business on March 1, 1993, of all of the outstanding shares of common stock of a new hospital company, Galen Health Care, Inc. ("Galen"). Galen was subsequently merged, through an unrelated transaction, with a subsidiary of Columbia Healthcare Corporation (now Columbia/HCA Healthcare Corporation) ("Columbia") and, therefore, became a wholly-owned subsidiary of Columbia. The Humana Inc. legal entity continues to operate the health plan business. Because of the relative significance of the acute-care hospital business to Humana prior to the Spinoff, the Spinoff was recorded as a discontinuance of the health plan business in the historical consolidated financial statements of pre-Spinoff Humana. For this reason, the historical consolidated financial statements of pre-Spinoff Humana became the historical consolidated financial statements of Galen. The financial information contained herein for periods prior to the Spinoff represents the financial information of what had historically been the health plan business of Humana and does not correspond with or represent the historical financial information of Humana.

In conjunction with the Spinoff, the Company changed its fiscal year end from August 31 to December 31. This action was taken because, among other reasons, the Company and its subsidiaries are subject to regulations which require the periodic reporting of financial information on a calendar year basis and because many of the contracts between the Company and its customers are on a calendar year basis. For purposes of comparability, the following discussion of "Results of Operations" compares the year ended December 31, 1993, to the twelve months ended December 31, 1992 (the "year ended December 31, 1992"), and the year ended August 31, 1992, to the year ended August 31, 1991.

The Company offers managed health care products which integrate financing and 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").

Humana's HMO and PPO products are primarily marketed to employer and other groups ("Commercial") and Medicare-eligible individuals. The products marketed to Medicare-eligible individuals are either HMO products that provide health care services which include all Medicare benefits and, in certain circumstances, additional health care services that are not included in Medicare benefits ("Medicare risk") or indemnity insurance policies that supplement Medicare benefits ("Medicare supplement").

COMPARISON OF RESULTS OF OPERATIONS

Years Ended December 31, 1993 and 1992

In order to enhance comparability, the following discussion comparing the year ended December 31, 1993, to the year ended December 31, 1992, excludes the impact of the $171 million in restructuring and unusual charges recorded in August 1992. With respect to these charges, $77 million was used to write-down assets, and $42 million was used to pay restructuring and unusual costs. The remaining $52 million, primarily related to contract disputes, product discontinuances and market closures, is expected to be resolved within two to three years. The asset write-downs discussed above had the effect of reducing depreciation and amortization expense by $5 million for the year ended December 31, 1993. Management regularly evaluates the continued reasonableness of the charges discussed above, and to the extent adjustments are necessary, earnings are charged or credited in the current period.

The Company's premium revenues increased 9% to $3.1 billion for the year ended December 31, 1993, compared to $2.9 billion for the year ended December 31, 1992, due to Commercial product premium rate increases of 7% and Medicare risk product premium rate increases of 14%. Commercial and Medicare risk product premium increases during 1994 are projected to range between 3% and 4%. The impact of the 1993 premium rate increases on premium revenues was partially offset by the membership reductions discussed below. Membership data for the respective periods follows:

Amounts in thousands	1993	1992
Beginning membership	1,685.0	1,673.7
Sales	267.9	280.8
Acquisitions (divestitures)	(6.4)	79.9
Cancellations	(308.1)	(349.4)
Ending membership	1,638.4	1,685.0
Average membership	1,637.9	1,699.4

Membership declined 3% during the year ended December 31, 1993, primarily due to a decline in Medicare supplement product membership. This decline was the result of management's decision to increase Medicare supplement product premium rates effective January 1, 1993, to more closely approximate competitive levels. Commercial product membership increased during the third and fourth quarters of 1993 as medical cost improvements allowed the Company to be more competitive in its pricing. The increase in Commercial product

membership in the last six months of 1993 offsets the decline in Commercial product enrollment during the first six months of 1993. The decline resulted primarily from the Company's pricing policy which attempted to maintain operating margins during a period when the Company's cost structure was high. Medicare risk membership levels remained relatively constant during 1993.

The medical loss ratio for the year ended December 31, 1993, was 83.8% compared to 86.3% for the year ended December 31, 1992. Principal factors contributing to the improvement in the medical loss ratio included Medicare product premium rate increases, improved hospital utilization and favorable other medical services costs experience in the Commercial and Medicare risk products. Because 1994 premium rate increases are projected to range from 3% to 4%, additional improvements in hospital and other medical services costs are necessary to achieve further reductions in the medical loss ratio.

The administrative cost ratio was 13.2% and 14.1% for the years ended December 31, 1993 and 1992, respectively. The improvement in the administrative cost ratio is attributable to the impact of 1992 work force reductions and an emphasis by management in controlling administrative costs.

Interest income totaled $48 million for the year ended December 31, 1993, compared to $36 million for the year ended December 31, 1992. The increase in interest income is attributable to interest being earned on notes receivable and cash payments from Galen received in connection with the Spinoff. The notes were repaid in September 1993. Tax equivalent yield on invested assets approximated 6% and 8% for the years ended December 31, 1993 and 1992, respectively. Tax equivalent yield is the rate earned on invested assets, excluding unrealized gains and losses, adjusted for the benefit of nontaxable investment income.

The Company's income before income taxes totaled $143 million for the year ended December 31, 1993, compared to income of $17 million (excluding the impact of the previously mentioned restructuring and unusual charges) for the year ended December 31, 1992.

Years Ended August 31, 1992 and 1991

In order to enhance comparability, the following discussion comparing the year ended August 31, 1992, to the year ended August 31, 1991, excludes the impact of the $171 million in restructuring and unusual charges recorded in August 1992.

The Company's premium revenues increased 24% to $2.8 billion for the year ended August 31, 1992, compared to $2.2 billion for the year ended August 31, 1991, due to the effect of acquisitions as well as Commercial product premium rate increases of 11% and Medicare risk product premium rate increases of 5%. Membership data for the respective periods follows:

Amounts in thousands	1992	1991
Beginning membership	1,661.1	1,172.1
Sales	292.8	364.1
Acquisitions	61.4	339.1
Cancellations	(311.6)	(214.2)
Ending membership	1,703.7	1,661.1
Average membership	1,690.6	1,479.1

Excluding acquisitions, enrollment declined slightly during the year ended August 31, 1992, due primarily to management's decision to continue pricing its products at levels which attempted to maintain operating margins. Management also believes that enrollment was adversely affected by the economic recession during this period.

In August 1992, the Company recorded restructuring and unusual charges

amounting to $171 million primarily in connection with the board of directors' decision to effect the Spinoff. Included in these restructuring and unusual charges were write-downs of $77 million related to the impairment of operational and administrative assets, $79 million primarily related to contract disputes, product discontinuances and anticipated market closures, and $15 million related to costs associated with the Spinoff from Galen.

The medical loss ratio for the year ended August 31, 1992, was 86.0% compared to 84.4% for the year ended August 31, 1991. The deterioration in the medical loss ratio resulted primarily from increased utilization of hospital and other medical services costs in the Medicare risk product.

The administrative cost ratio was 14.7% and 16.1% for the years ended August 31, 1992, and August 31, 1991, respectively. The improvement in the administrative cost ratio was primarily a result of the increase in premium revenues during these periods.

Interest income totaled $37 million for the year ended August 31, 1992, compared to $36 million for the year ended August 31, 1991. The tax equivalent yield on invested assets approximated 8% in 1992 and 9% in 1991.

Excluding restructuring and unusual charges, the Company's income before income taxes totaled $7 million for the year ended August 31, 1992, compared to $14 million for the year ended August 31, 1991.

LIQUIDITY

Net cash provided by operations for the year ended December 31, 1993, totaled $185 million compared to $124 million for the year ended December 31, 1992. The improvement in 1993 operating cash flows is a result of increased net income, improved premiums receivable collections, and the timing of payments for medical costs and other expenses. In addition, net cash provided by operations for the year ended December 31, 1992, was reduced due to a payment to the Internal Revenue Service (the "IRS") of taxes and interest totaling $91 million of disputed amounts for fiscal years 1988 and 1989, primarily related to the current deductibility of medical costs payable.

For the year ended August 31, 1992, net cash used by operations totaled $57 million compared to cash provided by operations of $66 million for the year ended August 31, 1991. The decline resulted primarily from the timing of the receipt of Medicare risk premiums, changes in other operating assets and liabilities and the payment to the IRS.

The Company's current assets exceeded current liabilities by $231 million at December 31, 1993. At December 31, 1992, the Company's current liabilities exceeded current assets by $245 million. The increase in working capital resulted, in part, from the $383 million in cash contributions from Galen and the improvement in operating cash flows described above. In addition, a portion of the increase is due to management's re-evaluation of the balance sheet classification of marketable securities. At December 31, 1993, the Company reclassified its marketable securities in conjunction with the implementation of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Marketable securities are now classified based upon management's intent regarding the ultimate use of these securities. Marketable equity and debt securities available for current operations are classified in the balance sheet as current assets while securities held for non-current uses, such as, acquisitions, capital spending and funding of professional liability risks are classified as long-term assets. Prior to December 31, 1993, marketable securities were classified in the balance sheet based upon their contractual maturity.

Management believes that existing working capital and cash flows from operations will be sufficient to meet future liquidity needs.

The Company's subsidiaries operate in states which require certain levels of equity and regulate the payment of dividends to the parent company. As a result, the Company's ability to use operating subsidiaries' cash flows is restricted to the extent that the subsidiaries' ability to pay dividends to its parent company requires regulatory approval. At December 31, 1993, the Company had approximately $247 million of unrestricted cash, cash equivalents and

marketable securities.

CAPITAL RESOURCES

The Company's ongoing capital expenditures relate primarily to medical care facilities used by either employed or affiliated physicians as well as administrative facilities and related computer information systems necessary for activities such as claims processing, billing and collections, medical utilization review and customer service. Total capital expenditures amounted to $28 million, $34 million, $47 million and $107 million for the years ended December 31 , 1993, December 31, 1992, August 31, 1992, and August 31, 1991, respectively.

Excluding acquisitions, planned capital spending in 1994 will approximate $40 to $45 million, most of which will relate to the expansion and improvement of medical care facilities and equipment. Management believes that its capital spending program is adequate to expand, improve and equip its existing markets.

During the year ended December 31, 1992, the Company acquired three HMOs with approximately 80,000 members for $38 million. During the year ended August 31, 1991, the Company acquired three HMOs with approximately 339,000 members for $60 million. In addition, the Company acquired an HMO in Washington, D.C., with approximately 125,000 members for $55 million on February 28, 1994. The Company may make acquisitions from time to time and is currently reviewing various acquisition opportunities.

On January 12, 1994, the Company entered into a $200 million line of credit with a group of banks which will be available, in addition to the Company's $247 million of unrestricted cash, to pursue acquisition and expansion opportunities.

The health care industry is changing and consolidating rapidly, providing significant growth potential. As a result, management intends to retain operating cash flows and available cash for acquisition and expansion opportunities and has no current plans to initiate the payment of dividends.

EFFECTS OF INFLATION AND CHANGING PRICES

The Company's operations are regulated by various state and federal government agencies. Actuarially determined premium rate increases for Commercial and Medicare supplement products generally must be approved by the respective state insurance commissions, while increases in premiums for Medicare risk products are determined by the Health Care Financing Administration ("HCFA"). Medicare risk premiums approximated 41%, 39%, 39% and 40% of the Company's premium revenues for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, respectively. Effective January 1, 1994, the average rate of increase under the Medicare risk contract was approximately 3%. Although annual increases have varied significantly, increases have averaged approximately 7% over the last five years, including the increase of January 1994.

Effective with the consummation of the Spinoff, the Company entered into a three-year operating agreement with Galen whereby the Company will use the services of Galen's hospitals guaranteeing certain minimum utilization levels. The rate increases charged for such services are defined under the terms of the agreement. Commercial product rate increases for hospital services are limited to the lesser of the increase in the hospital component of the U.S. Consumer Price Index or the Company's Commercial product premium rate increases, less one percent. The Medicare risk product rate increases for hospital services are equal to the percentage adjustment in HCFA's market specific hospital payment rate to the Company. During the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, 16%, 18%, 18% and 20%, respectively, of the Company's total medical costs were incurred in Galen hospitals.

OTHER INFORMATION

The Company's Medicare risk contracts with the federal government are renewed for a one-year term each December 31 unless terminated 90 days prior thereto. The loss of these contracts or significant changes in the Medicare program, including reductions in payments or increases in benefits without corresponding increases in payments, would have a material adverse effect on the revenues, profitability and business prospects of the Company.

Congress is in the process of evaluating a number of legislative proposals that would effect major changes in the United States health care system. Among the proposals under consideration are government imposed cost controls, measures to increase the availability of group health insurance coverage to employees, and the creation of statewide health alliances that would cover individuals and families not enrolled in large employer health plans. Legislative reform, if any, is not anticipated before the latter part of 1994 and implementation of any reform package could take several additional years. In general, managed care is being considered as a means by which health care costs may be reduced. Although management believes the Company is well positioned to take advantage of the opportunities which will be afforded by health care reform, it is not possible to predict the final form these proposals will take or the affect these proposals may have on the Company.

In addition to federal reform, various states in which the Company operates have implemented or are in the process of implementing changes in the delivery of health care. Again, it is not possible to predict the final form these proposals will take or the effect these changes may have on the Company.

Resolution of various loss contingencies, including litigation pending against the Company in the ordinary course of business, is not expected to have a material adverse effect on its financial position or results of operations.

Net cash provided by operating activities in the accompanying consolidated statement of cash flows for the four month period ended December 31, 1992, includes the receipt of five Medicare risk premium payments.

CONSOLIDATED BALANCE SHEET

Humana Inc.

Dollars in millions except per share amounts

December 31,	1993	1992
ASSETS		
Current assets:		
Cash and cash equivalents	$ 372	$ 233
Marketable securities	427	60
Premiums receivable, less allowance for doubtful accounts of $17 in 1993 and $14 in 1992	37	53
Deferred income taxes	129	120
Other	37	22
Total current assets	1,002	488
Property and equipment, net	300	290
Other assets:		
Long-term marketable securities	335	321
Cost in excess of net tangible assets acquired	60	67
Deferred income taxes	16	10
Other	18	13
Total other assets	429	411
Total Assets	$1,731	$1,189
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical costs payable	$ 448	$ 400
Trade accounts payable and accrued expenses	154	186
Unearned premium revenues	110	102
Income taxes payable	59	45
Total current liabilities	771	733
Long-term obligations	71	80
Total liabilities	842	813
Contingencies		
Common stockholders' equity:		
Equity funding		376
Common stock, $.16 2/3 par; authorized 300,000,000 shares; issued and outstanding 160,343,788 shares - December 31, 1993	27	

Capital in excess of par value	785	
Retained earnings	73	
Net unrealized investment gains	4	
Total common stockholders' equity	889	376
TOTAL LIABILITIES AND COMMON STOCKHOLDERS' EQUITY	$1,731	$1,189

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

Humana Inc.

Dollars in millions except per share results

	Years Ended December 31,		Four Months Ended December 31,	Years Ended August 31,	
	1993	1992	1992	1992	1991
Revenues:					
Premiums	$3,137	$2,881	$ 976	$2,771	$2,231
Interest	48	36	12	37	36
Other	10	4	2	3	2
Total revenues	3,195	2,921	990	2,811	2,269
Operating expenses:					
Medical costs	2,630	2,485	837	2,383	1,885
Selling, general and administrative	368	355	119	357	321
Depreciation and amortization	47	52	17	52	38
Restructuring and unusual charges		171		171	
Total operating expenses	3,045	3,063	973	2,963	2,244
Income (loss) from operations	150	(142)	17	(152)	25
Interest expense	7	12	2	12	11
Income (loss) before income taxes	143	(154)	15	(164)	14
Provision (benefit) for income taxes	54	(47)	6	(50)	5
Net income (loss)	$ 89	$ (107)	$ 9	$ (114)	$ 9
Earnings (loss) per common share	$ .56	$ (.68)	$ .06	$ (.72)	$ .06

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY

Humana Inc.

In millions

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Net Unrealized Investment Gains	Equity Funding	Total Equity
Balance, September 1, 1990						$ 216	$ 216
Net income						9	9
Equity funding from Galen						176	176
Other						6	6

Balance, August 31, 1991					407	407
Net loss					(114)	(114)
Equity funding from Galen					74	74
Balance, August 31, 1992					367	367
Net income					9	9
Balance, December 31, 1992					376	376
Net income			$ 73		16	89
Capital contributions from Galen		$160				160
Cash received from Galen in satisfaction of Notes		248				248
Spinoff capitalization	159	$ 26	366		(392)	
Other	1	1	11	$ 4		16
Balance, December 31, 1993	160	$ 27	$785	$ 73	$ 4	$ 889

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Humana Inc.

Dollars in millions

	Years Ended December 31,		Four Months Ended December 31,	Years Ended August 31,	
	1993	1992	1992	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 89	$(107)	$ 9	$(114)	$ 9
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Restructuring and unusual charges		171		171	
Depreciation and amortization	47	52	17	52	38
Deferred income taxes	(13)	(126)	(1)	(126)	(4)
Changes in operating assets and liabilities:					
Premiums receivable	16	1	(17)	(4)	(15)
Other current assets	(16)	1	(2)	6	(5)
Medical costs payable	58	41	29	3	(6)
Trade accounts payable and accrued expenses	(27)	56	47	18	9
Unearned premium revenues	8	14	102	(83)	19
Income taxes payable	9	19	6	16	19
Other	14	2	(1)	4	2
Net cash provided by (used in) operating activities	185	124	189	(57)	66
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of health plan assets	(5)	(43)	(1)	(42)	(60)
Purchase of property and equipment	(28)	(34)	(10)	(47)	(107)
Disposition of property and equipment	8	7	8	2	2
Change in marketable securities	(368)	(21)	(20)	(7)	(86)
Other	(23)		2	(4)	(4)
Net cash used in investing activities	(416)	(91)	(21)	(98)	(255)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Capital contributions from Galen	383	72		74	176
Other	(13)	(9)	(4)	(4)	(3)
Net cash provided by (used in) financing activities	370	63	(4)	70	173
Increase (decrease) in cash and cash equivalents	139	96	164	(85)	(16)
Cash and cash equivalents at beginning of period	233	137	69	154	170
Cash and cash equivalents at end of period	$372	$ 233	$233	$ 69	$154
Interest payments	$ 1	$ 25		$ 27	
Income tax payments (refunds), net	58	58	$ 1	55	$(23)

The accompanying notes are an integral part of the consolidated financial statements.

11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Humana Inc.

1. REPORTING ENTITY

Basis of Presentation

On March 1, 1993, Humana Inc. ("Humana" or the "Company") separated its acute-care hospital and managed care health plan businesses into two independent publicly-held companies (the "Spinoff"). The Spinoff was effected through the distribution to Humana stockholders of record as of the close of business on March 1, 1993, of all the outstanding shares of common stock of a new hospital company, Galen Health Care, Inc. ("Galen"). Galen was subsequently merged, through an unrelated transaction, with a subsidiary of Columbia Healthcare Corporation (now Columbia/HCA Healthcare Corporation)("Columbia") and, therefore, became a wholly-owned subsidiary of Columbia. The Humana Inc. legal entity continues to operate the health plan business. Because of the relative significance of the acute-care hospital business to Humana prior to the Spinoff, the Spinoff was recorded as a discontinuance of the health plan business in the historical consolidated financial statements of pre-Spinoff Humana. For this reason, the historical consolidated financial statements of pre-Spinoff Humana became the historical consolidated financial statements of Galen. The consolidated financial statements contained herein are the separate financial statements of what had historically been the health plan business of Humana and do not correspond with or represent the historical consolidated financial statements of Humana.

In conjunction with the Spinoff, the Company changed its fiscal year end from August 31 to December 31. This action was taken because, among other reasons, the Company and its subsidiaries are subject to regulations which require the periodic reporting of financial information on a calendar year basis and because many of the contracts between the Company and its customers are on a calendar year basis.

For the fiscal years ended August 31, 1992, and prior, certain allocations and estimates have been made by management in the accompanying consolidated financial statements to present the results of operations of the Company as a separate entity. The operating results of the Company for the years ended August 31, 1992, and prior, include corporate costs and net interest expense which were not previously allocated between the Company and Galen. Corporate costs include shared administrative costs such as management information systems, financing, recruiting, personnel development, accounting, legal advice, public relations, marketing, insurance, purchasing, and risk and quality management. Total costs allocated to the Company were $94 million and $85 million for the years ended August 31, 1992 and 1991, respectively. Net interest expense amounting to $12 million and $11 million for the years ended August 31, 1992 and 1991, respectively, has also been allocated to the Company and relates primarily to disputed income tax issues in connection with current deductibility of medical costs payable. (See Note 5)

Organization and Operations

The Company operates health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") which provide managed care services to commercial customer groups and individuals eligible for the Medicare Program under contractual agreements between the Company and the Health Care Financing Administration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include all subsidiaries of the Company. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds, commercial paper and certain U.S. Government securities with an original maturity of three months or less.

Marketable Securities

The Company adopted Statement of Financial Accounting Standards No. 115 ("SFAS No.115"), "Accounting for Certain Investments in Debt and Equity Securities," effective December 31, 1993. The adoption of SFAS No. 115 resulted in an increase in stockholders' equity of $4 million. The consolidated balance sheet at December 31, 1992, was not restated to give effect to the adoption of this statement.

At December 31, 1993, marketable equity and debt securities have been categorized as available for sale and as a result are stated at fair value. Marketable equity and debt securities available for current operations are classified in the balance sheet as current assets while securities held for non-current uses, such as acquisitions, capital spending and funding of professional liability risks are classified as long-term assets. Unrealized holding gains and losses are included as a component of stockholders' equity until realized. At December 31, 1992, marketable equity securities were stated at the lower of aggregate cost or market, while marketable debt securities were carried at amortized cost which approximated market.

Premium Revenue Recognition

Premium revenues are reported as revenues in the period in which members are entitled to receive managed care services. Premiums received prior to such period are recorded as unearned premium revenues.

Property and Equipment

Property and equipment is carried at cost and is comprised of the following at December 31, 1993 and 1992:

Dollars in millions	1993	1992
Land	$ 25	$ 23
Buildings	224	193
Equipment	248	218
	497	434
Accumulated depreciation	(197)	(144)
	$ 300	$ 290

Depreciation is computed using the straight-line method over estimated useful lives generally ranging from three to 25 years. Depreciation expense was $35 million, $34 million, $34 million and $22 million for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and $12 million for the four months ended December 31, 1992.

Cost in Excess of Net Tangible Assets Acquired

Cost in excess of net tangible assets acquired represents the unamortized excess of the cost over the fair value of net tangible assets acquired, which is amortized on a straight-line basis over periods of expected benefit, which generally have been seven to 14 years. Accumulated amortization totaled $30 million and $59 million, as of December 31, 1993 and 1992, respectively.

Medical Costs

Medical costs include claim payments and estimates of future payments to be made for medical claims incurred prior to the balance sheet date. Estimates of future payments relating to services incurred in current and prior periods are continually reviewed by management, and to the extent necessary, adjustments are reflected in current operations. In addition to medical claims, the Company pays physician salaries and capitation costs. Capitation costs represent monthly prepaid fees paid to participating primary care physicians and other medical specialists for the provision of medical care to the Company's members.

Income Taxes

The provision for income taxes reflected in the consolidated financial statements for the fiscal years ended August 31, 1992, and prior, represents the Company's proportionate share of historical Humana's income tax expense which approximates the expense which would have been recognized had the Company and Galen filed separate tax returns.

The adoption by the Company, effective September 1, 1991, of the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," did not have a material impact on the financial position or results of operations of the Company.

Common Stock

At the time of the Spinoff, the market value of common stock of historical Humana was adjusted to give effect to the distribution to Humana stockholders of all the outstanding common stock of Galen. The market values of the Company and Galen common stock on March 1, 1993, were $7 3/4 and $12 1/8, respectively. (See Note 1)

At December 31, 1992, historical Humana had 158,855,196 shares of common stock outstanding.

Common Stockholders' Equity

Equity of the Company, prior to the Spinoff, resulted from the cumulative net income or loss of the health plan business as well as funding from Galen. Therefore, pre-Spinoff equity is referred to as "Equity Funding" in the accompanying consolidated balance sheet and consolidated statement of common stockholders' equity.

Earnings per Common Share

A 3-for-2 stock split of Humana common stock was distributed in August 1991. Retroactive recognition has been given to this split in the consolidated financial statements and notes.

Earnings per common share are based upon the weighted average number of Humana common shares outstanding. Shares used in computing earnings per common share were 159,283,680, 158,619,551, 158,490,279 and 157,359,253, for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, respectively and 158,777,886 for the four months ended December 31, 1992.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 1993 financial statement presentation.

3. RESTRUCTURING AND UNUSUAL CHARGES

In August 1992, the Company recorded restructuring and unusual charges amounting to $171 million primarily in connection with the board of directors' decision to effect the Spinoff. Included in these restructuring and unusual charges were write-downs of $77 million related to impairment of operational and administrative assets, $79 million primarily related to contract disputes, product discontinuances and anticipated market closures, and $15 million related to costs associated with the Spinoff from Galen.

With respect to the these charges, $77 million was used to write-down assets as described above, and $42 million was used to pay restructuring and unusual costs. The remaining $52 million, primarily related to contract disputes, product discontinuances and market closures is expected to be resolved within two to three years. Management regularly evaluates the continued reasonableness of these charges, and to the extent adjustments are necessary, earnings are charged or credited in the current period.

4. INVESTMENTS

Marketable securities classified as current assets at December 31, 1993, include the following:

Dollars in millions	Fair Value	Cost
U.S. Government securities	$ 21	$ 20
Tax exempt municipal bonds	394	391
Corporate bonds	10	10
Other	2	2
	$ 427	$ 423

Marketable securities classified as long-term assets at December 31, 1993, include the following:

Dollars in millions	Fair Value	Cost
U.S. Government securities	$ 29	$ 29
Tax exempt municipal bonds	158	158
Marketable equity securities	105	103
Collateralized mortgage obligations	11	11
Other	32	31
	$ 335	$ 332

The contractual maturities of debt securities available for sale at December 31, 1993, regardless of their balance sheet classification, follows:

Dollars in millions	Fair Value	Cost
Due within one year	$ 125	$ 124
Due after one year through five years	222	220
Due after five years through 10 years	91	91
Due after 10 years	9	8
Not due at a single maturity date	210	209
	$ 657	$ 652

Gross unrealized holding gains and losses at December 31, 1993, were $10 million and $3 million, respectively. Proceeds and gross realized gains from the sale of securities classified as available for sale for the year ended December 31, 1993, were $116 million and $1 million, respectively. For the purpose of determining gross realized gains and losses, the cost of securities sold is based upon specific identification.

Marketable securities at December 31, 1992, include the following:

Dollars in millions	Cost	Fair Value
U.S. Government securities	$ 24	$ 25
Tax exempt municipal bonds	22	22
Other	14	14
	$ 60	$ 61

Long-term marketable securities at December 31, 1992, include the following:

Dollars in millions	Cost	Fair Value
U.S. Government securities	$ 26	$ 26
Tax exempt municipal bonds	210	212
Marketable equity securities	28	28
Collateralized mortgage obligations	22	23
Other	35	36
	$ 321	$ 325

5. INCOME TAXES

The provision for income taxes consists of the following:

Dollars in millions	Years Ended December 31, 1993	1992	Four Months Ended December 31, 1992	Years Ended August 31, 1992	1991
Current provision (benefit):					
Federal	$ 57	$ 80	$ 6	$ 78	$ 10
State	6	(1)	1	(2)	(1)
	63	79	7	76	9
Deferred provision (benefit):					
Federal	(8)	(138)	(1)	(138)	(3)
State	(1)	12		12	(1)
	(9)	(126)	(1)	(126)	(4)
	$ 54	$ (47)	$ 6	$ (50)	$ 5

The income tax provision (benefit) was different from the amount computed using the federal statutory income tax rate due to the following:

Dollars in millions	Years Ended December 31, 1993	1992	Four Months Ended December 31, 1992	Years Ended August 31, 1992	1991
Income tax provision (benefit) at federal statutory rate	$ 50	$ (52)	$ 5	$ (56)	$ 5
State income taxes, net of federal benefit	4	(4)	1	(4)	1
Tax exempt investment income	(7)	(4)	(1)	(4)	(4)
Amortization	4	18	2	19	8
Other items, net	3	(5)	(1)	(5)	(5)
	$ 54	$ (47)	$ 6	$ (50)	$ 5

Cumulative temporary differences which give rise to deferred tax assets and liabilities at December 31, 1993 and 1992, were as follows:

Dollars in millions	Assets (Liabilities) 1993	Assets (Liabilities) 1992
Medical costs payable	$112	$ 86
Depreciation	(19)	(18)
Deferred compensation	7	4
Accrued interest	6	4
Doubtful accounts	7	7
Restructuring and unusual charges	17	27
Other	15	20
	$145	$130

Management believes that the deferred tax assets will ultimately be realized based primarily on the existence of sufficient taxable income within the allowable carryback periods.

During 1992, the Company paid the IRS $91 million, including interest, of disputed amounts for fiscal years 1988 and 1989, primarily related to the current deductibility of medical costs payable. The Company is currently pursuing a favorable resolution of this issue.

At December 31, 1993, the Company had net operating loss carryforwards of approximately $32 million related to a 1992 acquisition. These loss carryforwards, if unused to offset future taxable income of the acquired subsidiary, will expire in the years 2000 through 2007.

6. PROFESSIONAL LIABILITY RISKS

The Company insures substantially all professional liability risks through a wholly-owned subsidiary (the "Captive Subsidiary") which was incorporated in January 1993. Prior to the formation of the Captive Subsidiary, professional liability risks were insured by a subsidiary of Galen. In connection with the Spinoff, the Captive Subsidiary and the Galen subsidiary effected a loss portfolio reinsurance agreement (the "Reinsurance Agreement") whereby the Captive Subsidiary indemnified the Galen subsidiary, subject to aggregate limits, against all liabilities incurred by the Galen subsidiary related to professional liability risks of the Company prior to September 1, 1993. As a result of the Captive Subsidiary entering into the Reinsurance Agreement, all Company professional liability risks recorded on the financial statements of the Galen subsidiary were transferred to the Captive Subsidiary in February 1993. Provisions for such risks, including expenses incident to claim settlements, were $13 million, $12 million, $11 million and $8 million for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, respectively, and $4 million for the four months ended December 31, 1992.

The Captive Subsidiary reinsures levels of coverage for losses in excess of its retained limits with unrelated insurance carriers.

Allowance for professional liability risks and the equivalent amounts of marketable securities related to the funding thereof included in the accompanying consolidated balance sheet were $50 million at December 31, 1993.

7. LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 1993 and 1992, include a note payable of $2 million and $20 million to the State of Florida Department of Insurance (the "Department") related to the 1987 acquisition of a health plan which was being held in receivership by the Department at the time it was acquired by the Company. Other long-term obligations include professional liability risks and capital lease obligations.

In connection with the Spinoff, Galen assumed substantially all of historical Humana's long-term debt outstanding at the time of the Spinoff; however, the Company remains contingently liable as guarantor for approximately $55 million of this debt.

On January 12, 1994, the Company entered into an unsecured credit agreement with a group of banks which provides for a $200 million revolving line of credit (the "Credit Agreement") expiring January 12, 1997. Principal amounts outstanding under the Credit Agreement will bear interest, depending on average borrowings over a six-month period, at rates ranging from LIBOR plus 32.5 basis points to LIBOR plus 57.5 basis points. The Credit Agreement contains customary events of default and covenant terms.

8. COMMON STOCKHOLDERS' EQUITY

For accounting purposes, the historical equity of the Company at the time of the Spinoff consisted of the cumulative net income or loss, as well as the net assets contributed by Galen. In connection with the Spinoff, Galen contributed $135 million of cash and a hospital with a book value of $25 million to the Company. Also in connection with the Spinoff, certain subsidiaries of Galen issued promissory notes (the "Notes") to the Company. Under the terms of the Notes, the full principal amount of $250 million became due upon certain "change of control" transactions. As a result of the Columbia acquisition of Galen, the Company received $248 million in cash in full satisfaction of the Notes.

The Company has plans under which options to purchase common stock have been granted to officers, certain directors and key employees. Options were granted at not less than market price on the date of grant. Exercise provisions vary, but most options are exercisable in whole or in part beginning one to three

years after grant and ending 10 years after grant.

In connection with the Spinoff and Columbia transactions, each Humana employee who held options in Humana prior to the Spinoff retained his options to purchase Company stock and also received a like number of first Galen and subsequently Columbia options for which the exercise price and number of shares were adjusted based upon the terms of the Spinoff and acquisition transactions. The percentages used to adjust the exercise price for the Spinoff, which were based on the relative market values of the underlying Company and Galen common stock for a specified period after the Spinoff, were 37.8% and 62.2%, respectively. In addition, each Galen and subsequently Columbia employee maintained options to purchase Company shares at the adjusted exercise price. The Columbia options held by Humana employees and the Company options held by Columbia employees expire on the earlier to occur of (a) two years from the date of the Spinoff or (b) the expiration of the exercise period of the original option.

The following shares of common stock of the Company, including 7,000,000 shares representing increases in the number of authorized shares under the Company's stock option plan subject to stockholder approval, were reserved on a pro-forma basis at December 31, 1993:

	Shares
Stock option plans	12,211,459
Thrift and retirement plans	5,059,589
Other	2,063,859
	19,334,907

The Company's option plan activity for the years ended December 31, 1993, August 31, 1992, and August 31, 1991, and the four months ended December 31, 1992, are summarized below. Included in the 1993 grant of 6,467,500 options are 3,837,000 options which were issued on a conditional basis, subject to stockholder approval.

	Shares Under Option	Option Price Per Share (See Note 2)		
Balance, August 31, 1990	4,563,303	$ 3.12	to	$12.12
Granted	896,475	9.64	to	11.90
Exercised	(2,067,397)	3.12	to	8.65
Cancelled or lapsed	(33,557)	4.32	to	11.01
Balance, August 31, 1991	3,358,824	3.88	to	12.12
Granted	817,650	8.91	to	10.73
Exercised	(659,288)	3.88	to	11.01
Cancelled or lapsed	(31,871)	4.32	to	11.01
Balance, August 31, 1992	3,485,315	4.32	to	12.12
Exercised	(135,195)	4.32	to	6.87

Cancelled or lapsed	(6,300)	11.01		
Balance, December 31, 1992	3,343,820	4.32	to	12.12
Granted	6,467,500	6.56	to	14.44
Exercised	(967,446)	4.32	to	11.01
Cancelled or lapsed	(324,139)	6.56	to	12.12
Balance, December 31, 1993	8,519,735	$ 4.32	to	$14.44

At December 31, 1993, options for 2,124,889 shares were exercisable. Shares of common stock available for future grants were 3,691,724, which include 3,312,500 shares conditional upon stockholder approval to increase the authorized shares under the Company's stock option plans.

As a result of current and pending state regulatory requirements, the Company must maintain various levels of equity in certain of its subsidiaries, which limits the Company's ability to pay dividends. At December 31, 1993, $148 million of equity was restricted under these regulations.

9. CONTINGENCIES

During the ordinary course of business, the Company is subject to pending and threatened legal actions. In addition, for periods prior to the Spinoff, the Company assumed liability for specified claims and continues to share risks with Galen with respect to certain litigation and other contingencies, both identified and unknown, existing at the time of the Spinoff. Management of the Company does not believe that any of these actions will have a material adverse effect on its operations or financial position.

The Company's Medicare risk contracts with the federal government are renewed for a one-year term each December 31 unless terminated 90 days prior thereto. The loss of these contracts or significant changes in the Medicare risk program, including reductions in payments or increases in benefits without corresponding increases in payments, would have a material adverse effect on the revenues, profitability and business prospects of the Company.

10. ACQUISITIONS

During the year ended December 31, 1992, the Company acquired three HMOs with approximately 80,000 members for $38 million. During the year ended August 31, 1991, the Company acquired three HMOs with approximately 339,000 members for $60 million.

Each of the above acquisitions and certain other minor acquisitions were accounted for by the purchase method. The total cost in excess of net tangible assets acquired for all acquisitions totaled approximately $50 million and is being amortized over periods of expected benefit, which generally have been seven to 14 years.

The results of operations associated with all the previously mentioned acquisitions have been included in the accompanying consolidated statement of operations since the date of the respective acquisitions.

The Company acquired an HMO in Washington, D.C., with approximately 125,000 members for $55 million on February 28, 1994.

11. TRANSACTIONS WITH GALEN

The Company and Galen entered into various agreements in connection with the Spinoff. These agreements include a hospital services operating agreement, liability and tax sharing agreements and various administrative services agreements. Total medical costs incurred by the Company for hospital services provided by Galen amounted to $426 million, $444 million, $434 million and $368 million for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and $150 million for the four months ended December

31, 1992. At December 31, 1993 and 1992, medical costs payable to Galen totaled $50 million and $35 million, respectively.

Interest income on amounts due from Galen was $8 million, $12 million, $13 million and $10 million for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and $4 million for the four months ended December 31, 1992.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Humana Inc.

We have audited the accompanying consolidated balance sheet of Humana Inc. as of December 31, 1993 and 1992, and the related statements of operations, common stockholders' equity and cash flows for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and for the four month period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Humana Inc. as of December 31, 1993 and 1992, and the consolidated results of operations and cash flows for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and for the four month period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Humana Inc. adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective September 1, 1991, and the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective December 31, 1993.

COOPERS & LYBRAND
Louisville, Kentucky
January 31, 1994

18

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Humana Inc.

In conjunction with the Spinoff, the Company changed its fiscal year end from August 31 to December 31. This action was taken because, among other reasons, the Company and its subsidiaries are subject to regulations that require the periodic reporting of financial information on a calendar year basis and because many of the contracts between the Company and its customers are on a calendar year basis. The quarterly information represented below is on the same basis as the Company's Form 10-Qs filed with the Securities and Exchange Commission.

A summary of the Company's quarterly results of operations follows:

1993 (Calendar Year Basis)

Dollars in millions except per share results	Four Month Transitional Period Ended	1993 Quarter			
	December 31, 1992	First	Second	Third	Fourth
Revenues	$990	$798	$795	$796	$806
Income before income taxes	15	29	30	38	46
Net income	9	18	19	23	29
Earnings per common share	$.06	$.11	$.12	$.15	$.18

1992 (Fiscal Year Basis) (a) (b)

Dollars in millions except per share results	1992 Quarter			
	First	Second	Third	Fourth
Revenues	$658	$693	$ 724	$ 736
Income (loss) before income taxes	3	9	(5)	(171)(c)
Net income (loss)	2	5	(3)	(118)(c)
Earnings (loss) per common share	$.01	$.04	$(.02)	$(.75)(c)

(a) For the fiscal year ended August 31, 1992.

(b) Certain allocations and estimates have been made to present the quarterly results of the Company. These allocations and estimates include certain corporate expenses not allocated to the Company in prior years. These corporate expenses include shared administrative costs such as management information systems, financing, recruiting, personnel development, accounting, legal advice, public relations, marketing, insurance, purchasing, and risk and quality management as well as net interest expense.

(c) Includes $171 million ($118 million or $.75 per share, net of tax) of restructuring and unusual charges.

DIRECTORS

K. FRANK AUSTEN, M.D. Chairperson of the Department of Rheumatology and Immunology, Brigham and Women's Hospital, and Professor of Medicine, Harvard Medical School	MICHAEL E. GELLERT General Partner, Windcrest Partners, private investment partnership	JOHN R. HALL Chairman of the Board and Chief Executive Officer, Ashland Oil, Inc.
DAVID A. JONES Chairman of the Board and Chief Executive Officer, Humana Inc.	DAVID A. JONES, JR. Principal, Chrysalis Ventures, Inc., venture capital firm	IRWIN LERNER Retired Chairman of the Board and Executive Committee, Hoffmann-La Roche Inc.
W. ANN REYNOLDS, PH.D. Chancellor, City University of New York	WAYNE T. SMITH President and Chief Operating Officer, Humana Inc.	

EXECUTIVE COMMITTEE

DAVID A. JONES Chairman	MICHAEL E. GELLERT	WAYNE T. SMITH

AUDIT COMMITTEE

MICHAEL E. GELLERT Chairman	K. FRANK AUSTEN, M.D.	JOHN R. HALL
IRWIN LERNER		

COMPENSATION COMMITTEE

K. FRANK AUSTEN, M.D. Chairman	MICHAEL E. GELLERT	IRWIN LERNER
W. ANN REYNOLDS, PH.D.		

INVESTMENT COMMITTEE

W. ANN REYNOLDS, PH.D. Chairwoman	MICHAEL E. GELLERT	JOHN R. HALL
DAVID A. JONES, JR.		

NOMINATING COMMITTEE

JOHN R. HALL Chairman	K. FRANK AUSTEN, M.D.	DAVID A. JONES, JR.
W. ANN REYNOLDS, PH.D.		

EXECUTIVE MANAGEMENT

DAVID A. JONES Chairman of the Board and Chief Executive Officer	WAYNE T. SMITH President and Chief Operating Officer
W. LARRY CASH Senior Vice President - Finance and Operations	KAREN A. COUGHLIN Senior Vice President - Region II
W. ROGER DRURY Chief Financial Officer	PHILIP B. GARMON Senior Vice President - Region I
RONALD S. LANKFORD, M.D. Senior Vice President - Medical Affairs	

OFFICERS

JOSE G. ABREU Vice President - Medicare Sales	GEORGE G. BAUERNFEIND Vice President - Taxes
GEORGE E. BENNETT Vice President - Sales	GLENN D. BOSSMEYER Vice President, Associate General Counsel and Assistant Secretary
DOUGLAS R. CARLISLE Vice President	JAMES W. DOUCETTE Vice President - Investments and Treasurer
ROBERT A. HORRAR Vice President - Human Resources	GAIL H. KNOPF Vice President - Information Systems
JERRY L. MCCLELLAN Vice President - Financial Services	MARY M. MCKINNEY Vice President - Internal Audit
JAMES E. MURRAY Vice President and Controller	WALTER E. NEELY Vice President, General Counsel and Secretary
WILLIAM P. SCHREIBER Vice President - Information Systems	THOMAS D. STROUD Vice President - Sales and Marketing
DAVID W. WILLE Vice President and Chief Actuary	

ADDITIONAL INFORMATION

TRANSFER AGENTS
For change of address information:

Bank of Louisville
Security Transfer Department
P.O. Box 1497
Louisville, Kentucky 40201
800/925-0810

Chemical Bank
New York, New York

CORPORATE HEADQUARTERS
Humana Inc.
The Humana Building
500 West Main Street
P.O. Box 1438
Louisville, Kentucky 40201-1438
502/580-1000

FORM 10-K

Copies of Form 10-K filed with the Securities and Exchange Commission may be obtained, without charge, by writing:

Investor Relations
Humana Inc.
P.O. Box 1438
Louisville, KY 40201-1438

ANNUAL MEETING

The Company's Annual Meeting of Stockholders will be held on Thursday, May 26,1994, in the Auditorium on the 25th floor of the Humana Building at 10:00 a.m.

STOCK LISTING

The Company's common stock trades on the New York Stock Exchange under the symbol HUM. The following table shows the range of high and low sales prices as reported on the New York Stock Exchange Composite Tape beginning March 1, 1993, the date of the Spinoff of Galen from the Company.

1993	High	Low
First Quarter	8 1/4	6 1/8
Second Quarter	12	6 5/8
Third Quarter	13 3/4	10 5/8
Fourth Quarter	18 5/8	12 5/8

Exhibit 21

SUBSIDIARY LIST

ALABAMA

1. Humana Health Plan of Alabama, Inc.

ALASKA

1. Humana Health Plan of Alaska, Inc.

ARKANSAS

1. Humana Health Plan of Arkansas, Inc.

CALIFORNIA

1. Humana Medical Plan of California, Inc.

DELAWARE

1. Health Value Management, Inc.
2. Humana Compensation Management Source, Inc.
3. Humana Enterprises, Inc.
4. Humana HealthChicago, Inc. - Doing Business As:
    a. HC Services (IL)
5. Humana Inc. - Doing Business As:
    a. H.A.C. Inc.
6. Humana Military Healthcare Services, Inc. - Doing Business As:
    a. Humana Military Health Services, Inc. (IL)
7. Humrealty, Inc.
8. Managed Prescription Services, Inc.
9. MedBenefixx, Inc.

FLORIDA

1. Humana Health Insurance Company of Florida, Inc.
2. Humana Health Plan of Florida, Inc.
3. Humana Medical Plan, Inc. - Doing Business As:
    a. Advanced Orthopaedics
    b. Apopka Health Care
    c. Atlantic Family Practice
    d. Casselberry Health Care
    e. Coastal Pediatrics
    f. Community Medical Associates
    g. Daytona Gastroenterology

    h. Deland Family Health Care
    i. Edgewood Health Care
    j. Flagler Family Practice
    k. Internal Medicine of Daytona Beach
    l. Palm Coast Family Health Care
    m. Professional Dermatology
    n. Rosemont Health Care
    o. South Broward Neurosurgical Associates
    p. Suncoast Medical Associates
    q. Water's Edge Medical Center

GEORGIA

1. Humana Health Plan of Georgia, Inc.

ILLINOIS

1. Humana HealthChicago Insurance Company

KANSAS

1. Prime Health of Kansas, Inc.

KENTUCKY

1. HMPK, Inc.
2. HPLAN, Inc.
3. Humana Broadway Corp.
4. Humana Health Plan, Inc. - Doing Business As:
    a. Bluegrass Family Practice
    b. Central Kentucky Family Practice
    c. Franklin Medical Center
    d. Humana MedFirst
    e. Humana Michael Reese HMO Plan (IL & IN)
5. Humana Insurance Agency, Inc.
6. Humco, Inc. - Doing Business As:
    a. Eagle Creek Medical Plaza
    b. Humana Hospital - Lexington

LOUISIANA

1. Humana Health Plan of Louisiana, Inc.

MARYLAND

1. Humana Health Plan of Maryland, Inc.
2. Randmark, Inc.

MICHIGAN

1. Humana Health Plan of Michigan, Inc.

MISSOURI

1. Humana Kansas City, Inc. - Doing Business As:
    a. Humana Prime Health Plan
2. Humana Insurance Company - Doing Business As:
    a. Managed Prescription Services (MO)
    b. Managed Prescription Services, Inc. (NJ)
3. Prime Health Management Services, Inc.
4. Prime Benefits Systems, Inc.

NEVADA

1. Humana Health Insurance of Nevada, Inc.

NORTH CAROLINA

1. Humana Health Plan of North Carolina, Inc.

OHIO

1. Humana Health Plan of Ohio, Inc.

PENNSYLVANIA

1. Humana Health Plan of Pennsylvania, Inc.

TEXAS

1. Humana Health Plan of Texas, Inc. - Doing Business As:

   a. Humana Health Plan of Corpus Christi
   b. Humana Health Plan of Dallas
   c. Humana Health Plan of Houston
   d. Humana Health Plan of San Antonio
   e. Humana Regional Service Center
   f. MedCentre Plaza Health Center
   g. Perrin Oaks Health Center
   h. Val Verde Health Center
   i. West Lakes Health Center

2. Prescription Benefits, Inc.

UTAH

1. Humana Health Plan of Utah, Inc.

VERMONT

1. Managed Care Indemnity, Inc. - Doing Business As:
   a. Witherspoon Parking Garage (KY)

VIRGINIA

1. Humana Group Health Plan, Inc.

WASHINGTON

1. Humana Health Plan of Washington, Inc.

EXHIBIT 23

CONSENT OF COOPERS & LYBRAND

We consent to the incorporation by reference in the registration statements of Humana Inc. on Form S-3 (Registration No. 33-30634 and No. 33-2216) and Form S-8 (Registration No. 2-79239, No. 2-55349, No. 2-96154, No. 33-33072, No. 33-27801, No. 33-32209, No. 33-49305 and No. 33-52593), of our report dated January 31, 1994, which includes an explanatory paragraph relating to a change in the method of accounting for income taxes and certain investments in debt and equity securities, on our audits of the consolidated financial statements and financial statement schedules of Humana Inc. as of December 31, 1993 and 1992, and for the years ended December 31, 1993, December 31, 1992, August 31, 1992, and August 31, 1991, and for the four-month period ended December 31, 1992, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND
Louisville, Kentucky
March 24, 1994