
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-5975

HUMANA INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

61-0647538

(I.R.S. Employer
Identification Number)

**500 West Main Street
Louisville, Kentucky 40202**

(Address of principal executive offices, including zip code)

(502) 580-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock
\$0.16 2/3 par value

**Outstanding at
October 31, 2002**
165,254,130 shares

Humana Inc.
FORM 10-Q
SEPTEMBER 30, 2002

INDEX

Part I: Financial Information

	<u>Page</u>
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets at September 30, 2002 and December 31, 2001</u>	3
<u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2002 and 2001</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and 2001</u>	5

	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	32
Item 4.	Controls and Procedures	32
	Part II: Other Information	
Item 1.	Legal Proceedings	33
Item 6.	Exhibits and Reports on Form 8-K	36
	Signatures	37
	Certifications	38

**Humana Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2002	December 31, 2001
	(Unaudited)	(Audited)
	(in thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 375,736	\$ 651,420
Investment securities	1,420,524	1,389,596
Receivables, less allowance for doubtful accounts of \$32,606 at September 30, 2002 and \$38,539 at December 31, 2001:		
Premiums	489,518	299,601
Administrative services fees	67,762	26,667
Deferred income taxes	50,691	64,221
Other	180,272	191,433
	-----	-----
Total current assets	2,584,503	2,622,938
Property and equipment, net	462,453	461,761
Other assets:		
Long-term investment securities	317,346	280,320
Goodwill	776,874	776,874
Deferred income taxes	147	36,582
Other	238,007	225,163
	-----	-----
Total other assets	1,332,374	1,318,939
	-----	-----
Total assets	\$ 4,379,330	\$ 4,403,638
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical and other expenses payable	\$ 1,164,431	\$ 1,086,386
Trade accounts payable and accrued expenses	475,885	479,996
Book overdraft	104,402	152,757
Unearned premium revenues	89,977	325,040
Short-term debt	265,000	263,000

Total current liabilities	2,099,695	2,307,179
Long-term debt	334,061	315,489
Professional liability risks	247,690	241,431
Other long-term obligations	30,440	31,590
Total liabilities	2,711,886	2,895,689
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1 par; 10,000,000 shares authorized, none issued	-	-
Common stock, \$0.16 2/3 par; 300,000,000 shares authorized; 171,303,567 shares issued in 2002 and 170,692,520 shares issued in 2001	28,551	28,449
Capital in excess of par value	930,942	922,439
Retained earnings	722,583	578,122
Accumulated other comprehensive income	35,819	11,670
Unearned stock compensation	(9,059)	(17,882)
Treasury stock, at cost, 4,028,137 shares in 2002 and 1,880,619 shares in 2001	(41,392)	(14,849)
Total stockholders' equity	1,667,444	1,507,949
Total liabilities and stockholders' equity	\$ 4,379,330	\$ 4,403,638

[See accompanying notes to condensed consolidated financial statements.](#)

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	(in thousands, except per share results)			
Revenues:				
Premiums	\$ 2,752,336	\$ 2,541,483	\$ 8,137,887	\$ 7,394,575
Administrative services fees	61,056	39,943	189,900	87,773
Investment and other income	28,235	29,448	78,362	89,822
Total revenues	2,841,627	2,610,874	8,406,149	7,572,170
Operating expenses:				
Medical	2,301,021	2,117,283	6,811,748	6,171,657
Selling, general and administrative	429,019	398,799	1,278,516	1,132,660
Depreciation and amortization	30,523	41,456	90,556	119,161

Total operating expenses	2,760,563	2,557,538	8,180,820	7,423,478
Income from operations	81,064	53,336	225,329	148,692
Interest expense	4,107	5,945	12,888	20,468
Income before income taxes	76,957	47,391	212,441	128,224
Provision for income taxes	24,626	17,061	67,981	46,161
Net income	\$ 52,331	\$ 30,330	\$ 144,460	\$ 82,063
Basic earnings per common share	\$ 0.32	\$ 0.18	\$ 0.88	\$ 0.50
Diluted earnings per common share	\$ 0.31	\$ 0.18	\$ 0.86	\$ 0.49

[See accompanying notes to condensed consolidated financial statements.](#)

4

Humana Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2002	2001
	(in thousands)	
Cash flows from operating activities		
Net income	\$ 144,460	\$ 82,063
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	90,556	119,161
Provision for deferred income taxes	34,221	40,288
Payment for government audit settlement	-	(8,000)
Changes in operating assets and liabilities:		
Receivables	(231,012)	14,251
Other assets	268	13,839
Medical and other expenses payable	78,045	(155,907)
Other liabilities	4,742	10,236
Unearned premium revenues	(235,063)	(55,491)
Other	12,481	(602)
Net cash (used in) provided by operating activities	(101,302)	59,838
Cash flows from investing activities		
Acquisitions, net of cash and cash equivalents acquired	-	(32,700)
Divestitures, net of cash and cash equivalents disposed	1,109	1,050
Purchases of property and equipment	(83,581)	(82,173)
Purchases of investment securities	(1,639,803)	(1,359,676)
Maturities of investment securities	273,199	421,498
Proceeds from sales of investment securities	1,339,124	964,520
Net cash used in investing activities	(109,952)	(87,481)
Cash flows from financing activities		

Net revolving credit agreement repayments	-	(250,000)
Net commercial paper conduit borrowings	2,000	-
Net commercial paper repayments	-	(79,952)
Proceeds from issuance of senior notes	-	299,277
Proceeds from other borrowings	-	5,700
Debt issue costs	(559)	(3,240)
Change in book overdraft	(48,355)	(7,630)
Common stock repurchases	(25,439)	(1,867)
Other	7,923	(374)
Net cash used in financing activities	(64,430)	(38,086)
Decrease in cash and cash equivalents	(275,684)	(65,729)
Cash and cash equivalents at beginning of period	651,420	657,562
Cash and cash equivalents at end of period	\$ 375,736	\$ 591,833
Supplemental cash flow disclosures:		
Interest payments	\$ 8,099	\$ 20,193
Income tax payments, net	\$ 25,552	\$ 2,534

[See accompanying notes to condensed consolidated financial statements.](#)

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

(1) Basis of Presentation

The accompanying condensed consolidated financial statements are presented in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America, or those normally made in an Annual Report on Form 10-K. References throughout this document to "we," "us," "our," the "Company," and "Humana," mean Humana Inc. and all entities we own. For further information, the reader of this Form 10-Q should refer to our Form 10-K for the year ended December 31, 2001, that was filed with the Securities and Exchange Commission, or the SEC, on March 28, 2002, as well as the Form S-3 Registration Statement that we filed with the SEC on October 8, 2002.

The preparation of our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although our estimates are based on knowledge of current events and anticipated future events, actual results may ultimately differ materially from those estimates.

The financial information has been prepared in accordance with our customary accounting practices and has not been audited. In our opinion, the information presented reflects all adjustments necessary for a fair statement of interim results. All such adjustments are of a normal and recurring nature. We have reclassified certain items in the prior year's condensed consolidated financial statements to conform with the current year presentation. These adjustments had no effect on previously reported consolidated net income or stockholders' equity.

On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or Statement 144. Statement 144 develops a single accounting model for long-lived assets to be disposed of by sale, addresses significant implementation issues related to previous guidance, and requires that long-lived assets to be disposed of by sale be measured at the lower of their carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The adoption of Statement No. 144 did not have a material impact on our financial position, results of operations or cash flows.

The Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards No. 146, or Statement 146, *Accounting for Exit or Disposal Activities*. Statement 146 addresses the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including certain lease termination costs and severance-type costs under a one-time benefit arrangement rather than an ongoing benefit arrangement or an individual deferred-compensation contract. Statement 146 requires liabilities associated with exit and disposal activities to be expensed as incurred and will impact the timing of recognition for exit or disposal activities that are initiated after December 31, 2002.

(2) Goodwill and Other Intangible Assets

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, *Business Combinations*, or Statement 141, and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, or Statement 142. Statement 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method. Use of the pooling-of-interest method is no longer permitted. Statement 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed at least annually for impairment using a two-step process. The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. Impairment losses that arise from completing a transitional impairment test during 2002 are to be reported as the cumulative effect of a change in accounting principle at the beginning of the year. Subsequent impairments, if any, would be classified as an operating expense. Statement 142 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

We ceased amortizing goodwill upon adopting Statement 142 on January 1, 2002. We completed the transitional goodwill impairment test, which did not result in an impairment loss. Subsequent impairment tests will be performed, at a minimum, in the fourth quarter of each year in connection with the annual planning process. We allocated goodwill of \$633.2 million to the Commercial segment and \$143.7 million to the Government segment for purposes of completing the impairment test.

The following table adjusts net income and basic and diluted earnings per common share for the three and nine months ended September 30, 2002 and 2001 to reflect the non-amortization of goodwill assuming the non-amortization provisions of Statement 142 were adopted as of January 1, 2001:

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(in thousands, except per share results)				
Net income:				
Reported net income	\$ 52,331	\$ 30,330	\$ 144,460	\$ 82,063
Add back: goodwill amortization expense, net of tax	-	13,184	-	39,073
Adjusted net income	\$ 52,331	\$ 43,514	\$ 144,460	\$ 121,136
Basic earnings per common share:				
Reported basic earnings per common share	\$ 0.32	\$ 0.18	\$ 0.88	\$ 0.50
Add back: goodwill amortization expense, net of tax	-	0.08	-	0.24
Adjusted basic earnings per common share	\$ 0.32	\$ 0.27	\$ 0.88	\$ 0.74
Diluted earnings per common share:				
Reported diluted earnings per common share	\$ 0.31	\$ 0.18	\$ 0.86	\$ 0.49
Add back: goodwill amortization expense, net of tax	-	0.08	-	0.23
Adjusted diluted earnings per common share	\$ 0.31	\$ 0.26	\$ 0.86	\$ 0.73

We amortize other intangible assets over their estimated useful lives ranging from 2 to 20 years, with a weighted average life of 8.6 years. Other intangible assets primarily relate to acquired subscriber, provider, and government contracts, and the cost of acquired licenses and are included with other long-term assets in the condensed consolidated balance sheets. Amortization expense for other intangible assets was approximately \$3.9 million and \$11.8 million for the three and nine months ended September 30, 2002, respectively, and \$4.0 million and \$9.4

million for the three and nine months ended September 30, 2001, respectively. The following table presents our estimate of amortization expense for all of 2002, and for each of the five succeeding fiscal years:

	(in thousands)	
For the years ended December 31:		
2002	\$	15,724
2003	\$	11,612
2004	\$	9,060
2005	\$	5,440
2006	\$	352
2007	\$	352

7

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

The following table presents details of our other intangible assets at September 30, 2002 and December 31, 2001:

	September 30, 2002			December 31, 2001		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	(in thousands)					
Other intangible assets:						
Subscriber contracts	\$ 85,496	\$ 66,556	\$ 18,940	\$ 85,496	\$ 61,374	\$ 24,122
Provider contracts	12,128	5,036	7,092	12,128	3,212	8,916
Government contracts	11,820	8,222	3,598	11,820	3,597	8,223
Licenses and other	5,065	1,107	3,958	5,065	945	4,120
Total other intangible assets	\$ 114,509	\$ 80,921	\$ 33,588	\$ 114,509	\$ 69,128	\$ 45,381

(3) Comprehensive Income

The following table presents details supporting the computation of comprehensive income for the three and nine months ended September 30, 2002 and 2001:

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	(in thousands)			
Net income	\$ 52,331	\$ 30,330	\$ 144,460	\$ 82,063
Net unrealized investment gains, net of tax	17,184	11,844	24,149	14,975
Comprehensive income, net of tax	\$ 69,515	\$ 42,174	\$ 168,609	\$ 97,038

(4) Earnings Per Common Share

We compute basic earnings per common share on the basis of the weighted average number of unrestricted common shares outstanding. Diluted earnings per common share is computed on the basis of the weighted average number of unrestricted common shares outstanding plus the dilutive effect of outstanding stock options and restricted shares using the treasury stock method. There were no adjustments required to be made to net income for purposes of computing basic or diluted earnings per common share.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

The following table presents details supporting the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2002 and 2001:

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	(in thousands, except per share results)			
Net income available for common stockholders	\$ 52,331	\$ 30,330	\$ 144,460	\$ 82,063
Weighted average outstanding shares of common stock used to compute basic earnings per common share	163,933	164,110	164,348	164,088
Dilutive effect of:				
Stock options	885	656	1,107	729
Restricted stock	2,716	1,977	2,787	2,047
Shares used to compute diluted earnings per common share	167,534	166,743	168,242	166,864
Basic earnings per common share	\$ 0.32	\$ 0.18	\$ 0.88	\$ 0.50
Diluted earnings per common share	\$ 0.31	\$ 0.18	\$ 0.86	\$ 0.49
Number of antidilutive stock options excluded from computation	5,081	5,876	4,947	6,250

(5) Stock Repurchase Plan

In July 2002, the Board of Directors authorized the use of up to \$100 million in total for the repurchase of our common shares. The shares may be purchased from time to time at prevailing prices in the open-market, by block purchases, or in privately-negotiated transactions. As of November 11, 2002, we had purchased 4.1 million shares for an aggregate purchase price of \$49.7 million, or \$12.12 per share.

(6) Contingencies

Government Contracts

Our Medicare+Choice contracts with the federal government are renewed for a one-year term each December 31 unless terminated 90 days prior thereto. Legislative proposals are being considered which may revise the Medicare+Choice program's current reimbursement rates. We are unable to predict the outcome of these proposals or the impact they may have on our financial position, results of operations, or cash flows.

We currently are in negotiations with the Department of Defense to extend for up to two years our TRICARE contracts that expire on June 30, 2003 for Regions 3 and 4 and April 30, 2003 for Regions 2 and 5. We believe we will be able to successfully extend our TRICARE contracts for at

least one additional year under substantially the same terms.

Furthermore, the Department of Defense recently announced a plan to consolidate the total number of prime contracts from seven to three under the new T-Nex (TRICARE Next Generation) program. It is our intent to submit a bid no later than January 15, 2003 to participate in at least one contract. The Department of Defense has stated that a bidder can be awarded only one prime contract, although a bidder would be allowed to secondarily participate in another contract. An announcement of the awards is expected in mid to late 2003 with transition to the new regions not expected until sometime in 2004. We believe that the size of our TRICARE business would not materially change if we are a successful bidder on one prime contract. At this time we are unable to predict whether we will be awarded a contract, the exact effective date of the contract, or the impact on our financial position, results of operations, and cash flows.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

Effective July 1, 2002, we signed two contracts in Puerto Rico covering a combined, estimated 430,000 beneficiaries in two of the eight regions in Puerto Rico's Medicaid program. The term of each of these contracts is three years, subject to annual renewals with the Health Insurance Administration in Puerto Rico. Our Medicaid contracts in Florida and Illinois, representing 14% of total Medicaid membership as of September 30, 2002, generally are annual contracts.

The loss of any of these government contracts or significant changes in these programs as a result of legislative action, including reductions in premium payments to us, or increases in member benefits without corresponding increases in premium payments to us, may have a material adverse effect on our financial position, results of operations and cash flows.

Legal Proceedings

Securities Litigation

In late 1997, three purported class action complaints were filed in the United States District Court for the Southern District of Florida by former stockholders of Physician Corporation of America, or PCA, and certain of its former directors and officers. We acquired PCA by a merger that became effective on September 8, 1997. The three actions were consolidated into a single action entitled *In re Physician Corporation of America Securities Litigation*. The consolidated complaint alleges that PCA and the individual defendants knowingly or recklessly made false and misleading statements in press releases and public filings with respect to the financial and regulatory difficulties of PCA's workers' compensation business. On May 5, 1999, plaintiffs moved for certification of the purported class, and on August 25, 2000, the defendants moved for summary judgment. On January 31, 2001, defendants were granted leave to file a third-party complaint for declaratory judgment on insurance coverage. The defendants seek a determination that the defense costs and liability, if any, resulting from the class action defense are covered by an insurance policy issued by one insurer and, in the alternative, declaring that there is coverage under policies issued by two other insurers. On April 25, 2002, the Court dismissed the third-party complaint without prejudice finding that it could be refiled in the future if the insurance claims are not otherwise resolved. On July 24, 2002, the Court denied the defendants' motion for summary judgment and set the case on the Court's trial calendar for December 2, 2002. Both parties have asked the Court to postpone the trial.

Managed Care Industry Purported Class Action Litigation

We are involved in several purported class action lawsuits that are part of a wave of generally similar actions that target the health care payor industry and particularly target managed care companies. As a result of action by the Judicial Panel on Multi District Litigation, most of the cases against us, as well as similar cases against other companies in the industry, have been consolidated in the United States District Court for the Southern District of Florida, or the Court, and are now styled *In re Managed Care Litigation*. The cases include separate suits against us and five other managed care companies that purport to have been brought on behalf of members, which are referred to as the subscriber track cases, and a single action against us and eight other companies that purports to have been brought on behalf of providers, which is referred to as the provider track case.

In the subscriber track cases, the plaintiffs seek a recovery under RICO for all persons who are or were subscribers at any time during the four-year period prior to the filing of the complaints. Plaintiffs also seek to represent a subclass of policyholders who purchased insurance through their employers' health benefit plans governed by ERISA, and who are or were subscribers at any time during the six-year period prior to the filing of the complaints. The complaints allege, among other things, that we intentionally concealed from members certain information concerning the way in which we conduct business, including the methods by which we pay providers. The plaintiffs do not allege that any of the purported practices resulted in denial of any claim for a particular benefit, but instead, claim that we provided the purported class with health insurance benefits of lesser value than promised. The complaints also allege an industry-wide conspiracy to engage in the various alleged improper practices.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

On February 20, 2002, the Court issued its ruling on the defendants' motions to dismiss the Second Consolidated Amended Complaint (the "Amended Complaint"). The Amended Complaint was filed on June 29, 2001, after the Court dismissed most of the claims in the original complaints, but granted leave to refile. In its February 20, 2002, ruling, the Court dismissed the RICO claims of ten of the sixteen named plaintiffs, including three of the four involving us, on the ground that the McCarran-Ferguson Act prohibited their claims because they interfered with the state

regulatory processes in the states in which they resided (Florida, New Jersey, California and Virginia). With respect to ERISA, the Court dismissed the misrepresentation claims of current members, finding that they have adequate remedies under the law and failed to exhaust administrative remedies. Claims for former members were not dismissed. The Court also refused to dismiss claims by all plaintiffs for breach of fiduciary duty arising from alleged interference with the doctor-patient relationship by the use of so-called "gag clauses" that assertedly prohibited doctors from freely communicating with members. On March 1, 2002, we and other defendants requested that the Court allow us to ask the United States Court of Appeals for the Eleventh Circuit to review the Court's refusal to follow the decision by the Court of Appeals for the Third Circuit in *Maio v. Aetna* that would have resulted in dismissal of the RICO claims. The Court granted the motion on March 25, 2002, and the defendants filed their request with the Eleventh Circuit on April 4, 2002. On May 10, 2002, the Eleventh Circuit declined to accept the matter for review. On July 30, 2002, the District Court directed that merits discovery could commence as of September 30, 2002. The plaintiffs sought certification of a class consisting of all members of our medical plans, excluding Medicare and Medicaid plans, for the period from 1990 to 1999. On September 26, 2002, the Court denied the plaintiffs' request for class certification. On October 10, 2002, the plaintiffs asked the Court to reconsider its ruling on that issue. The Court has not ruled on the reconsideration motion. The Court set a trial date on the individual named plaintiffs' claims for May 19, 2003.

In the provider track case, the plaintiffs assert that we and other defendants improperly (i) paid providers' claims and (ii) "downcoded" their claims by paying lesser amounts than they submitted. The complaint alleges, among other things, multiple violations under RICO as well as various breaches of contract and violations of regulations governing the timeliness of claim payments. We moved to dismiss the provider track complaint on September 8, 2000, and the other defendants filed similar motions thereafter. On March 2, 2001, the Court dismissed certain of the plaintiffs' claims pursuant to the defendants' several motions to dismiss. However, the Court allowed the plaintiffs to attempt to correct the deficiencies in their complaint with an amended pleading with respect to all of the allegations except the claim under the federal Medicare regulations, which was dismissed with prejudice. The Court also left undisturbed the plaintiffs' claims for breach of contract. On March 26, 2001, the plaintiffs filed their amended complaint which, among other things, added four state or county medical associations as additional plaintiffs. Two of those, the Denton County Medical Society and the Texas Medical Association, purport to bring their actions against us, as well as against several other defendant companies. The Medical Association of Georgia and the California Medical Association purport to bring their actions against various other defendant companies. The associations seek injunctive relief only. The defendants filed a motion to dismiss the amended complaint on April 30, 2001.

On September 26, 2002, the Court granted the plaintiffs' request to file a second amended complaint, adding additional plaintiffs, including the Florida Medical Association, which purports to bring its action against all defendants. On October 21, 2002, the defendants moved to dismiss the second amended complaint.

Also on September 26, 2002, the Court certified a global class consisting of all medical doctors who provided services to any person insured by any defendant from August 4, 1990, to September 30, 2002. The class includes two subclasses. A national subclass consists of medical doctors who provided services to any person insured by a defendant when the doctor has a claim against such defendant and is not required to arbitrate that claim. A California subclass consists of medical doctors who provided services to any person insured in California by any defendant when the doctor was not bound to arbitrate the claim. On October 10, 2002, the defendants asked the Court of Appeals for the Eleventh Circuit to review the class certification decision. The District Court has ruled that discovery can proceed during the pendency of the request to the Eleventh Circuit.

The Court set a trial date of May 19, 2003.

We intend to continue to defend these actions vigorously.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

Government Audits and Other Litigation and Proceedings

In July 2000, the Office of the Florida Attorney General initiated an investigation, apparently relating to some of the same matters that are involved in the purported class action lawsuits described above. While the Attorney General has filed no action against us, he has indicated that he may do so in the future. On September 21, 2001, the Texas Attorney General initiated a similar investigation. These investigations are ongoing, and we have cooperated with the regulators in both states.

On May 31, 2000, we entered into a five-year Corporate Integrity Agreement, or CIA, with the Office of Inspector General, or OIG, of the Department of Health and Human Services. Under the CIA, we are obligated to, among other things, provide training, conduct periodic audits and make periodic reports to the OIG.

In addition, our business practices are subject to review by various state insurance and health care regulatory authorities and federal regulatory authorities. There has been increased scrutiny by these regulators of the managed health care companies' business practices, including claims payment practices and utilization management practices. We have been and continue to be subject to such reviews. Some of these have resulted in fines and could require changes in some of our practices and could also result in additional fines or other sanctions.

We also are involved in other lawsuits that arise in the ordinary course of our business operations, including claims of medical malpractice (both for direct negligence and for vicarious liability for negligence of network providers), bad faith, nonacceptance or termination of providers, failure to disclose network discounts and various other provider arrangements, and challenges to subrogation practices. We also are subject to claims relating to performance of contractual obligations to providers and others, including failure to properly pay claims and challenges to the use of certain software products in processing claims. Recent court decisions and pending state and federal legislative activity may increase our exposure for any of these types of claims.

Personal injury claims and claims for extracontractual damages arising from medical benefit denials are covered by insurance from our wholly owned captive insurance subsidiary and excess carriers, except to the extent that claimants seek punitive damages, which may not be covered by

insurance in certain states in which insurance coverage for punitive damages is not permitted. In addition, insurance coverage for all or certain forms of liability has become increasingly costly and may become unavailable or prohibitively expensive in the future.

We do not believe that any pending or threatened legal actions against us or audits by agencies will have a material adverse effect on our financial position, results of operations, or cash flows. However, the likelihood or outcome of current or future suits, like the purported class action lawsuits described above, or governmental investigations, cannot be accurately predicted with certainty. In addition, the increased litigation which has accompanied the negative publicity and public perception of our industry adds to this uncertainty. Therefore, such legal actions could have a material adverse effect on our financial position, results of operations and cash flows.

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

(7) Segment Information

We manage our business with two segments: Commercial and Government. The Commercial segment consists of members enrolled in products marketed to employer groups and individuals, and includes three lines of business: fully insured medical, administrative services only, or ASO, and specialty. The Government segment consists of members enrolled in government-sponsored programs, and includes three lines of business: Medicare+Choice, Medicaid, and TRICARE. We identified our segments in accordance with the aggregation provisions of Statement of Financial Accounting Standards No. 131, *Disclosures About Segments of an Enterprise and Related Information* which is consistent with information used by our Chief Executive Officer in managing our business. The segment information aggregates products with similar economic characteristics. These characteristics include the nature of customer groups and pricing, benefits and underwriting requirements. Results of each segment are measured by income before income taxes. We allocate all selling, general and administrative expenses, investment and other income, interest expense, and goodwill, but no other assets or liabilities, to our segments. Members served by our two segments generally utilize the same medical provider networks, enabling us to obtain more favorable contract terms with providers. Our segments also share overhead costs and assets. As a result, the profitability of each segment is interdependent.

Our segment results for the three and nine months ended September 30, 2002 and 2001, including a reconciliation to "adjusted" results which assumes the adoption of the non-amortization provisions of Statement 142, as disclosed in Note 2, on January 1, 2001, are as follows:

	Commercial Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	(in thousands)			
Revenues:				
Premiums:				
Fully insured:				
HMO	\$ 656,803	\$ 539,390	\$ 1,936,472	\$ 1,598,014
PPO	723,094	691,379	2,139,959	2,085,344
Total fully insured	1,379,897	1,230,769	4,076,431	3,683,358
Specialty	84,806	76,954	251,347	226,540
Total premiums	1,464,703	1,307,723	4,327,778	3,909,898
Administrative services fees	26,567	20,921	77,290	62,509
Investment and other income	23,594	18,114	60,145	55,736
Total revenues	1,514,864	1,346,758	4,465,213	4,028,143
Operating expenses:				
Medical	1,235,141	1,087,832	3,608,662	3,233,503
Selling, general and administrative	253,737	232,877	748,691	699,757
Depreciation and amortization	18,052	24,208	52,682	73,642
Total operating expenses	1,506,930	1,344,917	4,410,035	4,006,902
Income from operations	7,934	1,841	55,178	21,241

Interest expense	3,394	3,569	9,650	12,498
Income (loss) before income taxes	4,540	(1,728)	45,528	8,743
Add back: goodwill amortization expense	-	8,155	-	25,427
Adjusted income before income taxes	\$ 4,540	\$ 6,427	\$ 45,528	\$ 34,170

13

Humana Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
Unaudited

Government Segment

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	(in thousands)			
Revenues:				
Premiums:				
Medicare+Choice	\$ 647,265	\$ 721,079	\$ 1,981,931	\$ 2,190,491
TRICARE	521,466	398,690	1,484,789	936,293
Medicaid	118,902	113,991	343,389	357,893
Total premiums	1,287,633	1,233,760	3,810,109	3,484,677
Administrative services fees	34,489	19,022	112,610	25,264
Investment and other income	4,641	11,334	18,217	34,086
Total revenues	1,326,763	1,264,116	3,940,936	3,544,027
Operating expenses:				
Medical	1,065,880	1,029,451	3,203,086	2,938,154
Selling, general and administrative	175,282	165,922	529,825	432,903
Depreciation and amortization	12,471	17,248	37,874	45,519
Total operating expenses	1,253,633	1,212,621	3,770,785	3,416,576
Income from operations	73,130	51,495	170,151	127,451
Interest expense	713	2,376	3,238	7,970
Income before income taxes	72,417	49,119	166,913	119,481
Add back: goodwill amortization expense	-	5,811	-	15,689
Adjusted income before income taxes	\$ 72,417	\$ 54,930	\$ 166,913	\$ 135,170

Consolidated

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	(in thousands)			
Revenues:				
Premiums	\$ 2,752,336	\$ 2,541,483	\$ 8,137,887	\$ 7,394,575
Administrative services fees	61,056	39,943	189,900	87,773
Investment and other income	28,235	29,448	78,362	89,822
Total revenues	2,841,627	2,610,874	8,406,149	7,572,170
Operating expenses:				
Medical	2,301,021	2,117,283	6,811,748	6,171,657
Selling, general and administrative	429,019	398,799	1,278,516	1,132,660
Depreciation and amortization	30,523	41,456	90,556	119,161
Total operating expenses	2,760,563	2,557,538	8,180,820	7,423,478
Income from operations	81,064	53,336	225,329	148,692
Interest expense	4,107	5,945	12,888	20,468
Income before income taxes	76,957	47,391	212,441	128,224
Add back: goodwill amortization expense	-	13,966	-	41,116
Adjusted income before income taxes	\$ 76,957	\$ 61,357	\$ 212,441	\$ 169,340

Humana Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The consolidated financial statements of Humana Inc. in this document present the Company's financial position, results of operations and cash flows, and should be read in conjunction with the following discussion and analysis. References to "we," "us," "our," the "Company," and "Humana" mean Humana Inc. and its subsidiaries. This discussion includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this filing and in future filings with the Securities and Exchange Commission, in our press releases, investor presentations, and in oral statements made by or with the approval of one of our executive officers, the words or phrases like "expects," "anticipates," "intends," "likely will result," "estimates," "projects" or variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, including, among other things, information set forth in the "Cautionary Statements" section of this document. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. There may also be other risks that we are unable to predict at this time. Any of these risks and uncertainties may cause actual results to differ materially from the results discussed in the forward-looking statements.

Introduction

Headquartered in Louisville, Kentucky, Humana Inc. is one of the nation's largest publicly traded health benefits companies, based on our 2001 revenues of \$10.2 billion. We offer coordinated health insurance coverage and related services through a variety of traditional and Internet-based plans for employer groups, government-sponsored programs and individuals. As of September 30, 2002, we had approximately 6.6 million members in our medical insurance programs, as well as approximately 2.2 million members in our specialty products programs. We have approximately 400,000 contracts with physicians, hospitals, dentists, and other providers to provide health care to our members. In the first nine months of 2002, approximately 70% of our premiums and administrative services fees were derived from members located in Florida, Illinois, Texas, Kentucky and Ohio.

We manage our business with two segments: Commercial and Government. The Commercial segment consists of members enrolled in products marketed to employer groups and individuals, and includes three lines of business: fully insured medical, administrative services only, or ASO, and specialty. The Government segment consists of members enrolled in government-sponsored programs, and includes three lines of

business: Medicare+Choice, Medicaid, and TRICARE. We identified our segments in accordance with the aggregation provisions of Statement of Financial Accounting Standards No. 131, *Disclosures About Segments of an Enterprise and Related Information* which is consistent with information used by our Chief Executive Officer in managing our business. The segment information aggregates products with similar economic characteristics. These characteristics include the nature of customer groups and pricing, benefits and underwriting requirements. Results of each segment are measured by income before income taxes. We allocate all selling, general and administrative expenses, investment and other income, interest expense, and goodwill, but no other assets or liabilities, to our segments. Members served by our two segments generally utilize the same medical provider networks, enabling us to obtain more favorable contract terms with providers. Our segments also share overhead costs and assets. As a result, the profitability of each segment is interdependent.

Our business strategy focuses on maintaining our existing strength in the Government segment and on increasing the Commercial segment profitability by improving all aspects of our organization and engaging our members through the use of:

- innovative product and benefit designs;
- processes designed to streamline our business while providing members with enhanced service; and
- technology.

Our innovative consumer-driven product and benefit designs give members an expanded role in selecting benefits and cost responsibility. We have instituted processes that streamline our business and provide enhanced member service, including instituting methods to alert our members to potential cost savings. By engaging our members, we believe we can effectively address rising health care costs for our members and alleviate premium increases for the employers through which we provide health care benefits to our members. We support our strategy through education, tools and technology that we provide primarily through the Internet. This helps enhance the

15

consumer-driven experience for both employers and our members. In June 2002, we introduced HumanaOne, our first product marketed directly to individuals. We have introduced this product in select markets where we can utilize existing networks and distribution channels. We believe we are well-positioned to take advantage of growth opportunities in our industry because of these innovations.

Comparison of Results of Operations

We adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets*, or Statement 142, on January 1, 2002. Statement 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed at least annually for impairment, with a transitional impairment test completed in the initial year of adoption. We completed the transitional goodwill impairment test which did not result in an impairment loss.

The following discussion deals primarily with our results of operations for the three months ended September 30, 2002, or the 2002 quarter, and the three months ended September 30, 2001, or the 2001 quarter, as well as the nine months ended September 30, 2002, or the 2002 period, and the nine months ended September 30, 2001, or the 2001 period. Due to our adoption of Statement 142, goodwill amortization expense is not included in 2002. Goodwill amortization expense was \$13.9 million in the 2001 quarter, and \$41.1 million in the 2001 period. Any references in the following discussion to "adjusted" results assumes the adoption of the non-amortization provisions of Statement 142 on January 1, 2001.

The following table presents certain consolidated financial data for our two segments for the three and nine months ended September 30, 2002 and 2001:

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	(in thousands, except ratios)			
Premium revenues:				
Fully insured	\$ 1,379,897	\$ 1,230,769	\$ 4,076,431	\$ 3,683,358
Specialty	84,806	76,954	251,347	226,540
Total Commercial	1,464,703	1,307,723	4,327,778	3,909,898
Medicare+Choice	647,265	721,079	1,981,931	2,190,491
TRICARE	521,466	398,690	1,484,789	936,293
Medicaid	118,902	113,991	343,389	357,893
Total Government	1,287,633	1,233,760	3,810,109	3,484,677
Total	\$ 2,752,336	\$ 2,541,483	\$ 8,137,887	\$ 7,394,575
Administrative services fees:				
Commercial	\$ 26,567	\$ 20,921	\$ 77,290	\$ 62,509
Government	34,489	19,022	112,610	25,264

Total	\$ 61,056	\$ 39,943	\$ 189,900	\$ 87,773
Medical expense ratios:				
Commercial	84.3%	83.2%	83.4%	82.7%
Government	82.8%	83.4%	84.1%	84.3%
Total	83.6%	83.3%	83.7%	83.5%
SG&A expense ratios:				
Commercial	17.0%	17.5%	17.0%	17.6%
Government	13.3%	13.2%	13.5%	12.3%
Total	15.2%	15.4%	15.4%	15.1%

16

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(in thousands, except ratios)				
Income (loss) before income taxes:				
Commercial	\$ 4,540	\$ (1,728)	\$ 45,528	\$ 8,743
Government	72,417	49,119	166,913	119,481
Total	76,957	47,391	212,441	128,224
Add back: goodwill amortization:				
Commercial	-	8,155	-	25,427
Government	-	5,811	-	15,689
Total	-	13,966	-	41,116
Adjusted income before income taxes:				
Commercial	4,540	6,427	45,528	34,170
Government	72,417	54,930	166,913	135,170
Total	\$ 76,957	\$ 61,357	\$ 212,441	\$ 169,340

The following table presents a comparison of our medical membership at September 30, 2002 and 2001:

	September 30,		Change	
	2002	2001	Members	Percentage
Commercial segment medical members:				
Fully insured	2,323,600	2,332,700	(9,100)	(0.4)%
ASO	658,600	577,800	80,800	14.0

Total Commercial	2,982,200	2,910,500	71,700	2.5
Government segment medical members:				
Medicare+Choice	349,000	406,100	(57,100)	(14.1)
Medicaid	506,100	456,600	49,500	10.8
TRICARE	1,755,700	1,712,700	43,000	2.5
TRICARE ASO	1,038,400	942,700	95,700	10.2
Total Government	3,649,200	3,518,100	131,100	3.7
Total medical membership	6,631,400	6,428,600	202,800	3.2%

Overview

Net income was \$52.3 million, or \$0.31 per diluted share, in the 2002 quarter compared to \$30.3 million, or \$0.18 per diluted share, in the 2001 quarter. Adjusted net income for the 2001 quarter was \$43.5 million, or \$0.26 per diluted share. Net income was \$144.5 million, or \$0.86 per diluted share, in the 2002 period compared to \$82.1 million, or \$0.49 per diluted share, in the 2001 period. Adjusted net income for the 2001 period was \$121.1 million, or \$0.73 per diluted share. The increase in earnings resulted primarily from higher premium revenues and administrative services fees, partially offset by an increase in our medical expense ratio.

Premium Revenues and Medical Membership

Premium revenues increased 8.3% to \$2.75 billion for the 2002 quarter, compared to \$2.54 billion for the 2001 quarter. For the 2002 period, premium revenues were \$8.14 billion, an increase of 10.1% compared to the 2001 period. Higher premium revenues resulted primarily from strong commercial premium yields and an increase in TRICARE premiums. Premium yield represents the percentage increase in the average premium per member over the comparable period in the prior year. Items impacting premium yield include changes in premium rates, changes in government reimbursement rates, changes in the geographic mix of membership, and changes in the mix of benefit plans selected by our membership.

Commercial segment premium revenues increased to \$1.46 billion, or 12.0%, for the 2002 quarter compared to \$1.31 billion for the 2001 quarter. For the 2002 period, our commercial segment premium revenues were \$4.33 billion, an increase of 10.7% compared to the 2001 period of \$3.91 billion. These increases resulted from strong premium yields on our fully insured commercial business, partially offset by lower fully insured commercial membership. Fully insured commercial premium yield continued to fall within the range of 12% to 14% for the 2002 quarter and 2002 period. Our fully insured commercial medical membership decreased 0.4%, or 9,100 members, to 2,323,600 at September 30, 2002 compared to 2,332,700 at September 30, 2001, which resulted from our focusing on opportunities that satisfied our strict pricing discipline.

We expect fully insured commercial premium yields to continue in the 12% to 14% range for the full year of 2002. We have been pricing for 2003 using the assumption that medical cost trends will accelerate slightly and accordingly, anticipate premium yields of 13% to 15% for 2003. In 2003, we expect to increase Commercial medical membership by 4% to 5%.

Government segment premium revenues increased to \$1.29 billion, or 4.4%, for the 2002 quarter compared to \$1.23 billion for the 2001 quarter. For the 2002 period, our government segment premium revenues were \$3.81 billion, an increase of 9.3% compared to the 2001 period of \$3.48 billion. These increases were primarily attributable to our TRICARE business, partially offset by a reduction in our Medicare+Choice membership. TRICARE premium revenues for the 2002 quarter were \$521.5 million compared to \$398.7 million for the 2001 quarter, an increase of 30.8%. For the 2002 period, TRICARE premiums were \$1.48 billion, an increase of 58.6% compared to the 2001 period. The 2002 quarter increase is primarily attributable to change orders related to expanded Congressionally legislated benefits, an increase in eligible beneficiaries, a decrease in the use of military treatment facilities and other negotiated changes. The expanded benefits for TRICARE beneficiaries mandated by Congress include, among other items, a reduction of beneficiary out-of-pocket maximum cost and an elimination of certain co-payments. Some of the Congressionally legislated benefit enhancements were approved retroactive to October 2000. For a period of time after September 11, 2001, the Department of Defense restricted the use of its military facilities to active duty military personnel which resulted in a greater use of our provider networks by retired military personnel and dependents of both active duty and retired military personnel. Collectively, these actions result in higher medical expenses. Since these actions were not originally specified in our contracts with the Department of Defense, we are entitled to an equitable adjustment to the contract price via a change order or a bid price adjustment process resulting in higher premium revenue. We have recorded our best estimate of revenues and expenses related to these change orders and bid price adjustments based upon all available information, including completed and in-process negotiations. Differences between our current estimates and final settlement, if any, will be recognized when known. The 2002 period increase results from our acquisition of TRICARE Regions 2 and 5 on May 31, 2001 as well as the change order and bid price adjustments discussed above.

Medicare+Choice premium yield continued to fall within the range of 4% to 6% for the 2002 quarter. We expect this yield will continue in the 4% to 6% range for the full year of 2002. Medicare+Choice membership was 349,000 at September 30, 2002, compared to 406,100 at September 30, 2001, a decline of 57,100 members, or 14.1%. This decrease was due to our exit of various counties on January 1, 2002, as well as the attrition of

some members selecting other plans in certain markets as a result of new January 1, 2002 benefit designs. During the 2002 quarter, we filed applications to renew our contracts effective January 1, 2003 to serve Medicare+Choice members in all ten markets where we currently offer Medicare+Choice HMO plans. The applications include a request to exit some counties within these markets affecting approximately 10,600 members.

Administrative Services Fees

Administrative services fees for the 2002 quarter were \$61.1 million, an increase of \$21.2 million from \$39.9 million for the 2001 quarter. For the 2002 period, our administrative services fees were \$189.9 million, an increase of \$102.1 million compared to the 2001 period. For the Commercial segment, administrative services fees increased \$5.6 million, or 27.0%, to \$26.6 million for the 2002 quarter, and increased \$14.8 million when comparing the 2002 period with the 2001 period. This increase corresponds to the higher level of ASO membership at September 30, 2002, which was 658,600 members, compared to 577,800 at September 30, 2001. Administrative services fees for the Government segment increased \$15.5 million when comparing the 2002 quarter with the 2001 quarter, and \$87.3 million when comparing the 2002 period with the 2001 period. These increases in our Government segment administrative services fees were primarily due to the implementation of the TRICARE for Life benefits program effective October 1, 2001.

18

Investment and Other Income

Investment and other income totaled \$28.2 million for the 2002 quarter, a decrease of \$1.2 million from \$29.4 million for the 2001 quarter. For the 2002 period, investment and other income totaled \$78.4 million, a decrease of \$11.4 million from \$89.8 million for the 2001 period. These decreases resulted primarily from lower interest rates partially offset by an increase in revenues from ancillary businesses and lower realized gains on sales of investment securities in the 2002 period. Lower interest rates decreased investment income \$1.8 million for the 2002 quarter and \$7.0 million for the 2002 period compared to the same periods a year ago. The average yield on investment securities was 4.6% in the 2002 quarter declining from 5.0% in the 2001 quarter, and 4.6% in the 2002 period declining from 5.3% in the 2001 period. Revenues from ancillary businesses increased other income \$1.2 million for the 2002 quarter and \$3.0 million for the 2002 period compared to the same periods a year ago. Lower realized gains reduced investment income \$6.4 million for the 2002 period compared to the same period a year ago.

Medical Expense

Total medical expenses as a percentage of premium revenues, or medical expense ratio, for the 2002 quarter was 83.6%, increasing 30 basis points from the 2001 quarter. For the 2002 period, our medical expense ratio was 83.7% increasing 20 basis points from the 2001 period.

The Commercial segment's medical expense ratio for the 2002 quarter was 84.3%, increasing 110 basis points from the 2001 quarter of 83.2%, and as shown in the preceding table, a similar increase was experienced comparing the 2002 period with the 2001 period. This increase primarily was due to the shift in our mix of fully insured commercial medical membership to a heavier concentration of large size groups. Additionally, we experienced higher than anticipated medical cost trends in Chicago attributable to transitioning approximately 50,000 commercial HMO members from capitated to fee-for-service arrangements. Large group commercial membership, which currently represents approximately 65% of our fully insured Commercial membership (compared to 61% at September 30, 2001), traditionally experiences a higher medical expense ratio and lower selling, general and administrative expense rate than does our small group membership.

The Government segment's medical expense ratio for the 2002 quarter was 82.8%, decreasing 60 basis points from the 2001 quarter of 83.4%. For the 2002 period, the ratio was 84.1%, decreasing 20 basis points when compared to the 2001 period. These decreases are primarily attributable to TRICARE change order and bid price adjustments and a shift in the mix of members from Medicare+Choice to TRICARE. As discussed above, TRICARE medical expense increased due to expanded benefits for TRICARE beneficiaries mandated by Congress, a greater number of eligible beneficiaries, an increase in the use of Humana's provider network rather than military treatment facilities and other negotiated changes. Since these actions were not originally specified in our contracts with the Department of Defense, we are entitled to an equitable adjustment to the contract price via a change order or a bid price adjustment process resulting in higher premium revenue. These higher premium revenues resulted in a decrease in the Government medical expense ratio in the 2002 quarter. In addition, a greater proportion of the Government segment's membership has shifted from Medicare+Choice to TRICARE. TRICARE's medical expense ratio is typically lower than the Medicare+Choice medical expense ratio.

SG&A Expense

Total selling, general and administrative, or SG&A, expenses as a percentage of premium revenues and administrative services fees, or SG&A expense ratio, for the 2002 quarter was 15.2%, decreasing 20 basis points from the 2001 quarter. For the 2002 period, the SG&A expense ratio was 15.4%, increasing 30 basis points from the 2001 period.

The Commercial segment's SG&A expense ratio decreased 50 basis points to 17.0% comparing the 2002 quarter with the 2001 quarter, and decreased 60 basis points when comparing the 2002 period with the 2001 period. This decline was primarily due to a changing mix of members towards more larger group members and reductions in the number of our employees due to the operational efficiencies gained from streamlining various processes through technology initiatives and the reduction of claim inventory levels. Costs to distribute and administer our products to large group members are lower than that of small group members.

The Government segment's SG&A expense ratio was 13.3% for the 2002 quarter, increasing 10 basis points compared to the 2001 quarter, and increased 120 basis points when comparing the 2002 period with the 2001 period. This increase resulted from a higher proportion of revenues generated from administrative services fees, primarily from the implementation of the TRICARE for Life benefits program effective October 1, 2001. This increase partially was offset by the favorable impact of the change orders and bid price adjustments discussed above that resulted in additional premium revenue during the 2002 quarter.

19

In addition, operational efficiencies gained from streamlining various processes through technology initiatives and the reduction of claim inventory levels as detailed in the "Liquidity" section herein will enable us to begin to identify and remove additional administrative expenses from

our business during the fourth quarter and throughout 2003.

Depreciation and amortization for the 2002 quarter totaled \$30.5 million compared to adjusted depreciation and amortization of \$27.5 million for the 2001 quarter, an increase of \$3.0 million, or 11.0%. For the 2002 period, depreciation and amortization totaled \$90.6 million compared to adjusted depreciation and amortization of \$78.0 million for the 2001 period, an increase of \$12.6 million, or 16.0%. These increases were primarily the result of higher capital expenditures related to our technology initiatives. The 2002 period also increased due to an increase in amortization expense on other intangible assets related to the May 31, 2001 TRICARE Regions 2 and 5 acquisition.

Interest Expense

Interest expense was \$4.1 million for the 2002 quarter, compared to \$5.9 million for the 2001 quarter, a decrease of \$1.8 million. For the 2002 period, interest expense was \$12.9 million, compared to \$20.5 million for the 2001 period, a decrease of \$7.6 million. These decreases primarily resulted from lower interest rates.

Income Taxes

On an interim basis, the provision for income taxes is provided for at the anticipated effective tax rate for the year. Our effective tax rate for the three and nine months ended September 30, 2002 was approximately 32%, compared to 36% for the same periods of 2001. The lower effective tax rate in 2002 resulted primarily from the cessation of non-deductible goodwill amortization on January 1, 2002, partially offset by a lower proportion of tax-exempt investment income to pretax income. The cessation of non-deductible goodwill amortization lowered our effective tax rate approximately 7% while the lower proportion of tax-exempt investment income increased our effective tax rate approximately 3%.

Membership

The following table presents our medical and specialty membership at the end of each quarter for both 2002 and 2001:

	2002			2001			
	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Medical Membership:							
Commercial segment:							
Fully insured	2,323,600	2,319,600	2,332,400	2,301,300	2,332,700	2,343,300	2,387,900
ASO	658,600	627,500	621,800	592,500	577,800	548,100	547,200
Total Commercial	2,982,200	2,947,100	2,954,200	2,893,800	2,910,500	2,891,400	2,935,100
Government segment:							
Medicare+Choice	349,000	354,100	363,700	393,900	406,100	418,000	428,100
Medicaid	506,100	487,900	476,800	490,800	456,600	488,400	493,200
TRICARE	1,755,700	1,761,000	1,742,300	1,714,600	1,712,700	1,725,800	1,070,900
TRICARE ASO	1,038,400	1,021,900	997,900	942,700	942,700	939,400	-
Total Government	3,649,200	3,624,900	3,580,700	3,542,000	3,518,100	3,571,600	1,992,200
Total medical members	6,631,400	6,572,000	6,534,900	6,435,800	6,428,600	6,463,000	4,927,300
Specialty Membership:							
Commercial segment	2,217,900	2,222,900	2,246,200	2,262,000	2,267,700	2,240,700	2,266,600

Capitation

In a limited number of circumstances, we contract with hospitals and physicians to accept financial risk for a defined set of HMO membership. In transferring this risk, we prepay these providers a monthly fixed-fee per member to coordinate substantially all of the medical care for their capitated HMO membership, including some health benefit administrative functions and claims processing. For these capitated HMO arrangements, we generally agree to reimbursement rates that target a medical expense ratio ranging from 82% to 89%. Providers participating in hospital-based capitated HMO arrangements generally receive a monthly payment for all of the services within their system for their HMO membership. Providers participating in physician-based capitated HMO arrangements generally have subcontracted directly with hospitals and specialist physicians, and are responsible for reimbursing such hospitals and physicians for services rendered to their HMO membership.

In some circumstances, we contract with physicians under risk-sharing arrangements whereby physicians have assumed some level of risk for all or a portion of the medical costs of their HMO membership. Although these arrangements do include capitation payments for services rendered, we process substantially all of the claims under these arrangements.

The following table presents membership under these various arrangements at September 30, 2002 and 2001:

	Commercial Segment			Government Segment				Consol. Total Medical	
	Fully Insured	ASO	Total Segment	Medicare+ Choice	Medicaid	TRICARE	TRICARE ASO		Total Segment
Membership									
<u>September 30, 2002</u>									
Capitated HMO									
hospital system based	151,600	-	151,600	47,100	11,200	-	-	58,300	209,900
Capitated HMO									
physician group based	70,300	-	70,300	11,600	209,000	-	-	220,600	290,900
Risk-sharing	69,400	-	69,400	149,400	217,200	-	-	366,600	436,000
Other	2,032,300	658,600	2,690,900	140,900	68,700	1,755,700	1,038,400	3,003,700	5,694,600
Total	2,323,600	658,600	2,982,200	349,000	506,100	1,755,700	1,038,400	3,649,200	6,631,400
<u>September 30, 2001</u>									
Capitated HMO									
hospital system based	158,700	-	158,700	58,800	11,200	-	-	70,000	228,700
Capitated HMO									
physician group based	92,500	-	92,500	17,900	164,300	-	-	182,200	274,700
Risk-sharing	88,600	-	88,600	148,400	166,100	-	-	314,500	403,100
Other	1,992,900	577,800	2,570,700	181,000	115,000	1,712,700	942,700	2,951,400	5,522,100
Total	2,332,700	577,800	2,910,500	406,100	456,600	1,712,700	942,700	3,518,100	6,428,600
Membership Distribution									
<u>September 30, 2002</u>									
Capitated HMO									
hospital system based	6.5 %	-	5.1 %	13.5 %	2.2 %	-	-	1.6 %	3.2 %
Capitated HMO									
physician group based	3.0	-	2.4	3.3	41.3	-	-	6.1	4.4
Risk-sharing	3.0	-	2.3	42.8	42.9	-	-	10.0	6.6
Other	87.5	100.0	90.2	40.4	13.6	100.0	100.0	82.3	85.8
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
<u>September 30, 2001</u>									
Capitated HMO									
hospital system based	6.8 %	-	5.5 %	14.5 %	2.4 %	-	-	2.0 %	3.5 %
Capitated HMO									
physician group based	4.0	-	3.2	4.4	36.0	-	-	5.2	4.3
Risk-sharing	3.8	-	3.0	36.5	36.4	-	-	8.9	6.3
Other	85.4	100.0	88.3	44.6	25.2	100.0	100.0	83.9	85.9
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Liquidity

The following table presents cash flows for the nine months ended September 30, 2002 and 2001, excluding the effects of the timing of the

Medicare+Choice premium receipts:

	Nine months ended September 30,	
	2002	2001
	(in thousands)	
Cash flows (used in) provided by operating activities	\$ (101,302)	\$ 59,838
Timing of Medicare+Choice premium receipts	216,628	5,766
Normalized cash flows provided by operating activities	\$ 115,326	\$ 65,604

The Medicare+Choice premium receipt is payable to us on the first day of each month. When the first day of a month falls on a weekend or holiday, we receive this payment at the end of the previous month. This receipt is significant, the timing of which causes material fluctuation in operating cash flows. Normalized operating cash flows assume these monthly receipts were received in the month in which they are applicable, providing a better comparison.

Normalized operating cash flows were \$115.3 million in the 2002 period, compared to \$65.6 million in the 2001 period, an increase of \$49.7 million. This increase primarily was attributable to higher net income and the increase in medical and other expenses payable offset by higher TRICARE receivables. Medical and other expenses payable increased \$78.0 million during the 2002 period, primarily as a result of membership growth and an increase in payables associated with our TRICARE business, and declined \$155.9 million during the 2001 period due to reductions in both claim inventories on-hand and membership levels.

Throughout all of fiscal year 2001, we reduced the level of claim inventories on-hand, a direct result of our focused effort to improve service and operational efficiencies. The pace of claim inventory reduction slowed during the 2002 period to only \$16.6 million compared to \$132.0 million for all of 2001. The following table presents the approximate number of claims on-hand and their estimated aggregate valuation at September 30, 2002 and December 31, 2001. Claims on hand represent the number of provider requests for reimbursement that have been received but not yet processed and paid.

	Number of Days Claims On-hand	Number of Claims On-hand	Estimated Valuation
			(in thousands)
September 30, 2002	4.75	496,200	\$ 108,800
December 31, 2001	4.96	518,100	125,448
Change	(0.21)	(21,900)	\$ (16,648)

The following table presents details of net premium and ASO receivables at September 30, 2002 and December 31, 2001:

	September 30, 2002	December 31, 2001	Change	
			Dollars	Percentage
				(Dollars in thousands)
TRICARE	\$ 420,510	\$ 185,186	\$ 235,324	127.1 %
Commercial and other	136,770	141,082	(4,312)	(3.1)
Total	\$ 557,280	\$ 326,268	\$ 231,012	70.8 %

Receivables increased \$231.0 million, or 70.8%, during the 2002 period primarily related to TRICARE. TRICARE receivables increased due to the change orders and bid price adjustments. Of the \$420.5 million in TRICARE receivables at September 30, 2002, \$187.2 million relates to our base contract, all of which we collect monthly in the ordinary course of business. The remaining \$233.3 million relates to change orders and bid price adjustments during the 2002 period for expanded Congressionally legislated benefits, an increase in eligible beneficiaries, a decrease in the use of military treatment facilities and other negotiated changes. We collected \$84.5 million related to change orders and bid price adjustments during October 2002. We continue to anticipate that the majority of our change orders and bid price adjustments will be collected by the end of 2002 based upon our discussions with the Department of Defense and historical experience.

Debt

The following table presents our short-term, long-term and total debt outstanding at September 30, 2002 and December 31, 2001:

	September 30, 2002	December 31, 2001
(in thousands)		
Short-term debt:		
Conduit commercial paper financing program	\$ 265,000	\$ -
Commercial paper program	-	263,000
	-----	-----
Total short-term debt	265,000	263,000
	-----	-----
Long-term debt:		
Senior notes	328,413	309,789
Other long-term borrowings	5,648	5,700
	-----	-----
Total long-term debt	334,061	315,489
	-----	-----
Total debt	\$ 599,061	\$ 578,489
	-----	-----

Senior Notes

The \$300 million 7 1/4% senior, unsecured notes, or senior notes, are due August 1, 2006.

In order to hedge the risk of changes in the fair value of our senior notes attributable to fluctuations in interest rates, we entered into interest rate swap agreements. Interest rate swap agreements, which are considered derivatives, are contracts that exchange interest payments on a specified principal amount, or notional amount, for a specified period. Our interest rate swap agreements exchange the 7 1/4% fixed interest rate under our senior notes for a variable interest rate, which was 3.47% at September 30, 2002. The \$300 million swap agreements mature on August 1, 2006, and have the same critical terms as our senior notes. Changes in the fair value of the senior notes and the swap agreements due to changing interest rates are assumed to offset each other completely, resulting in no impact to earnings from hedge ineffectiveness.

Our swap agreements are recognized in our consolidated balance sheet at fair value with an equal and offsetting adjustment to the carrying value of our senior notes. The fair value of our swap agreements is estimated based on quoted market prices of comparable agreements and reflects the amounts we would receive (or pay) to terminate the agreements at the reporting date. The swap agreements, which are included in other long-term assets, had a fair value of \$29.0 million at September 30, 2002, and \$10.5 million at December 31, 2001. Likewise, the carrying value of our senior notes has been increased by \$29.0 million at September 30, 2002, and \$10.5 million at December 31, 2001 to their fair value. The counterparties to our swap agreements are major financial institutions with which we also have other financial relationships.

Credit Agreements

We maintain two unsecured revolving credit agreements consisting of a \$265 million, 4-year revolving credit agreement and a \$265 million, 364-day revolving credit agreement with a one-year term out option. A one-year term out option converts the outstanding borrowings, if any, under the credit agreement to a one-year term loan upon expiration. The 4-year revolving credit agreement expires in October 2005, unless extended. On October 2, 2002, we renewed the 364-day revolving credit agreement. Under these agreements, at our option, we can borrow on either a competitive advance basis or a revolving credit basis. The revolving credit portion of both the 4-year and 364-day agreements bear interest at either a fixed rate or floating rate based on LIBOR plus a spread. The spread,

which varies depending on our credit ratings, ranges from 80 to 125 basis points for our 4-year agreement, and 85 to 137.5 basis points for our 364-day agreement. We also pay an annual facility fee regardless of utilization. This facility fee, currently 25 basis points, may fluctuate between 15 and 50 basis points, depending upon our credit ratings. The competitive advance portion of any borrowings under either the 4-year or 364-day revolving credit agreements will bear interest at market rates prevailing at the time of borrowing on either a fixed rate or a floating rate basis, at our

option.

These credit agreements contain customary restrictive and financial covenants as well as customary events of defaults, including financial covenants regarding the maintenance of net worth, and minimum interest coverage and maximum leverage ratios. The terms of each of these credit agreements also include standard provisions related to conditions of borrowing, including a customary material adverse effect clause which could limit our ability to borrow. We have not experienced a material adverse effect and we know of no circumstances or events which would be reasonably likely to result in a material adverse effect. We do not believe the material adverse effect clause poses a material funding risk to Humana in the future. The minimum net worth requirement was \$1,163.4 million at September 30, 2002, and increases by 50% of consolidated net income each quarter. The minimum interest coverage ratio is generally calculated by dividing interest expense into earnings before interest and tax expense, or EBIT. The maximum leverage ratio is generally calculated by dividing debt into earnings before interest expense, tax expense, depreciation and amortization expense, or EBITDA. EBIT and EBITDA used to calculate compliance with these financial covenants is based upon four consecutive quarters. The current minimum interest coverage ratio of 3.0, increases to 3.5 effective December 31, 2002, and to 4.0 effective December 31, 2003. The current maximum leverage ratio of 3.0 declines to 2.75 effective December 31, 2002, and to 2.5 effective December 31, 2003. At September 30, 2002, our net worth of \$1,667.4 million, leverage ratio of 1.5 and interest coverage ratio of 14.9 all exceeded the applicable requirement, including the more restrictive future minimum interest coverage and maximum leverage requirements.

Commercial Paper Programs

We maintain and issue short-term debt securities under a commercial paper program when market conditions allow. The program is backed by our credit agreements described above. Aggregate borrowing under both the credit agreement and commercial paper program cannot exceed \$530 million. We also maintain indirect access to the commercial paper market through our conduit commercial paper financing program. Under this program, a third party issues commercial paper and loans the proceeds of those issuances to us so that the interest and principal payments on the loans match those on the underlying commercial paper. The \$265 million, 364-day revolving credit agreement supports the conduit commercial paper financing program of up to \$265 million. The weighted average interest rate on our conduit commercial paper borrowings was 2.18% at September 30, 2002. The carrying value of these borrowings approximates fair value as the interest rate on the borrowings varies at market rates.

Shelf Registration

On October 8, 2002, we filed a universal shelf registration with the SEC to register debt or equity securities, from time to time, up to a total of \$600 million, with the amount, price and terms to be determined at the time of the sale. Once it becomes effective, we have the ability to use the net proceeds from any future sales of our securities for our operations and for other general corporate purposes, including repayment or refinancing of borrowings, working capital, capital expenditures, investments, acquisitions, or the repurchase of our outstanding securities.

Regulatory Requirements

Certain of our subsidiaries operate in states that regulate the payment of dividends to Humana Inc., our parent company, require minimum levels of equity, and limit investments to approved securities. The amount of dividends that may be paid to Humana Inc. by these subsidiaries, without prior approval by state regulatory authorities, is limited based on the entity's level of statutory income and statutory capital and surplus. In most states, prior notification is provided before paying a dividend that does not require approval.

24

At September 30, 2002, we maintained aggregate statutory capital and surplus of \$1,010.6 million in our state regulated health insurance subsidiaries. Each of these subsidiaries was in compliance with applicable statutory requirements, which aggregated \$559.0 million. Although the minimum required levels of equity are largely based on premium volume, product mix, and the quality of assets held, minimum requirements can vary significantly at the state level. Certain states rely on risk-based capital requirements, or RBC, to define the required levels of equity. RBC is a model developed by the National Association of Insurance Commissioners to monitor an entity's solvency. This calculation indicates recommended minimum levels of required capital and surplus and signals regulatory measures should actual surplus fall below these recommended levels. Some states are in the process of phasing in these RBC requirements over a number of years. If RBC were fully implemented by all states at September 30, 2002, each of our subsidiaries would be in compliance, and we would have \$387.6 million of aggregate capital and surplus above the minimum level required under RBC.

Stock Repurchase Plan

In July 2002, the Board of Directors authorized the use of up to \$100 million in total for the repurchase of our common shares. The shares may be purchased from time to time at prevailing prices in the open-market, by block purchases, or in privately-negotiated transactions. As of November 11, 2002, we had purchased 4.1 million shares for an aggregate purchase price of \$49.7 million, or \$12.12 per share.

Future Liquidity Needs

We believe that funds from future operating cash flows and funds available under our credit agreements and commercial paper program are sufficient to meet future liquidity needs. We also believe these sources of funds are adequate to allow us to fund selected expansion opportunities, as well as to fund capital requirements.

Capital Expenditures

Our ongoing capital expenditures relate primarily to our technology initiatives and administrative facilities necessary for activities such as claims processing, billing and collections, and customer service. Our capital expenditures were \$83.6 million for the nine months ended September 30, 2002, compared to \$82.2 million for the nine months ended September 30, 2001. Excluding acquisitions, we expect our total capital expenditures in 2002 will range from \$110 million to \$115 million, which is approximately equal to the amount for 2001 of \$115.0 million. Most of our 2002 capital expenditures will relate to our technology initiatives and the improvement of administrative facilities.

25

Cautionary Statements

This document includes both historical and forward-looking statements. The forward-looking statements are made within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with these safe harbor provisions. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, including, among other things, the information discussed below. In making these statements, we are not undertaking to address or update each factor in future filings or communications regarding our business or results. Our business is complicated, highly regulated and competitive with many different factors affecting results.

If the premiums we charge are insufficient to cover the cost of health care services delivered to our members, or if our reserves are inadequate, our profitability could decline.

We use a significant portion of our revenues to pay the costs of health care services delivered to our members. These costs include claims payments, capitation payments, allocations of some centralized expenses and various other costs incurred to provide health insurance coverage to our members. These costs also include estimates of future payments to hospitals and others for medical care provided to our members. Generally, premiums in the health care business are fixed for one-year periods. Accordingly, costs we incur in excess of our medical cost projections generally are not recovered in the contract year through higher premiums. We estimate the costs of our future medical claims and other expenses using actuarial methods and assumptions based upon claim payment patterns, medical inflation, historical developments, including claim inventory levels and claim receipt patterns, and other relevant factors. We also record medical claims reserves for future payments. We continually review estimates of future payments relating to medical claims costs for services incurred in the current and prior periods and make necessary adjustments to our reserves. However, competition, government regulations and other factors may and often do cause actual health care costs to exceed what was estimated and reflected in premiums.

These factors may include:

- increased use of medical facilities and services, including prescription drugs;
- increased cost of individual services;
- termination of capitation arrangements resulting in the transfer of membership to fee-for-service arrangements;
- catastrophes or epidemics;
- the introduction of new or costly treatments, including new technologies;
- medical cost inflation;
- new government mandated benefits or other regulatory changes; and
- increased use of health care, including doctors' office visits and prescriptions resulting from terrorists' attacks and subsequent terrorists threats, including bioterrorism.

Failure to adequately price our products or develop sufficient reserves may result in a material adverse effect on our financial position, results of operations and cash flows.

If we do not design and price our products properly and competitively, our total membership and our profitability could decline.

We are in a highly competitive industry. Many of our competitors are more established in the health care industry and have a larger market share and greater financial resources than we do in some markets. In addition, other companies may enter our markets in the future. Contracts for the sale of commercial products are generally bid upon or renewed annually. While health plans compete on the basis of many factors, including service, and the quality and depth of provider networks, we expect that price will continue to be a significant basis of competition. In addition to the challenge of controlling health care costs, we face competitive pressure to contain premium prices.

26

Premium increases, introduction of new product designs, and our relationship with our providers in various markets, among others could affect our membership. Other actions that could affect membership include the possible exit of Medicare+Choice service areas and the exit of commercial products in some markets. If we do not compete effectively in our markets, if membership does not increase as we expect, or if it declines, or if we lose accounts with favorable medical cost experience while retaining accounts with unfavorable medical cost experience, our business and results of operations could be materially adversely affected.

If we fail to manage prescription drug costs successfully, our financial results could suffer.

In general, prescription drug costs have been rising over the past few years. These increases are due to the introduction of new drugs costing significantly more than existing drugs, direct consumer advertising by the pharmaceutical industry that creates consumer demand for particular brand-name drugs, and members seeking medications to address lifestyle changes. In order to control prescription drug costs, we have implemented multi-tiered copayment benefit designs for prescription drugs, including our four-tiered copayment benefit design, Rx4. We are also evaluating other multi-tiered designs. We cannot assure that these efforts will be successful in controlling costs. Failure to control these costs could have a material adverse effect on our financial position, results of operations and cash flows.

We are involved in various legal actions, which, if resolved unfavorably to us, could result in substantial monetary damages.

We are a party to a variety of legal actions that affect our business, including employment and employment discrimination-related suits, employee benefit claims, breach of contract actions, tort claims and shareholder suits involving alleged securities fraud.

We and some of our competitors in the health benefits business are defendants in a number of purported class action lawsuits. These include separate suits against us and five of our competitors that purport to be brought on behalf of members of managed care plans, which we refer to as the subscriber track cases. In addition, there is a single action against us and eight of our competitors that purports to be brought on behalf of health care providers, which we refer to as the provider track case. These suits allege breaches of federal statutes, including Employee Retirement Income Security Act, as amended, or ERISA, and Racketeer Influenced and Corrupt Organizations Act, or RICO.

In addition, because of the nature of the health care business, we are subject to a variety of legal actions relating to our business operations, including the design, management and offering of products and services. These include and could include in the future:

- claims relating to the denial of health care benefits;
- challenges to the use of some software products utilized in administering claims;
- medical malpractice actions;
- allegations of anti-competitive and unfair business activities;
- provider disputes over compensation and termination of provider contracts;
- disputes related to self-funded business, including actions alleging claim administration errors;
- claims related to the failure to disclose some business practices; and
- claims relating to customer audits and contract performance.

In some cases, substantial non-economic or punitive damages as well as treble damages under the federal False Claims Act, RICO and other statutes may be sought. While we currently have insurance coverage for some of these potential liabilities, other potential liabilities may not be covered by insurance, insurers may dispute coverage or the amount of insurance may not be enough to cover the damages awarded.

In addition, some types of damages, like punitive damages, may not be covered by insurance, particularly in those jurisdictions in which coverage of punitive damages is prohibited. Insurance coverage for all or some forms of liability may become unavailable or prohibitively expensive in the future.

A description of material legal actions in which we are currently involved is included under "Legal Proceedings." We cannot predict the outcome of these suits with certainty, and we are incurring expenses in the defense of these matters. In addition, recent court decisions and legislative activity may increase our exposure for any of these types of claims. Therefore, these legal actions could have a material adverse effect on our financial position, results of operations and cash flows.

Increased litigation and negative publicity could increase our cost of doing business.

The managed care industry continues to receive significant negative publicity reflecting the public perception of the industry. This publicity and perception have been accompanied by increased litigation, including some large jury awards, legislative activity, regulation and governmental review of industry practices. These factors may adversely affect our ability to market our products or services, may require us to change our products or services, may increase the regulatory burdens under which we operate and may require us to pay large judgments or fines. Any combination of these factors could further increase our cost of doing business and adversely affect our financial position, results of operations and cash flows.

If we fail to effectively implement our operational and strategic initiatives, our business could be materially adversely affected.

Our future performance depends in large part upon our management team's ability to execute our strategy to position the company for the future. This strategy includes the growth of our Commercial segment business, introduction of new products and benefit designs, the successful implementation of our e-business initiatives and the selection and adoption of new technologies. We believe that the adoption of new technologies will contribute toward a reduction in administrative costs as we more closely align our workforce with our membership. There can be no assurance that we will be able to successfully implement our operational and strategic initiatives that are intended to position the company for future growth. Failure to implement this strategy may result in a material adverse effect on our financial position, results of operations and cash flows.

Our industry is currently subject to substantial government regulation, which, along with possible increased governmental regulation or legislative reform, increases our costs of doing business and could adversely affect our profitability.

The health care industry in general, and health management organizations, or HMOs, and preferred provider organizations in particular, are subject to substantial federal and state government regulation, including:

- regulation relating to minimum net worth;
- licensing requirements;
- approval of policy language and benefits;
- mandated benefits and processes;
- provider compensation arrangements;
- member disclosure;
- premium rates; and
- periodic examinations by state and federal agencies.

State regulations require our licensed, operating subsidiaries to maintain minimum net worth requirements and restrict some investment activities. Additionally, those regulations restrict the ability of our subsidiaries to make dividend payments, loans, loan repayments or other payments to us.

In recent years, significant federal and state legislation affecting our business has been enacted. State and federal governmental authorities are continually considering changes to laws and regulations applicable to us and are currently considering regulations relating to:

- mandatory benefits and products, including a Medicare pharmacy benefit or discount card;
- rules tightening time periods in which claims must be paid;
- patients' bill of rights;
- defining medical necessity;
- health insurance access;
- provider compensation and contract language;
- disclosure of provider fee schedules and other data impacting payments to providers;
- health plan liability to members who fail to receive appropriate care;

- disclosure and composition of physician networks;
- physicians' ability to collectively negotiate contract terms with carriers, including fees; and
- mental health parity.

All of these proposals could apply to us.

There can be no assurance that we will be able to continue to obtain or maintain required governmental approvals or licenses or that legislative or regulatory changes will not have a material adverse effect on our business. Delays in obtaining or failure to obtain or maintain required approvals, or moratoria imposed by regulatory authorities, could adversely affect our revenue or the number of our members, increase costs or adversely affect our ability to bring new products to market as forecasted.

The National Association of Insurance Commissioners, or NAIC, has adopted risk-based capital requirements, also known as RBC, which is subject to state-by-state adoption and to the extent implemented, sets minimum capitalization requirements for insurance and HMO companies. The NAIC recommendations for life insurance companies were adopted in all states and the prescribed calculation for HMOs has been adopted in most states in which we operate. The HMO rules may increase the minimum capital required for some of our subsidiaries.

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, includes administrative provisions directed at simplifying electronic data interchange through standardizing transactions, establishing uniform health care provider, payor and employer identifiers and seeking protections for confidentiality and security of patient data. Under the new HIPAA standard transactions and code sets rules, we must make significant systems enhancements and invest in new technical solutions. The compliance date for standard transactions and code sets rules may be extended by any covered entity until October 17, 2003 by submitting a request to the Secretary of Health and Human Services by October 16, 2002. The Department of Health and Human Services has indicated that a submission of a properly completed extension plan is sufficient to secure a one-year extension. We timely submitted our requests for extension. Under the new HIPAA privacy rules, we must comply with a variety of requirements concerning the use and disclosure of individuals' protected health information, establish rigorous internal procedures to protect health information and enter into business associate contracts with those companies to whom protected health information is disclosed. Violations of these rules will subject us to significant penalties. Compliance with HIPAA regulations requires significant systems enhancements, training and administrative effort. The final rules do not provide for complete federal preemption of state laws, but rather preempt all inconsistent state laws unless the state law is more stringent. HIPAA could also expose us to additional liability for violations by our business associates.

Another area receiving increased focus in 2002 is the time in which various laws require the payment of health care claims. Many states already have legislation in place covering payment of claims within a specific number of days. However, due to provider groups advocating for laws or regulations establishing even stricter standards, procedures and penalties, we expect additional regulatory scrutiny and supplemental legislation with respect to claims payment practices. The provider-sponsored bills are characterized by stiff penalties for late payment, including high interest rates payable to providers and costly fines levied by state insurance departments and attorneys general. This legislation and possible future regulation and oversight could expose our Company to additional liability and penalties.

On November 21, 2000, the Department of Labor published its final regulation on claims review procedures under ERISA. The claims procedure regulation applies to all employee benefit plans governed by ERISA, whether benefits are provided through insurance products or are self-funded. As a result, the new claims review regulation impacts nearly all employer and union-sponsored health and disability plans, except church and government plans. Similar to legislation recently passed by many states, the new ERISA claims procedures impose shorter and more detailed procedures for processing and reviewing claims and appeals. According to the Department of Labor, however, its ERISA claims regulation does not preempt state insurance and utilization review laws that impose different procedures or time lines, unless complying with the state law would make compliance with the new ERISA regulation impossible. Unlike its state counterparts, the ERISA claims rule does not provide for independent external review to decide disputed medical questions. Instead, the federal regulation will generally make it easier for claimants to avoid state-mandated internal and external review processes and to file suit in federal court. The new ERISA claims rules generally became effective July 1, 2002 or the first day of the first plan year beginning after July 1, 2002, whichever is later. In any case, health plans must comply with the new rules with respect to all claims filed on or after January 1, 2003.

We are also subject to various governmental audits and investigations. These can include audits and investigations by state attorneys general, Centers for Medicare and Medicaid Services, or CMS, the Office of the Inspector General of Health and Human Services, the Office of Personnel Management, the Department of Justice and state Departments of Insurance and Departments of Health. These activities could result in the loss of licensure or the right to participate in various programs, or the imposition of fines, penalties and other sanctions. In addition, disclosure of any adverse investigation or audit results or sanctions could negatively affect our reputation in various markets and make it more difficult for us to sell our products and services.

As a government contractor, we are exposed to additional risks that could adversely affect our business or our willingness to participate in government health care programs.

A significant portion of our revenues relates to federal, state and local government health care coverage programs, including the Medicare+Choice, Medicaid and TRICARE programs. These programs involve various risks, including:

- the possibility of reduced or insufficient government reimbursement in the future;
- the possibility that we will not be able to extend or renew any of the contracts relating to these programs. These contracts also are generally subject to frequent change, including changes that may reduce the number of persons enrolled or eligible to enroll, reduce the revenue we receive or increase our administrative or health care costs under those programs. In the event government reimbursement were to decline from projected amounts, our failure to reduce the health care costs associated with these programs could have a material adverse effect on our business. Changes to these government programs in the future may also affect our ability or willingness to participate in these programs. The loss of these contracts or significant changes in these programs as a result of legislative action, including reductions in payments or increases in benefits without corresponding increases in payments, may have a material adverse effect on our financial condition, results of operations and cash flows;
- at September 30, 2002, under one of our CMS contracts, we provided health insurance coverage to approximately 228,700 members in Florida. This contract accounted for approximately 16% of our total premiums and ASO fees for the nine months ended September 30, 2002. The termination of this contract would likely have a material adverse effect upon our financial condition, results of operations and

- cash flows;
- higher comparative medical costs;
- government regulatory and reporting requirements;
- higher marketing and advertising costs per member as a result of marketing to individuals as opposed to groups;
- the possibility of temporary or permanent suspension from participating in government health care programs, including Medicare and Medicaid, if we are convicted of fraud or other criminal conduct in the performance of a health care program or if there is an adverse decision against us under the federal False Claims Act; and
- state budget constraints.

If we fail to maintain satisfactory relationships with the providers of care to our members, our business could be adversely affected.

We contract with physicians, hospitals and other providers to deliver health care to our members. Our products encourage or require our customers to use these contracted providers. These providers may share medical cost risk with us or have financial incentives to deliver quality medical services in a cost-effective manner.

In any particular market, providers could refuse to contract with us, demand higher payments, or take other actions that could result in higher health care costs for us, less desirable products for customers and members or difficulty meeting regulatory or accreditation requirements. In some markets, some providers, particularly hospitals, physician/hospital organizations or multi-specialty physician groups, may have significant market positions and negotiating power. In addition, physician or practice management companies, which aggregate physician practices for administrative efficiency and marketing leverage, may, in some cases, compete directly with us. If these providers refuse to contract with us, use their market position to negotiate favorable contracts or place us at a competitive disadvantage, our ability to market products or to be profitable in those areas could be adversely affected.

In some situations, we have contracts with individual or groups of primary care physicians for an actuarially determined, fixed, per-member-per-month fee under which physicians are paid an amount to provide all required medical services to our members (i.e. capitation). The inability of providers to properly manage costs under these arrangements can result in the financial instability of these providers and the termination of their relationship with us. In addition, payment or other disputes between a primary care provider and specialists with whom the primary care provider contracts can result in a disruption in the provision of services to our members or a reduction in the services available to our members. The financial instability or failure of a primary care provider to pay other providers for services rendered could lead those other providers to demand payment from us, even though we have made our regular fixed payments to the primary provider. There can be no assurance that providers with whom we contract will properly manage the costs of services, maintain financial solvency or avoid disputes with other providers. Any of these events could have an adverse effect on the provision of services to our members and our operations.

Our ability to obtain funds from our subsidiaries is restricted.

Because we operate as a holding company, we are dependent upon dividends, administrative expense reimbursements, and intercompany transfers of funds from our subsidiaries to fund the obligations of the parent company. These subsidiaries generally are regulated by state departments of insurance. In most states, we are required to seek prior approval by these state regulatory authorities before we transfer money or pay dividends from these subsidiaries that exceed specified amounts, or, in some states, any amount. We are also required by law to maintain specific proscribed minimum amounts of capital in these subsidiaries. In addition, we normally notify the state departments of insurance prior to making payments that do not require approval.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Humana Inc.

We are exposed to market risks, such as changes in interest rates. To manage the volatility relating to these exposures, we net the exposures on a consolidated basis to take advantage of natural offsets. A portion of our natural offsets changed when we issued senior notes during 2001. This change was mitigated when we entered into interest rate swap agreements as discussed in Management's Discussion and Analysis herein. Changes in the fair value of the senior notes and the swap agreements due to changing interest rates are assumed to offset each other completely, resulting in no impact to earnings from hedge ineffectiveness.

No material changes have occurred in our exposures to market risk since the date of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Item 4. Controls and Procedures

Within 90 days prior to the filing date of this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures including our internal controls. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures including our internal controls are effective in timely alerting them to material information required to be included in our periodic SEC reports. There have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date we carried out our evaluation.

Part 2. Other Information

Humana Inc.

Item 1: Legal Proceedings

Securities Litigation

In late 1997, three purported class action complaints were filed in the United States District Court for the Southern District of Florida by former stockholders of Physician Corporation of America, or PCA, and certain of its former directors and officers. We acquired PCA by a merger that became effective on September 8, 1997. The three actions were consolidated into a single action entitled *In re Physician Corporation of America Securities Litigation*. The consolidated complaint alleges that PCA and the individual defendants knowingly or recklessly made false and misleading statements in press releases and public filings with respect to the financial and regulatory difficulties of PCA's workers' compensation business. On May 5, 1999, plaintiffs moved for certification of the purported class, and on August 25, 2000, the defendants moved for summary judgment. On January 31, 2001, defendants were granted leave to file a third-party complaint for declaratory judgment on insurance coverage. The defendants seek a determination that the defense costs and liability, if any, resulting from the class action defense are covered by an insurance policy issued by one insurer and, in the alternative, declaring that there is coverage under policies issued by two other insurers. On April 25, 2002, the Court dismissed the third-party complaint without prejudice finding that it could be refiled in the future if the insurance claims are not otherwise resolved. On July 24, 2002, the Court denied the defendants' motion for summary judgment and set the case on the Court's trial calendar for December 2, 2002. Both parties have asked the Court to postpone the trial.

Managed Care Industry Purported Class Action Litigation

We are involved in several purported class action lawsuits that are part of a wave of generally similar actions that target the health care payor industry and particularly target managed care companies. As a result of action by the Judicial Panel on Multi District Litigation, most of the cases against us, as well as similar cases against other companies in the industry, have been consolidated in the United States District Court for the Southern District of Florida, or the Court, and are now styled *In re Managed Care Litigation*. The cases include separate suits against us and five other managed care companies that purport to have been brought on behalf of members, which are referred to as the subscriber track cases, and a single action against us and eight other companies that purports to have been brought on behalf of providers, which is referred to as the provider track case.

In the subscriber track cases, the plaintiffs seek a recovery under RICO for all persons who are or were subscribers at any time during the four-year period prior to the filing of the complaints. Plaintiffs also seek to represent a subclass of policyholders who purchased insurance through their employers' health benefit plans governed by ERISA, and who are or were subscribers at any time during the six-year period prior to the filing of the complaints. The complaints allege, among other things, that we intentionally concealed from members certain information concerning the way in which we conduct business, including the methods by which we pay providers. The plaintiffs do not allege that any of the purported practices resulted in denial of any claim for a particular benefit, but instead, claim that we provided the purported class with health insurance benefits of lesser value than promised. The complaints also allege an industry-wide conspiracy to engage in the various alleged improper practices.

On February 20, 2002, the Court issued its ruling on the defendants' motions to dismiss the Second Consolidated Amended Complaint (the "Amended Complaint"). The Amended Complaint was filed on June 29, 2001, after the Court dismissed most of the claims in the original complaints, but granted leave to refile. In its February 20, 2002, ruling, the Court dismissed the RICO claims of ten of the sixteen named plaintiffs, including three of the four involving us, on the ground that the McCarran-Ferguson Act prohibited their claims because they interfered with the state regulatory processes in the states in which they resided (Florida, New Jersey, California and Virginia). With respect to ERISA, the Court dismissed the misrepresentation claims of current members, finding that they have adequate remedies under the law and failed to exhaust administrative remedies. Claims for former members were not dismissed. The Court also refused to dismiss claims by all plaintiffs for breach of fiduciary duty arising from alleged interference with the doctor-patient relationship by the use of so-called "gag clauses" that assertedly prohibited doctors from freely communicating with members. On March 1, 2002, we and other defendants requested that the Court allow us to ask the United States Court of Appeals for the Eleventh Circuit to review the Court's refusal to follow the decision by the Court of Appeals for the Third Circuit in *Maio v. Aetna* that would have resulted in dismissal of the RICO claims. The Court granted the motion on March 25, 2002, and the defendants filed their request with the Eleventh Circuit on April 4, 2002. On May 10, 2002, the Eleventh Circuit declined to accept the matter for review. On July 30, 2002, the District Court directed that merits discovery could

commence as of September 30, 2002. The plaintiffs sought certification of a class consisting of all members of our medical plans, excluding Medicare and Medicaid plans, for the period from 1990 to 1999. On September 26, 2002, the Court denied the plaintiffs' request for class certification. On October 10, 2002, the plaintiffs asked the Court to reconsider its ruling on that issue. The Court has not ruled on the reconsideration motion. The Court set a trial date on the individual named plaintiffs' claims for May 19, 2003.

In the provider track case, the plaintiffs assert that we and other defendants improperly (i) paid providers' claims and (ii) "downcoded" their claims by paying lesser amounts than they submitted. The complaint alleges, among other things, multiple violations under RICO as well as various breaches of contract and violations of regulations governing the timeliness of claim payments. We moved to dismiss the provider track complaint on September 8, 2000, and the other defendants filed similar motions thereafter. On March 2, 2001, the Court dismissed certain of the plaintiffs' claims pursuant to the defendants' several motions to dismiss. However, the Court allowed the plaintiffs to attempt to correct the deficiencies in their complaint with an amended pleading with respect to all of the allegations except the claim under the federal Medicare regulations, which was dismissed with prejudice. The Court also left undisturbed the plaintiffs' claims for breach of contract. On March 26, 2001, the plaintiffs filed their amended complaint which, among other things, added four state or county medical associations as additional plaintiffs. Two of those, the Denton County Medical Society and the Texas Medical Association, purport to bring their actions against us, as well as against several other defendant companies. The Medical Association of Georgia and the California Medical Association purport to bring their actions against various other defendant companies. The associations seek injunctive relief only. The defendants filed a motion to dismiss the amended complaint on April 30, 2001.

On September 26, 2002, the Court granted the plaintiffs' request to file a second amended complaint, adding additional plaintiffs, including the Florida Medical Association, which purports to bring its action against all defendants. On October 21, 2002, the defendants moved to dismiss the second amended complaint.

Also on September 26, 2002, the Court certified a global class consisting of all medical doctors who provided services to any person insured by any defendant from August 4, 1990, to September 30, 2002. The class includes two subclasses. A national subclass consists of medical doctors who provided services to any person insured by a defendant when the doctor has a claim against such defendant and is not required to arbitrate that claim. A California subclass consists of medical doctors who provided services to any person insured in California by any defendant when the doctor was not bound to arbitrate the claim. On October 10, 2002, the defendants asked the Court of Appeals for the Eleventh Circuit to review the class certification decision. The District Court has ruled that discovery can proceed during the pendency of the request to the Eleventh Circuit.

The Court set a trial date of May 19, 2003.

We intend to continue to defend these actions vigorously.

Government Audits and Other Litigation and Proceedings

In July 2000, the Office of the Florida Attorney General initiated an investigation, apparently relating to some of the same matters that are involved in the purported class action lawsuits described above. While the Attorney General has filed no action against us, he has indicated that he may do so in the future. On September 21, 2001, the Texas Attorney General initiated a similar investigation. These investigations are ongoing, and we have cooperated with the regulators in both states.

In addition, our business practices are subject to review by various state insurance and health care regulatory authorities and federal regulatory authorities. There has been increased scrutiny by these regulators of the managed health care companies' business practices, including claims payment practices and utilization management practices. We have been and continue to be subject to such reviews. Some of these have resulted in fines and could require changes in some of our practices and could also result in additional fines or other sanctions.

We also are involved in other lawsuits that arise in the ordinary course of our business operations, including claims of medical malpractice (both for direct negligence and for vicarious liability for negligence of network providers), bad faith, nonacceptance or termination of providers, failure to disclose network discounts and various other provider arrangements, and challenges to subrogation practices. We also are subject to claims relating to performance of contractual obligations to providers and others, including failure to properly pay claims and challenges to the use of certain software products in processing claims. Recent court decisions and pending state and federal legislative activity may increase our exposure for any of these types of claims.

34

Personal injury claims and claims for extracontractual damages arising from medical benefit denials are covered by insurance from our wholly owned captive insurance subsidiary and excess carriers, except to the extent that claimants seek punitive damages, which may not be covered by insurance in certain states in which insurance coverage for punitive damages is not permitted. In addition, insurance coverage for all or certain forms of liability has become increasingly costly and may become unavailable or prohibitively expensive in the future.

We do not believe that any pending or threatened legal actions against us or audits by agencies will have a material adverse effect on our financial position, results of operations, or cash flows. However, the likelihood or outcome of current or future suits, like the purported class action lawsuits described above, or governmental investigations, cannot be accurately predicted with certainty. In addition, the increased litigation which has accompanied the negative publicity and public perception of our industry adds to this uncertainty. Therefore, such legal actions could have a material adverse effect on our financial position, results of operations and cash flows.

35

Part II. Other Information, continued

Humana Inc.

Item 2: Changes in securities

None.

Item 3: Defaults Upon Senior Securities

None.

Item 4: Submission of Matters to a Vote of Security Holders

None.

Item 5: Other Information

None.

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibit Index

10.1 Amended and Restated 364-Day Credit Agreement, dated as of October 2, 2002.

- 10.2 Amended and Restated RFC Loan Agreement, dated as of October 2, 2002.
 - 12.1 Computation of ratio of earnings to fixed charges.
 - 99.1 CEO certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 99.2 CFO certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (b) For the quarter ended September 30, 2002, and through the date of this report, the following reports were filed on Form 8-K:
- (1) On August 9, 2002, we filed a report on Form 8-K containing the CEO and CFO certifications pursuant to Section 21(a)(1) of the Securities and Exchange Act of 1934.
 - (2) On September 6, 2002, we filed a report on Form 8-K regarding the resignation of Kenneth J. Fasola, Chief Operating Officer - Market Operations, effective September 4, 2002.
 - (3) On September 10, 2002, we filed a report on Form 8-K regarding our plans for future participation in the Medicare+Choice business in 2003.
 - (4) On September 26, 2002, we filed a report on Form 8-K relating to our Investor Day Presentation in New York, New York on September 25, 2002.

SIGNATURES

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

Humana Inc.
(Registrant)

Date: November 12, 2002

/s/ JAMES H. BLOEM

By: _____

James H. Bloem
Senior Vice President and
Chief Financial Officer
(Principal Accounting Officer)

Date: November 12, 2002

/s/ ARTHUR P. HIPWELL

By: _____

CERTIFICATION PURSUANT TO SECTION 302 OF Sarbanes-Oxley ACT OF 2002

I, Michael B. McCallister, principal executive officer of Humana Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Humana Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

Signature /s/ MICHAEL B. MCCALLISTER

Michael B. McCallister
Principal Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF Sarbanes-Oxley ACT OF 2002

I, James H. Bloem, principal financial officer of Humana Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Humana Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

Signature /s/ JAMES H. BLOEM

James H. Bloem
Principal Financial Officer

AMENDED AND RESTATED
364-DAY CREDIT AGREEMENT

among

HUMANA INC.,

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

and

JPMORGAN CHASE BANK,
as Administrative Agent and as CAF Loan Agent,

BANK OF AMERICA, N.A.,

CITIBANK, N.A.,

and

WACHOVIA BANK,

as

Syndication Agents

and

J.P. MORGAN SECURITIES INC.,
as Sole Lead Arranger and Sole Lead Bookrunner

Dated as of October 2, 2002

TABLE OF CONTENTS

SECTION 1. DEFINITIONS	*1
1.1 Defined Terms	*1
1.2 Other Definitional Provisions	*17
SECTION 2. AMOUNT AND TERMS OF LOANS	*17
2.1 Revolving Credit Loans; Conversion of RFC Loans to Tranche B Revolving Credit Loans	*17
2.2 CAF Loans	*19
2.3 Repayment of Loans; Evidence of Debt	*21
2.4 Fees	*22
2.5 Termination, Reduction or Conversion of Commitments	*23
2.6 Optional Prepayments	*23
2.7 Conversion Options; Minimum Amount of Loans.	*24

2.8	Interest Rate and Payment Dates for Loans	*24
2.9	Computation of Interest and Fees	*25
2.10	Inability to Determine Interest Rate	*26
2.11	Pro Rata Borrowings and Payments	*26
2.12	Illegality	*28
2.13	Requirements of Law	*28
2.14	Capital Adequacy	*29
2.15	Taxes	*30
2.16	Indemnity	*31
2.17	Application of Proceeds of Loans	*31
2.18	Notice of Certain Circumstances; Assignment of Commitments Under Certain Circumstances	*32
2.19	Regulation U	*32
2.20	Borrowings and Repayments after Transition Date.	*33
SECTION 3. [RESERVED]		*34
SECTION 4. REPRESENTATIONS AND WARRANTIES		*34
4.1	Corporate Existence; Compliance with Law	*34
4.2	No Legal Obstacle to Agreement; Enforceability	*34
4.3	Litigation	*35
4.4	Disclosure	*35
4.5	Defaults	*35
4.6	Financial Condition	*36
4.7	Changes in Condition	*36
4.8	Assets	*36

4.9	Tax Returns	*36
4.10	Contracts, etc	*37
4.11	Subsidiaries	*37
4.12	Burdensome Obligations	*37
4.13	Pension Plans	*37
4.14	Environmental and Public and Employee Health and Safety Matters	*38
4.15	Federal Regulations	*38
4.16	Investment Company Act; Other Regulations	*38
4.17	Solvency	*38
4.18	Casualties	*39
4.19	Business Activity	*39
4.20	Purpose of Loans	*39
SECTION 5. CONDITIONS		*39
5.1	Conditions to the Closing Date	*39
5.2	Conditions to Each Loan	*41
SECTION 6. AFFIRMATIVE COVENANTS		*42
6.1	Taxes, Indebtedness, etc	*42
6.2	Maintenance of Properties; Maintenance of Existence	*42
6.3	Insurance	*43
6.4	Financial Statements	*43
6.5	Certificates; Other Information	*44
6.6	Compliance with ERISA	*45
6.7	Compliance with Laws	*45

6.8	Inspection of Property; Books and Records; Discussions	*45
6.9	Notices	*46
6.10	Maintenance of Licenses, Etc	*47
6.11	Further Assurances	*47
SECTION 7. NEGATIVE COVENANTS		*47
7.1	Financial Condition Covenants.	*47
7.2	Limitation on Subsidiary Indebtedness	*48
7.3	Limitation on Liens	*48
7.4	Limitations on Fundamental Changes	*50
7.5	Limitation on Sale of Assets	*50
7.6	Limitation on Distributions	*51
7.7	Transactions with Affiliates	*51
7.8	Sale and Leaseback	*51
SECTION 8. DEFAULTS		*51
8.1	Events of Default	*52
8.2	Annulment of Defaults	*54
8.3	Waivers	*55
8.4	Course of Dealing	*55
SECTION 9. THE AGENT		*55
9.1	Appointment	*55
9.2	Delegation of Duties	*55
9.3	Exculpatory Provisions	*56
9.4	Reliance by Agent	*56

9.5	Notice of Default	*56
9.6	Non-Reliance on Agent and Other Banks	*57
9.7	Indemnification	*57
9.8	Agent and CAF Loan Agent in Its Individual Capacity	*58
9.9	Successor Agent and CAF Loan Agent	*58
SECTION 10. MISCELLANEOUS		*58
10.1	Amendments and Waivers	*58
10.2	Notices	*59
10.3	No Waiver; Cumulative Remedies	*60
10.4	Survival of Representations and Warranties	*60
10.5	Payment of Expenses and Taxes; Indemnity	*60
10.6	Successors and Assigns; Participations; Purchasing Banks	*61
10.7	Adjustments; Set-off	*65
10.8	Counterparts	*65
10.9	GOVERNING LAW	*66
10.10	WAIVERS OF JURY TRIAL	*66
10.11	Submission To Jurisdiction; Waivers	*66
10.12	Confidentiality of Information	*66
10.13	Existing Credit Agreement	*66

SCHEDULES

SCHEDULE I	Commitment Amounts and Percentages; Lending Offices; Addresses for Notice
SCHEDULE II	Pricing Grid
SCHEDULE III	Indebtedness
SCHEDULE IV	Subsidiaries of the Company
SCHEDULE V	Liens

SCHEDULE VI Certain Acquisitions and Dispositions
SCHEDULE VII Other Regulations
SCHEDULE VIII Business Activities

EXHIBITS

EXHIBIT A Form of Revolving Credit Note
EXHIBIT B Form of Grid CAF Loan Note
EXHIBIT C Form of Individual CAF Loan Note
EXHIBIT D Form of CAF Loan Request
EXHIBIT E Form of CAF Loan Offer
EXHIBIT F Form of CAF Loan Confirmation Agreement
EXHIBIT G Form of Commitment Transfer Supplement
EXHIBIT H Form of Closing Certificate
EXHIBIT I-1 Form of Company Counsel Opinion
EXHIBIT I-2 Form of Opinion of Fried, Frank, Harris, Shriver & Jacobson

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT, dated as of October 2, 2002, 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 JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent for the Banks hereunder (in such capacity, the "Agent") and as CAF Loan agent (in such capacity, the "CAF Loan Agent").

WITNESSETH:

WHEREAS, the Company has requested the Banks to make available a 364-day revolving credit facility that amends and restates the 364-Day Credit Agreement, dated as of October 11, 2001, among the Company, certain financial institutions and The Chase Manhattan Bank (as predecessor in interest to the Agent), as administrative agent (as in effect on the date hereof, the "Existing Credit Agreement"); and

WHEREAS, the Banks are willing to make such credit facility available upon and subject to the terms and conditions hereafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree that, effective as of the Closing Date (as defined below), the Existing Credit Agreement shall be amended and restated in its entirety as follows:

SECTION 1. DEFINITIONS

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

"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": as to any Person, any other Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Aggregate Outstanding Extensions of Credit": as to any Bank at any time, an amount equal to the aggregate principal amount of all Loans made by such Bank then outstanding.

"Agreement": this Amended and Restated 364-Day Credit Agreement, as the same may be 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 JPMorgan Chase 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 JPMorgan Chase Bank in the United States; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on

overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Agent from three federal funds brokers of recognized standing selected by it. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

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

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

"Applicable Margin": for each Type of Revolving Credit Loan, the rate per annum applicable to such type determined in accordance with the Pricing Grid.

"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.

"Banks": the several banks and other financial institutions from time to time parties to this Agreement.

"Benefitted Bank": as defined in subsection 10.7.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.1(c) or a CAF Loan Request pursuant to subsection 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, provided, that with respect to notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

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

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

"CAF Loan Assignment": any assignment by a CAF Loan Bank to a CAF Loan Assignee of a CAF Loan and related Individual CAF Loan Note; any such CAF Loan Assignment to be registered in the Register must set forth, in respect of the CAF Loan Assignee thereunder, the full name of such CAF Loan Assignee, its address for notices, its lending office address (in each case with telephone and facsimile transmission numbers) and payment instructions for all payments to such CAF Loan Assignee, and must contain an agreement by such CAF Loan Assignee to comply with the provisions of subsection 10.6(c), 10.6(h) and 10.12 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, shall occur where (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, shall acquire more than 30% of the Voting Stock of such corporation or (b) the Continuing Directors shall not constitute a majority of the board of directors of such corporation.

"Closing Date": the date on which all of the conditions precedent for the Closing Date set forth in Section 5 shall have been fulfilled.

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

"Commitments": the collective reference to the Tranche A Commitments and the Tranche B Commitments.

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

"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.

"Conduit Lender": any special purpose corporation organized and administered by any Bank for the purpose of making Loans otherwise required to be made by such Bank and designated by such Bank in a written instrument; provided, that the designation by any Bank of a Conduit Lender shall not relieve the designating Bank of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Bank (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to subsection 2.13, 2.14, 2.15, 2.16 or 10.5 than the designating Bank would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender (and each Bank which designates a Conduit Lender shall indemnify the Company against any increased taxes, costs, expenses, liabilities or losses associated with any payment thereunder to such Conduit Lender) or (b) be deemed to have any Commitment.

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

"Consolidated EBIT": 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; provided, that for purposes of calculating Consolidated EBIT for any period of four full fiscal quarters, (i) the Consolidated EBIT attributable to any Person or business unit acquired by the Company or its Subsidiaries during such period (such Consolidated EBIT to be calculated in the same manner as Consolidated EBIT for the Company and its Subsidiaries is calculated, mutatis mutandis, provided that amounts arising prior to the time such acquired Person or business unit was acquired attributable to (a) any discontinued operations or products of the acquired Person or business unit or (b) operations or products of the acquired Person or business unit which the Company expects to discontinue as disclosed in the Company's reports filed with the Securities and Exchange Commission within three months after the date of acquisition of such Person or business unit shall be excluded in such calculation) shall be included on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such acquisition and the incurrence, assumption or repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters) and (ii) the Consolidated EBIT of any Person or business unit disposed of by the Company or its Subsidiaries during such period (such Consolidated EBIT to be calculated in the same manner as Consolidated EBIT for the Company and its Subsidiaries is calculated, mutatis mutandis) shall be deducted on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters).

"Consolidated EBITDA": for any fiscal period for which the amount thereof is to be determined, Consolidated EBIT for such fiscal period plus, to the extent deducted from Consolidated Net Income for such fiscal period, depreciation and amortization for such fiscal period.

"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; provided, that for purposes of calculating Consolidated Interest Expense for any period of four full fiscal quarters, (i) the Consolidated Interest Expense of any Person or business unit acquired by the Company or its Subsidiaries during such period (such Consolidated Interest Expense to be calculated in the same manner as Consolidated Interest Expense for the Company and its Subsidiaries is calculated, mutatis mutandis, provided that amounts arising prior to the time such acquired Person or business unit was acquired attributable to (a) any discontinued operations or products of the acquired Person or business unit or (b) operations or products of the acquired Person or business unit which the Company expects to discontinue as disclosed in the Company's reports filed with the Securities and Exchange Commission within three months after the date of acquisition of such Person or business unit shall be excluded in such calculation) shall be included on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such acquisition and the incurrence, assumption or repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters) and (ii) the Consolidated Interest Expense of any Person or business unit disposed of by the Company or its Subsidiaries during such period (such Consolidated Interest Expense to be calculated in the same manner as Consolidated Interest Expense for the Company and its Subsidiaries is calculated, mutatis mutandis) shall be deducted on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters). Consolidated Interest Expense shall in any event include the Synthetic Lease Interest Component of any Synthetic Lease entered into by the Company or any of its Subsidiaries.

"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; provided, that, for all purposes other than subsection 7.1(a), Consolidated Net Income shall not be reduced or increased by the amount of any non-cash extraordinary charges or credits that would otherwise be deducted from or added to revenue in determining such Consolidated Net Income.

"Consolidated Net Tangible Assets": at any date, 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": at any date, the stockholders' equity of the Company and its Subsidiaries at such date, determined in accordance with GAAP.

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

consolidated basis.

"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": with respect to each Bank the office of such Bank located within the United States which shall be making or maintaining Alternate Base Rate Loans.

"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 Liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Lending Office": with respect to each Bank, the office of such Bank 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.

"Existing Credit Agreement": as defined in the recitals.

"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).

"Funding Agreement": that certain Amended and Restated RFC Loan Agreement dated as of October 2, 2002 among Humana Inc., the several banks and other financial institutions from time to time parties thereto, Relationship Funding Company, LLC and JPMorgan Chase Bank.

"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 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.

"Green Bay Facility": offices of the Company located at 1100 Employers Boulevard, De Pere, Wisconsin.

"Grid CAF Loan Note": as defined in subsection 2.3(e).

"Guarantee Obligation": as to any Person, any arrangement whereby credit is extended to one party on the basis of any promise of such

Person, 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 specific 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, (e) the amount of any Synthetic Lease Obligations of such Person, (f) all Guarantee Obligations relating to any of the foregoing in excess of \$1,000,000, and (g) for purposes of subsection 8.1(e) only, all obligations of such Person in respect of Interest Rate Protection Agreements.

"Individual CAF Loan Note": as defined in subsection 2.3(e).

"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 and specific 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 and the final maturity date of such Loan, (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, (c) as to any CAF Loan in respect of which the Company has selected an Interest Period not exceeding 90 days or three months, as the case may be, the last day of such Interest Period and (d) as to any Eurodollar Loan in respect of which the Company has selected a longer Interest Period than the periods described in clause (b) and as to any CAF Loan in respect of which the Company has selected a longer Interest Period than the periods described in clause (c), each day that is three months, or a whole multiple thereof, after the first day of such Interest Period, and the last day of such Interest Period.

"Interest Period": (a) 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(b) or its notice of conversion as provided in subsection 2.7(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; and

b. with respect to any CAF Loans, the period commencing on the Borrowing Date therefor and ending on the maturity date for such CAF Loans as set forth in subsection 2.2(b)(i).

"Interest Rate Protection Agreement": any interest rate protection agreement, interest rate futures contract, interest rate option, interest rate cap or other interest rate hedge arrangement to or under which the Company or any of its Subsidiaries is a party or a beneficiary on the date hereof or becomes a party or a beneficiary after the date hereof.

"Jacksonville Facility": the offices of the Company located at 76 South Laura Street, Jacksonville, Florida.

"Lender Affiliate": (a) any Affiliate of any Bank, (b) any Person that is administered or managed by any Bank and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Bank which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Bank or by an Affiliate of such Bank or investment advisor.

"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 EBITDA for the period of four fiscal quarters of the Company ended on such day.

"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 that has the same practical effect as any of the foregoing (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).

"Liquidity Facility Agreement": the Liquidity Agreement dated as of October 11, 2001 among Relationship Funding Company, LLC, the Liquidity Institutions (as defined therein) and JPMorgan Chase Bank.

"Loan": any loan made by any Bank pursuant to this Agreement.

"Loan Documents": this Agreement and the Notes.

"Margin Stock": as defined in Regulation U.

"Margin Stock Collateral": all Margin Stock (other than Portfolio Margin Stock) of the Company and its Subsidiaries by which the Loans are deemed "indirectly secured" within the meaning of Regulation U.

"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.

"Maturity Date": the first anniversary of the Termination Date (or, if such date is not a Business Day, the next succeeding Business Day).

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Other Collateral": all assets of the Company and its Subsidiaries (other than Margin Stock) by which the Loans are deemed "indirectly secured" within the meaning of Regulation U.

"Non-U.S. Bank": as defined in subsection 2.15(b).

"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 2.11(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.

"Portfolio Margin Stock": Margin Stock held by Insurance Subsidiaries or HMO Subsidiaries as portfolio investments, as to which the restrictions of Section 7 shall not apply.

"Pricing Grid": the Pricing Grid set forth in Schedule II.

"Purchasing Banks": as defined in subsection 10.6(d).

"RFC Loans": as defined in the Funding Agreement.

"Reference Banks": JPMorgan Chase Bank, Citibank N.A. and Bank of America, N.A..

"Register": as defined in subsection 10.6(e).

"Regulation T": Regulation T of the Board of Governors of the Federal Reserve System.

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System.

"Regulation X": Regulation X of the Board of Governors of the Federal Reserve System.

"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 .22, .23, .25, .27 or .28 of PBGC Reg. Section 4043.

"Required 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 at least 51% 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 chief operating 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": the collective reference to the Tranche A Revolving Credit Loans and the Tranche B Revolving Credit Loans.

"Revolving Credit Notes": as defined in subsection 2.3(e).

"Riverview Square": the office building of the Company located at 201 West Main Street, Louisville, Kentucky 40202.

"Significant Subsidiary": means, at any particular time, any Subsidiary of the Company that would be a "significant subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the Securities and Exchange Commission.

"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 (after giving effect to any engagement in such business or transaction) 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.

"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.

"Synthetic Lease": each arrangement, however described, under which the obligor accounts for its interest in the property covered thereby under GAAP as lessee of a lease which is not a capital lease under GAAP and accounts for its interest in the property covered thereby for Federal income tax purposes as the owner.

"Synthetic Lease Interest Components": with respect to any Person for any period, the portion of rent paid or payable (without duplication) for such period under Synthetic Leases for such Person that would be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13 if such Synthetic Leases were treated as capital leases under GAAP.

"Synthetic Lease Obligation": as to any Person with respect to any Synthetic Lease at any time of determination, the amount of the liability of such Person in respect of such Synthetic Lease that would (if such lease was required to be classified and accounted for as a capital lease on a balance sheet of such Person in accordance with GAAP) be required to be capitalized on the balance sheet of such Person at such time.

"Taxes": as defined in subsection 2.15.

"Termination Date": the date which is 364 days after the Closing Date (or, if such date is not a Business Day, the next preceding Business Day).

"Tranche A Commitment": as to any Bank, its obligation to make Tranche A Revolving Credit Loans to the Company pursuant to subsection 2.1(a) in an aggregate principal amount not to exceed at any one time outstanding the amount set forth opposite such Bank's name in Schedule I in the column captioned "Tranche A Commitment Amount", as such amount may be reduced or increased from time to time as provided herein.

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

"Tranche A Revolving Credit Loans": as defined in subsection 2.1(a).

"Tranche B Commitment": as to any Bank, its obligation to make Tranche B Revolving Credit Loans to the Company pursuant to subsection 2.1(b) (and/or to convert RFC Loans to Tranche B Revolving Credit Loans pursuant to subsection 2.1(d)) in an aggregate principal amount not to exceed at any one time outstanding the amount set forth opposite such Bank's name in Schedule I in the column captioned "Tranche B Commitment Amount", as such amount may be reduced or increased from time to time as provided herein.

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

"Tranche B Revolving Credit Loans": as defined in subsection 2.1(b).

"Transfer Effective Date": as defined in each Commitment Transfer Supplement.

"Transferee": as defined in subsection 10.6(g).

"Transition Date": the date on which (i) the Banks parties to the Funding Agreement shall have purchased all of the outstanding RFC Loans and (ii) pursuant to subsection 2.19 of the Funding Agreement, the Company shall have caused the RFC Loans to be converted to Tranche B Revolving Credit Loans hereunder and shall have caused all commitments of the Banks to extend credit under the Liquidity Facility Agreement and the Funding Agreement to be terminated.

"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.

"Waterside Building": the real property located at 101 East Main Street, Louisville, Kentucky 40202, including the building housing insurance claim processing operations of the Company.

"Waterside Garage": the parking garage of the Company located at 201 North Brook Street, Louisville, Kentucky 40202.

"Working Day": any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Company and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 Revolving Credit Loans; Conversion of RFC Loans to Tranche B Revolving Credit Loans. (a) Subject to the terms and conditions hereof, each Bank having a Tranche A Commitment severally agrees to make loans ("Tranche A 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 does not exceed the Tranche A Commitment of such Bank, provided that the Aggregate Outstanding Extensions of Credit of all Banks shall not at any time exceed (i) prior to the Transition Date, the aggregate amount of the Tranche A Commitments or (ii) from and after the Transition Date, the aggregate amount of the Commitments. During the Commitment Period the Company may use the Tranche A Commitments by borrowing, prepaying the Tranche A Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Tranche A 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) Subject to the terms and conditions hereof, each Bank having a Tranche B Commitment severally agrees to make loans ("Tranche B Revolving Credit Loans") to the Company from time to time during the Commitment Period (but in any event not prior to the Transition Date) in an aggregate principal amount at any one time outstanding which does not exceed the Tranche B Commitment of such Bank, provided that the Aggregate Outstanding Extensions of Credit of all Banks shall not at any time exceed (i) prior to the Transition Date, the aggregate amount of the Tranche A Commitments or (ii) from and after the Transition Date, the aggregate amount of the Commitments. During the Commitment Period the Company may use the Tranche B Commitments by borrowing, prepaying the Tranche B Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Tranche B 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.

(c) The Company may borrow under the Commitments during the Commitment Period on any Working Day if the borrowing is of Eurodollar Loans or on any Business Day if the borrowing is of Alternate Base Rate Loans; provided that the Company shall give the Agent irrevocable notice (which notice must be received by the Agent (i) prior to 11:30 A.M., New York City time three Working Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, and (ii) prior to 12:00 P.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 Tranche A Revolving Credit Loans or Tranche B Revolving Credit Loans, and whether such Loans are to be 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 2:00 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 promptly 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.

(d) In addition to utilization of the Tranche B Revolving Credit Commitments for borrowings of Tranche B Revolving Credit Loans from and after the Transition Date, the Company may, in the circumstances described in subsection 2.19 of the Funding Agreement, and upon irrevocable written notice to such effect given by the Company to the Agent, cause the outstanding RFC Loans to be converted to Tranche B Revolving Credit Loans, whereupon the outstanding RFC Loans shall become Tranche B Revolving Credit Loans for all purposes of this Agreement to the same extent as if such RFC Loans had been made as Tranche B Revolving Credit Loans on the borrowing date of such RFC Loans.

2.2 CAF Loans. (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 (i) prior to the Transition Date, the aggregate amount of the Tranche A Commitments or (ii) from and after the Transition Date, the aggregate amount of the Commitments.

(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 of \$1,000,000 in excess thereof and for not more than three alternative maturity dates for such CAF Loans. The maturity date for each CAF Loan (x) if made pursuant to a Fixed Rate Auction Advance Request, 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) and (y) if made pursuant to a LIBOR Auction Advance Request, shall be one, two, three, six, nine or twelve months 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 or below 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 11:00 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 than \$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 than 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 subsection 2.3, and reborrow under this subsection 2.2.

2.3 Repayment of Loans; Evidence of Debt. (a) The Company hereby unconditionally promises to pay to the Agent for the account of each Bank (i) the then unpaid principal amount of each Revolving Credit Loan of such Bank on the Maturity Date (or such earlier date on which the Loans become due and payable pursuant to Section 8), and (ii) the principal amount of each CAF Loan made by such Bank on the maturity date therefor as set forth in the CAF Loan Request for such CAF Loan (or on such earlier date on which the Loans become due and payable pursuant to Section 8). The Company hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in subsection 2.8.

(b) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Company to such Bank resulting from each Loan of such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time under this Agreement.

(c) The Agent shall maintain the Register pursuant to subsection 10.6(e), and a subaccount therein for each Bank, in which shall be recorded (i) (A) the amount of each Revolving Credit Loan made hereunder, the Type thereof and each Interest Period applicable thereto and (B) the amount of each CAF Loan made by such Bank, the maturity date therefor as set forth in the CAF Loan Request for such CAF Loan, the interest rate applicable thereto and each Interest Payment Date applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company to each Bank hereunder and (iii) both the amount of any sum received by the Agent hereunder from the Company and each Bank's share thereof.

(d) The entries made in the Register and the accounts of each Bank maintained pursuant to subsection 2.3(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Company therein recorded; provided, however, that the failure of any Bank or the Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Company to repay (with applicable interest) the Loans made to such Company by such Bank in accordance with the terms of this Agreement.

(e) The Company agrees that, upon the request to the Agent by any Bank, the Company will execute and deliver to such Bank (i) a promissory note of the Company evidencing the Revolving Credit Loans of such Bank, substantially in the form of Exhibit A with appropriate insertions as to payee, date and principal amount (a "Revolving Credit Note"), (ii) a promissory note of the Company evidencing the initial CAF Loan or Loans of such Bank, substantially in the form of Exhibit B with appropriate insertions (a "Grid CAF Loan Note"), and/or (iii) a promissory note of the Company evidencing amounts advanced by such Bank pursuant to subsection 2.2 which have the same maturity date and interest rate as amounts advanced by such Bank evidenced by a Grid CAF Loan Note and which such Bank wishes to constitute more than one CAF Loan (which principal amounts shall not be less than \$5,000,000 for any such CAF Loans), substantially in the form of Exhibit C with appropriate insertions (an "Individual CAF Loan Note"). Upon a Bank's receipt of an Individual CAF Loan Note evidencing a CAF Loan, such Bank shall endorse on the schedule attached to its Grid CAF Loan Note the transfer of such CAF Loan from such Grid CAF Loan Note to such Individual CAF Loan Note.

2.4 Fees. (a) The Company agrees to pay to the Agent, for the account of each Bank, on the last day of each fiscal quarter and on the Termination Date, a facility fee in respect of the average daily amount of the Commitment of such Bank during such fiscal quarter. Such fee shall be computed in respect of the Tranche A Commitments and the Tranche B Commitments at the applicable rates per annum set forth in the Pricing Grid.

(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 September 9, 2002, between the Agent and the Company. The Agent will distribute to the Banks their respective portions of upfront fees paid by the Company to the Agent, as agreed between the Agent and each Bank.

2.5 Termination, Reduction or Conversion 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 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, (i) the then outstanding principal amount of the Loans would exceed the amount of the Commitments then in effect, (ii) the then outstanding principal

amount of the Tranche A Revolving Credit Loans or the Tranche B Revolving Credit Loans would exceed the amount of the Tranche A Revolving Credit Commitments or the Tranche B Revolving Credit Commitments, respectively, or (iii) the amount of the commitment of any Bank under the Liquidity Facility Agreement would exceed the amount of the Tranche B Commitment of such Bank. Except as provided for in subsection 2.5(c) herein, each reduction of the Tranche A Commitments or the Tranche B Commitments shall be applied ratably to the Tranche A Commitment or Tranche B Commitment, respectively, of each Bank based upon the respective amounts of such Commitments. Each reduction of Commitments after the Transition Date shall be applied ratably to the Commitment of each Bank based upon the respective amounts of such Commitments.

(b) 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.

(c) Notwithstanding any provision herein, in the event that pursuant to subsection 2.4 of the Funding Agreement, the Facility Amount (as defined therein) is reduced, the Tranche B Commitments shall be reduced by an amount equal to such reduction and such reduction of the Tranche B Commitments shall be applied ratably to the Tranche B Commitment of each Bank based upon the respective amount of its Tranche B Commitment; provided, that, in the event the Company shall have elected, pursuant to subsection 4.5(d) of the Liquidity Facility Agreement, to make a non pro rata reduction of the Aggregate Commitment (as defined therein) by reducing the commitments of any Downgraded Bank (as defined therein) under the Liquidity Facility Agreement, the portion of the Tranche B Commitment of such Downgraded Bank in an amount equal to such reduction of commitments under the Liquidity Facility Agreement shall be converted into a Tranche A Commitment of such Downgraded Bank hereunder.

2.6 Optional Prepayments. The Company may at any time and from time to time, prepay the Revolving Credit Loans, in whole or in part, without premium or penalty (subject to the provisions of subsection 2.16), upon at least three Business Days' irrevocable notice to the Agent in the case of Eurodollar Loans and one Business Day's irrevocable notice to the Agent in the case of Alternate Base Rate Loans, 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 2.7(c) shall not have been contravened.

2.7 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 Working 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 is 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 Required 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 2.7(c) shall not have been 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 2.7(a); provided that, unless the Required 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 2.7(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 10 Eurodollar Tranches.

2.8 Interest Rate and Payment Dates for 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 Alternate Base Rate plus the Applicable Margin.

(c) CAF Loans shall bear interest from the Borrowing Date to the maturity date therefor as set forth in the CAF Loan Request for such CAF Loan on the unpaid principal amount thereof at the rate of interest determined pursuant to subsection 2.2(b).

(d) 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 Required Banks otherwise agree, be converted to an Alternate Base Rate Loan at the end of the last Interest Period with respect thereto.

(e) Interest shall be payable in arrears on each Interest Payment Date.

2.9 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 and CAF 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 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 2.8(a) or (d).

(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.

2.10 Inability to Determine Interest Rate. In the event that:

(i) the Agent shall have determined in its reasonable judgment (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 Required Banks that the interest rate determined pursuant to subsection 2.8(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.

2.11 Pro Rata Borrowings and Payments. (a) Each borrowing by the Company of Revolving Credit Loans under the Tranche A Commitments or the Tranche B Commitments shall be made ratably from the Banks in accordance with their Tranche A Commitment Percentages or Tranche B Commitment Percentages, as the case may be.

(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 2.4, ratably among the Banks in accordance with their Commitment Percentages; fourth, to the payment of interest then due and payable on the Loans, 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 Loans 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 Loans, 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 Tranche A Commitment Percentage or Tranche B Commitment Percentage, as the case may be, 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 Tranche A Commitment Percentage or Tranche B Commitment Percentage, as the case may be, 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 Tranche A Commitment Percentage or Tranche B Commitment Percentage, as the case may be, 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 2.11(e) shall be conclusive, absent manifest error. If such Bank's Tranche A Commitment Percentage or Tranche B Commitment Percentage, as the case may be, 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.

2.12 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 material 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.

2.13 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 (other than a withholding tax) with respect to this Agreement, any Revolving Credit Note, 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 reasonably deems to be material, of making, renewing or maintaining advances or extensions 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; provided, however, that notwithstanding anything contained in this subsection 2.13(a) to the contrary, such Bank shall not be entitled to receive any amounts pursuant to this subsection 2.13(a) that it is also entitled to pursuant to subsection 2.15(a). If a Bank becomes entitled to claim any additional amounts pursuant to this subsection 2.13(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 2.13(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.

2.14 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 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 2.14 shall survive the termination of this Agreement and payment of the Loans and the Notes and all other amounts payable hereunder.

2.15 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 any original official receipt that is received by the Company showing payment thereof (or, if no official receipt is received by the Company, a statement of the Company indicating 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, except to the extent such failure is attributable to a failure by a Non-U.S. Bank to comply with the form delivery and notice requirements of paragraph (b) below.

(b) Each Bank (or Transferee) that is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (a "Non-U.S. Bank") shall deliver to the Company and the Agent (or, in the case of a Participant, to the Bank from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Bank claiming complete exemption from U.S. federal withholding tax on all payments by the Company under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Bank on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Bank shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Bank. Each Non-U.S. Bank shall promptly notify the Company at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Company (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Bank shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Bank is not legally able to deliver, provided, however, that in the event that the failure to be able to deliver such form is not attributable to a change in law, the Company shall be relieved of the obligation to make additional payments under subsection 2.15(a) above.

(c) The agreements in subsection 2.15 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.16 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 2.7, (c) default by the Company in making any prepayment after the Company has given a notice in accordance with subsection 2.6 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 2.16 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 Loans and all other amounts payable hereunder.

2.17 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 general corporate purpose, including acquisitions. The Company will not, directly or indirectly, apply any part of the proceeds of any such Loan for the purpose of "purchasing" or "carrying" any Margin Stock within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, provided that the Company may use the proceeds of Loans for such purposes, if such usage does not violate Regulation U as now and from time to time hereafter in effect.

2.18 Notice of Certain Circumstances: Assignment of Commitments Under Certain Circumstances. (a) Any Bank claiming any additional amounts payable pursuant to subsections 2.13, 2.14 or 2.15 or exercising its rights under subsection 2.12, 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 2.13, 2.14 or 2.15 or exercising its rights under subsection 2.12, 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 reasonable determination of such Bank, be otherwise disadvantageous in any material respect to such Bank.

(c) In the event that the Company shall be required to make any additional payments to any Bank pursuant to subsections 2.13, 2.14 or 2.15 or any Bank shall exercise its rights under subsection 2.12, 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 Loans 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 2.4, 2.12, 2.13, 2.14, 2.15 and 2.16.

2.19 Regulation U. (a) If at any time the Company shall use the proceeds of any Loans for the purpose of "purchasing" or "carrying" any Margin Stock within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, and, after giving effect to such purchase or refund, more than 25% of the value (determined in accordance with Regulation U) of the assets subject to the restrictions of Section 7 would be represented by Margin Stock, the Company shall give notice thereof to the Agent and the Banks, and thereafter the Loans made by each Bank shall at all times be treated for purposes of Regulation U as two separate extensions of credit (the "A Credit" and the "B Credit" of such Bank and, collectively, the "A Credits" and the "B Credits"), as follows:

(i) the aggregate amount of the A Credit of such Bank shall be an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of the maximum loan value (as determined in accordance with Regulation U), of all Margin

Stock Collateral; and

(ii) the aggregate amount of the B Credit of such Bank shall be an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of all Loans outstanding hereunder minus such Bank's A Credit.

In the event that any Margin Stock Collateral is acquired or sold, the amount of the A Credit of such Bank shall be adjusted (if necessary), to the extent necessary by prepayment, to an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of the maximum loan value (determined in accordance with Regulation U) as of the date of such acquisition or sale) of the Margin Stock Collateral immediately after giving effect to such acquisition or sale. Nothing contained in this subsection 2.19 shall be deemed to permit any sale of Margin Stock Collateral in violation of any other provisions of this Agreement.

(b) Each Bank will maintain its records to identify the A Credit of such Bank and the B Credit of such Bank, and, solely for the purposes of complying with Regulation U, the A and B Credits shall be treated as separate extensions of credit. Each Bank hereby represents and warrants that the loan value of the Other Collateral is sufficient for such Bank to lend its pro rata share of the B Credit.

(c) The benefits of the indirect security in Margin Stock Collateral created by any provisions of this Agreement shall be allocated first to the benefit and security of the payment of the principal of and interest on the A Credits of the Banks and of all other amounts payable by the Company under this Agreement in connection with the A Credits (collectively, the "A Credit Amounts") and second, only after the payment in full of the A Credit Amounts, to the benefit and security of the payment of the principal of and interest on the B Credits of the Banks and of all other amounts payable by the Company under this Agreement in connection with the B Credits (collectively, the "B Credit Amounts"). The benefits of the indirect security in Other Collateral created by any provisions of this Agreement, shall be allocated first to the benefit and security of the payment of the B Credit Amounts and second, only after the payment in full of the B Credit Amounts, to the benefit and security of the payment of the A Credit Amounts.

(d) The Company shall furnish to each Bank at the time of each acquisition and sale of Margin Stock Collateral such information and documents as the Agent or such Bank may require to determine the A and B Credits, and at any time and from time to time, such other information and documents as the Agent or such Bank may reasonably require to determine compliance with Regulation U.

(e) Each Bank shall be responsible for its own compliance with and administration of the provisions of this subsection 2.19 and Regulation U, and the Agent shall have no responsibility for any determinations or allocations made or to be made by any Bank as required by such provisions.

2.20 Borrowings and Repayments after Transition Date.

As promptly as practicable after the Transition Date, the Company will make borrowings and repayments in respect of Revolving Credit Loans in amounts such that, after giving effect to such borrowings and repayments, the outstanding Revolving Credit Loans will be held by the Banks ratably based upon their respective Commitments; and all borrowings and repayment of Revolving Credit Loans thereafter shall be made ratably based upon the respective Commitments of the Banks.

SECTION 3. [RESERVED]

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 would 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 December 31, 2001 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 2002 and June 30, 2002 filed with the Securities and Exchange Commission and previously distributed to the Banks, as of the date hereof, 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, could reasonably be expected to have a Material Adverse Effect or which seeks to enjoin the consummation of any of the transactions contemplated by this Agreement or any other Loan Document, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency, including without limitation, HMO Regulators and Insurance Regulators, has been issued against the Company or any Subsidiary which has, or may involve, a material risk of a Material Adverse Effect. The Company does not believe that the final

resolution of the matters disclosed in its Annual Report on Form 10-K for its fiscal year ended December 31, 2001 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 2002 and June 30, 2002 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 September 2002 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 the 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 the 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 could reasonably be expected to 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 December 31, 2001; and
- (b) the Quarterly Reports of the Company on Form 10-Q for the fiscal quarters ended March 31, 2002 and June 30, 2002.

The financial statements included therein, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein). As of the date of such financial statements, neither the Company nor any of its Subsidiaries had any known contingent liabilities of any significant amount which in accordance with GAAP are required to be referred to in said financial statements or in the notes thereto which could reasonably be expected to have a Material Adverse Effect. During the period from December 31, 2001 to and including the date hereof, there has been no sale, transfer or other disposition by the Company or any of its consolidated Subsidiaries of any asset reflected on the balance sheet referred to above that would have been a material part of its business or property and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Company and its consolidated Subsidiaries at December 31, 2001 other than as disclosed in Schedule VI.

4.7 Changes in Condition. Since December 31, 2001, there has been no development or event nor any prospective development or event, which has had, or could reasonably be expected to have, a Material Adverse Effect.

4.8 Assets. The Company and each Subsidiary have good and marketable title to all material assets carried on their books and reflected in the financial statements referred to in subsection 4.6 or furnished pursuant to subsection 6.4, except for assets held on Financing Leases or purchased subject to security devices providing for retention of title in the vendor, and except for assets disposed of as permitted by this Agreement.

4.9 Tax Returns. The Company and each of its Subsidiaries have filed all tax returns which are required to be filed and have paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to said returns or to assessments received. All federal tax returns of the Company and its Subsidiaries through their fiscal years ended in 1999 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 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 \$2,000,000 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 \$2,000,000 and letters of credit in excess of \$2,000,000, and there have been no increases in such Indebtedness since said date other than as permitted by this Agreement.

4.11 Subsidiaries. As of the date hereof, the Company has only the Subsidiaries set forth in Schedule IV, all of the outstanding capital stock of each of which is duly authorized, validly issued, fully paid and nonassessable and owned as set forth in said Schedule IV. Schedule IV indicates all Subsidiaries of the Company which are not Wholly-Owned Subsidiaries and the percentage ownership of the Company and its Subsidiaries in each such Subsidiary. The capital stock and securities owned by the Company and its Subsidiaries in each of the Company's Subsidiaries are owned free and clear of any mortgage, pledge, lien, encumbrance, charge or restriction on the transfer thereof other than restrictions on transfer imposed by applicable securities laws and restrictions, liens and encumbrances outstanding on the date hereof and listed in said Schedule IV.

4.12 Burdensome Obligations. Neither the Company nor any Subsidiary is a party to or bound by any agreement, deed, lease or other instrument, or subject to any charter, by-law or other corporate restriction which, in the reasonable 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 in any transaction or for any purpose which violates the provisions of Regulations T, U or X as now and from time to time hereafter in effect. If requested by any Bank or the Agent, the Company will furnish to the Agent and each Bank a statement to the foregoing effect in conformity with the requirements of Form FR U-1 or Form FR G-3 referred to in 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. Except as set forth in Schedule VII, the Company is not subject to regulation under any Federal or State statute or regulation (other than Regulation X) 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. Except as set forth in Schedule VIII, 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, sale of long term care insurance, 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 to repay any amounts outstanding under the Existing Credit Agreement and to finance any other lawful general corporate purpose, including acquisitions, provided that no part of the proceeds of any Loans will be used in any transaction or for any purpose which violates the provisions of Regulation U as now and from time to time hereafter in effect.

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 shall be subject to the compliance by the Company with its agreements herein contained and to the satisfaction, on or before October 2, 2002, of the following conditions:

(a) Loan Documents. The Agent shall have received this Agreement, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank.

(b) Legal Opinions. The Agent shall have received, with a copy for each Bank, opinions rendered by (i) the assistant general counsel of the Company, substantially in the form of Exhibit I-1, and (ii) Fried, Frank, Harris, Shriver & Jacobson, counsel to the Company, substantially in the form of Exhibit I-2.

(c) Closing Certificate. The Agent shall have received, with a copy 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, 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 2.4(b).

(f) Corporate Proceedings. The Agent shall have received, with a copy for each Bank, a copy of the resolutions, in form and substance reasonably 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 reasonably satisfactory to the Agent.

(g) Corporate Documents. The Agent shall have received, with a copy 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 Required Banks, could reasonably be expected to have a Material Adverse Effect.

(i) Incumbency Certificate. The Agent shall have received, with a copy 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 event, and a Bank shall not have become aware of any previously undisclosed information regarding the Company and its Subsidiaries, which in each case in the reasonable judgment of the Required Banks, could reasonably be expected to have a Material Adverse Effect.

(l) Repayment of Outstanding Loans. On the Closing Date, all Loans and other amounts outstanding under the Existing Credit Agreement, if any, shall be repaid contemporaneously with the making of Loans hereunder and all commitments to extend credit thereunder shall be terminated.

5.2 Conditions to Each Loan. The agreement of each Bank to make any Loan requested to be made by it on any date is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. In the case of each Loan (other than any Tranche B Revolving Credit Loans resulting from the conversion of RFC Loans to Tranche B Revolving Credit Loans pursuant to subsection 2.1(d)), 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. In the case of each Loan (other than any Tranche B Revolving Credit Loans resulting from the conversion of RFC Loans to Tranche B Revolving Credit Loans pursuant to subsection 2.1(d)), 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 reasonably 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.

(d) Regulations. In the case of any Loan the proceeds of which will be used, in whole or in part, to finance an acquisition, such acquisition shall be in full compliance with all applicable requirements of law, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System.

(e) Governmental, Third Party Approvals. In the case of any Loan the proceeds of which will be used, in whole or in part, to finance an acquisition, all necessary governmental and regulatory approvals, and all third party approvals the failure to obtain which would result in the acceleration of indebtedness unless such indebtedness is paid when due, in connection with such acquisition or in connection with this Agreement shall have been obtained and remain in effect, and all applicable waiting periods with respect to antitrust matters shall have expired without any action being taken by any competent authority which restrains such acquisition.

(f) No Restraints. In the case of any Loan the proceeds of which will be used, in whole or in part, to finance an acquisition, there shall exist no judgment, order, injunction or other restraint which would prevent the consummation of such acquisition.

(g) Form FR U-1; Form FR G-3. In the case of any Loan the proceeds of which will be used, in whole or in part, to purchase or carry Margin Stock, the Company shall have executed and delivered to the Agent and each Bank a statement on Form FR U-1 referred to in Regulation U or, if applicable, Form FR G-3 referred to in Regulation U, showing compliance with Regulation U after giving effect to such Loan.

(h) Legal Opinion. In the case of any Loan the proceeds of which will be used, in whole or in part, to purchase or carry Margin Stock, the Agent shall have received, with a copy for each Bank, a written legal opinion of Fried, Frank, Harris, Shriver & Jacobson, counsel to the Company, or such other counsel reasonably acceptable to the Banks, to the effect that such Loan and the Company's use of the proceeds thereof does not violate Regulation U or Regulation X.

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 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 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 material 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 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 (or make available via the IntraLinks website) the following to the Agent and each Bank (if not provided via IntraLinks, in duplicate if so requested):

(a) **Annual Statements.** As soon as available, and in any event within 100 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 PricewaterhouseCoopers, or, if they cease to be the auditors of the Company, of other independent public accountants of national standing and reputation, to the effect that such balance sheet and statements were prepared in accordance with GAAP consistently applied and fairly present the financial position of the Company and its Subsidiaries as at the end of such fiscal year and the results of their operations and changes in financial position for the year then ended and the statement of such accountants and of the treasurer of the Company that such said accountants and treasurer have caused the provisions of this Agreement to be reviewed and that nothing has come to their attention to lead them to believe that any Default exists hereunder or, if such is not the case, specifying such Default or possible Default and the nature thereof. In addition, such financial statements shall be accompanied by a certificate of the treasurer of the Company containing computations showing compliance with subsections 7.1, 7.2, 7.3 and 7.5.

(b) **Quarterly Statements.** As soon as available, and in any event within 55 days after the close of each of the first three fiscal quarters of the Company and its Subsidiaries in each year, consolidated balance sheets as at the end of such fiscal quarter and consolidated profit and loss and retained earnings statements for the portion of the fiscal year then ended, of the Company and its Subsidiaries, together with computations showing compliance with subsections 7.1, 7.2, 7.3 and 7.5, accompanied by a certificate of the treasurer of the Company that such statements and computations have been properly prepared in accordance with GAAP, consistently applied, and fairly present the financial position of the Company and its Subsidiaries as at the end of such fiscal quarter and the results of their operations and changes in financial position for such quarter and for the portion of the fiscal year then ended, subject to normal audit and year-end adjustments, and to the further effect that he has caused the provisions of this Agreement and all other agreements to which the Company or any of its Subsidiaries is a party and which relate to Indebtedness to be reviewed, and has no knowledge that any Default has occurred under this Agreement or under any such other agreement, or, if said treasurer has such knowledge, specifying such Default and the nature thereof.

(c) **ERISA Reports.** The Company will furnish the Agent with copies of any request for waiver of the funding standards or extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after any such request is submitted by the Company to the Department of Labor or the Internal Revenue Service, as the case may be. Promptly after a Reportable Event occurs, or the Company or any of its Subsidiaries receives notice that the PBGC or any Control Group Person has instituted or intends to institute proceedings to terminate any pension or other Plan, or prior to the Plan administrator's terminating such Plan pursuant to Section 4041 of ERISA, the Company will notify the Agent and will furnish to the Agent a copy of any notice of such Reportable Event which is required to be filed with the PBGC, or any notice delivered by the PBGC evidencing its institution of such proceedings or its intent to institute such proceedings, or any notice to the PBGC that a Plan is to be terminated, as the case may be. The Company will promptly notify each Bank upon learning of the occurrence of any of the following events with respect to any Plan which is a Multiemployer Plan: a partial or complete withdrawal from any Plan which may result in the incurrence by the Company or any of its 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 (or make available via the IntraLinks website) to the Agent and each Bank:

(a) within five Business Days after the same are sent, copies of all financial statements and reports which the Company sends to its stockholders, and within five Business 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, 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;

(c) within five Business Days after the consummation of a transaction described in subsection 7.4(c) or (d) or subsection 7.5(f) which, in each case, involves a Significant Subsidiary or assets which, if they constituted a separate Subsidiary, would constitute a Significant Subsidiary, a certificate of the treasurer or chief financial officer of the Company demonstrating pro forma compliance with the financial covenants in this Agreement after giving effect to such transaction; and

(d) 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, Regulation X and laws relating to the protection of the environment), except where 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, upon reasonable notice, 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 exists 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) the commencement of any litigation or proceeding or a material development or material change in any ongoing litigation or proceeding affecting the Company or any of its Subsidiaries as a result of which commencement, development or change the Company or one of its Subsidiaries could reasonably be expected to incur a liability (as a result of an adverse judgment or ruling, settlement, incurrence of legal fees and expenses or otherwise) of \$10,000,000 or more and not covered by insurance or in which material injunctive or similar relief is sought;

(d) the following events, as soon as possible and in any event within 30 days after the Company knows 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;

(e) a development or event which could reasonably be expected to have a Material Adverse Effect;

(f) the 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;

(g) the revocation of any material license, permit, authorization, certificate or, qualification of the Company or any Subsidiary by any Governmental Authority, including, without limitation, the HMO Regulators and Insurance Regulators; and

(h) any significant change in or material additional restriction placed on the ability of a Significant Subsidiary to continue business as usual, including, without limitation, any such restriction prohibiting the payment to the Company of dividends by any Significant Subsidiary, 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 Licenses, 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 Required Banks or the Agent may reasonably request in order to effectuate the transactions contemplated by the Loan Documents.

SECTION 7. NEGATIVE COVENANTS

The Company hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Note 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 75% of its Consolidated Net Worth of the Company and its consolidated subsidiaries as at March 31, 2001 plus 50% of Consolidated Net Income for each full fiscal quarter after March 31, 2001 (without any deduction for any such fiscal quarter in which such Consolidated Net Income is a negative number).

(b) Interest Coverage. Permit the ratio of (i) Consolidated EBIT for any period of four consecutive fiscal quarters of the Company ending with any fiscal quarter set forth below to (ii) Consolidated Interest Expense during such period, to be less than the ratio set forth opposite such period below:

<u>Fiscal Quarter Ending</u>	<u>Interest Coverage Ratio</u>
September 30, 2002	3.00

December 31, 2002 - September 30, 2003	3.50
December 31, 2003 - and thereafter	4.00

(c) Maximum Leverage Ratio. Permit the Leverage Ratio on the last day of any full fiscal quarter of the Company ending with any fiscal quarter set forth below to be more than the ratio set forth opposite such period below:

<u>Fiscal Quarter Ending</u>	<u>Leverage Ratio</u>
September 30, 2002	3.00
December 31, 2002 - September 30, 2003	2.75
December 31, 2003 - and thereafter	2.50

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; or

(c) additional Indebtedness of Subsidiaries of the Company not exceeding \$125,000,000 in aggregate principal amount at any one time outstanding.

7.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens, if any, securing the obligations of the Company under this Agreement and the Notes;

(b) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Company or its Subsidiaries, as the case may be, in conformity with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(d) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Company or such Subsidiary;

(g) Liens in existence on the Closing Date listed on Schedule V, securing Indebtedness in existence on the Closing Date, provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(h) Liens securing Indebtedness of the Company and its Subsidiaries not prohibited hereunder incurred to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (iii) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 80% of the original purchase price of such property;

(i) Liens on the property or assets of a corporation which becomes a Subsidiary after the date hereof, 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 other property or assets after the time such corporation becomes a Subsidiary and (iii) the amount of Indebtedness secured thereby, if any, is not increased;

(j) Liens on the Headquarters, Riverview Square, the Waterside Garage, the Jacksonville Facility, the Green Bay Facility and the Waterside Building; or

(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 the 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 may be merged or consolidated with or into any one or more wholly owned Subsidiaries of the Company (provided that the surviving corporation shall be a wholly owned Subsidiary);

(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;

(c) the Company or a wholly owned Subsidiary of the Company may merge with another corporation, provided that (i) the Company or such wholly owned Subsidiary (subject to clause (ii)), as the case may be, shall be the continuing or surviving corporation of such merger, (ii) in the case of a wholly owned Subsidiary of the Company which is merged into another corporation which is the continuing or surviving corporation of such merger, the Company shall cause such continuing or surviving corporation to be a wholly owned Subsidiary of the Company and (iii) immediately before and after giving effect to such merger no Default or Event of Default shall have occurred and be continuing; or

(d) the Company and its Subsidiaries may purchase or otherwise acquire all or substantially all of the Capital Stock, or the property, business or assets, of any other Person, or any business division thereof, so long as 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, Riverview Square, the Waterside Garage, the Green Bay Facility, the Jacksonville Facility and the Waterside Building;

(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)); or

(f) the sale or other disposition of any other property so long as no Default or Event of Default shall have occurred and be continuing; provided that the aggregate book value of all assets so sold or disposed of in any period of twelve consecutive calendar months shall not exceed in the aggregate 12% of the Consolidated Assets of the Company and its Subsidiaries as on the first day of such period.

7.6 Limitation on Distributions. The Company shall not make any Distribution except that, so long as no Default exists or would exist after giving effect thereto, the Company may make a Distribution.

7.7 Transactions with Affiliates. Enter into any transaction (unless such transaction or a series of such transactions is immaterial), 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.

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 Loans or any fee payable hereunder as the same shall become due and such default shall continue for a period of five days; or (ii) any principal of the Loans 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, 7.7 and 7.8; 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 within a period of 30 days; 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 in any material respect; 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 any Indebtedness of the Company or any Subsidiary, 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 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 \$25,000,000; 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

(vii) the Company or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; 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 Required 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 Required 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 \$25,000,000 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 is taking administrative action against the Company or any Significant Subsidiary to revoke or suspend 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 and the Company or such Significant Subsidiary shall have been unable to cause such HMO Regulator or Insurance Regulator to withdraw such written notice within five Business Days following receipt of such written notice by the Company or such Significant Subsidiary, in each of clauses (i) and (ii), to the extent such event will or is reasonably 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 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 Required Banks, the Agent may, or upon the request of the Required 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 Required Banks, the Agent may, or upon the request of the Required 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 (the "Bank Obligations") to be due and payable forthwith, whereupon the same shall immediately become due and payable.

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 Required 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 of the Loans, (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 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.

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 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 JPMorgan Chase Bank as the Agent and CAF Loan Agent of such Bank under this Agreement, and each such Bank irrevocably authorizes JPMorgan Chase 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 Required 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 Required 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 Required 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 Loans) 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 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 Loans 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, 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 Required 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 Required 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 2.5 hereof), or reduce the rate or extend the time of payment of interest thereon, or reduce or extend the payment of 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, waive any provision of subsection 2.11, in each case without the consent of each Bank directly affected thereby, or (b) amend, modify or waive any provision of this subsection 10.1 or reduce the percentage specified in the definition of Required 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 (c) 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 Business Days after being deposited in the mail, postage prepaid, or one Business Day after being deposited with an overnight courier service, or, in the case of telecopy notice, when sent, confirmation of receipt received, addressed (i) in the case of notices, requests and demands to or upon the Company, the Agent, and the CAF Loan Agent, as set forth below and (ii) in the case of notices, requests and demands to or upon any Bank, as set forth in an administrative questionnaire delivered by such Bank to the Agent, or, in each case, 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 40202
Attention: James H. Bloem
Senior Vice President and
Chief Financial Officer
Telecopy: (502) 580-3615

The Agent and
CAF Loan Agent: JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Dawn Lee Lum
Telecopy: (212) 270-3279

with a copy to:

Chase Agent Bank Services
One Chase Manhattan Plaza, 8th
Floor
New York, New York 10081
Attention: Janet Belden
Telecopy: (212) 552-5658

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 (including, without limitation, the allocated cost of in-house 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 (including without limitation, the allocated cost of in-house 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 (whether or not such Indemnified Person is a party to such 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, excluding litigation commenced by the Company against any of the Agent or the Banks which (i) seeks enforcement of any of the Company's rights hereunder and (ii) is determined adversely to any of the Agent or the Banks (all such non-excluded claims, damages, liabilities and expenses, "Indemnified Liabilities"), provided that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities to the extent such Indemnified Liabilities resulted from the gross negligence or willful misconduct of such Indemnified Person.

(c) The agreements in this subsection 10.5 shall survive repayment of the Loans 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 other than a Conduit Lender 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 and/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 2.13, 2.14 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 other than any Conduit Lender 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 other than a Conduit Lender 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 Lender Affiliate thereof, and, with the consent of the Company (unless an Event of Default is continuing) 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/or 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 a Lender Affiliate, and subject to the other qualifiers above, by the Company); provided, however, that (i) the Commitments purchased by such Purchasing Bank that is not then a Bank or a Lender Affiliate shall be equal to or greater than \$5,000,000, (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 and (iii) any sale by a Bank of any portion of its Tranche B Commitment prior to the Transition Date must be accompanied by a simultaneous sale to such Purchasing Bank of such selling Bank's pro rata share of its commitment pursuant to and in accordance with subsection 4.5(a) of the Liquidity Facility Agreement and such Purchasing Bank shall be an Eligible Assignee (as defined in the Liquidity Facility Agreement). For purposes of the proviso contained in the previous sentence, the amounts described therein shall be aggregated in respect of each Bank and its Lender Affiliates, if any. 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. Notwithstanding the foregoing, any Conduit Lender may assign at any time to its designating Bank hereunder without the consent of the Company or the Agent any or all of the Loans it may have funded hereunder and pursuant to its designation agreement and without regard to the limitations set forth in the first sentence of this subsection 10.6(d).

(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 \$2,500, 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 \$3,500, 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 a Non-U.S. Bank, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer to comply with the provisions of subsection 2.15.

(i) For the avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection 10.6 concerning assignments relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Bank to any Federal Reserve Bank in accordance with applicable law.

(j) Each of the Company, each Bank and the Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Bank designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party

hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

(k) In the event that any Bank shall be a "Downgraded Bank" (as defined in subsection 4.5(b) of the Liquidity Facility Agreement or any successor provision thereof) and the Company has pursuant to such subsection 4.5(b) replaced any such Bank with increased commitments from other Banks or commitments from any Additional Bank(s) (as defined in such subsection 4.5(b)), such Downgraded Bank shall assign the portion of its Tranche B Commitments hereunder to each such other Bank or Additional Bank corresponding to the portion of the commitments transferred to such other Bank or Additional Bank pursuant to subsection 4.5(b) of the Liquidity Facility Agreement pursuant to a Commitment Transfer Supplement, executed by such Downgraded Bank, the transferee Bank(s), the Agent and the Company.

(l) In the event that any Bank shall be a "Defaulting Replaced Bank" (as defined in subsection 4.5(b) of the Liquidity Facility Agreement or any successor provision thereof) and the Company has pursuant to such subsection 4.5(b) replaced any such Bank with increased commitments from other Banks or any Additional Bank(s) (as defined in such subsection 4.5(b)), such Defaulting Replaced Bank shall assign the portion of its Tranche B Commitments hereunder to each such other Bank or Additional Bank corresponding to the portion of the commitments transferred to such other Bank or Additional Bank pursuant to subsection 4.5(b) of the Liquidity Facility Agreement pursuant to a Commitment Transfer Supplement, executed by such Defaulting Replaced Bank, the transferee Bank(s), the Agent and the Company.

10.7 Adjustments; Set-off. (a) Except to the extent that this Agreement provides for payments to be allocated to a particular Bank or Banks, if any Bank (a "Benefitted Bank") shall at any time receive any payment of all or part of its Loans, 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 interest thereon, such Benefitted Bank shall purchase for cash from the other Banks such portion of each such other Bank's Loans, 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.

(b) In addition to any rights and remedies of the Banks provided by law, at any time when an Event of Default is in existence, each Bank shall have the right, without prior notice to the Company, any such notice being expressly waived by the Company to the extent permitted by applicable law, upon any amount becoming due and payable by the Company hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank or any branch or agency thereof to or for the credit or the account of the Company. Each Bank agrees promptly to notify the Company and the Agent after any such setoff and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such setoff and application.

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 judgment 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 regulation or pursuant to subpoenas or other process to make information available to governmental or regulatory agencies and examiners or to others, (c) to each Bank's Affiliates, employees, agents (including accountants, legal counsel and other advisors) and Transferees and prospective Transferees so long as such Persons agree to be bound by this subsection 10.12 and (d) with the prior written consent of the Company.

10.13 Existing Credit Agreement. Each Bank which is a Bank party to the Existing Credit Agreement and the Company acknowledge that the commitments under the Existing Credit Agreement will terminate on the Closing Date, and each such Bank hereby waives any requirement of the Existing Credit Agreement that the Company give any notice of such termination.

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 H. Bloem

Name: James H. Bloem

Title: Senior Vice President, Chief
Financial Officer and Interim
Treasurer

JPMORGAN CHASE BANK, as Agent, as CAF
Loan Agent and as a Bank

By: /s/ Dawn Lee Lum

Name: Dawn Lee Lum

Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ Richard L. Nichols, Jr.

Name: Richard L. Nichols, Jr.

Title: Managing Director

CITIBANK, N.A.

By: /s/ David A. Dodge

Name: David A. Dodge

Title: Managing Director

WACHOVIA BANK

By: /s/ Thomas L. Stitchberry

Name: Thomas L. Stitchberry

Title: Managing Director

LEHMAN BROTHERS HOLDINGS, INC.

By: /s/ G. Andrew Keith

Name: G. Andrew Keith

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ Carolyn A. Calloway

Name: Carolyn A. Calloway

Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Sandra J. Hartay

Name: Sandra J. Hartay

Title: Vice President

PNC BANK, N.A.

By: /s/ Nicholas A. Aponte

Name: Nicholas A. Aponte

Title: Vice President

NATIONAL CITY BANK OF KENTUCKY

By: /s/ Deroy Scott

Name: Deroy Scott

Title: Senior Vice President

THE BANK OF NEW YORK

By: /s/ Michael Flannery

Name: Michael Flannery

Title: Managing Director

BRANCH BANKING AND TRUST COMPANY

By: /s/ Frank R. Eckerd

Name: Frank R. Eckerd

Title: Senior Vice President

SCHEDULE I

Commitment Amounts and Percentages;
Lending Offices: Address for Notices

A. Commitment Amounts and Percentages

Name of Bank	Commitment Amount	Commitment Percentage
JPMORGAN CHASE BANK	\$41,250,000	15.57%
BANK OF AMERICA, N.A.	\$31,750,000	11.98%
CITIBANK, N.A.	\$31,750,000	11.98%
WACHOVIA BANK, N.A.	\$31,750,000	11.98%
LEHMAN BROTHERS HOLDINGS, INC.	\$25,000,000	9.43%
THE BANK OF NOVA SCOTIA	\$25,000,000	9.43%
U.S. BANK NATIONAL ASSOCIATION	\$25,000,000	9.43%
PNC BANK, NATIONAL ASSOCIATION	\$17,500,000	6.61%
NATIONAL CITY BANK OF KENTUCKY	\$15,000,000	5.66%
THE BANK OF NEW YORK	\$12,500,000	4.72%
BRANCH BANKING AND TRUST COMPANY	\$ 8,500,000	3.21%
TOTALS	<u>\$265,000,000</u>	<u>100.00%</u>

B. LENDING OFFICES; ADDRESSES FOR NOTICES

JPMORGAN CHASE BANK

270 Park Ave
New York, NY 10017
Attention: Dawn Lee Lum
Telephone: (212) 270-2472

PNC BANK, NATIONAL ASSOCIATION

1600 Market Street, 22nd Floor
Philadelphia, PA 19103
Attention: Nicholas A. Aponte
Telephone: (215) 585-5407

THE BANK OF NOVA SCOTIA

600 Peachtree St. N.E.
Atlanta, GA 30308
Attention: Pat Brown
Telephone: (404) 877-1506

LEHMAN BROTHERS HOLDINGS, INC.

745 7th Avenue, 19th Floor
New York, NY 10019
Attention: Francis Chang
Telephone: (212) 526-5390

THE BANK OF NEW YORK

One Wall Street
New York, NY 10286
Attention: Patrick Vatel
Telephone: (212) 635-7882

NATIONAL CITY BANK OF KENTUCKY

101 South Fifth Street, 37th Floor
Louisville, KY 40202
Attention: Derooy Scott
Telephone: (502) 581-7821

BANK OF AMERICA, N.A.

100 N. Tryon Street, NC 1-007-17-11
Charlotte, NC 28255
Attention: Joe Corah
Telephone (704) 386-5976

WACHOVIA BANK, N.A.

301 S. College Street DC-5
Charlotte, NC 28288
Attention: Lance Black
Telephone: (704) 374-6628

CITIBANK, N.A.

388 Greenwich Street
New York, NY 10013
Attention: David Dodge
Telephone: (212) 816-4143

U.S. BANK NATIONAL ASSOCIATION

777 E. Wisconsin Avenue, MK-WI-TGCB
Milwaukee, WI 53202
Attention: Sandra J. Hartay
Telephone: (414) 765-6004

BRANCH BANKING AND TRUST COMPANY

500 West Broadway
Louisville, KY 40202
Attention: Frank Eckerd
Telephone: (502) 562-5877

SCHEDULE II

PRICING GRID

Public Debt Ratings S&P/Moody's	Alternate Base Rate Margin	Eurodollar Margin	Facility Fee- Tranche A	Facility Fee - Tranche B
Level 1 ≥ BBB+/Baa1	0 bps	85 bps	15 bps	20.0 bps
Level 2 ≥ BBB/Baa2	0 bps	95 bps	17.5 bps	22.5 bps
Level 3 ≥ BBB- /Baa3	5 bps	105 bps	20.0 bps	25.0 bps
Level 4 ≥ BB+/Ba1	20 bps	120 bps	30.0 bps	35.0 bps
Level 5 < BB+/Ba1	37.5 bps	137.5 bps	37.5 bps	50.0 bps

Pricing will be determined based upon the lower of the ratings from S&P or Moody's, but in the event the Company's ratings are more than one Level apart, the pricing will be determined by using the rating which is one Level above the lower rating; provided, that (i) if on any day the ratings from S&P or Moody's are not at the same Level, then the Level applicable to the lower of such ratings shall be applicable for such day, (ii) if on any day the rating of only one of S&P or Moody's is available, then the Level of such rating shall be applicable for such day and (iii) if on any day a rating is available from neither of S&P or Moody's, then Level 5 shall be applicable for such day. Any change in the applicable Level resulting from a change in the rating of a S&P or Moody's shall become effective on the date such change is publicly announced by S&P or Moody's, as applicable. Notwithstanding the foregoing, with respect to any Loan outstanding after the Termination Date, the Applicable Margin for such Loan, for the period from the Termination Date until the date on which such Loan is paid in full, shall be the percentage per annum which is the sum of (i) the Applicable Margin determined pursuant to the pricing grid set forth above for the applicable rating Level, plus (ii) the facility fee percentage determined pursuant to the pricing grid set forth above for the applicable rating Level, plus (iii) 0.25%.

AMENDED AND RESTATED

RFC LOAN AGREEMENT

among

HUMANA INC.,

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

RELATIONSHIP FUNDING COMPANY, LLC,

AND

JPMORGAN CHASE BANK,
AS ADMINISTRATIVE AGENT,

BANK OF AMERICA, N.A.,

CITIBANK, N.A.,

and

WACHOVIA BANK,

and

J.P. MORGAN SECURITIES INC.

DATED AS OF OCTOBER 2, 2002

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TABLE OF CONTENTS

	Page
SECTION 1. DEFINITIONS	*7
1.1 Defined Terms	*7
1.2 Other Definitional Provisions	*23
SECTION 2. AMOUNT AND TERMS OF LOANS	*24
2.1 RFC Loans	*24
2.2 Repayment of RFC Loans; Evidence of Debt	*25
2.3 Fees	*26
2.4 Termination or Changes to Facility Amount or RFC Facility Amount	*26
2.5 Prepayments	*27

2.6	Conversion Options; Minimum Amount of RFC Loans.	*28
2.7	Interest Rate and Payment Dates for RFC Loans	*29
2.8	Computation of Interest and Fees	*29
2.9	Inability to Determine Interest Rate	*30
2.10	Pro Rata Borrowings and Payments	*31
2.11	Illegality	*32
2.12	Requirements of Law	*32
2.13	Capital Adequacy	*33
2.14	Taxes	*34
2.15	Indemnity	*35
2.16	Application of Proceeds of RFC Loans	*35
2.17	Notice of Certain Circumstances; Assignment of Commitments Under Certain Circumstances	*36
2.18	Regulation U	*36
2.19	Purchase and Termination.	*37
2.20	Additional Fee Payable to Downgraded Banks.	*38
SECTION 3.	REPRESENTATIONS AND WARRANTIES	*38
3.1	Corporate Existence; Compliance with Law	*38
3.2	No Legal Obstacle to Agreement; Enforceability	*38
3.3	Litigation	*39
3.4	Disclosure	*39
3.5	Defaults	*40
3.6	Financial Condition	*40

3.7	Changes in Condition	*40
3.8	Assets	*40
3.9	Tax Returns	*41
3.10	Contracts, etc	*41
3.11	Subsidiaries	*41
3.12	Burdensome Obligations	*41
3.13	Pension Plans	*42
3.14	Environmental and Public and Employee Health and Safety Matters	*42
3.15	Federal Regulations	*42
3.16	Investment Company Act; Other Regulations	*42
3.17	Solvency	*43
3.18	Casualties	*43
3.19	Business Activity	*43
3.20	Purpose of RFC Loans	*43
SECTION 4. CONDITIONS		*43
4.1	Conditions to the Closing Date	*43
4.2	Conditions to Each Loan	*45
SECTION 5. AFFIRMATIVE COVENANTS		*46
5.1	Taxes, Indebtedness, etc	*46
5.2	Maintenance of Properties; Maintenance of Existence	*47
5.3	Insurance	*47

5.4	Financial Statements	<u>*47</u>
5.5	Certificates; Other Information	<u>*48</u>
5.6	Compliance with ERISA	<u>*49</u>
5.7	Compliance with Laws	<u>*49</u>
5.8	Inspection of Property; Books and Records; Discussions	<u>*49</u>
5.9	Notices	<u>*50</u>
5.10	Maintenance of Licenses, Etc	<u>*51</u>
5.11	Further Assurances	<u>*51</u>
SECTION 6. NEGATIVE COVENANTS		<u>*51</u>
6.1	Financial Condition Covenants.	<u>*51</u>
6.2	Limitation on Subsidiary Indebtedness	<u>*52</u>
6.3	Limitation on Liens	<u>*52</u>
6.4	Limitations on Fundamental Changes	<u>*54</u>
6.5	Limitation on Sale of Assets	<u>*54</u>
6.6	Limitation on Distributions	<u>*55</u>
6.7	Transactions with Affiliates	<u>*55</u>
6.8	Sale and Leaseback	<u>*55</u>
SECTION 7. DEFAULTS		<u>*55</u>
7.1	Events of Default	<u>*56</u>
7.2	Annulment of Defaults	<u>*58</u>
7.3	Waivers	<u>*59</u>
7.4	Course of Dealing	<u>*59</u>

SECTION 8. THE AGENT	<u>*59</u>
8.1 Appointment	<u>*59</u>
8.2 Delegation of Duties	<u>*59</u>
8.3 Exculpatory Provisions	<u>*60</u>
8.4 Reliance by Agent	<u>*60</u>
8.5 Notice of Default	<u>*60</u>
8.6 Non-Reliance on Agent and Other Banks	<u>*61</u>
8.7 Indemnification	<u>*61</u>
8.8 Agent in Its Individual Capacity	<u>*61</u>
8.9 Successor Agent	<u>*62</u>
SECTION 9. MISCELLANEOUS	<u>*62</u>
9.1 Amendments and Waivers	<u>*62</u>
9.2 Notices	<u>*62</u>
9.3 No Waiver; Cumulative Remedies	<u>*63</u>
9.4 Survival of Representations and Warranties	<u>*64</u>
9.5 Payment of Expenses and Taxes; Indemnity	<u>*64</u>
9.6 Successors and Assigns; Participations; Purchasing Banks	<u>*65</u>
9.7 Adjustments; Set-off.	<u>*67</u>
9.8 Counterparts	<u>*68</u>
9.9 GOVERNING LAW	<u>*68</u>
9.10 WAIVERS OF JURY TRIAL	<u>*68</u>
9.11 Submission To Jurisdiction; Waivers	<u>*68</u>

9.12	Confidentiality of Information	<u>*69</u>
9.13	Bankruptcy Petition Against RFC.	<u>*69</u>
9.14	Special RFC Indemnity.	<u>*69</u>
9.15	Limited Recourse.	<u>*70</u>

SCHEDULES

SCHEDULE I	Lending Offices; Addresses for Notice
SCHEDULE II	Pricing Grid
SCHEDULE III	Indebtedness
SCHEDULE IV	Subsidiaries of the Company
SCHEDULE V	Liens
SCHEDULE VI	Certain Acquisitions and Dispositions
SCHEDULE VII	Other Regulations
SCHEDULE VIII	Business Activities

EXHIBITS

EXHIBIT A	Form of Revolving Credit Note
EXHIBIT B	Form of Transfer Supplement
EXHIBIT C	Form of Closing Certificate
EXHIBIT D-1	Form of Company Counsel Opinion
EXHIBIT D-2	Form of Opinion of Fried, Frank, Harris, Shriver & Jacobson

AMENDED AND RESTATED RFC LOAN AGREEMENT, dated as of October 2, 2002, among HUMANA INC., a Delaware corporation (the "Company"), RELATIONSHIP FUNDING COMPANY, LLC, a Delaware limited liability company ("RFC"), the institutions listed in the signature pages hereto as Liquidity Institutions (together with their successors and permitted assigns, the "Banks") and JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent for RFC and the Banks (in such capacity, the "Agent").

WITNESSETH:

WHEREAS, the parties hereto are party to the RFC Loan Agreement, dated as of October 11, 2001 (the "Existing Loan Agreement"), among the Company, RFC, the Banks and the Agent, pursuant to which the Company could request from RFC, and RFC could, in its sole discretion, agree to make to the Company, revolving loans;

WHEREAS, the Company has requested RFC and the Banks to enter into a loan agreement that amends and restates the Existing Loan Agreement; and

WHEREAS, the Banks are willing to enter into such loan agreement upon and subject to the terms and conditions hereafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree that, effective as of the Closing Date (as defined below), the Existing Loan Agreement shall be amended and restated in its entirety as follows:

SECTION 1. DEFINITIONS

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

"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": as to any Person, any other Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Aggregate Outstanding Extensions of Credit": an amount equal to the aggregate principal amount of all RFC Loans then outstanding.

"Agreement": this agreement, as the same may be 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 JPMorgan Chase 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 JPMorgan Chase 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.

"Allocated Commercial Paper": has the meaning assigned to it in the definition of CP Breakage Costs.

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

"Applicable Margin": for each Type of RFC Loan (other than CP Rate Loans), the rate per annum applicable to such type determined in accordance with the Pricing Grid.

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

"Bank Funded Loans": RFC Loans that have been made by the Banks pursuant to subsection 2.1(c) or purchased by the Banks pursuant to the Liquidity Agreement. RFC Loans purchased by the Banks pursuant to the Liquidity Agreement shall be RFC Loans until the earliest to occur of (i) such RFC Loans being repaid pursuant hereto, (ii) such RFC Loans being repurchased by RFC pursuant to subsection 4.12 of the Liquidity Agreement and (iii) such RFC Loans being converted into loans under the 364 Day Facility pursuant to subsection 2.19.

"Banks": as defined in the preamble hereto.

"Benefited Bank": as defined in subsection 9.7.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.1(b) or 2.1(c) as a date on which the Company requests RFC or each Bank (as the case may be) to make an RFC Loan 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, provided, that with respect to notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

"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, shall occur where (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, shall acquire more than 30% of the Voting Stock of such corporation or (b) the Continuing Directors shall not constitute a majority of the board of directors of such corporation.

"Closing Date": the date on which all of the conditions precedent for the Closing Date set forth in Section 4 shall have been fulfilled.

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

"Commercial Paper" means any short-term promissory notes issued by the CP Issuer in the commercial paper market.

"Commitment": as to any Bank, its Commitment as defined in the Liquidity Agreement.

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

"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.

"Conduit Lender": any special purpose corporation organized and administered by any Bank for the purpose of making RFC Loans otherwise required to be made by such Bank and designated by such Bank in a written instrument; provided, that the designation by any Bank of a Conduit Lender shall not relieve the designating Bank of any of its obligations to fund a RFC Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such RFC Loan, and the designating Bank (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to subsection 2.12, 2.13, 2.14, 2.15 or 9.5 than the designating Bank would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender (and each Bank which designates a Conduit Lender shall indemnify the Company against any increased taxes, costs, expenses, liabilities or losses associated with any payment thereunder to such Conduit Lender) or (b) be deemed to have any Commitment.

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

"Consolidated EBIT": 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; provided, that for purposes of calculating Consolidated EBIT for any period of four full fiscal quarters, (i) the Consolidated EBIT attributable to any Person or business unit acquired by the Company or its Subsidiaries during such period (such Consolidated EBIT to be calculated in the same manner as Consolidated EBIT for the Company and its Subsidiaries is calculated, mutatis mutandis, provided that amounts arising prior to the time such acquired Person or business unit was acquired attributable to (a) any discontinued operations or products of the acquired Person or business unit or (b) operations or products of the acquired Person or business unit which the Company expects to discontinue as disclosed in the Company's reports filed with the Securities and Exchange Commission within three months after the date of acquisition of such Person or business unit shall be excluded in such calculation) shall be included on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such acquisition and the incurrence, assumption or repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters) and (ii) the Consolidated EBIT of any Person or business unit disposed of by the Company or its Subsidiaries during such period (such Consolidated EBIT to be calculated in the same manner as Consolidated EBIT for the Company and its Subsidiaries is calculated, mutatis mutandis) shall be deducted on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters).

"Consolidated EBITDA": for any fiscal period for which the amount thereof is to be determined, Consolidated EBIT for such fiscal period plus, to the extent deducted from Consolidated Net Income for such fiscal period, depreciation and amortization for such fiscal period.

"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; provided, that for purposes of calculating Consolidated Interest Expense for any period of four full fiscal quarters, (i) the Consolidated Interest Expense of any Person or business unit acquired by the Company or its Subsidiaries during such period (such Consolidated Interest Expense to be calculated in the same manner as Consolidated Interest Expense for the Company and its Subsidiaries is calculated, mutatis mutandis, provided that amounts arising prior to the time such acquired Person or business unit was acquired attributable to (a) any discontinued operations or products of the acquired Person or business unit or (b) operations or products of the acquired Person or business unit which the Company expects to discontinue as disclosed in the Company's reports filed with the Securities and Exchange Commission within three months after the date of acquisition of such Person or business unit shall be excluded in such calculation) shall be included on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such acquisition and the incurrence, assumption or repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters) and (ii) the Consolidated Interest Expense of any Person or business unit disposed of by the Company or its Subsidiaries during such period (such Consolidated Interest Expense to be calculated in the same manner as Consolidated Interest Expense for the Company and its Subsidiaries is calculated, mutatis mutandis) shall be deducted on a pro forma basis for such period of four full fiscal quarters (assuming the consummation of each such disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period of four full fiscal quarters). Consolidated Interest Expense shall in any event include the Synthetic Lease Interest Component of any Synthetic Lease entered into by the Company or any of its Subsidiaries.

"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; provided, that, for all purposes other than subsection 6.1(a), Consolidated Net Income shall not be reduced or increased by the amount of any non-cash extraordinary charges or credits that would otherwise be deducted from or added to revenue in determining such Consolidated Net Income.

"Consolidated Net Tangible Assets": at any date, 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": at any date, the stockholders' equity of the Company and its Subsidiaries at such date, determined in accordance with GAAP.

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

consolidated basis.

"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.

"CP Breakage Costs" means, with respect to any CP Excess Amount on any date (such date, the **"CP Payment Date"**), an amount equal to the excess, if any, of (i) the sum of (a) all interest that would have accrued (had such CP Payment Date not occurred) on such CP Excess Amount through and including the later to occur of (x) the day on which the principal component of Commercial Paper issued by the CP Issuer and allocated by the CP Issuer to fund advances under the Lexington Credit Agreement and used to fund or maintain one or more CP Rate Loans that will mature on or after the relevant CP Payment Date equals or exceeds such CP Excess Amount (such principal component, **"Allocated Commercial Paper"**) and (y) the day on which the latest maturing rate hedge agreement entered into by the CP Issuer and relating to the Commercial Paper described in clause (x) hereof matures (such later date, the **"Relevant Maturity Date"**), plus (b) any amounts required to be paid to unwind any relevant rate hedge agreements, over (ii) the amount of income (less the reasonable costs and expenses of obtaining such income), if any, actually received by the CP Issuer from investing the CP Excess Amount for the period from such CP Payment Date until such Relevant Maturity Date.

"CP Cost of Funds" means, for each Settlement Period, the sum of (i) the per annum rate equivalent to the daily weighted average of the per annum rates which may be paid or are payable by the CP Issuer from time to time as interest on or otherwise in respect of the Commercial Paper of the CP Issuer and/or rate hedges that are allocated, in whole or in part, by the CP Issuer to the CP Rate Loans during the period commencing on the immediately preceding Settlement Date and ending on (but excluding) the current Settlement Date (such period, a **"Settlement Period"**), which rates shall reflect and give effect to (x) the commissions of placement agents and dealers in respect of Commercial Paper of the CP Issuer allocated to such period, and (y) net payments owed or received by the CP Issuer under any rate hedges entered into by the CP Issuer in connection therewith, plus (ii) the cost of all audit, rating agency and administrative expenses related to the facility, which shall equal 0.02%; provided that if any component of such rate is a discount rate, then in calculating the **"CP Cost of Funds"** for such Settlement Period, the CP Issuer shall for such component use the rate resulting from converting such discount rate to an interest-bearing equivalent rate per annum.

"CP Excess Amount": as defined in subsection 2.15(d)(ii).

"CP Issuer": Lexington Parker Capital Company, LLC, a Delaware limited liability company, and each other lender under the Lexington Credit Agreement.

"CP Margin": as defined in the Program Fee Letter.

"CP Rate": for each Settlement Period, the sum of (i) the CP Cost of Funds for such Settlement Period, plus (ii) the CP Margin.

"CP Rate Loans": the RFC Loans held by RFC that bear interest at the CP Rate.

"Cross-Over Funding Date": as defined in subsection 2.3.

"Default": any of the events specified in subsection 7.1, 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": with respect to each Bank the office of such Bank located within the United States which shall be making or maintaining Alternate Base Rate Loans.

"Downgrade Deposit": as defined in Exhibit I to the Liquidity Agreement.

"Eligible Assignee": as defined in Exhibit I to the Liquidity Agreement.

"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 Liabilities"** in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Lending Office": with respect to each Bank, the office of such Bank which shall be making or maintaining Eurodollar Loans.

"Eurodollar Loans": RFC Loans held by the Banks hereunder at such time as they are being made and/or 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 7.1, 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.

"Excluded Day": means any of the following:

- (1) the last 5 Business Days of a month;
- (2) the 15th day of the month (or if the 15th is not a Business Day, the next succeeding Business Day);
- (3) the last 10 Business Days of November; and
- (4) the last 15 Business Days of December.

"Facility Amount": means \$[265,000,000], as such amount may be reduced from time to time as provided herein.

"Facility Period": the period from and including the Closing Date to but not including the first to occur of (i) the Termination Date or such earlier date on which the Facility Amount is reduced to zero as provided herein or (ii) the Wind-Down Date.

"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.

"GAAP": (a) with respect to determining compliance by the Company with the provisions of subsections 6.1, 6.2 and 6.5, generally accepted accounting principles in the United States of America consistent with those utilized in preparing the audited financial statements referred to in subsection 3.6 and (b) with respect to the financial statements referred to in subsection 3.6 or the furnishing of financial statements pursuant to subsection 5.4 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.

"Green Bay Facility": offices of the Company located at 1100 Employers Boulevard, De Pere, Wisconsin.

"Guarantee Obligation": as to any Person, any arrangement whereby credit is extended to one party on the basis of any promise of such Person, 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.

"Hedge Agreement" means all interest rate swaps, caps or collar agreements or similar arrangements dealing with interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"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 specific 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, (e) the amount of any Synthetic Lease Obligations of such Person, (f) all Guarantee Obligations relating to any of the foregoing in excess of \$1,000,000, and (g) for purposes of subsection 8.1(e) only, all obligations of such Person in respect of Interest Rate Protection Agreements.

"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 and specific 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 and the

final maturity date of such RFC Loan, (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, (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), each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and (d) with respect to any CP Rate Loan, the related Settlement Date with respect thereto.

"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(b) or its notice of conversion as provided in subsection 2.6(b), 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;

(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 RFC Loan.

"Interest Rate Protection Agreement": any interest rate protection agreement, interest rate futures contract, interest rate option, interest rate cap or other interest rate hedge arrangement to or under which the Company or any of its Subsidiaries is a party or a beneficiary on the date hereof or becomes a party or a beneficiary after the date hereof.

"Jacksonville Facility": the offices of the Company located at 76 South Laura Street, Jacksonville, Florida.

"Lender Affiliate": (a) any Affiliate of any Bank, (b) any Person that is administered or managed by any Bank and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Bank which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Bank or by an Affiliate of such Bank or investment advisor.

"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 EBITDA for the period of four fiscal quarters of the Company ended on such day.

"Lexington": Lexington Parker Capital Company, LLC, a Delaware limited liability company.

"Lexington Credit Agreement": the Credit Agreement dated as of December 12, 2000, among RFC, Lexington and the other lenders, as amended, restated, supplemented or otherwise modified.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement that has the same practical effect as any of the foregoing (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).

"Liquidity Agreement": the Liquidity Agreement, dated as of October 11, 2001, among RFC, the liquidity institutions from time to time party thereto and JPMorgan Chase Bank as Administrative Agent, as the same has been and may be amended, supplemented and modified from time to time.

"Loan Documents": this Agreement and the Notes.

"Margin Stock": as defined in Regulation U.

"Margin Stock Collateral": all Margin Stock (other than Portfolio Margin Stock) of the Company and its Subsidiaries by which the RFC Loans are deemed "indirectly secured" within the meaning of Regulation U.

"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.

"Non-U.S. Bank": as defined in subsection 2.14(b).

"Note": as defined in subsection 2.2(e).

"Other Collateral": all assets of the Company and its Subsidiaries (other than Margin Stock) by which the RFC Loans are deemed "indirectly secured" within the meaning of Regulation U.

"Participants": as defined in subsection 9.6(b).

"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.

"Portfolio Margin Stock": Margin Stock held by Insurance Subsidiaries or HMO Subsidiaries as portfolio investments, as to which the restrictions of Section 6 shall not apply.

"Pricing Grid": the Pricing Grid set forth in Schedule II.

"Program Fee Letter": the letter dated as of October 3, 2001 between the Agent, the Company and RFC, as the same may from time to time be amended, modified or otherwise supplemented.

"Purchasing Banks": as defined in subsection 9.6(d).

"Reference Banks": JPMorgan Chase Bank, Citibank N.A. and Bank of America, N.A..

"Register": as defined in subsection 9.6(e).

"Regulation T": Regulation T of the Board of Governors of the Federal Reserve System.

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System.

"Regulation X": Regulation X of the Board of Governors of the Federal Reserve System.

"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 .22, .23, .25, .27 or .28 of PBGC Reg. Section 4043.

"Required Banks": (a) during the Facility Period, Banks whose Commitment Percentages aggregate at least 51% and (b) after the Facility Amount has been reduced to zero, Banks whose outstanding Bank Funded Loans represent in the aggregate at least 51% of all outstanding Bank Funded 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 chief operating 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.

"RFC Facility Amount": means \$265,000,000, as such amount may be reduced from time to time as provided in subsection 2.4(d).

"RFC Loans": all loans made by any of RFC and/or the Banks hereunder.

"RFC Obligations": as defined in subsection 7.1.

"Riverview Square": the office building of the Company located at 201 West Main Street, Louisville, Kentucky 40202.

"Section 2.1(c) Election": as defined in subsection 2.1(c).

"Settlement Date": for any CP Rate Loan, one or all of the first five Business Days of the month following the month in which the Borrowing Date for such RFC Loan occurs as specified in a notice to the Agent from RFC or any other Business Day agreeable to the Company and RFC.

"Settlement Period": as defined in the definition of "CP Cost of Funds".

"Significant Subsidiary": means, at any particular time, any Subsidiary of the Company that would be a "significant subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the Securities and Exchange Commission.

"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 (after giving effect to any engagement in such business or transaction) 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.

"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.

"Supplemental Fee": as defined in subsection 2.3(a).

"Synthetic Lease": each arrangement, however described, under which the obligor accounts for its interest in the property covered thereby under GAAP as lessee of a lease which is not a capital lease under GAAP and accounts for its interest in the property covered thereby for Federal income tax purposes as the owner.

"Synthetic Lease Interest Components": with respect to any Person for any period, the portion of rent paid or payable (without duplication) for such period under Synthetic Leases for such Person that would be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13 if such Synthetic Leases were treated as capital leases under GAAP.

"Synthetic Lease Obligation": as to any Person with respect to any Synthetic Lease at any time of determination, the amount of the liability of such Person in respect of such Synthetic Lease that would (if such lease was required to be classified and accounted for as a capital lease on a balance sheet of such Person in accordance with GAAP) be required to be capitalized on the balance sheet of such Person at such time.

"364-Day Facility" means the Amended and Restated 364-Day Revolving Credit Agreement, dated as of October 2, 2002 among the Company, the several banks and other financial institutions from time to time party thereto and JPMorgan Chase Bank, as Agent and CAF Loan Agent thereunder, as the same has been and may be amended, supplemented and modified from time to time.

"Taxes": as defined in subsection 2.14.

"Termination Date": the date that is 364 days after the Closing Date (or, if such date is not a Business Day, the next preceding Business Day).

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

"Type": as to any RFC Loan, its nature as an Alternate Base Rate Loan, Eurodollar Loan or CP Rate Loan.

"Waterside Building": the real property located at 101 East Main Street, Louisville, Kentucky 40202, including the building housing insurance claim processing operations of the Company.

"Waterside Garage": the parking garage of the Company located at 201 North Brook Street, Louisville, Kentucky 40202.

"Wind-Down Date": the date on which RFC receives a notice from the Agent on or after a Wind-Down Event has occurred and is continuing.

"Wind-Down Event": any one or more of the following events:

- (1) An Event of Default has occurred and is continuing;
- (2) Any Default or Event of Default has occurred and is continuing under the 364-Day Facility;
- (3) the Leverage Ratio on the last day of any full fiscal quarter of the Company ending with any fiscal quarter set forth below is greater than the ratio set forth opposite such period below:

<u>Fiscal Quarter</u>	<u>Leverage Ratio</u>
September 30, 2002	2.80
December 31, 2002 - September 30, 2003	2.55
December 31, 2003 - and thereafter	2.30;

- (4) the ratio of (i) Consolidated EBIT for any period of four consecutive fiscal quarters of the Company ending with any fiscal quarter set forth below to (ii) Consolidated Interest Expense during such period, is less than the ratio set forth opposite such period below:

<u>Fiscal Quarter</u>	<u>Interest Coverage Ratio</u>
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September 30, 2002	3.20
December 31, 2002 - September 30, 2003	3.70
December 31, 2003 - and thereafter	4.20; or

(5) The Company's long-term unsecured indebtedness is rated less than BBB- by S&P and less than Baa3 by Moody's.

"Working Day": any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Company and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 RFC Loans. (a) Subject to the terms and conditions hereof, RFC may, in its sole discretion, make loans to the Company from time to time during the Facility Period in an aggregate principal amount at any one time outstanding which does not exceed the RFC Facility Amount. Subject to the terms and conditions hereof, the Banks shall make loans pursuant to a Section 2.1(c) Election; provided, that, after giving effect thereto, the aggregate sum of RFC Loans made by the Banks pursuant to Section 2.1(c) Elections would not exceed the Facility Amount less the RFC Facility Amount as reduced pursuant to subsection 2.4(d); provided, further, that, after giving effect thereto, the sum of the outstanding principal amount of CP Rate Loans made by RFC and any RFC Loans purchased by the Banks under the Liquidity Agreement shall not exceed the RFC Facility Amount. Notwithstanding anything herein, the aggregate principal amount of outstanding RFC Loans shall not exceed the Facility Amount. During the Facility Period the Company may use the Facility Amount by borrowing, prepaying the RFC Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The RFC Loans held by RFC will be CP Rate Loans. RFC Loans purchased from RFC by the Banks pursuant to the Liquidity Agreement, 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 2.6. Eurodollar Loans shall be maintained by each Bank at its Eurodollar Lending Office, and Alternate Base Rate Loans shall be maintained by each Bank at its Domestic Lending Office. Notwithstanding anything to the contrary set forth herein, nothing in this Agreement shall be construed as a commitment by RFC to make RFC Loans to the Company.

(b) The Company may request a borrowing from RFC hereunder during the Facility Period on any Business Day other than an Excluded Day; provided that the Company shall give RFC and the Agent irrevocable notice (which notice must be received by RFC prior to 3:00 P.M., New York City time one Business Day prior to the requested Borrowing Date) specifying (A) the amount to be borrowed and (B) the requested Borrowing Date (which shall not be an Excluded Day); provided, that if such notice is not received prior to such deadline, RFC will use its best efforts given prevailing market conditions to fund the CP Rate Loan on the requested Borrowing Date; provided, further, that at no time shall the sum of any requested borrowing or borrowings pursuant to this subsection 2.1(b) and subsection 2.1(c) exceed the Available Facility Amount. Each borrowing hereunder shall be in an aggregate principal amount equal to \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof. RFC shall notify the Company and the Agent by 11:30 A.M., New York City time, on the requested Borrowing Date if it does not intend to make the requested RFC Loan. If RFC decides to make the requested RFC Loan, RFC will make the amount thereof available to the Agent for the account of the Company at the office of the Agent set forth in subsection 9.2 prior to the close of business, New York City time, on the Borrowing Date requested by the Company in funds immediately available to the Agent. The proceeds of such RFC Loan will then be promptly 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 RFC.

(c) The Company may elect to make a borrowing (such election, a "Section 2.1(c) Election") from the Banks hereunder during the Facility Period on any Working Day if the borrowing is of Eurodollar Loans or on any Business Day if the borrowing is of Alternate Base Rate Loans; provided that the Company shall give the Agent irrevocable notice (which notice must be received by the Agent (i) prior to 11:30 A.M., New York City time three Working Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, and (ii) prior to 12:00 P.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 such Loans are to be 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; provided, further, that at no time shall the sum of any requested borrowing or borrowings pursuant to subsection 2.1(b) and this subsection 2.1(c) exceed the Available Facility Amount. Each borrowing hereunder shall be in an aggregate principal amount equal to \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof. 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 pursuant to a Section 2.1(c) Election available to the Agent for the account of the Company at the office of the Agent set forth in subsection 9.2 prior to the close of business, New York City time, on such date in funds immediately available to the Agent. The proceeds of such RFC Loan will then be promptly 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 Banks.

2.2 Repayment of RFC Loans; Evidence of Debt. (a) The Company hereby unconditionally promises to pay to RFC or the Agent for the account of the Banks, as the case may be, the then unpaid principal amount of each RFC Loan, except CP Rate Loans, on the Termination Date (or such

earlier date on which the RFC Loans become due and payable pursuant hereto). The Company hereby further agrees to pay interest on the unpaid principal amount of the RFC Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in subsection 2.7. The unpaid principal amount of each CP Rate Loan will be due and payable on the applicable Settlement Dates and the Termination Date.

(b) Each of RFC and each Bank shall maintain for its own account in accordance with its usual practice an account or accounts evidencing indebtedness of the Company to RFC or such Bank, as the case may be, resulting from each RFC Loan from time to time held by it, including the amounts of principal and interest payable and paid to RFC or to such Bank from time to time under this Agreement.

(c) The Agent shall maintain the Register pursuant to subsection 9.6(d), and a subaccount therein for RFC and each Bank, in which shall be recorded (i) (A) the amount of each RFC Loan made hereunder, the Type thereof and each Interest Period, if applicable, thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company to RFC and to each Bank hereunder and (iii) both the amount of any sum received by the Agent hereunder from the Company and RFC's and each Bank's share thereof.

(d) The entries made in the Register and the accounts of RFC maintained pursuant to subsection 2.2(b) and (c) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Company therein recorded; provided, however, that the failure of RFC, any Bank or the Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Company to repay (with applicable interest) the RFC Loans in accordance with the terms of this Agreement.

(e) The Company agrees that, upon the request to the Agent by any Bank that holds any RFC Loans after the Facility Period has expired, the Company will execute and deliver to such Bank a promissory note of the Company evidencing such loans substantially in the form of Exhibit A with appropriate insertions as to payee, date and principal amount (a "Note").

2.3 Fees. (a) If a Wind-Down Event occurs after the Cross-Over Funding Date, the Company shall pay to the Agent, for the account of the Banks, a supplemental fee calculated as set forth below; provided that such fee shall not be payable if the Company has terminated this Agreement and repaid all outstanding RFC Loans and all other amounts owing hereunder prior to the occurrence of such Wind-Down Event. The supplemental fee is the sum, for each day from the Cross-Over Funding Date to but excluding the date on which such Wind-Down Event occurs, of an amount equal to the product of the outstanding face amount of commercial paper allocable by the CP Issuer to the funding of the RFC Loans on such day and the margin applicable to Eurodollar Loans hereunder on such day divided by 360. "Cross-Over Funding Date" is the first day on or after the Closing Date on which the Company's long-term unsecured indebtedness is rated less than BBB- by S&P or less than Baa3 by Moody's. Such fee shall be payable on the fifth Business Day following the date of such Wind-Down Event.

(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 Program Fee Letter. The Agent will distribute to the Banks their respective portions of upfront fees paid by the Company to the Agent, as agreed between the Agent and each Bank.

2.4 Termination or Changes to Facility Amount or RFC Facility Amount. (a) The Company shall have the right, upon not less than five Business Days' notice to the Agent and to RFC, from time to time, to reduce by an equal amount each of the Facility Amount and the RFC Facility Amount, provided that no such reduction shall be effective if, after giving effect thereto and to any prepayments of the RFC Loans made on the effective date thereof (including by way of converting such RFC Loans to Loans under the 364-Day Facility), the then outstanding principal amount of the CP Rate Loans and the outstanding principal amount of any RFC Loans purchased by the Banks under the Liquidity Agreement would exceed the RFC Facility Amount or the outstanding principal amount of the RFC Loans would exceed the Facility Amount. 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 Facility Amount and the RFC Facility Amount.

(b) The Facility Amount shall be reduced to zero automatically on the date specified in subsection 2.5(b).

(c) This Agreement shall terminate on the date on which the Facility Amount has been reduced to zero and all amounts owing hereunder to RFC, the Banks and the Agent have been paid in full.

(d) The RFC Facility Amount shall be decreased by RFC Loans made by the Banks pursuant to a Section 2.1(c) Election and increased by the repayment of any such loans, in each case, upon written notice from the Administrative Agent to RFC (which notice the Administrative Agent shall promptly provide to RFC upon such event); provided, that no such reduction shall be effective if, after giving effect thereto and to any prepayments of the RFC Loans made on the effective date thereof (including by way of converting such RFC Loans to Loans under the 364-Day Facility), the then outstanding principal amount of the CP Rate Loans and the outstanding principal amount of any RFC Loans purchased by the Banks under the Liquidity Agreement would exceed the RFC Facility Amount or the outstanding principal amount of the RFC Loans would exceed the Facility Amount.

2.5 Prepayments. (a) The Company may at any time and from time to time, prepay the RFC Loans, in whole or in part, without premium or penalty (subject to the provisions of subsection 2.15), upon at least three Business Days' in the case of Eurodollar Loans, upon at least two Business Days' in the case of CP Rate Loans and upon at least one Business Day in the case of Alternate Base Rate Loans, irrevocable notice to the Agent and RFC specifying the date and amount of prepayment and whether the prepayment is of CP Rate Loans, 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 RFC and, if applicable, 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 and amounts that are owing under subsection 2.15, on the amount prepaid. Partial prepayments shall be in an aggregate principal amount of \$5,000,000, or a whole multiple of \$1,000,000 in excess thereof, and may only be made if, after giving effect thereto, subsection 2.6(d) shall not have been contravened.

(b) The Company shall prepay all outstanding RFC Loans, together with all accrued interest thereon and any amounts due pursuant to subsection 2.15 on the date that is 30 days after the date on which a Wind-Down Event occurs.

2.6 Conversion Options; Minimum Amount of RFC Loans. (a) CP Rate Loans may not be converted into RFC Loans of another Type except in accordance with this subsection 2.6(a), it being understood that only RFC Loans acquired by the Banks under the Liquidity Agreement may be maintained as Eurodollar Loans or Alternate Base Rate Loans hereunder. Immediately upon the consummation of a Purchase (as defined in and pursuant to the Liquidity Agreement) by a Bank, the amount thereof (other than the amount of such Purchase attributable to Yield (as defined in the Liquidity Agreement)), shall be automatically converted (without regard to any conditions precedent thereto) into an Alternate Base Rate Loan of such Bank. Any portion of such Purchase constituting Yield shall be due and payable to the Banks as accrued interest on the next Settlement

Date applicable to the related CP Rate Loan purchased by such Bank and shall accrue interest from the date of such Purchase until paid in full at the rate applicable to Alternate Base Rate Loans.

(b) 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). The Company may elect from time to time to convert Alternate Base Rate Loans to Eurodollar Loans by giving the Agent at least three Working 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 is being made each Bank shall take such action as is necessary to transfer its portion of such RFC Loans to its Domestic Lending Office or its Eurodollar Lending Office, as applicable. All or any part of outstanding Eurodollar Loans and Alternate Base Rate Loans may be converted as provided herein, provided that, unless the Required Banks otherwise agree, (i) no RFC 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(d) shall not have been contravened.

(c) 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(b); provided that, unless the Required 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(c) will occur.

(d) 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 RFC Loans comprising any Eurodollar Tranche shall not be less than \$10,000,000. At no time shall there be more than 10 Eurodollar Tranches.

2.7 Interest Rate and Payment Dates for RFC 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 Alternate Base Rate plus the Applicable Margin.

(c) CP Rate Loans shall bear interest for each Settlement Period relating thereto at the CP Rate applicable to such Settlement Period.

(d) If all or a portion of the (i) principal amount of any RFC 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 RFC Loans shall not be paid when due (whether at stated maturity, by acceleration or otherwise), each Eurodollar Loan shall, unless the Required Banks otherwise agree, be converted to an Alternate Base Rate Loan at the end of the last Interest Period with respect thereto.

(e) 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. All other interest and fees payable hereunder 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 RFC 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 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 or of the CP Rate by RFC 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).

(c) If any Reference Bank's Commitment shall terminate (otherwise than on termination of all the Commitments), or its RFC 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.

2.9 Inability to Determine Interest Rate. (a) In the event that:

(i) the Agent shall have determined in its reasonable judgment (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 Required 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 RFC Loans during such Interest Period;

with respect to (A) proposed RFC Loans that the Company has requested the Banks make 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 Eurodollar 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 the Agent has withdrawn such notice, the Company shall not 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 Borrowings and Payments. (a) Each borrowing by the Company of RFC Loans pursuant to subsection 2.1(c) shall be made ratably from the Banks in accordance with their Commitment Percentages.

(b) If the Company pays less than the amount of interest due hereunder on any date, the Agent shall distribute such interest to RFC and each Bank based on the ratio that the amount of such interest then due and owing to RFC or such Bank bears to the amount then due and owing to RFC and all Banks.

(c) Each payment (including each prepayment) by the Company on account of principal of the RFC Loans shall be made first to the payment in full of RFC Loans held by RFC and then to the payment in full of RFC Loans held by the Banks, pro rata according to the respective outstanding principal amounts of such RFC Loans then held by the Banks.

(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 RFC or the Agent, for the account the Banks, as the case may be, at RFC's or the Agent's office set forth in subsection 9.2, as applicable, in lawful money of the United States of America and in immediately available funds. The Agent shall distribute any such payments it receives to the Banks promptly upon receipt in like funds as received. If any payment hereunder 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. Any amount received by RFC later than 11:00 A.M., New York City time, on a Business Day will be deemed to have been received on the following Business Day and such amount shall continue to accrue interest at the applicable rate until the next Business 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 RFC Loans pursuant to subsection 2.1(c) 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 to convert Alternate Base Rate Loans to Eurodollar Loans shall forthwith be cancelled and (c) such Bank's RFC 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 RFC Loans or within such earlier period as required by law. Each Bank shall take such action as may be reasonably available to it without material 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 (other than a withholding tax) with respect to this Agreement, any Note, or any Eurodollar Loans held 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 RFC 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 reasonably deems to be material, of making, renewing or maintaining advances or extensions 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; provided, however, that notwithstanding anything contained in this subsection 2.12(a) to the contrary, such Bank shall not be entitled to receive any amounts pursuant to this subsection 2.12(a) that it is also entitled to pursuant to subsection 2.14(a). 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 RFC Loans 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 its obligations under the Liquidity Agreement 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, the Liquidity Agreement and payment of the RFC 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, RFC (and its beneficial owners) and each Bank, net income and franchise taxes imposed on the Agent, RFC (or its beneficial owners) or such Bank by the jurisdiction under the laws of which the Agent, RFC (or its beneficial owners) 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, RFC or any Bank hereunder or under the Notes, the amounts so payable to the Agent, RFC or such Bank shall be increased to the extent necessary to yield to the Agent, RFC 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 RFC or such Bank, as the case may be, a certified copy of any original official receipt that is received by the Company showing payment thereof (or, if no official receipt is received by the Company, a statement of the Company indicating 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, RFC and the Banks for any incremental taxes, interest or penalties that may become payable by the Agent, RFC or any Bank as a result of any such failure, except to the extent such failure is attributable to a failure by a Non-U.S. Bank to comply with the form delivery and notice requirements of paragraph (b) below or a breach of the representations contained in paragraph (d) below.

(b) Each of the Agent, RFC and each Bank (or Transferee) that, is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (in each case, a "Non-U.S. Bank") shall deliver to the Company and the Agent (or, in the case of a Participant, to the Bank from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Bank claiming complete exemption from U.S. federal withholding tax on all payments by the Company under this Agreement. Such forms shall be delivered by each Non-U.S. Bank on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Bank shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Bank. Each Non-U.S. Bank shall promptly notify the Company at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Company (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Bank shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Bank is not legally able to deliver, provided, however, that in the event that the failure to be able to deliver such form is not attributable to a change in law, the Company shall be relieved of the obligation to make additional payments under subsection 2.14(a) above.

(c) The agreements in subsection 2.14 shall survive the termination of this Agreement and the payment of the RFC Loans and all other amounts payable hereunder.

(d) RFC represents that it is solely owned by a domestic partnership within the meaning of Code Section 7701(a)(30)(B) as of the Closing Date, and that it will remain solely owned by a domestic partnership within the meaning of Code Section 7701(a)(30)(B) or a domestic corporation within the meaning of Code Section 7701(a)(30)(C).

2.15 Indemnity. The Company agrees to indemnify RFC and each Bank and to hold RFC and each Bank harmless from any loss or expense (other than any loss of anticipated margin or profit) which RFC or 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 CP Rate Loans by RFC or 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(b) 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 2.6 or (d) the making of (i) a prepayment of a Eurodollar Loan on a day which is not the last day of an

Interest Period with respect and/or (ii) a prepayment of principal of a CP Rate Loan in an amount that is excess of the principal amount of Allocated Commercial Paper that is maturing on such prepayment date ("CP Excess Amount"), including, without limitation, in respect of Eurodollar Loans, 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 and in respect of CP Rate Loans, CP Breakage Costs. 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 RFC Loans and all other amounts payable hereunder.

2.16 Application of Proceeds of RFC Loans. Subject to the provisions of the following sentence, the Company may use the proceeds of the RFC Loans for any lawful general corporate purpose, including acquisitions. The Company will not, directly or indirectly, apply any part of the proceeds of any such RFC Loan for the purpose of "purchasing" or "carrying" any Margin Stock within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, provided that the Company may use the proceeds of RFC Loans for such purposes, if such usage does not violate Regulation U as now and from time to time hereafter in effect.

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 reasonable determination of such Bank, be otherwise disadvantageous in any material respect 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 and RFC (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 the RFC Loans held by such Bank 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 2.11, 2.12, 2.13 or 2.14.

2.18 Regulation U. (a) If at any time the Company shall use the proceeds of any RFC Loans for the purpose of "purchasing" or "carrying" any Margin Stock within the respective meanings of each of the quoted terms under Regulation U, or to refund any indebtedness incurred for such purpose, and, after giving effect to such purchase or refund, more than 25% of the value (determined in accordance with Regulation U) of the assets subject to the restrictions of Section 7 would be represented by Margin Stock, the Company shall give notice thereof to the Agent, RFC and the Banks, and thereafter the RFC Loans made by each Bank shall at all times be treated for purposes of Regulation U as two separate extensions of credit (the "A Credit" and the "B Credit" of such Bank and, collectively, the "A Credits" and the "B Credits"), as follows:

(i) the aggregate amount of the A Credit of RFC or such Bank shall be an amount equal to such RFC or such Bank's pro rata share (based on the amount of its Commitment Percentage) of the maximum loan value (as determined in accordance with Regulation U), of all Margin Stock Collateral; and

(ii) the aggregate amount of the B Credit of RFC or such Bank shall be an amount equal to RFC or such Bank's pro rata share (based on the amount of its Commitment Percentage) of all RFC Loans outstanding hereunder minus such Bank's A Credit.

In the event that any Margin Stock Collateral is acquired or sold, the amount of the A Credit of such Bank shall be adjusted (if necessary), to the extent necessary by prepayment, to an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of the maximum loan value (determined in accordance with Regulation U) as of the date of such acquisition or sale) of the Margin Stock Collateral immediately after giving effect to such acquisition or sale. Nothing contained in this subsection 2.18 shall be deemed to permit any sale of Margin Stock Collateral in violation of any other provisions of this Agreement.

(b) Each Bank will maintain its records to identify the A Credit of such Bank and the B Credit of such Bank, and, solely for the purposes of complying with Regulation U, the A and B Credits shall be treated as separate extensions of credit. Each Bank hereby represents and warrants that the loan value of the Other Collateral is sufficient for such Bank to lend its pro rata share of the B Credit.

(c) The benefits of the indirect security in Margin Stock Collateral created by any provisions of this Agreement shall be allocated first to the benefit and security of the payment of the principal of and interest on the A Credits of the Banks and of all other amounts payable by the Company under this Agreement in connection with the A Credits (collectively, the "A Credit Amounts") and second, only after the payment in full of the A Credit Amounts, to the benefit and security of the payment of the principal of and interest on the B Credits of the Banks and of all other amounts payable by the Company under this Agreement in connection with the B Credits (collectively, the "B Credit Amounts"). The benefits of the indirect security in Other Collateral created by any provisions of this Agreement, shall be allocated first to the benefit and security of the payment of the B Credit Amounts and second, only after the payment in full of the B Credit Amounts, to the benefit and security of the payment of the A Credit Amounts.

(d) The Company shall furnish to each Bank at the time of each acquisition and sale of Margin Stock Collateral such information and documents as the Agent or such Bank may require to determine the A and B Credits, and at any time and from time to time, such other information and documents as the Agent or such Bank may reasonably require to determine compliance with Regulation U.

(e) Each Bank shall be responsible for its own compliance with and administration of the provisions of this subsection 2.18 and Regulation U, and the Agent shall have no responsibility for any determinations or allocations made or to be made by any Bank as required by such provisions.

2.19 Purchase and Termination. If (x) a Wind-Down Event has occurred, or (y) at any time when all of the RFC Loans are held by the Banks or no CP Rate Loans are outstanding, or (z) on or after the tenth Business Day immediately preceding the Termination Date, the Company may deliver a notice (the "CP Termination Notice") to the Administrative Agent, RFC and the CP Issuer. Upon delivery of a CP Termination Notice and in the case of (x) and (z) of the preceding sentence, RFC shall take such action as set forth in subsection 4.13 of the Liquidity Agreement. The

Company agrees to pay any amounts owing under subsection 2.15 in connection with any such purchase. Upon the delivery of the CP Termination Notice and, in the case of (x) and (z) of the first sentence of this subsection 2.19, payment of such amounts as may be due RFC pursuant to subsection 4.13 of the Liquidity Agreement, the Company shall convert the outstanding amount of such RFC Loans into loans under the 364-Day Facility in accordance with subsection 2.1(d) thereof. Upon such conversion the Facility Amount shall be zero.

2.20 Additional Fee Payable to Downgraded Banks. If a Bank funds a Downgrade Deposit under the Liquidity Agreement, then the Company shall pay to the Agent, for the account of such Bank, on the amount of such Downgrade Deposit from time to time, an amount per annum equal to the Applicable Margin with respect to Eurodollar Loans as an additional fee hereunder. Such fee shall be payable by the Company in arrears on the last day of each month, commencing on the first of such days to occur after such Bank funds its Downgrade Deposit and on the Termination Date.

SECTION 3. REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants that:

3.1 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 would not have a Material Adverse Effect.

3.2 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).

3.3 Litigation. Except as disclosed in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2001 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 2002 and June 30, 2002 filed with the Securities and Exchange Commission and previously distributed to the Banks, as of the date hereof, 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, could reasonably be expected to have a Material Adverse Effect or which seeks to enjoin the consummation of any of the transactions contemplated by this Agreement or any other Loan Document, and no judgment, decree, or order of any federal, state, provincial or municipal court, board or other governmental or administrative agency, including without limitation, HMO Regulators and Insurance Regulators, has been issued against the Company or any Subsidiary which has, or may involve, a material risk of a Material Adverse Effect. The Company does not believe that the final resolution of the matters disclosed in its Annual Report on Form 10-K for its fiscal year ended December 31, 2001 and the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 2002 and June 30, 2002 filed with the Securities and Exchange Commission and previously distributed to the Banks, will have a Material Adverse Effect.

3.4 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 September 2002 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 the 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 the 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 could reasonably be expected to 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.

3.5 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.

3.6 Financial Condition. The Company has furnished to the Agent and each Bank copies of the following:

- (a) The Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2001; and
- (b) the Quarterly Reports of the Company on Form 10-Q for the fiscal quarters ended March 31, 2002 and June 30, 2002.

The financial statements included therein, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein). As of the date of such financial statements, neither the Company nor any of its Subsidiaries had any known contingent liabilities of any significant amount which in accordance with GAAP are required to be referred to in said financial statements or in the notes thereto which could reasonably be expected to have a Material Adverse Effect. During the period from December 31, 2001 to and including the date hereof, there has been no sale, transfer or other disposition by the Company or any of its consolidated Subsidiaries of any asset reflected on the balance sheet referred to above that would have been a material part of its business or property and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Company and its consolidated Subsidiaries at December 31, 2001 other than as disclosed in Schedule VI.

3.7 Changes in Condition. Since December 31, 2001, there has been no development or event nor any prospective development or event, which has had, or could reasonably be expected to have, a Material Adverse Effect.

3.8 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.

3.9 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 1999 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 3.6. The Company knows of no material additional assessments since said date for which adequate reserves have not been established.

3.10 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 \$2,000,000 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 \$2,000,000 and letters of credit in excess of \$2,000,000, and there have been no increases in such Indebtedness since said date other than as permitted by this Agreement.

3.11 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.

3.12 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 reasonable 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.

3.13 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.

3.14 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.

3.15 Federal Regulations. No part of the proceeds of any RFC Loans will be used in any transaction or for any purpose which violates the provisions of Regulations T, U or X as now and from time to time hereafter in effect. If requested by any Bank or the Agent, the Company will furnish to the Agent and each Bank a statement to the foregoing effect in conformity with the requirements of Form FR U-1 or Form FR G-3 referred to in Regulation U.

3.16 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. Except as set forth in Schedule VII, the Company is not subject to regulation under any Federal or State statute or regulation (other than Regulation X) which limits its ability to incur Indebtedness.

3.17 Solvency. Each of the Company, and the Company and its Subsidiaries taken as a whole, is Solvent.

3.18 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.

3.19 Business Activity. Except as set forth in Schedule VIII, 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, sale of long term care insurance, or any business or activity which is immaterial to the Company and its Subsidiaries on a consolidated basis.

3.20 Purpose of RFC Loans. The proceeds of the RFC Loans shall be used to finance any lawful general corporate purpose, including acquisitions, provided that no part of the proceeds of any RFC Loans will be used in any transaction or for any purpose which violates the provisions of Regulation U as now and from time to time hereafter in effect.

SECTION 4. CONDITIONS

4.1 Conditions to the Closing Date. The Company will not request the initial RFC Loan hereunder unless the Company has satisfied the following conditions:

- (a) Loan Documents. The Agent shall have received this Agreement and the Liquidity Agreement, executed and delivered by a duly authorized officers of each of the parties thereto.
- (b) Legal Opinions. The Agent shall have received, with a copy for each Bank, opinions rendered by (i) the assistant general counsel of the Company, substantially in the form of Exhibit D-1, and (ii) Fried, Frank, Harris, Shriver & Jacobson, counsel to the Company, substantially in the form of Exhibit D-2.
- (c) Closing Certificate. The Agent shall have received, with a copy for each Bank, a Closing Certificate, substantially in the form of Exhibit C 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 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(b).
- (f) Corporate Proceedings. The Agent shall have received a copy of the resolutions, in form and substance reasonably 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 reasonably satisfactory to the Agent.
- (g) Corporate Documents. The Agent shall have received 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 pursuant to subsection 3.3, 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 Required Banks, could reasonably be expected to have a Material Adverse Effect.
- (i) Incumbency Certificate. The Agent shall have received 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 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 event, and the Agent shall not have become aware of any previously undisclosed information regarding the Company and its Subsidiaries, which in each case in the reasonable judgment of the Required Banks, could reasonably be expected to have a Material Adverse Effect.
- (l) Conditions under 364-Day Facility. On or prior to the Closing Date, all conditions to the funding of the initial loans under the 364-Day Facility shall have been satisfied and the Agent shall have received a certificate of a Responsible Officer of the Company to such effect.

4.2 Conditions to Each Loan. The Company will not request any RFC Loan hereunder unless the Company has satisfied the following conditions:

- (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 RFC 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 reasonably 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.
- (d) Regulations. In the case of any RFC Loan the proceeds of which will be used, in whole or in part, to finance an acquisition, such acquisition shall be in full compliance with all applicable requirements of law, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System.
- (e) Governmental, Third Party Approvals. In the case of any RFC Loan the proceeds of which will be used, in whole or in part, to finance an acquisition, all necessary governmental and regulatory approvals, and all third party approvals the failure to obtain which would result in the acceleration of indebtedness unless such indebtedness is paid when due, in connection with such acquisition or in connection with this Agreement shall have been obtained and remain in effect, and all applicable waiting periods with respect to antitrust matters shall have expired without any action being taken by any competent authority which restrains such acquisition.
- (f) No Restraints. In the case of any RFC Loan the proceeds of which will be used, in whole or in part, to finance an acquisition, there shall

exist no judgment, order, injunction or other restraint which would prevent the consummation of such acquisition.

(g) Form FR U-1; Form FR G-3. In the case of any RFC Loan the proceeds of which will be used, in whole or in part, to purchase or carry Margin Stock, the Company shall have executed and delivered to the Agent and each Bank a statement on Form FR U-1 referred to in Regulation U or, if applicable, Form FR G-3 referred to in Regulation U, showing compliance with Regulation U after giving effect to such RFC Loan.

(h) Legal Opinion. In the case of any RFC Loan the proceeds of which will be used, in whole or in part, to purchase or carry Margin Stock, the Agent shall have received a written legal opinion of Fried, Frank, Harris, Shriver & Jacobson, counsel to the Company, or such other counsel reasonably acceptable to the Agent, to the effect that such RFC Loan and the Company's use of the proceeds thereof does not violate Regulation U or Regulation X.

(i) Liquidity Agreement. With respect to any requested RFC Loans that are CP Rate Loans only, the Liquidity Agreement is in full force and effect and no default has occurred and is continuing thereunder or would result from such requested RFC Loans.

(j) Wind-Down Event. No Wind-Down Event has occurred and is continuing or would result from the requested RFC Loan.

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 4.2 have been satisfied.

SECTION 5. AFFIRMATIVE COVENANTS

The Company hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Note remains outstanding and unpaid or any other amount is owing to RFC, 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:

5.1 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.

5.2 Maintenance of Properties; Maintenance of Existence. Keep its material properties in good repair, working order and condition 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 material 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 to continue such businesses.

5.3 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 the Agent, 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.

5.4 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 (or make available via the IntraLinks website) the following to the Agent (if not provided via IntraLinks, in duplicate if so requested):

(a) Annual Statements. As soon as available, and in any event within 100 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 PricewaterhouseCoopers, or, if they cease to be the auditors of the Company, of other independent public accountants of national standing and reputation, to the effect that such balance sheet and statements were prepared in accordance with GAAP consistently applied and fairly present the financial position of the Company and its Subsidiaries as at the end of such fiscal year and the results of their operations and changes in financial position for the year then ended and the statement of such accountants and of the treasurer of the Company that such said accountants and treasurer have caused the provisions of this Agreement to be reviewed and that nothing has come to their attention to lead them to believe that any Default exists hereunder or, if such is not the case, specifying such Default or possible Default and the nature thereof. In addition, such financial statements shall be accompanied by a certificate of the treasurer of the Company containing computations showing compliance with subsections 6.1, 6.2, 6.3 and 6.5.

(b) Quarterly Statements. As soon as available, and in any event within 55 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 6.1, 6.2, 6.3 and 6.5, 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 the Agent upon learning of the occurrence of any of the following events with respect to any Plan which is a Multiemployer Plan: a partial or complete withdrawal from any Plan which may result in the incurrence by the Company or any of its 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, the Company will promptly provide information with respect to the scope and extent of such liability, to the best of the Company's knowledge.

5.5 Certificates; Other Information. Furnish (or make available via the IntraLinks website) to the Agent:

(a) within five Business Days after the same are sent, copies of all financial statements and reports which the Company sends to its stockholders, and within five Business 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, a schedule of the Company's insurance coverage and such supplemental schedules with respect thereto as the Agent may from time to time reasonably request;

(c) within five Business Days after the consummation of a transaction described in subsection 6.4(c) or (d) or subsection 6.5(f) which, in each case, involves a Significant Subsidiary or assets which, if they constituted a separate Subsidiary, would constitute a Significant Subsidiary, a certificate of the treasurer or chief financial officer of the Company demonstrating pro forma compliance with the financial covenants in this Agreement after giving effect to such transaction; and

(d) promptly, such additional financial and other information as the Agent may from time to time reasonably request.

5.6 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)(I) 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.

5.7 Compliance with Laws. Comply with all Contractual Obligations and Requirements of Law (including, without limitation, the HMO Regulations, Insurance Regulations, Regulation X and laws relating to the protection of the environment), except where the failure to comply therewith could not, in the aggregate, have a Material Adverse Effect.

5.8 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, upon reasonable notice, 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.

5.9 Notices. Promptly give notice to the Agent and to RFC of:

(a) the occurrence of any Default, Event of Default or Wind-Down Event;

(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 exists 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) the commencement of any litigation or proceeding or a material development or material change in any ongoing litigation or proceeding affecting the Company or any of its Subsidiaries as a result of which commencement, development or change the Company or one of its Subsidiaries could reasonably be expected to incur a liability (as a result of an adverse judgment or ruling, settlement, incurrence of legal fees and expenses or otherwise) of \$10,000,000 or more and not covered by insurance or in which material injunctive or similar relief is sought;

(d) the following events, as soon as possible and in any event within 30 days after the Company knows: (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;

(e) a development or event which could reasonably be expected to have a Material Adverse Effect;

(f) the 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;

(g) the revocation of any material license, permit, authorization, certificate or, qualification of the Company or any Subsidiary by any Governmental Authority, including, without limitation, the HMO Regulators and Insurance Regulators; and

(h) any significant change in or material additional restriction placed on the ability of a Significant Subsidiary to continue business as usual, including, without limitation, any such restriction prohibiting the payment to the Company of dividends by any Significant Subsidiary, 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.

5.10 Maintenance of Licenses, 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.

5.11 Further Assurances. Execute any and all further documents, and take all further action which the Agent may reasonably request in order to effectuate the transactions contemplated by the Loan Documents.

SECTION 6. NEGATIVE COVENANTS

The Company hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Note remains outstanding and unpaid or any other amount is owing to RFC, any Bank or the Agent hereunder, the Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

6.1 Financial Condition Covenants. (a) Maintenance of Net Worth. Permit Consolidated Net Worth at any time to be less than 75% of its Consolidated Net Worth of the Company and its consolidated subsidiaries as at March 31, 2001 plus 50% of Consolidated Net Income for each full fiscal quarter after March 31, 2001 (without any deduction for any such fiscal quarter in which such Consolidated Net Income is a negative number).

(b) Interest Coverage. Permit the ratio of (i) Consolidated EBIT for any period of four consecutive fiscal quarters of the Company ending with any fiscal quarter set forth below to (ii) Consolidated Interest Expense during such period, to be less than the ratio set forth opposite such period below:

<u>Fiscal Quarter Ending</u>	<u>Interest Coverage Ratio</u>
September 30, 2002	3.00
December 31, 2002 - September 30, 2003	3.50
December 31, 2003 - and thereafter	4.00

(c) Maximum Leverage Ratio. Permit the Leverage Ratio on the last day of any full fiscal quarter of the Company ending with any fiscal quarter set forth below to be more than the ratio set forth opposite such period below:

<u>Fiscal Quarter Ending</u>	<u>Leverage Ratio</u>
September 30, 2002	3.00
December 31, 2002 - September 30, 2003	2.75
December 31, 2003 - and thereafter	2.50

6.2 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; or

(c) additional Indebtedness of Subsidiaries of the Company not exceeding \$125,000,000 in aggregate principal amount at any one time

outstanding.

6.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

- (a) Liens, if any, securing the obligations of the Company under this Agreement and the Notes;
- (b) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Company or its Subsidiaries, as the case may be, in conformity with GAAP;
- (c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;
- (d) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;
- (e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;
- (f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Company or such Subsidiary;
- (g) Liens in existence on the Closing Date listed on Schedule V, securing Indebtedness in existence on the Closing Date, provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;
- (h) Liens securing Indebtedness of the Company and its Subsidiaries not prohibited hereunder incurred to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (iii) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 80% of the original purchase price of such property;
- (i) Liens on the property or assets of a corporation which becomes a Subsidiary after the date hereof, 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 other property or assets after the time such corporation becomes a Subsidiary and (iii) the amount of Indebtedness secured thereby, if any, is not increased;
- (j) Liens on the Headquarters, Riverview Square, the Waterside Garage, the Green Bay Facility, the Jacksonville Facility and the Waterside Building; or
- (k) Liens not otherwise permitted under this subsection 6.3 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.

6.4 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 the 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 may be merged or consolidated with or into any one or more wholly owned Subsidiaries of the Company (provided that the surviving corporation shall be a wholly owned Subsidiary);
- (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;
- (c) the Company or a wholly owned Subsidiary of the Company may merge with another corporation, provided that (i) the Company or such wholly owned Subsidiary (subject to clause (ii)), as the case may be, shall be the continuing or surviving corporation of such merger, (ii) in the case of a wholly owned Subsidiary of the Company which is merged into another corporation which is the continuing or surviving corporation of such merger, the Company shall cause such continuing or surviving corporation to be a wholly owned Subsidiary of the Company and (iii) immediately before and after giving effect to such merger no Default or Event of Default shall have occurred and be continuing; or
- (d) the Company and its Subsidiaries may purchase or otherwise acquire all or substantially all of the Capital Stock, or the property, business or assets, of any other Person, or any business division thereof, so long as no Default or Event of Default shall have occurred and be continuing.

6.5 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, Riverview Square, the Waterside Garage, the Green Bay Facility, the Jacksonville Facility and the Waterside Building;
- (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 6.2(b)); or

(f) the sale or other disposition of any other property so long as no Default or Event of Default shall have occurred and be continuing; provided that the aggregate book value of all assets so sold or disposed of in any period of twelve consecutive calendar months shall not exceed in the aggregate 12% of the Consolidated Assets of the Company and its Subsidiaries as on the first day of such period.

6.6 Limitation on Distributions. The Company shall not make any Distribution except that, so long as no Default exists or would exist after giving effect thereto, the Company may make a Distribution.

6.7 Transactions with Affiliates. Enter into any transaction (unless such transaction or any series of such transactions is immaterial), 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.

6.8 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.

SECTION 7. DEFAULTS

7.1 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 RFC Loans or any fee payable hereunder as the same shall become due and such default shall continue for a period of five days; or (ii) any principal of the RFC Loans 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 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7 and 6.8; 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 within a period of 30 days; 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 in any material respect; 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 any Indebtedness of the Company or any Subsidiary, 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 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 \$25,000,000; 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

(vii) the Company or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; 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 Required 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 Required 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 \$25,000,000 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 is taking administrative action against the Company or any Significant Subsidiary to revoke or suspend 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 and the Company or such Significant Subsidiary shall have been unable to cause such HMO Regulator or Insurance Regulator to withdraw such written notice within five Business Days following receipt of such written notice by the Company or such Significant Subsidiary, in each of clauses (i) and (ii), to the extent such event will or is reasonably 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 Facility Period shall immediately terminate and the RFC Loans hereunder (with accrued interest thereon and amounts payable pursuant to subsection 2.15) and all other amounts owing under this Agreement and the Notes 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 Required Banks, the Agent may, or upon the request of the Required Banks, the Agent shall, by notice to the Company and to RFC, declare the Facility Period to be terminated forthwith, whereupon the Facility Period shall immediately terminate; and (ii) with the consent of the Required Banks, the Agent may, or upon the request of the Required Banks, the Agent shall, by notice of default to the Company and to RFC, declare the RFC Loans hereunder (with accrued interest thereon and amounts payable pursuant to subsection 2.15) and all other amounts owing under this Agreement (the "RFC Obligations") to be due and payable forthwith, whereupon the same shall immediately become due and payable.

Except as expressly provided above in this subsection, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

7.2 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 Required Banks, subject to subsection 9.1, 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.

7.3 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 RFC Loans, (b) any requirement of diligence or promptness on the part of RFC or any Bank in the enforcement of its rights under the provisions of this Agreement 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.

7.4 Course of Dealing. No course of dealing between the Company and RFC or any Bank shall operate as a waiver of any of RFC's or the Banks' rights under this Agreement or any Note. No delay or omission on the part of RFC or any Bank in exercising any right under this Agreement or any Note or with respect to any of the RFC 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 RFC or any Bank unless it is in writing and signed by the Agent or RFC and/or such of the Banks as may be required by the provisions of this Agreement. The making of a RFC Loan during the existence of a Default shall not constitute a waiver thereof.

SECTION 8. THE AGENT

8.1 Appointment. RFC and each Bank hereby irrevocably designates and appoints JPMorgan Chase Bank as the Agent of such Person under this Agreement, and each such Person irrevocably authorizes JPMorgan Chase Bank, as the Agent for such Person, 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, 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, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with RFC or any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent.

8.2 Delegation of Duties. The 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. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

8.3 Exculpatory Provisions. Neither the 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 RFC or 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 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. The Agent shall not be under any obligation to RFC or 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.

8.4 Reliance by Agent. The 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. 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 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 RFC and/or the Required 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 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 RFC or the Required Banks, as the case may be, and such request and any action taken or failure to act pursuant thereto shall be binding upon RFC and all the Banks and all future holders of the Notes.

8.5 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 RFC, 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 RFC and the Banks. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required 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 RFC and the Banks.

8.6 Non-Reliance on Agent and Other Banks. Each of RFC and each Bank expressly acknowledges that neither the 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 hereinafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by the Agent to RFC or to any Bank. Each of RFC and each Bank represents to the Agent that it has, independently and without reliance upon the 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 RFC Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Agent, RFC 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 hereunder, the Agent shall not 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 any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

8.7 Indemnification. The Banks agree to indemnify the 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 RFC Loans) be imposed on, incurred by or asserted against the 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 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 from the Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the RFC Loans and all other amounts payable hereunder.

8.8 Agent in Its Individual Capacity. The 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 were not the Agent hereunder. With respect to its RFC Loans held by it and any Note issued to it, the 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 in its individual capacity.

8.9 Successor Agent. The Agent may resign as Agent, upon 10 days' notice to the Banks and RFC. If the Agent shall resign as Agent under this Agreement, then the Required Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Company and RFC, whereupon such successor agent shall succeed to the rights, powers and duties of the Agent and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 9. MISCELLANEOUS

9.1 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 Required Banks and RFC, 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, or reduce the rate or extend the time of payment of interest thereon, or reduce or extend the payment of any fee payable to the Banks hereunder, or reduce the principal amount thereof, or amend, modify, waive any provision of subsection 2.10, in each case without the consent of each Bank directly affected thereby, or (b) amend, modify or waive any provision of this subsection 9.1 or reduce the percentage specified in the definition of Required 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 (c) amend, modify or waive any provision of Section 8 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, RFC, the Agent and all future holders of the Notes. In the case of any waiver, the Company, RFC, 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.

9.2 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 Business Days after being deposited in the mail, postage prepaid, or one Business Day after being deposited with an overnight courier service, or, in the case of telecopy notice, when sent, confirmation of receipt received, addressed (i) in the case of notices, requests and demands to or upon the Company, the Agent, and RFC, as set forth below and (ii) in the case of notices, requests and demands to or upon any Bank, as set forth in an administrative questionnaire delivered by such Bank to the Agent, or, in each case, 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 40202
Attention: James H. Bloem
Senior Vice President and
Chief Financial Officer
Telecopy: (502) 580-3615

The Agent: JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Dawn Lee Lum
Telecopy: (212) 270-3279

with a copy to: Chase Agent Bank Services
One Chase Manhattan Plaza, 8th Floor
New York, New York 10081
Attention: Janet Belden
Telecopy: (212) 552-5658

RFC: c/o The Liberty Hampshire Company,
LLC
227 West Monroe
Suite 4000
Chicago, Illinois 60606
Attention: Operations Department
Fax: (312) 977-1967/1699

provided that any notice, request or demand to or upon the Agent, RFC or the Banks pursuant to Section 2 shall not be effective until received.

9.3 No Waiver: Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent, RFC 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.

9.4 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.

9.5 Payment of Expenses and Taxes: Indemnity. (a) The Company agrees (i) to pay or reimburse the Agent and RFC for all their 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, the Liquidity 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 and to RFC, (ii) to pay or reimburse, RFC 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 (including, without limitation, the allocated cost of in-house counsel) to the Agent, to RFC and to the several Banks, and (iii) to pay, indemnify, and hold RFC, 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, RFC, the CP Issuer and the Banks and the directors, officers, managers, members and employees thereof and each Person, if any, who controls each one of the Agent, RFC, the CP Issuer 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 (i) all fees and disbursements of counsel (including without limitation, the allocated cost of in-house counsel) with whom an Indemnified Person may consult in connection therewith and all expenses of litigation or preparation therefore and (ii) any amounts paid or payable by any Bank pursuant to its indemnity obligations under subsection 4.8 of the Liquidity Agreement) which an Indemnified Person may incur or which may be asserted against it in connection with any litigation or investigation (whether or not such Indemnified Person is a party to

such litigation or investigation) involving this Agreement, the use of any proceeds of any RFC Loans under this Agreement by the Company or any Subsidiary, any officer, director, member, manager or employee thereof, excluding litigation commenced by the Company against any of the Agent or the Banks which (i) seeks enforcement of any of the Company's rights hereunder and (ii) is determined adversely to any of the Agent or the Banks (all such non-excluded claims, damages, liabilities and expenses, "Indemnified Liabilities"), provided that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities to the extent such Indemnified Liabilities resulted from the gross negligence or willful misconduct of such Indemnified Person.

(c) The agreements in this subsection 9.5 shall survive repayment of the RFC Loans and all other amounts payable hereunder.

9.6 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 and RFC.

(b) Any Bank other than a Conduit Lender 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 RFC Loans owing to such Bank, any Notes held by such Bank, and/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, RFC 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 9.7. The Company also agrees that each Participant shall be entitled to the benefits of subsections 2.12, 2.13 and 2.14 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 9.1.

(c) Any Bank other than a Conduit Lender 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 Lender Affiliate thereof, and, with the consent of the Company (unless an Event of Default is continuing), RFC 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/or obligations under this Agreement and the Notes pursuant to a 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 a Lender Affiliate, and subject to the other qualifiers above, by the Company and RFC) and agreement by such Purchasing Banks to be bound by the terms of this agreement including without limitation the provisions of subsection 9.15 hereof; provided, however, that (i) each such sale shall be accompanied by a corresponding simultaneous assignment of such selling Bank's pro rata share to the Purchasing Bank of (x) its Commitment by taking such action as set forth in subsection 4.5(a) of the Liquidity Agreement and (y) its Tranche B Commitment (as defined in the 364-Day Facility) pursuant to and in accordance with the provisions of subsection 10.6(d) of the 364-Day Facility and (ii) the Purchasing Bank shall be an Eligible Assignee (as defined in the Liquidity Agreement). Upon (i) such execution of such Transfer Supplement, (ii) delivery of an executed copy thereof to the Company and RFC, (iii) compliance with the assignment procedures under subsection 4.5(a) of the Liquidity Agreement and (iv) payment, if any, 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. Such 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 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 9.6(c), 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 interests or, as appropriate, their outstanding RFC Loans as adjusted pursuant to such Transfer Supplement. Notwithstanding the foregoing, any Conduit Lender may assign at any time to its designating Bank hereunder with the consent of RFC, which consent shall not be unreasonably withheld, but without the consent of the Company or the Agent any or all of the RFC Loans it may have funded hereunder and pursuant to its designation agreement and without regard to the limitations set forth in the first sentence of this subsection 9.6(c); provided, that such designating Bank affirms its obligations pursuant to subsection 9.15.

(d) The Agent shall maintain at its address referred to in subsection 9.2 (a) copy of Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the RFC Loans owing to, RFC and to each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agent, RFC and the Banks may treat each Person whose name is recorded in the Register as the owner of the RFC Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Company, RFC or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a 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, RFC and the Agent) together with payment to the Agent of a registration and processing fee of \$3,500, the Agent shall (i) promptly accept such 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 RFC, the Banks and the Company.

(f) The Company authorizes each Bank to disclose to any Participant 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.

(g) If, pursuant to this subsection 9.6, any interest in this Agreement or any Note is transferred to a Non-U.S. Bank, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer to comply with the provisions of subsection 2.14.

(h) For the avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection 9.6 concerning assignments relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Bank to any Federal Reserve Bank in accordance with applicable law.

(i) Each of the Company, each Bank and the Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Bank designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

(j) Nothing in this section is intended to modify the requirements contained in the Liquidity Agreement for replacement, addition or participation of Banks thereto.

(k) RFC may, without the consent of any party, assign the RFC Loans at any time to a Liquidity Institution pursuant to the terms of the Liquidity Agreement.

9.7 Adjustments; Set-off. (a) Except to the extent that this Agreement provides for payments to be allocated to a particular Bank or Banks, if any Bank (a "Benefited Bank") shall at any time receive any payment of all or part of its RFC Loans, 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 7.1(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 RFC Loans, or interest thereon, such Benefited Bank shall purchase for cash from the other Banks such portion of each such other Bank's RFC Loans, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefited 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 Benefited 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 RFC 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.

(b) In addition to any rights and remedies of the Banks provided by law, at any time when an Event of Default is in existence, each Bank shall have the right, without prior notice to the Company, any such notice being expressly waived by the Company to the extent permitted by applicable law, upon any amount becoming due and payable by the Company hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank or any branch or agency thereof to or for the credit or the account of the Company. Each Bank agrees promptly to notify the Company and the Agent after any such setoff and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such setoff and application.

9.8 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.

9.9 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.

9.10 WAIVERS OF JURY TRIAL. THE COMPANY, RFC, THE 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.

9.11 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 judgment 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.

9.12 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 regulation or pursuant to subpoenas or other process to make information available to governmental or regulatory agencies and examiners or to others, (c) to each Bank's Affiliates, employees, agents (including accountants, legal counsel and other advisors) and Transferees and prospective Transferees so long as such Persons agree to be bound by this subsection 9.12 and (d) with the prior written consent of the Company.

9.13 Bankruptcy Petition Against RFC. Each party to this Agreement hereby covenants and agrees that on behalf of itself and each of its affiliates, that prior to the date which is one year and one day after the payment in full of all outstanding indebtedness of RFC, such party will not institute against, or join any other Person in instituting against, RFC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States. The agreements contained in this subsection and the parties' respective obligations hereunder shall survive the termination of this Agreement.

9.14 Special RFC Indemnity. The Company agrees to indemnify RFC and its officers, managers, members (and the direct and indirect owners of such members), employees, representatives and agents from and against all liabilities, losses, suits, costs or expenses of any kind in any way related to the acquisition by RFC of RFC Loans (collectively, "Indemnified Amounts"), provided, however that the Company shall not have any

obligations pursuant to this subsection 9.14 relating to any Indemnified Amounts resulting solely from the gross negligence or willful misconduct of the Person seeking indemnification. The Company's liability with respect to any Indemnified Amounts with respect to income taxes shall be limited to the amount of tax (calculated based upon the highest marginal U.S. federal income tax rate for individuals and the highest marginal state and local tax rates for individuals resident in New York City), plus interest and penalties thereon, on the increase in net income of RFC as a result of, arising out of, or in any way related to or by reason of the successful assertion by any governmental authority that the Intended Characterization is inappropriate in any regard. As used herein, "Intended Characterization" means that, for all applicable state, local and federal income tax purposes, RFC's acquisition of RFC Loans shall be treated as the acquisition by RFC of a debt instrument. This indemnity is in addition to any obligations of the Company set forth in subsection 9.5. The agreements contained in this subsection and the parties' respective obligations hereunder shall survive the termination of this Agreement.

9.15 Limited Recourse. Each party to this Agreement acknowledges and agrees that all transactions with RFC shall be without recourse of any kind to RFC. RFC shall have no obligation to pay any amounts constituting fees, reimbursement for expense or indemnities owing under this Agreement (collectively, "Expense Claims") and such Expense Claims shall not constitute a claim (as defined in Section 101 of Title 11 of the United States Bankruptcy Code) against RFC unless and until RFC has received sufficient amounts pursuant to the CP Rate Loans to pay such Expense Claims and such amounts are not required to pay the outstanding indebtedness of RFC. The agreements contained in this section and the parties' respective obligations hereunder shall survive the termination of this Agreement.

[remainder of this page intentionally blank - signature pages follow]

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 H. Bloem

Name: James H. Bloem

Title: Senior Vice President, Chief
Financial Officer and Interim
Treasurer

JPMORGAN CHASE BANK, as Agent and as
a Bank

By: /s/ Dawn Lee Lum

Name: Dawn Lee Lum

Title: Vice President

RELATIONSHIP FUNDING COMPANY, LLC

By: /s/ Thomas J. Irvin

Name: Thomas J. Irvin

Title: Manager

BANK OF AMERICA, N.A.

By: /s/ Richard L. Nichols, Jr.

Name: Richard L. Nichols, Jr.

Title: Managing Director

CITIBANK, N.A.

By: /s/ David A. Dodge

Name: David A. Dodge

Title: Managing Director

WACHOVIA BANK

By: /s/ Thomas L. Stitchberry

Name: Thomas L. Stitchberry

Title: Managing Director

LEHMAN BROTHERS HOLDINGS, INC.

By: /s/ G. Andrew Keith

Name: G. Andrew Keith

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ Carolyn A. Calloway

Name: Carolyn A. Calloway

Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Sandra J. Hartay

Name: Sandra J. Hartay

Title: Vice President

PNC BANK, N.A.

By: /s/ Nicholas A. Aponte

Name: Nicholas A. Aponte

Title: Vice President

NATIONAL CITY BANK OF KENTUCKY

By: /s/ Deroy Scott

Name: Deroy Scott

Title: Senior Vice President

THE BANK OF NEW YORK

By: /s/ Michael Flannery

Name: Michael Flannery

Title: Managing Director

BRANCH BANKING AND TRUST COMPANY

By: /s/ Frank R. Eckerd

Name: Frank R. Eckerd

Title: Senior Vice President

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SCHEDULE I

Lending Offices; Addresses for Notices

JPMORGAN CHASE BANK

270 Park Ave, 48th Floor
New York, NY 10017
Attention: Dawn Lee Lum
Telephone: (212) 270-2472

PNC BANK, NATIONAL ASSOCIATION

1600 Market Street, 22nd Floor
Philadelphia, PA 19103
Attention: Nicholas A. Aponte
Telephone: (215) 585-5407

THE BANK OF NOVA SCOTIA

600 Peachtree St. N.E
Atlanta, GA 30308
Attention: Pat Brown
Telephone: (404) 877-1506

LEHMAN BROTHERS HOLDING, INC.

745 7th Avenue, 19th Floor
New York, NY 10019
Attention: Francis Chang
Telephone: (212) 526-5390

THE BANK OF NEW YORK

One Wall Street
New York, NY 10286
Attention: Patrick Vatel
Telephone: (212) 635-7882

NATIONAL CITY BANK OF KENTUCKY

101 South Fifth Street, 37th Floor
Louisville, KY 40202
Attention: Dero Scott
Telephone: (502) 581-7821

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BANK OF AMERICA, N.A.

100 N. Tryon Street, NC 1-007-17-11
Charlotte, NC 28255
Attention: Joe Corah
Telephone (704) 386-5976

WACHOVIA BANK, N.A.

301 S. College Street DC-5
Charlotte, NC 28288
Attention: Lance Black
Telephone: (704) 374-6628

CITIBANK, N.A.

388 Greenwich Street
New York, NY 10013
Attention: David Dodge
Telephone: (212) 816-4143

U.S. BANK NATIONAL ASSOCIATION

777 E. Wisconsin Avenue, MK-WI-TGCB
Milwaukee, WI 53202
Attention: Sandra J. Hartay
Telephone: (414) 765-6004

BRANCH BANKING AND TRUST COMPANY

500 West Broadway
Louisville, KY 40202
Attention: Frank Eckerd
Telephone: (502) 562-5877

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SCHEDULE II

PRICING GRID

Public Debt Ratings S&P/Moody's	Alternate Base Rate Margin	Eurodollar Margin
Level 1 \geq BBB+/Baa1	0 bps	85 bps
Level 2 \geq BBB/Baa2	0 bps	95 bps
Level 3 \geq BBB-/Baa3	5 bps	105 bps
Level 4 \geq BB+/Ba1	20 bps	120 bps
Level 5 < BB+/Ba1	37.5 bps	137.5 bps

Pricing will be determined based upon the lower of the ratings from S&P or Moody's, but in the event the Company's ratings are more than one Level apart, the pricing will be determined by using the rating which is one Level above the lower rating; provided, that (i) if on any day the ratings from S&P or Moody's are not at the same Level, then the Level applicable to the lower of such ratings shall be applicable for such day, (ii) if on any day the rating of only one of S&P or Moody's is available, then the Level of such rating shall be applicable for such day and (iii) if on any day a rating is available from neither of S&P or Moody's, then Level 5 shall be applicable for such day. Any change in the applicable Level resulting from a change in the rating of a S&P or Moody's shall become effective on the date such change is publicly announced by S&P or Moody's, as applicable.

	Nine months ended September 30,		For the year ended December 31,			
	2002	2001	2000	1999	1998(4)	1997
(Dollars in thousands)						
Income (loss) before income taxes	\$ 212,441	\$ 183,080	\$ 113,990	\$ (404,839)	\$ 203,083	\$ 270,129
Fixed charges	32,638	52,010	52,843	53,592	61,327	28,793
Total earnings	\$ 245,079	\$ 235,098	\$ 166,833	\$ (351,247)	\$ 264,410	\$ 298,922
Interest charged to expense	\$ 12,888	\$ 25,302	\$ 28,615	\$ 33,393	\$ 46,972	\$ 19,617
One-third of rent expense	19,750	26,708	24,228	20,199	14,355	9,176
Total fixed charges	\$ 32,638	\$ 52,010	\$ 52,843	\$ 53,592	\$ 61,327	\$ 28,793
Ratio of earnings to fixed charges (1) (2)	7.5x	4.5x	3.2x	(3)	4.3x	10.0x

Notes

- (1) For the purposes of determining the ratio of earnings to fixed charges, earnings consist of income or loss before income taxes and fixed charges. Fixed charges include gross interest expense, amortization of deferred financing expenses and an amount equivalent to interest included in rental charges. One-third of rental expense represents a reasonable approximation of the interest amount.
- (2) There are no shares of preferred stock outstanding.
- (3) Due to a loss in 1999, caused primarily by pretax charges of \$584.8 million, the ratio coverage was less than 1.0x. Additional pretax earnings of \$404.8 million would be needed to achieve a coverage of 1.0x. Excluding pretax charges of \$584.8 million primarily related to goodwill write-down, losses on non-core asset sales, professional liability reserve strengthening, premium deficiency and medical reserve strengthening, the ratio of earnings to fixed charges would have been 4.4x for the year ended December 31, 1999.
- (4) Excluding 1998 pretax charges of \$132.4 million primarily related to the costs of certain market exits and product discontinuances, asset write-offs, premium deficiency and a one-time non-officer employee incentive, the ratio of earnings to fixed charges would have been 6.5x for the year ended December 31, 1998.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Humana Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael B. McCallister, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

 /s/ Michael B. McCallister
Michael B. McCallister
President and Chief Executive Officer

August 9, 2002

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Humana Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James H. Bloem, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ James H. Bloem
James H. Bloem
Chief Financial Officer

August 9, 2002