

As filed with the Securities and Exchange Commission on August 2, 2001

Registration No. 333-63384

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2

to
FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Humana Inc.
(Exact name of registrant as specified in its charter)

Delaware	6324
61-0647538	
(State or other jurisdiction (I.R.S. Employer of incorporation or organization) Identification No.)	(Primary Standard Industrial Classification Code Number)

500 West Main Street
Louisville, Kentucky 40202
(502) 580-1000
(Address and telephone number of principal executive offices)

ARTHUR P. HIPWELL
Senior Vice President and General Counsel
Humana Inc.
500 West Main Street
Louisville, Kentucky 40202
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(Name, address, and telephone number of agent for service)

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425 Lexington Avenue
New York, New York 10017
(212) 455-2000

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of

1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. []

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

Title of Securities Amount of to be Registered Registration Fee	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)
Senior Notes.....	\$300,000,000	100%	\$300,000,000
\$75,000(2)			

(1) Pursuant to Rule 457(a), the filing fee has been calculated based upon a bona fide estimate of the maximum offering price for the securities.

(2) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

+++++
+The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the +
+Securities and Exchange Commission is effective. This prospectus is not an +
+offer to sell these securities and is not soliciting an offer to buy these +
+securities in any state where the offer or sale is not permitted. +
+++++

Subject to Completion, dated August 2, 2001

PROSPECTUS

[HUMANA (R) LOGO]

\$300,000,000

% Senior Notes Due 2006

Interest on the notes is payable on and of each year, beginning , 2002. The notes will mature on , 2006. Interest will accrue from , 2001.

We may redeem the notes in whole or in part at any time prior to their maturity at the "make whole" redemption price described in this prospectus.

The notes will be unsecured and will rank equally with all of our other unsecured senior indebtedness.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Public offering price	Underwriting discount	Proceeds, before expenses, to Humana
Per Note	%	%	%
Total	\$	\$	\$

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes to purchasers on or about , 2001 through the Depository Trust Company.

Joint Book-Running Managers

JPMorgan

Lehman Brothers

Banc of America Securities LLC
 Salomon Smith Barney
 Wachovia Securities, Inc.
 Scotia Capital

U.S. Bancorp Piper Jaffray

, 2001

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

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FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements 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, information set forth under "Risk Factors," matters described in the documents incorporated by reference in this prospectus and the following factors:

- . our ability to continue to effectively implement our recent strategic and operational initiatives,
- . our ability to manage health care costs,
- . our ability to predict future medical cost trends as they relate to appropriately pricing our products and setting levels of benefits,
- . adverse results in pending or future litigation,
- . increased negative publicity regarding the health care industry, and
- . legislative reform or other increased governmental regulation of the health care industry.

Words like "expect," "anticipate," "intend," "plan," "believe," "estimate" and variations of such words and similar expressions are intended to identify such forward-looking statements. We undertake no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. There may also be other risks that we are unable to predict at this time.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We are a reporting company under the Securities Exchange Act of 1934 and file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may inspect and copy such material at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, New York 10048. You may also obtain copies of such material from the SEC at prescribed rates for the cost of copying by writing to the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms. You can also find our SEC filings at the SEC's web site at www.sec.gov.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus information contained in documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference into this prospectus is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by

reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

- . Our Annual Report on Form 10-K for the fiscal year ended December 31, 2000;
- . Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001; and
- . Our Current Reports on Form 8-K filed on July 30, 2001 and Form 8-K/A filed on July 31, 2001.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

500 West Main Street
Louisville, Kentucky 40202
(502) 580-1000
Attn: Investor Relations

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before making an investment decision. References to "we," "us," "our" and "Humana" mean Humana Inc. and all entities we own or control.

Humana Inc.

Our Company

We are one of the largest publicly-traded health benefits companies, based on our 2000 revenues of \$10,514 million. We offer coordinated health insurance coverage and related services principally through traditional and Internet-based plans to employer groups and government-sponsored plans. As of May 31, 2001, we had over 6.5 million members in our medical insurance programs, including approximately 1.2 million new members as a result of a recent acquisition, as well as approximately 2.2 million members in our specialty products programs. We contract directly with more than 400,000 physicians, hospitals, dentists and other providers to provide health care to our members. In the first quarter of 2001, over 70% of our premium revenues was derived from members located in Florida, Illinois, Texas, Kentucky and Ohio.

We have organized our business into Commercial and Government segments. Our Commercial segment consists of three lines of business marketed primarily to employer groups: fully insured medical, administrative services only, and specialty. Our fully insured medical products include health maintenance organizations, or HMOs, and preferred provider organizations, or PPOs. We offer our administrative services only, or ASO, products to large employers who self-insure medical benefits. As a complement to our medical products, we offer specialty insurance products, including dental, group life and short-term disability. Our Government segment includes government-sponsored benefit plans under three programs: Medicare+Choice, Medicaid and TRICARE, which provides health insurance coverage to dependents of active duty military personnel and to retired military personnel and their dependents.

Throughout 2000 and to date in 2001, we have focused on two top priorities: completing our turnaround and positioning our company for the future.

Our Turnaround

We have substantially completed our turnaround which has encompassed a renewed focus on setting appropriate premiums, operating with cost-efficient levels of staffing, improving product and process design and identifying and disposing of non-core operations. Components of this plan have included the following:

- . Naming new management and realigning responsibilities--In February 2000,

we named Michael B. McCallister, a Humana employee for over 25 years, our president and chief executive officer. Additional management changes include the naming of James H. Bloem as our chief financial officer as well as the promotion of Kenneth J. Fasola and James E. Murray as chief operating officers over our respective market and service operations. In addition, in 2001 we completed a management realignment in order to

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enable our senior management team to better focus the selling, operating and support activities of our core businesses.

- . Exiting from non-core operations--After a comprehensive review of our operations, we divested our workers' compensation business and portions of our Medicaid business. We also reinsured with third parties substantially all of our Medicare supplement business. In addition, as of January 1, 2001, we exited 45 non-core counties in our Medicare+Choice business and discontinued aspects of our product line focusing on small group commercial businesses in 17 states.
- . Strengthening our core businesses--We have taken a number of steps to strengthen our core commercial businesses, including:
 - o adopting a more profit-focused pricing and benefit design strategy, including increasing premiums, implementing our three-tiered copayment pricing formula for prescription drugs, which we refer to as Rx3, and revising our pricing policies, which are designed to better anticipate prospective changes in provider contracting charges and to decrease the ability to reduce standard prices during the quoting process;
 - o enhancing our actuarial leadership and staff and refining the link between our actuarial analysis and pricing;
 - o creating operating units and service coordinators for each of our primary product lines in each of the markets in which we operate in order to improve our interaction with our members and increase accountability;
 - o further developing our electronic and Internet infrastructure to enable more claims to be filed and processed electronically; and
 - o strengthening our large group commercial and ASO product lines, which we believe offer significant future growth potential, by incorporating new product designs, new process designs and technology and by adding depth to our functional leadership and sales force in these areas.
- . Reducing employment costs--As a result of membership reductions, exiting non-core businesses and operational reviews, between January 2000 and March 2001, we reduced the number of our employees by approximately 3,100, or 18%.

In the first quarter of 2001, our income before income taxes was \$42 million, an increase of 56% over income before income taxes of \$27 million for the first quarter of 2000.

Positioning for the Future

We continue to pursue initiatives that are focused on strengthening our core businesses, streamlining operations, enhancing profitability and positioning our company for future growth. Key elements of our strategy going forward include the following:

- . Growing through innovative commercial product designs--We are focused on designing and marketing products that better address rising health care costs for our members. We believe innovative consumer-focused products and benefit designs, which give members an expanded role in selecting benefits and cost responsibility, will help drive profitable growth as employers recognize the value of increased consumer responsibility for health care expenses.

- . Utilizing technology to reduce overhead and improve customer satisfaction--We are committed to developing a strong information infrastructure. We are focused on developing technology that allows consumers to see on-line, real-time information about their benefits, eligibility, referrals, claims and other information in a secured environment. This technology is currently available to our members, brokers, agents and providers. We are in the process of introducing additional enhancements to our technological capabilities that we believe will increase administrative efficiency and also lead to membership growth through greater customer satisfaction.
- . Focusing on Commercial segment profitability through disciplined pricing and market decisions--Although our turnaround plan is substantially complete, we continue to evaluate our business lines on a market-by-market basis. Our current objective is to profitably grow our Commercial segment membership in our core markets by focusing on opportunities that satisfy our pricing criteria.
- . Managing our Government segment effectively, leveraging our expertise in managing government contracts and government-related programs--We have gained substantial expertise in managing government contracts through our experience with our TRICARE, Medicare and Medicaid businesses. We believe that the experience and infrastructure needed to operate these business lines can be leveraged profitably. For example, we recently acquired a second TRICARE contract which will utilize existing TRICARE infrastructure. Our current objective is to focus on our existing Government business and use our experience to manage it efficiently and profitably.

Recent Developments

On May 31, 2001, we acquired for approximately \$45 million the outstanding shares of common stock of a newly formed Anthem Alliance Health Insurance Company subsidiary responsible for administering TRICARE benefits to approximately 1.2 million eligible members. We provide ASO services for 592,000 of the total 1.2 million eligible members. Premium revenues for this business were approximately \$141 million for the quarter ended March 31, 2001 and approximately \$553 million for the year ended December 31, 2000.

Upon becoming Medicare eligible, which is normally at age 65, TRICARE beneficiaries generally stop receiving benefits under the TRICARE program and begin receiving benefits under a Medicare program. However, as of April 1, 2001, a new government program which allows beneficiaries to continue in the TRICARE program even after becoming eligible for Medicare became effective. As of May 31, 2001, we provided pharmacy benefits in an administrative capacity pursuant to this new program to approximately 555,000 members under our two TRICARE contracts. Effective October 1, 2001, the benefits under this administrative services program will be expanded to include medical benefits.

On July 30, 2001, we issued a press release in which we announced our results for the second quarter ended June 30, 2001.

We reported \$.15 earnings per diluted share for the second quarter ended June 30, 2001 versus \$.11 earnings per diluted share for the second quarter of 2000. Earnings per diluted share for the first six months were \$.31 compared to \$.24 a year ago.

Net income for the second quarter of 2001 was \$25 million compared to net income of \$19 million for the same period in the prior year, a 32% increase. Net income for the first six months of \$52 million compares with \$40 million in the same period a year ago. Income before

income taxes for the quarter was up 63% to \$39 million versus \$24 million a

year ago. Comparable amounts for the six months ended June 30, 2001 and 2000 were \$81 million and \$51 million, respectively.

Revenue in the second quarter was \$2.48 billion versus \$2.70 billion in the second quarter of 2000. We exited numerous non-core markets and products in the latter part of 2000, accounting for the decline in second quarter revenues. Those markets and products were deemed non-core because they either lacked potential for profitability or did not fit into our strategic focus, or both.

Second quarter premium revenues for the Commercial segment totaled \$1.29 billion compared to \$1.41 billion for the same period in 2000. Fully insured medical business within the segment averaged premium yields of 12.7% for the second quarter of 2001 compared to 12.0% for the second quarter of 2000 and 14.1% in the first quarter 2001. Membership for the fully insured medical line declined by 1.9% to 2,343,300 at June 30, 2001 from 2,387,900 at March 31, 2001, as we continued to focus on pricing discipline in certain non-strategic markets where the majority of our business is in the small group line, and continued to exit certain unprofitable markets. Although our fully insured commercial medical membership declined slightly through the end of the second quarter of 2001, we anticipate slight growth in the latter half of 2001 in this membership.

Government segment premium revenues totaled \$1.16 billion in the second quarter of 2001 versus \$1.25 billion for the prior year's quarter. Our Medicare+Choice line averaged premium yields of 8.8% during the second quarter versus 6.3% in the prior year's quarter and 7.0% in the first quarter 2001. Medicare+Choice membership at June 30, 2001 was 418,000 versus 428,100 at March 31, 2001, a decline of 10,100 members. TRICARE premium revenues increased to \$300 million in the second quarter versus \$227 million in the prior year's quarter. Our TRICARE membership base expanded sequentially by 1.6 million members primarily through the acquisition of the TRICARE regions 2 and 5 business on May 31, 2001 and the addition of the TRICARE senior pharmacy program during the quarter. Of the 2.7 million TRICARE members, approximately 940,000 are in self-funded type arrangements which have correspondingly higher administrative expenses.

Our medical expense ratio for the second quarter was 83.7%, versus a ratio of 85.0% for the same period in 2000 and a ratio of 83.2% in the first quarter of 2001. Our exit from numerous non-core markets and products in the latter part of 2000 (as well as 45 Medicare+Choice counties on January 1, 2001) drove much of the year-over-year improvement in its medical expense ratio.

Medical cost trends for the commercial fully insured medical line of business were in the 9% to 10% range for the second quarter of 2001, unchanged from both the first quarter 2001 and the second quarter of 2000.

Medicare+Choice medical cost trends for the second quarter 2001 ranged from 3% to 4%, down significantly from 7% to 8% for the second quarter of 2000. The exit from the 45 Medicare+Choice counties combined with the effect of significant benefit reductions, both effective January 1, 2001, helped drive the lower cost trends.

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Continued emphasis on controlling administrative costs resulted in a sequential decrease of 30 basis points in our selling, general and administrative expense ratio to 14.2%. This compares to 14.5% in the first quarter of 2001 and a ratio of 13.6% from the year-ago quarter.

Our effective tax rate of 36% for the second quarter of 2001 is unchanged from the first quarter 2001 and compares to 21% for each of the 2000 quarters.

The lower effective tax rate for 2000 related to the disposition of our workers' compensation business.

Excluding the timing of the receipt of the Medicare premium payment from the Centers for Medicare and Medicaid Services, previously the Health Care Financing Administration, cash flows provided by operations totaled \$45 million in the second quarter of 2001. Cash flows during the quarter include the negative impact of a \$39 million reduction in claims inventories as the percentage of claims both received and paid electronically accelerated, and \$42 million primarily related to the timing of payments to our pharmacy benefit management company and run-off payments for terminated members. All of these had a corresponding impact on our days in claims payable and reserves.

The following table summarizes our results for the second quarter ended June 30, 2001.

UNAUDITED FINANCIAL HIGHLIGHTS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
(in millions, except per share results, membership and ratios)				
Summary of Operations:				
Revenues.....	\$ 2,479	\$ 2,696	\$ 4,924	\$ 5,338
Income before income taxes.....	39	24	81	51
Net income.....	25	19	52	40
Basic earnings per common share.....	\$ 0.15	\$ 0.11	\$ 0.31	\$ 0.24
Diluted earnings per common shares...	\$ 0.15	\$ 0.11	\$ 0.31	\$ 0.24
Operating Data:				
Medical expense ratio.....	83.7%	85.0%	83.4%	85.0%
SG&A expense ratio.....	14.2%	13.6%	14.3%	13.6%
EBITDA(1).....	\$ 85	\$ 68	\$ 173	\$ 137

	At June 30,	
	2001	2000
Medical Membership by Segment		
Commercial:		
Fully insured.....	2,343,300	2,844,500
Administrative services only.....	548,100	655,700
Medicare supplement.....	--	38,800
Total Commercial.....	2,891,400	3,539,000
Government:		
Medicare+Choice.....	418,000	522,100
Medicaid.....	488,400	675,100
TRICARE.....	1,725,800	1,049,100
TRICARE ASO.....	939,400	--
Total Government.....	3,571,600	2,246,300
Total medical membership.....	6,463,000	5,785,300

(1) See footnote (f) to Selected Consolidated Financial Data.

For additional information regarding our financial results for the quarter ended June 30, 2001, we refer you to our Current Reports on Form 8-K, which we filed with the SEC on July 30, 2001 and Form 8-K/A, which we filed with the SEC on July 31, 2001. See "Incorporation of Certain Documents by Reference."

We were incorporated in Delaware in 1964. Our principal executive offices are located at 500 West Main Street, Louisville, Kentucky 40202. Our telephone number at that address is (502) 580-1000. Our world wide web site address is www.humana.com. The information contained in our web site does not constitute part of this document.

The Offering

Issuer.....	Humana Inc.
Notes offered.....	\$300,000,000 aggregate principal amount of % senior notes due 2006.
Maturity.....	, 2006.
Interest payment dates.....	on and of each year, commencing on , 2002.
Ranking.....	The notes will be unsecured senior obligations and will rank equally with all of our existing and future unsecured and unsubordinated indebtedness. The notes will effectively rank junior to any of our existing and future secured indebtedness and will be structurally subordinated to any indebtedness and other liabilities of our subsidiaries.
Optional redemption.....	We may redeem the notes, in whole or in part, at any time at the "make whole" redemption price set forth in this prospectus.
Covenants.....	The indenture governing the notes will contain covenants that, subject to exceptions and qualifications, limit our ability and the ability of our subsidiaries to: <ul style="list-style-type: none"> . create liens, and . consolidate, merge or transfer all or substantially all of our assets. See "Description of the Notes" in this prospectus.
Use of proceeds.....	We estimate that our net proceeds, less estimated costs of the offering, will be approximately \$ million. We intend to use the net proceeds of this offering for the repayment of indebtedness under our current credit facility.
Risk factors.....	See "Risk Factors" and other information included or incorporated by reference in this prospectus for a discussion of factors you should carefully consider before deciding to

invest in the notes.

Summary Consolidated Financial Data

We have derived the summary consolidated financial data below from our consolidated financial statements and accompanying notes, some of which appear elsewhere in this prospectus or are incorporated by reference in this prospectus. The summary consolidated financial data should be read together with "Selected Consolidated Financial Data" and our "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere or incorporated by reference in this prospectus.

Three Months Ended			Fiscal Years Ended December 31,			
March 31,			2000 (a)	1999 (b)	1998 (c)	1997 (d)
1996 (e)	2001	2000				
(in millions, except membership and ratios)						
Summary of Operations						
Revenues:						
Premiums.....	\$ 6,677	\$ 2,413	\$ 10,395	\$ 9,959	\$ 9,597	\$ 7,880
Investment and other income, net.....	111	32	119	154	184	156
			31			
Total revenues.....	6,788	2,445	10,514	10,113	9,781	8,036
			2,642			
Operating expenses:						
Medical.....	5,625	2,007	8,782	8,532	8,041	6,522
Selling, general and administrative.....	940	350	1,442	1,368	1,328	1,116
Depreciation and amortization.....	98	39	147	124	128	108
Asset write-downs and other charges.....	96			460	34	
			--			--
Total operating expenses.....	6,759	2,396	10,371	10,484	9,531	7,746
			2,607			
Income (loss) from operations.....	29	49	143	(371)	250	290
Interest expense.....	11	7	29	33	47	20
			8			

Income (loss) before income taxes.....	114	(404)	203	270
18 42 27				
Provision (benefit) for income taxes.....	24	(22)	74	97
6 15 6				
-----	-----	-----	-----	-----
Net income (loss).....	\$ 90	\$ (382)	\$ 129	\$ 173
12 \$ 27 \$ 21				
=====	=====	=====	=====	=====
Financial Position				
Cash and investments....	\$ 2,307	\$ 2,779	\$ 2,844	\$ 2,828
1,921 \$ 2,194 \$ 2,391				
Total assets.....	4,167	4,900	5,496	5,600
3,306 4,077 4,421				
Medical and other expenses payable.....	1,181	1,756	1,908	2,075
1,099 1,103 1,360				
Debt and other long-term obligations.....	742	830	977	1,057
361 733 832				
Stockholders' equity....	1,360	1,268	1,688	1,501
1,292 1,395 1,299				
Operating Data				
Medical expense ratio...	84.5%	85.7%	83.8%	82.8%
84.3% 83.2% 85.0%				
SG&A expense ratio.....	13.9%	13.7%	13.8%	14.2%
14.1% 14.5% 13.5%				
EBITDA (f).....	\$ 290	\$ (247)	\$ 378	\$ 398
127 \$ 88 \$ 69				
Ratio of earnings to fixed charges (g).....	3.2x	(h)	4.3x	10.0x
1.9x 4.2x 2.9x				
Medical Membership by Segment				
Commercial:				
Fully insured.....	2,545,800	3,083,600	3,261,500	3,258,600
2,759,600 2,387,900 2,977,500				
Administrative services only.....	612,800	648,000	646,200	651,200
471,000 547,200 657,000				
Medicare supplement....	--	44,500	56,600	68,800
97,700 -- 40,800				
-----	-----	-----	-----	-----
Total Commercial.....	3,158,600	3,776,100	3,964,300	3,978,600
3,328,300 2,935,100 3,675,300				
-----	-----	-----	-----	-----
Government:				
Medicare+Choice.....	494,200	488,500	502,000	480,800
364,500 428,100 518,000				
Medicaid.....	575,500	616,600	643,800	635,200
55,200 493,200 656,600				
TRICARE.....	1,070,400	1,058,000	1,085,700	1,112,200
1,103,000 1,070,900 1,060,000				
-----	-----	-----	-----	-----
Total Government.....	2,140,100	2,163,100	2,231,500	2,228,200
1,522,700 1,992,200 2,234,600				
-----	-----	-----	-----	-----
Total Medical Membership.....	5,298,700	5,939,200	6,195,800	6,206,800
4,851,000 4,927,300 5,909,900				
=====	=====	=====	=====	=====

Three

Months Ended

Fiscal Years Ended December 31,

March 31,

	2000 (a)	1999 (b)	1998 (c)	1997 (d)	1996 (e)	2001
2000						

(in millions, except membership and ratios)

Commercial Specialty

Membership						
Dental.....	1,665,900	1,628,200	1,375,500	936,400	844,800	
1,626,100	1,699,700					
Other.....	678,900	1,333,100	1,257,800	1,504,200	1,039,400	
640,500	1,280,400					

Total Commercial

Specialty						
Membership.....	2,344,800	2,961,300	2,633,300	2,440,600	1,884,200	
2,266,600	2,980,100					

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- (a) Includes the operations of Memorial Sisters of Charity Health Network since January 31, 2000, the date of our acquisition.
- (b) Includes charges of \$585 million pretax (\$499 million after tax, or \$2.97 per diluted share) primarily related to goodwill write-down, losses on non-core asset sales, professional liability reserve strengthening, premium deficiency and medical reserve strengthening.
- (c) Includes charges of \$132 million pretax (\$84 million after tax, or \$0.50 per diluted share) 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.
- (d) Includes the operations of the following entities since the dates we acquired them: Health Direct, Inc., February 28, 1997; Physician Corporation of America, September 8, 1997; and ChoiceCare Corporation, October 17, 1997.
- (e) Includes charges of \$215 million pretax (\$140 million after tax, or \$0.85 per diluted share) primarily related to the closing of the Washington, D.C. market and certain other markets, severance and facility costs for workforce reductions, product discontinuance costs, premium deficiency, litigation and other costs.
- (f) EBITDA is defined as earnings (including investment and other income) before interest expense, income taxes, depreciation and amortization. We are presenting information concerning EBITDA because we believe EBITDA is generally accepted as providing useful information regarding a company's ability to service and incur debt. However, EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to income from operations or net income as a measure of operating performance or to net cash provided by operating activities as a measure of liquidity. In addition, we operate as a holding company and our earnings are generated by our subsidiaries. See "Risk Factors--Risks Associated with the Notes--Our ability to obtain funds from our subsidiaries is limited and the notes will be effectively subordinated to all liabilities of our subsidiaries."
- (g) The ratio was calculated by dividing the sum of the fixed charges into the sum of the earnings and fixed charges. In calculating this ratio, earnings include income or loss before income taxes plus fixed charges. Fixed charges include 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.
- (h) Due to a loss in 1999 caused primarily by pretax charges of \$585 million, the ratio of earnings to fixed charges was less than 1.0x. Additional pretax earnings of \$404 million would have been needed to achieve a ratio

of 1.0x. Excluding pretax charges of \$585 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.

RISK FACTORS

You should carefully consider the risk factors described below, in addition to other information in this prospectus, before making a decision to purchase the notes.

Risks Relating to Our Business

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 revenue to pay the costs of health care services delivered to our members. These costs include claims payments, capitation payments, allocations of certain centralized expenses and various other costs incurred to provide health insurance coverage to our members, as well as 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 payment patterns, medical inflation, historical developments and other relevant factors, and create 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 services;
- . increased use of prescription drugs;
- . increased cost of individual services;
- . catastrophes;
- . epidemics;
- . the introduction of new or costly treatments;
- . medical cost inflation; and
- . new government mandated benefits or other regulatory changes.

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 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 introduced Rx3, our three-tiered copayment pricing formula for prescription drugs, as well as a new formula with four coverage levels which we have recently implemented. 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.

If competitive pressures restrict or lower the premiums we receive, our financial results could suffer.

In addition to the challenge of controlling health care costs, we face competitive pressure to contain premium prices. The managed health care industry is highly competitive and contracts for the sale of commercial products are generally bid upon or renewed annually. Many of our competitors are more established in the health care industry and have larger memberships and greater financial resources than we do in certain markets. In addition, other companies may enter our markets in the future. 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. Failure to compete effectively in our markets 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, such as employment and employment discrimination-related suits, employee benefit claims, breach of contract actions, tort claims, and shareholder suits, including securities fraud.

Recently, a number of purported class action lawsuits have been filed against us and some of our competitors in the health benefits business. The suits are purported class actions on behalf of all of our managed care members and network providers for alleged 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;
- . 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 certain business practices; and
- . claims relating to customer audits and contract performance.

In some cases, substantial non-economic or punitive damages, or treble damages, 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, certain types of damages, such as punitive damages, may not be covered by insurance, particularly in those jurisdictions in which coverage of punitive damages is prohibited. In connection with one ongoing lawsuit in which one of our subsidiaries is a defendant, *Chipps v. Humana Health Insurance Company of Florida, Inc.*, our liability carriers have preliminarily indicated they believe no coverage is available for punitive damages. Insurance coverage for all or some forms of liability may become unavailable or prohibitively expensive in the future.

is included in this prospectus under "Legal Proceedings" in "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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 and has been the subject of large jury awards that have affected or reflected public perception of the industry. This publicity and perception have been accompanied by increased litigation, 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, and may increase the regulatory burdens under which we operate. 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 involves, among other things, the 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 we have experienced, capable management and technical staff who are capable of implementing this strategy. However, the market for management and technical staff in the health care industry is competitive. Loss of key employees could adversely affect the implementation of our initiatives. 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 HMOs and PPOs 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;
- . mandatory products and benefits;
- . provider compensation arrangements;
- . member disclosure;
- . premium rates; and
- . periodic examinations by state and federal agencies.

State regulations require our HMO and insurance subsidiaries to maintain minimum net worth requirements and restrict certain investment activities. Additionally, those regulations restrict the ability of our subsidiaries to make dividend payments, loans, loan repayments or other payments to us. This could have a material adverse effect on our ability to repay the notes.

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;
- . defining medical necessity;
- . provider compensation;
- . health plan liability to members who fail to receive appropriate care;
- . disclosure and composition of physician networks; and
- . physicians' ability to collectively negotiate contract terms with carriers, including fees.

All of these proposals could apply to us. See "Business--Government Regulation; Health Care Reform."

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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity."

Congress is considering significant changes to Medicare, including a pharmacy benefit requirement. President Bush announced a prescription drug discount plan for Medicare-eligible seniors on July 12, 2001. We expect that this plan will be more fully developed in upcoming weeks and months by the Centers for Medicare and Medicaid Services, or CMS (formerly known as Health Care Financing Administration). We are unable to determine what effect, if any, the prescription drug discount plan will have on our products or our operating results.

Congress is also considering proposals relating to health care reform, including a comprehensive package of requirements for managed care plans called the Patient Bill of Rights, or PBOR, legislation. On June 29, 2001, the U.S. Senate passed PBOR legislation in the form of Senate Bill 1052, known as the McCain-Edwards bill. In addition to providing enhanced access to specialists, emergency care and an external review appeals process, the McCain-Edwards bill provides that patients could sue health plans for damages in state court over medical judgment disputes and in federal court over contractual claim disputes. The bill allows unlimited economic and noneconomic damages and also allows for up to \$5 million in "civil assessments", or punitive damages.

On June 29, 2001, President Bush stated that he would not sign the McCain-Edwards bill in its present form and would seek passage of H.R. 2315, known as the Fletcher bill, introduced by Representative Ernest Fletcher of Kentucky. The Fletcher bill would also provide enhanced access to specialists, emergency care and an external review appeals process. The Fletcher bill would also allow patients to sue health plans for damages, but subject those suits to many limitations not contained in the McCain-Edwards bill. Unlimited economic damages and up to \$500,000 in noneconomic damages would be recoverable in federal lawsuits under the Fletcher bill, but no punitive damages would be permitted. Causes of action in state court would permit unlimited damages to be recovered in circumstances where health plans act contrary to the findings of an independent review board. On August 1, 2001, President Bush announced that he had reached an agreement with Representative Charles Norwood of Georgia regarding PBOR legislation that would permit causes of action in state court

using federal standards for unlimited economic damages and up to \$1.5 million in noneconomic damages. If PBOR legislation becomes law, it could expose us to significant increased costs and additional litigation risks. Although we could attempt to mitigate our ultimate exposure from these costs through increases in premiums or changes in benefits, there can be no assurance that we will be able to mitigate or cover the costs stemming from any PBOR legislation or the other costs incurred in connection with complying with any PBOR or similar legislation.

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 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.

We are also subject to various governmental audits and investigations. These can include audits and investigations by state attorneys general, 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. See "Business--Government Regulation."

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;
- . higher comparative medical costs;
- . government regulatory and reporting requirements;

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- . higher marketing and advertising costs per member as a result of marketing to individuals as opposed to groups; and
- . the possibility that we will not be able to extend or renew any of the contracts relating to these programs. For example, our contracts with the Health Insurance Administration in Puerto Rico are scheduled to expire on August 31, 2001. We are currently in discussions with the Health Insurance Administration in Puerto Rico regarding future health care insurance benefits and any continuing business, and we are unable to predict if any new business will be awarded to us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Government Contracts".

These contracts also are generally subject to frequent change, including changes which 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 revenues, profitability and business prospects.

In addition, under one of our CMS contracts, at March 31, 2001 we provided health insurance coverage to approximately 245,200 members in Florida. This contract accounted for approximately 17% of our total premium revenues in 2000 and approximately 18% of our total premium revenues in the first quarter of 2001. The termination of this contract would likely have a material adverse effect upon our financial condition, results of operations and cash flows.

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, certain 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 a fixed amount to provide all required medical services to our members. The inability of providers to properly manage costs under these arrangements can result in the financial instability of such providers and the termination of their relationship with us. In addition,

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payment or other disputes between the primary care provider and specialists with whom it contracts can result in a disruption in the provision of services to our members or a reduction in the services available. A primary care provider's financial instability or failure to pay other providers for services rendered could lead that provider 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, the failure of any of which could have an adverse effect on the provision of services to our members and our operations.

Risks Associated with the Notes

Our ability to obtain funds from our subsidiaries is limited and the notes will be effectively subordinated to all liabilities of our subsidiaries.

Because we operate as a holding company, the notes are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. Our subsidiaries are the operating entities which generate revenues. As a result, we will be dependent upon dividends, administrative expense reimbursements, and intercompany transfers of funds from our subsidiaries to meet our payment obligations on the notes. However, these subsidiaries are generally 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 exceeding a certain amount, or in some states any amount, from these subsidiaries, and we are required by law to maintain certain proscribed minimum amounts of capital in these subsidiaries. In addition, we normally notify these authorities prior to

making payments that do not require approval. Accordingly, since all of our premiums are earned by our subsidiaries, we cannot guarantee that sufficient funds will be available to us to pay interest on or the principal of the notes. In addition, in the event of our bankruptcy, liquidation or any similar proceeding, holders of notes will be entitled to payment only after the holders of any indebtedness and other liabilities of our subsidiaries have been paid or provided for by these subsidiaries, including the claims of our members. In addition, the indenture under which the notes will be issued permits our subsidiaries to incur additional indebtedness.

We have significant financial and operating restrictions in our debt instruments that may have an adverse effect on our operations.

Our bank credit facility contains numerous covenants that limit our ability to incur additional indebtedness, to create liens or other encumbrances, to make certain payments and investments, including dividend payments and to sell or otherwise dispose of assets and merge or consolidate with other entities. Our bank credit facility also requires us to meet certain financial ratios and tests. As of June 30, 2001, we had \$520 million outstanding under our bank credit facility. After taking into account \$60 million of outstanding commercial paper as of that date, there was an additional \$420 million available for us to borrow under that facility. Agreements we enter into in the future governing indebtedness could also contain significant financial and operating restrictions.

We are in the process of replacing our credit facility with a new credit facility. On June 29, 2001, we executed a commitment letter with J.P. Morgan Securities Inc. for a proposed new credit facility consisting of an up to \$300 million 4-year credit facility and an up to \$300 million 364-day credit facility. As of July 31, 2001, we have received commitments under this facility for an aggregate principal amount of \$465 million. We expect that the proposed new credit facility would contain customary restrictive and financial covenants as well as customary events of defaults. There can be no assurance that we will be able to enter into the new credit facility either at all or on the terms described above. See "Description of Other Indebtedness."

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A failure to comply with the obligations contained in our current or future bank credit facilities or indentures could result in an event of default or an acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We cannot be certain that we would have, or be able to obtain, sufficient funds to make these accelerated payments.

The notes are unsecured obligations.

The notes will not be secured by any of our assets and are subordinated to any of our existing and future secured indebtedness. Accordingly, in the event of our bankruptcy, liquidation or any similar proceeding, holders of the notes will be entitled to payment only after the holders of any of our secured indebtedness have been paid. As of May 31, 2001, we had \$4 million of secured indebtedness outstanding. In addition, the indenture under which the notes will be issued permits us to incur additional indebtedness.

A liquid trading market for the notes may not develop.

There has not been an established trading market for the notes. We do not intend to apply for listing of the notes on any securities exchange or for quotation through the National Association of Securities Dealers Automated Quotation System. Although each underwriter has informed us that it currently intends to make a market in the notes, it has no obligation to do so and may discontinue making a market at any time without notice. The liquidity of any market for the notes will depend on the number of holders of the notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. A liquid trading market may not develop for the notes.

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USE OF PROCEEDS

We estimate that our net proceeds from the issuance and sale of the notes will be approximately \$ million after deducting the underwriters' discount and estimated offering expenses. We intend to use all of the net proceeds from this offering to repay a portion of the amounts outstanding under our credit facility.

As of June 30, 2001, we had \$520 million outstanding under our credit facility, which expires in August 2002 and had an effective interest rate of 4.6%. Affiliates of several of the underwriters are lenders in our credit facility and, upon application of the proceeds from the offering of the notes, will receive their proportionate share of the amount of the credit facility to be repaid.

CAPITALIZATION

The following table sets forth our actual capitalization as of March 31, 2001 and as adjusted to reflect the sale of the notes and the receipt and use of the estimated net proceeds, after deducting the underwriting discounts and our estimated offering expenses.

	As of March 31, 2001	
	As	
	Actual	Adjusted
	(in millions)	
Short-term borrowings:		
Revolving credit facility.....	\$ 510	\$ 214
Commercial paper.....	80	80
	-----	-----
Total short-term borrowings.....	590	294
Long-term debt, excluding current portion:		
% senior notes due 2006.....	--	300
	-----	-----
Total debt.....	590	594
	-----	-----
Stockholders' equity:		
Preferred stock, \$1 par value; 10,000,000 shares authorized, none issued.....	--	--
Common stock; \$0.16 2/3 par value; 300,000,000 shares authorized; 170,688,314 shares issued.....	28	28
Capital in excess of par value.....	922	922
Retained earnings.....	488	488
Accumulated other comprehensive loss.....	(3)	(3)
Unearned restricted stock compensation.....	(27)	(27)
Treasury stock, at cost, 1,711,504 shares.....	(13)	(13)
	-----	-----
Total stockholders' equity.....	1,395	1,395
	-----	-----
Total capitalization.....	\$1,985	\$1,989
	=====	=====

As of March 31, 2001, we could borrow up to an additional \$410 million under our credit facility.

SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the selected consolidated financial data below from our consolidated financial statements and accompanying notes, some of which appear elsewhere in this prospectus or are incorporated by reference in this prospectus. The selected consolidated financial data should be read together with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere or incorporated by reference in this prospectus.

Three Months Ended

March 31,

Fiscal Years Ended December 31,

1996(e)	2001	2000 (a) 2000	1999 (b)	1998 (c)	1997 (d)
(in millions, except per share results, membership and ratios)					
Summary of Operations					
Revenues:					
Premiums.....	\$ 6,677	\$ 10,395	\$ 9,959	\$ 9,597	\$ 7,880
Investment and other income, net.....	\$ 2,413	\$ 2,611	154	184	156
	111	31			
Total revenues.....	6,788	10,514	10,113	9,781	8,036
	2,445	2,642			
Operating expenses:					
Medical.....	5,625	8,782	8,532	8,041	6,522
Selling, general and administrative.....	2,007	2,220	1,368	1,328	1,116
Depreciation and amortization.....	940	353	147	124	108
Asset write-downs and other charges.....	98	34	--	460	34
	96	--	--	--	--
Total operating expenses.....	6,759	10,371	10,484	9,531	7,746
	2,396	2,607			
Income (loss) from operations.....	29	143	(371)	250	290
Interest expense.....	11	8	29	33	47
	7				20
Income (loss) before income taxes.....	18	114	(404)	203	270
Provision (benefit) for income taxes.....	6	24	(22)	74	97
	15	6			
Net income (loss).....	12	90	(382)	129	173
	27	21			
Basic earnings (loss) per common share.....					
	\$ 0.07	\$ 0.54	\$ (2.28)	\$ 0.77	\$ 1.06
	\$ 0.16	\$ 0.13			
Diluted earnings (loss) per common share.....					
	0.07	0.54	(2.28)	0.77	1.05
	0.16	0.13			
Financial Position					
Cash and investments....	\$ 1,921	\$ 2,307	\$ 2,779	\$ 2,844	\$ 2,828
	\$ 2,194	\$ 2,391			

Total assets.....	4,167	4,900	5,496	5,600
3,306	4,077	4,421		
Medical and other				
expenses payable.....	1,181	1,756	1,908	2,075
1,099	1,103	1,360		
Debt and other long-term				
obligations.....	742	830	977	1,057
361	733	832		
Stockholders' equity....	1,360	1,268	1,688	1,501
1,292	1,395	1,299		
Operating Data				
Medical expense ratio...	84.5%	85.7%	83.8%	82.8%
84.3%	83.2%	85.0%		
SG&A expense ratio.....	13.9%	13.7%	13.8%	14.2%
14.1%	14.5%	13.5%		
EBITDA (f).....	\$ 290	\$ (247)	\$ 378	\$ 398
127	\$ 88	\$ 69		
Ratio of earnings to				
fixed charges (g).....	3.2x	(h)	4.3x	10.0x
1.9x	4.2x	2.9x		
Medical Membership by				
Segment				
Commercial:				
Fully insured.....	2,545,800	3,083,600	3,261,500	3,258,600
2,759,600	2,387,900	2,977,500		
Administrative services				
only.....	612,800	648,000	646,200	651,200
471,000	547,200	657,000		
Medicare supplement....	--	44,500	56,600	68,800
97,700	--	40,800		
-----	-----	-----	-----	-----
Total Commercial.....	3,158,600	3,776,100	3,964,300	3,978,600
3,328,300	2,935,100	3,675,300		
-----	-----	-----	-----	-----
Government:				
Medicare+Choice.....	494,200	488,500	502,000	480,800
364,500	428,100	518,000		
Medicaid	575,500	616,600	643,800	635,200
55,200	493,200	656,600		
TRICARE.....	1,070,400	1,058,000	1,085,700	1,112,200
1,103,000	1,070,900	1,060,000		
-----	-----	-----	-----	-----
Total Government.....	2,140,100	2,163,100	2,231,500	2,228,200
1,522,700	1,992,200	2,234,600		
-----	-----	-----	-----	-----
Total Medical				
Membership.....	5,298,700	5,939,200	6,195,800	6,206,800
4,851,000	4,927,300	5,909,900		
=====	=====	=====	=====	=====
=====	=====	=====	=====	=====

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Three Months Ended

March 31,

Fiscal Years Ended December 31,

-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
2001	2000	2000 (a)	1999 (b)	1998 (c)
		1997 (d)	1996 (e)	
-----	-----	-----	-----	-----

(in millions, except per share results, membership and ratios)

Commercial Specialty					
Membership					
Dental.....	1,665,900	1,628,200	1,375,500	936,400	844,800
1,626,100	1,699,700				
Other.....	678,900	1,333,100	1,257,800	1,504,200	1,039,400
640,500	1,280,400				

Total Commercial					
Specialty Membership..	2,344,800	2,961,300	2,633,300	2,440,600	1,884,200
2,266,600	2,980,100				

- (a) Includes the operations of Memorial Sisters of Charity Health Network since January 31, 2000, the date of our acquisition.
- (b) Includes charges of \$585 million pretax (\$499 million after tax, or \$2.97 per diluted share) primarily related to goodwill write-down, losses on non-core asset sales, professional liability reserve strengthening, premium deficiency and medical reserve strengthening.
- (c) Includes charges of \$132 million pretax (\$84 million after tax, or \$0.50 per diluted share) 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.
- (d) Includes the operations of the following entities since the dates we acquired them: Health Direct, Inc., February 28, 1997; Physician Corporation of America, September 8, 1997; and ChoiceCare Corporation, October 17, 1997.
- (e) Includes charges of \$215 million pretax (\$140 million after tax, or \$0.85 per diluted share) primarily related to the closing of the Washington, D.C. market and certain other markets, severance and facility costs for workforce reductions, product discontinuance costs, premium deficiency, litigation and other costs.
- (f) EBITDA is defined as earnings (including investment and other income) before interest expense, income taxes, depreciation and amortization. We are presenting information concerning EBITDA because we believe EBITDA is generally accepted as providing useful information regarding a company's ability to service and incur debt. However, EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to income from operations or net income as a measure of operating performance or to net cash provided by operating activities as a measure of liquidity. In addition, we operate as a holding company and our earnings are generated by our subsidiaries. See "Risk Factors--Risks Associated with the Notes--Our ability to obtain funds from our subsidiaries is limited and the notes will be effectively subordinated to all liabilities of our subsidiaries."
- (g) The ratio was calculated by dividing the sum of the fixed charges into the sum of the earnings and fixed charges. In calculating this ratio, earnings include income or loss before income taxes plus fixed charges. Fixed charges include 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.
- (h) Due to a loss in 1999 caused primarily by pretax charges of \$585 million, the ratio of earnings to fixed charges was less than 1.0x. Additional pretax earnings of \$404 million would have been needed to achieve a ratio of 1.0x. Excluding pretax charges of \$585 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.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements incorporated by reference into this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including but not limited to

those discussed in "Risk Factors" and elsewhere in this prospectus.

Introduction

We are one of the largest publicly-traded health benefits companies, based on our 2000 revenues of \$10,514 million. We offer coordinated health insurance coverage and related services principally through traditional and Internet-based plans to employer groups and government-sponsored plans. As of May 31, 2001, we had over 6.5 million members in our medical insurance programs, including approximately 1.2 million new members as a result of a recent acquisition, as well as approximately 2.2 million members in our specialty products programs. We contract directly with more than 400,000 physicians, hospitals, dentists and other providers to provide health care to our members. In the first quarter of 2001, over 70% of our premium revenues was derived from members located in Florida, Illinois, Texas, Kentucky and Ohio.

During the first quarter of 2001, we realigned our management to better reflect our focus on the consumer. As part of this management realignment, we redefined our business into two segments, Commercial and Government. The Commercial segment includes three lines of business: fully insured medical, ASO, and specialty. The Government segment includes three lines of business: Medicare+Choice, Medicaid, and TRICARE. Results of each segment are measured based upon income from operations before income taxes. We allocate administrative expenses, investment income, and interest expense, but not assets, to our segments. Members served by the 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. As a result, the profitability of each segment is interdependent.

Throughout 2000 and to date in 2001, we continued to implement a strategy targeted at improving our financial results while simultaneously positioning ourselves for future growth. Part of our strategy involved eliminating non-core businesses and focusing on improving the infrastructure related to our core businesses. Our core businesses are those that are profitable or have the potential to be profitable, have sufficient membership to allow us to contract with an adequate network of medical providers at appropriate rates or have steady performance.

During 2000 and to date in 2001, we completed transactions to divest our workers' compensation business and portions of our Medicaid businesses in north Florida, Milwaukee, Wisconsin, and Austin, Houston and San Antonio, Texas. We also reinsured with third parties substantially all of our Medicare supplement business. As of January 1, 2001, we exited 45 non-core counties in our Medicare+Choice business and discontinued aspects of our product line focusing on small group commercial businesses in 17 states. As of March 31, 2001, non-core membership accounted for less than 3% of our total membership. We intend to continue to reduce our remaining non-core membership through pricing actions, product streamlining and market exits.

Revenue and Medical Cost Recognition

Premium revenues are recognized as income in the period members are entitled to receive services. Premiums received prior to such period are recorded as unearned premium revenues.

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Medical costs include claim payments, capitation payments, allocations of certain centralized expenses and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals and others for medical care provided prior to the balance sheet date. Capitation payments represent monthly prepaid fees disbursed to participating primary care physicians and other providers who are responsible for providing medical care to members. We estimate the costs of our future medical claims and other expense payments using actuarial methods and assumptions based upon payment patterns, medical inflation, historical developments and other relevant factors, and create 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.

We reassess the profitability of our contracts for providing health insurance coverage to our members when current market operating results or forecasts indicate probable future losses. We record a premium deficiency in

current operations to the extent that the sum of expected medical costs, claim adjustment expenses and maintenance costs exceeds related future premiums. Anticipated investment income is not considered for purposes of computing the premium deficiency. Because the majority of our member contracts renew annually, we do not anticipate premium deficiencies, except when unanticipated adverse events or changes in circumstances indicate otherwise.

We believe our medical and other expenses payable are adequate to cover future claims payments required, however, such estimates are based on knowledge of current events and anticipated future events, and, therefore, the actual liability could differ from amounts provided.

Recent Developments

On May 31, 2001, we acquired for approximately \$45 million the outstanding shares of common stock of a newly formed Anthem Alliance Health Insurance Company subsidiary responsible for administering TRICARE benefits to approximately 1.2 million eligible members. We provide ASO services for 592,000 of the total 1.2 million eligible members. Premium revenues for this business were approximately \$141 million for the quarter ended March 31, 2001 and approximately \$553 million for the year ended December 31, 2000.

Upon becoming Medicare eligible, which is normally at age 65, TRICARE beneficiaries generally stop receiving benefits under the TRICARE program and begin receiving benefits under a Medicare program. However, as of April 1, 2001, a new government program which allows beneficiaries to continue in the TRICARE program even after becoming eligible for Medicare became effective. As of May 31, 2001, we provided pharmacy benefits in an administrative capacity under this new program to approximately 555,000 members under our two TRICARE contracts. Effective October 1, 2001, the benefits under this administrative services program will be expanded to include medical benefits.

On July 30, 2001, we issued a press release in which we announced our results for the second quarter ended June 30, 2001. For a discussion of the information contained in this press release, see "Prospectus Summary--Humana Inc.--Recent Developments."

For additional information regarding our financial results for the quarter ended June 30, 2001, we refer you to our Current Reports on Form 8-K, which we filed with the SEC on July 30, 2001 and Form 8-K/A, which we filed with the SEC on July 31, 2001. See "Incorporation of Certain Documents by Reference."

Comparison of Results of Operations

The following discussion deals primarily with our results of operations for the three-month periods ended March 31, 2001 and 2000, and the fiscal years ended December 31, 2000 and 1999. For a discussion of our results of operations for the fiscal year ended December 31, 1998, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated by reference in this prospectus.

Quarters Ended March 31, 2001 and 2000

Our premium revenues decreased 7.6% to \$2.4 billion for the quarter ended March 31, 2001, or the 2001 quarter, compared to \$2.6 billion for the quarter ended March 31, 2000, or the 2000 quarter. This decrease was due to medical membership reductions from exiting numerous non-core markets and products in the last three quarters of 2000, partially offset by higher premium yields. 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.

Our medical expense as a percentage of premium revenues, or medical expense ratio, for the 2001 quarter was 83.2% compared to 85.0% for the 2000 quarter. The decline in the medical expense ratio was primarily due to our exiting numerous higher cost, non-core markets and products, significant benefit reductions in our Medicare+Choice product effective January 1, 2001 and

improving fully insured commercial medical premium yields.

Our selling, general and administrative, or SG&A, expense as a percentage of premium revenues, or SG&A expense ratio, for the 2001 quarter was 14.5% compared to 13.5% in the 2000 quarter. This increase was the result of planned spending on infrastructure and technology initiatives combined with a lower ratio of members to employees. Depreciation and amortization increased \$5 million to \$39 million in the 2001 quarter from \$34 million in the 2000 quarter. The increase was the result of increased capital expenditures primarily related to our technology initiatives.

Income before income taxes totaled \$42 million for the 2001 quarter compared to \$27 million for the 2000 quarter.

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 2001 quarter was approximately 36% compared to 21% for the 2000 quarter. The lower effective tax rate for the 2000 quarter includes the benefit recognized for available capital loss carryforwards resulting from the sale of our workers' compensation business.

Net income was \$27 million, or \$0.16 per diluted share in the 2001 quarter compared to \$21 million, or \$0.13 per diluted share in the 2000 quarter. This earnings improvement resulted from actions taken to eliminate non-core businesses, significant Medicare+Choice benefit reductions, and improvements in determining premiums for our fully insured commercial medical membership, which process we refer to as pricing discipline.

Business Segment Information for the Quarters Ended March 31, 2001 and 2000

The following table presents certain financial data for our two segments for the 2001 quarter and 2000 quarter:

	Quarters Ended March 31,	
	2001	2000
	(in millions, except ratios)	
Premium revenues:		
Commercial.....	\$1,311	\$1,431
Government.....	1,102	1,180
	-----	-----
Total.....	\$2,413	\$2,611
	=====	=====
Medical expense ratios:		
Commercial.....	81.6%	83.4%
Government.....	85.0%	86.9%
	-----	-----
Total.....	83.2%	85.0%
	=====	=====
SG&A expense ratios (a):		
Commercial.....	16.6%	15.7%
Government.....	12.0%	10.9%
	-----	-----
Total.....	14.5%	13.5%
	=====	=====
Income before income taxes:		
Commercial.....	\$ 12	\$ 3
Government.....	30	24
	-----	-----
Total.....	\$ 42	\$ 27
	=====	=====

(a)Excludes depreciation and amortization.

Commercial

Our Commercial segment's premium revenues decreased 8.4% to \$1.3 billion for the 2001 quarter compared with \$1.4 billion for the 2000 quarter. Fully insured commercial medical premiums decreased 8.0% to \$1.2 billion during the 2001 quarter from \$1.3 billion in the 2000 quarter. This decrease was due to membership reductions offset by higher premium yields. Fully insured commercial medical membership decreased 19.8% to 2,387,900 compared with 2,977,500 in the 2000 quarter, as we continued to focus on opportunities that satisfy our pricing criteria and exited certain unprofitable markets. Fully insured commercial medical premium yields improved to 14.1% for the 2001 quarter compared to 11.4% for the 2000 quarter. Although our fully insured commercial medical membership declined slightly through the end of the second quarter of 2001, we anticipate slight growth in the latter half of 2001 in this membership.

Our Commercial segment's medical expense ratio for the 2001 quarter was 81.6%, decreasing from 83.4% in the 2000 quarter. This decrease resulted primarily from lower medical cost trends in our fully insured commercial product. Fully insured commercial medical cost trends were in the 9% to 10% range for the 2001 quarter compared to a range of 10% to 11% for the 2000 quarter. Medical cost trends represent the percentage increase in the average medical cost per member over the comparable period in the prior year. Items impacting medical cost trends include changes in contracted rates with providers, changes in utilization of benefits, changes in the geographic mix of membership, and changes in the mix of benefit

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plans selected by our membership. This improvement was primarily driven by lower physician and pharmacy cost trends offset by higher hospital utilization. Our three-tier pharmacy benefit continued to have a positive effect on pharmacy cost trends.

The SG&A expense ratio for the 2001 quarter increased 90 basis points to 16.6% compared to 15.7% for the 2000 quarter. This increase was the result of planned spending on infrastructure and technology initiatives combined with a lower ratio of members to employees.

Income before income taxes totaled \$12 million for the 2001 quarter compared to \$3 million for the 2000 quarter. This earnings increase was due to the continued focus on pricing discipline and the exit of certain unprofitable markets partially offset by a higher SG&A expense ratio.

Government

Premium revenues for our Government segment in the 2001 quarter decreased 6.6% to \$1.1 billion compared to \$1.2 billion in the 2000 quarter. The decrease was primarily due to membership reductions from market exits and divestitures. Medicare+Choice membership at March 31, 2001 was 428,100 compared to 518,000 at March 31, 2000, a decline of 89,900 members, primarily attributable to the previously announced exits from 45 non-core counties in our Medicare+Choice business on January 1, 2001. Medicaid membership at March 31, 2001 of 493,200 declined by 163,400 members compared to the 2000 quarter. This decline resulted primarily from the divestiture of the north Florida, Milwaukee, Wisconsin, and Austin and San Antonio, Texas Medicaid businesses. Medicare+Choice premium yields improved to 7.0% for the 2001 quarter compared to 6.2% for the 2000 quarter. We anticipate that for the remainder of 2001, Medicare+Choice premium yields will range from 4% to 5% as some members may choose plans with lower premiums and with correspondingly reduced benefits.

Our Government segment's medical expense ratio for the 2001 quarter was 85.0%, decreasing from 86.9% for the 2000 quarter. This decrease primarily resulted from exiting 45 non-core counties in our Medicare+Choice business with higher medical expense ratios on January 1, 2001 coupled with significant benefit design changes that also became effective January 1, 2001. Medicare cost trends were in the 4% to 5% range in the 2001 quarter compared to a range of 6% to 7% in the 2000 quarter. We anticipate that Medicare+Choice cost trends will be in the 3% to 5% range for the remainder of 2001, while membership levels are expected to remain relatively constant for the remainder of 2001.

Our Government segment's SG&A expense ratio for the 2001 quarter was 12.0%

compared to 10.9% for the 2000 quarter. This increase was the result of planned spending on infrastructure and technology initiatives combined with a lower ratio of members to employees.

Income before income taxes totaled \$30 million for the 2001 quarter compared to \$24 million for the 2000 quarter. This earnings increase was primarily attributable to improved premium yields relative to cost trends and reductions in higher cost, non-core membership, partially offset by a higher SG&A expense ratio.

Years Ended December 31, 2000 and 1999

1999 Asset Write-Downs and Operational Charges

The following table presents the components of the asset write-downs and operational charges and their respective classifications in our 1999 consolidated statement of operations:

	Selling, General and Medical Administrative	Asset Write-Downs and Other	Total
	(in millions)		
Premium deficiency.....	\$50		\$ 50
Reserve strengthening.....	35		35
Provider costs.....	5		5
Long-lived asset impairment.....		\$342	342
Losses on non-core asset sales....		118	118
Professional liability reserve strengthening and other costs....	\$35		35
	---	---	---
Total 1999 charges.....	\$90	\$35	\$460
	===	===	====

Premium Deficiency, Reserve Strengthening and Provider Costs

As a result of our assessment of the profitability of our contracts for providing health insurance coverage to our members in certain markets, we recorded a provision for probable future losses, or premium deficiency, of \$50 million during the first quarter of 1999. The failure of some of our providers to satisfy their contractual obligations and the renegotiation of our hospital agreement in Florida with HCA-The Healthcare Company, formerly Columbia/HCA Healthcare Corporation, or HCA, in March 1999, contributed to the premium deficiency by causing an increase in current and projected future medical costs. The beneficial effect from losses charged to the premium deficiency liability in 1999 was \$50 million.

Prior period adverse claims development primarily in our PPO and Medicare+Choice products initially identified during an analysis of February and March 1999 medical claims resulted in the \$35 million reserve strengthening. We release or strengthen medical claims reserves when favorable or adverse developments in prior periods exceed actuarial margins existing in the reserves. In addition, we paid HCA \$5 million to settle certain contractual issues associated with the March 31, 1999 hospital agreement in Florida.

Long-Lived Asset Impairment

Historical and current period operating losses in certain of our markets prompted a review during the fourth quarter of 1999 for the possible impairment of long-lived assets. This review indicated that estimated future undiscounted cash flows were insufficient to recover the carrying value of long-lived assets, primarily goodwill, associated with our Austin and Dallas, Texas and Milwaukee, Wisconsin markets. Accordingly, we adjusted the carrying value of these long-lived assets to their estimated fair value resulting in a non-cash impairment charge of \$342 million. Estimated fair value was based on discounted cash flows.

The long-lived assets associated with the Austin and Dallas markets

primarily resulted from our 1997 acquisition of Physician Corporation of America, or PCA. Operating losses in Austin and Dallas were related to the deterioration of risk-sharing arrangements with providers and the failure to effectively convert the PCA operating model and computer platform to our platform. The long-lived assets associated with the Milwaukee market primarily resulted from the 1994 acquisition of CareNetwork, Inc. Operating losses in Milwaukee were the result of

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competitor pricing strategies resulting in lower premium levels to large employer groups as well as market dynamics dominated by limited provider groups causing higher than expected medical costs.

In conjunction with the 1999 goodwill impairment, we also reviewed the estimated life assigned to goodwill. Effective January 1, 2000, we adopted a 20-year amortization period from the date of acquisition for goodwill previously amortized over 40 years.

The \$342 million long-lived asset impairment decreased future depreciation and amortization expense \$13 million annually (\$13 million after tax, or \$0.08 per diluted share), while the change in the amortization period of goodwill increased future amortization expense \$25 million annually (\$24 million after tax, or \$0.15 per diluted share).

Losses on Non-Core Asset Sales

Between December 30, 1999 and February 4, 2000, we entered into definitive agreements to sell our workers' compensation and north Florida Medicaid businesses and a definitive agreement to reinsure substantially all of our Medicare supplement business. Since the carrying value of the net assets of these businesses exceeded the estimated fair value, we recorded a \$118 million loss in 1999. The estimated fair value was established based upon definitive sale agreements, net of expected transaction costs. During the first half of 2000, we completed the sale of these businesses. There was no change in the estimated loss during 2000.

Professional Liability Reserve Strengthening and Other Costs

We insure substantially all professional liability risks through a wholly owned captive insurance subsidiary. Our subsidiary recorded an additional \$25 million expense during the fourth quarter of 1999 primarily related to claim and legal costs we expected to incur.

In addition, other expenses of \$10 million were recorded during the fourth quarter of 1999 related to a claim payment dispute with a contracted provider and a government audit.

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Comparison of Results of Operations

In order to enhance comparability as well as to provide a baseline against which historical and prospective periods can be measured, the following discussion comparing results for the years ended December 31, 2000 and 1999, excludes the previously described charges from our 1999 financial results, but does include in our 1999 financial results the beneficial effect from losses charged to premium deficiency liabilities on operating results for the periods shown, as described above. There were no adjustments to our results for 2000. The following table reconciles the results reported on the consolidated statement of operations, or reported results, to the results contained in the following discussion, or adjusted results, for 1999:

Reported Results	Excluded Charges (a)	Adjusted Results
-----	-----	-----
(in millions, except per share results)		

Consolidated Statement of Operations caption items that are adjusted:

Operating expenses:			
Medical.....	\$ 8,532	\$ (90)	\$ 8,442
Selling, general and administrative.....	1,368	(35)	1,333
Depreciation and amortization.....	124	--	124
Asset write-downs and other charges.....	460	(460)	--
	-----	-----	-----
Total operating expenses.....	10,484	(585)	9,899
(Loss) income from operations.....	(371)	585	214
(Loss) income before income taxes.....	(404)	585	181
Net (loss) income.....	\$ (382)	\$ 499	\$ 117
Basic (loss) earnings per common share.....	\$ (2.28)	\$2.97	\$ 0.69
Diluted (loss) earnings per common share.....	\$ (2.28)	\$2.97	\$ 0.69

	Reported Ratios	Ratio Effect of Excluded Charges (a)	Adjusted Ratios
	-----	-----	-----
Medical expense ratios:			
Commercial.....	84.9%	(1.1)%	83.8%
Government.....	86.7%	(0.7)%	86.0%
	-----	-----	-----
Total.....	85.7%	(0.9)%	84.8%
	=====	=====	=====
SG&A expense ratios (b):			
Commercial.....	16.0%	(0.3)%	15.7%
Government.....	10.9%	(0.4)%	10.5%
	-----	-----	-----
Total.....	13.7%	(0.3)%	13.4%
	=====	=====	=====

(a) Reflects the previously discussed medical expenses of \$90 million, SG&A expenses of \$35 million and asset write-downs and other charges of \$460 million.

(b) Excludes depreciation and amortization.

Our premium revenues increased 4.4% to \$10.4 billion for 2000 compared to \$10.0 billion for 1999. Higher premium revenues resulted primarily from strong premium yields partially offset by a decline in commercial membership. The fully insured commercial medical premium yield of 12.5% and the Medicare+Choice premium yield of 6.1% increased in 2000 compared to a fully insured commercial medical premium yield of 7.4% and a Medicare+Choice premium yield of 3.4% in 1999. Due to the impact the premium increases had on fully insured commercial medical member retention, total medical membership declined 640,500 with about half of the loss attributable to non-core members.

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Our medical expense ratio for 2000 was 84.5%, improving 30 basis points compared to an adjusted medical expense ratio of 84.8% for 1999. The 1999 ratio includes the beneficial effect of losses charged to premium deficiency liabilities and favorable workers' compensation liability adjustments recorded in 1999 but not recorded in 2000. Improving fully insured commercial medical claims experience from lower pharmacy cost trends and the reduction of higher cost, non-core membership was partially offset by higher Medicare+Choice utilization in the 45 non-core counties in our Medicare+Choice business which we exited on January 1, 2001. Fully insured commercial medical pharmacy cost trends improved to 3.5% in 2000 compared to 19.7% in 1999 primarily as a result of the conversion of members to a three-tier pharmacy benefit plan. See "Business--Our Turnaround."

The SG&A expense ratio, increased to 13.9% in 2000 from an adjusted ratio of 13.4% in 1999. Contributing to this increase were planned investments in infrastructure and technology initiatives and a lower ratio of members to employees. Depreciation and amortization increased \$23 million to \$147 million in 2000 from \$124 million in 1999, primarily as a result of the change to a 20-year life for goodwill previously amortized over 40 years.

Investment and other income totaled \$119 million in 2000, compared to \$154

million in 1999. The decrease resulted from a lower average invested balance caused primarily by the sale of our workers' compensation business, lower realized investment gains and a non-recurring \$12 million gain in 1999 from the sale of a tangible asset. Interest expense declined \$4 million during 2000 as a result of lower average outstanding borrowings.

Income before income taxes totaled \$114 million in 2000 compared to adjusted income before income taxes of \$181 million in 1999.

Our effective tax rate in 2000 was approximately 21% compared to an adjusted 35% effective tax rate in 1999. The lower effective tax rate was the result of recognizing the benefit of capital loss carryforwards resulting from the sale of our workers' compensation business.

Net income was \$90 million, or \$0.54 per diluted share in 2000 compared to adjusted net income of \$117 million, or \$0.69 per diluted share in 1999. The earnings decline resulted from favorable adjustments recorded during 1999, including premium deficiency and workers' compensation reserve adjustments and a gain from the sale of a tangible asset.

Business Segment Information for the Years Ended December 31, 2000 and 1999

The following table presents medical membership and activity for 2000 and 1999 for our Commercial and Government segments:

	2000			1999	
	Commercial	Government	Total	Commercial	Government
Total					
(in thousands)					
Beginning medical membership.....	3,776	2,163	5,939	3,964	2,232
6,196					
Sales/acquisition.....	520	303	823	640	384
1,024					
Cancellations/dispositions.....	(1,137)	(338)	(1,475)	(828)	(425)
(1,253)					
TRICARE change.....	--	12	12	--	(28)
(28)					
Ending medical membership.....	3,159	2,140	5,299	3,776	2,163
5,939					
Ending specialty membership.....	2,345	--	2,345	2,961	--
2,961					

The following table presents certain financial data for our two segments for the years ended December 31, 2000 and 1999:

	2000	1999 (a)
(in millions, except ratios)		

Premium revenues:			
Commercial.....	\$	5,555	\$ 5,568
Government.....		4,840	4,391
		-----	-----
Total.....	\$	10,395	\$ 9,959
		=====	=====
Adjusted medical expense ratios:			
Commercial.....		81.8%	83.8%
Government.....		87.5%	86.0%
		-----	-----
Total.....		84.5%	84.8%
		=====	=====
Adjusted SG&A expense ratios (b):			
Commercial.....		16.0%	15.7%
Government.....		11.5%	10.5%
		-----	-----
Total.....		13.9%	13.4%
		=====	=====
Adjusted income before income taxes:			
Commercial.....	\$	77	\$ 18
Government.....		37	163
		-----	-----
Total.....	\$	114	\$ 181
		=====	=====

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- (a) Excludes the previously discussed medical expenses of \$90 million (\$58 million Commercial and \$32 million Government), SG&A expenses of \$35 million (\$18 million Commercial and \$17 million Government) and asset write-downs and other charges of \$460 million (\$333 million Commercial and \$127 million Government).
- (b) Excludes depreciation and amortization.

Commercial

Our Commercial segment's premium revenues were \$5.6 billion in both 2000 and 1999, as membership reductions in 2000 offset higher premium yields. Our fully insured commercial medical premium yield of 12.5% in 2000 increased from 7.4% in 1999, reflecting our improved pricing. The improved pricing during 2000 resulted primarily from higher renewal rates as well as accelerated rate increases in Colorado and Texas where higher than expected medical cost trends had been experienced. Fully insured commercial medical membership fell 17.4% to 2,545,800 during 2000. The decrease in the number of members was caused primarily by our pricing actions, the termination of a large account in Texas, and the announced exit of our small group product in 17 states.

Our Commercial segment's medical expense ratio was 81.8% in 2000 compared to an adjusted medical expense ratio of 83.8% in 1999. This 200 basis point improvement resulted from declining pharmacy cost trends, corrective pricing related to higher cost, open access products and the reduction of higher cost, non-core membership. We reduced higher cost, non-core membership when we terminated a large account in Texas, announced our exit of our small group product in 17 states and reinsured substantially all of our Medicare supplement business. Fully insured commercial medical pharmacy cost trends improved to 3.5% compared to 19.7% from the conversion of members to a three-tier pharmacy benefit plan. Partially offsetting the improvement in the medical expense ratio were the beneficial effect from losses charged to premium deficiency liabilities and favorable workers' compensation liability adjustments recorded in 1999 but not in 2000.

The SG&A expense ratio was 16.0% in 2000 compared to an adjusted ratio of 15.7% in 1999. Contributing to this increase were planned investments in infrastructure and technology initiatives and a lower ratio of members to employees.

Income before income taxes totaled \$77 million in 2000 compared to adjusted income before income taxes of \$18 million in 1999. The earnings increase resulted from improved pricing and the reduction of high cost, non-core membership.

Government

Our Government segment's premium revenues increased 10.2% to \$4.8 billion in 2000 compared to \$4.4 billion in 1999. Medicare+Choice premiums increased 12.4% to \$3.3 billion in 2000 due to higher premium yields and increased membership. Premium yield increased to 6.1% during 2000 from the implementation of additional member premiums for many of our Medicare+Choice members and a higher proportion of members in markets with higher CMS reimbursement rates. Medicare+Choice membership increased by 5,700, or 1.2%, despite the exit from 29 non-core counties in our Medicare+Choice business on January 1, 2000. Total Government segment membership declined as a result of a transaction in 2000 to divest our north Florida Medicaid business.

Our Government segment's medical expense ratio increased 150 basis points to 87.5% compared to 86.0% in 1999. This increase resulted primarily from higher than expected utilization in the 45 non-core counties in our Medicare+Choice business which we exited on January 1, 2001.

Our SG&A expense ratio increased to 11.5% in 2000 from an adjusted ratio of 10.5% in 1999. Contributing to this increase were planned investments in infrastructure and technology initiatives and a lower ratio of members to employees.

The Government segment's income before income taxes declined \$126 million during 2000 to \$37 million from \$163 million in 1999. This earnings decline was primarily attributable to higher than expected utilization in the 45 non-core counties in our Medicare+Choice business which we exited on January 1, 2001.

Liquidity

The following table presents cash flows for the quarters ended March 31, 2001 and 2000, and the years ended December 31, 2000 and 1999, excluding the effects of the timing of the Medicare+Choice premium receipts and previously funded workers' compensation claim payments:

	Quarters Ended March 31,		Years Ended December 31,	
	2001	2000	2000	1999
Cash flows (used in) provided by operating activities.....	\$ (69)	\$ (70)	\$ 40	\$ 217
Timing of Medicare+Choice premium receipts...	(6)	(19)	18	(16)
Funded workers' compensation claim payments..	--	30	30	119
Pro forma cash flows (used in) provided by operating activities.....	\$ (75)	\$ (59)	\$ 88	\$ 320

The reduction in the funded workers' compensation claim payments resulted from the sale of this business on March 31, 2000. Pro forma operating cash used in the 2001 and 2000 quarters were negatively impacted by run-off claims payments related to terminated

membership and claims inventory pay downs. Our first quarter of 2001 included run-off claims payments related to terminated Medicare+Choice and fully insured commercial membership of \$55 million and a \$51 million pay down in claims inventories.

On March 31, 2000, we received \$125 million from the disposition of our workers' compensation business (\$60 million, net of cash and cash equivalents included in the disposed operating subsidiary). We used the proceeds from this transaction to reduce debt and fund infrastructure and information technology spending.

Our Board of Directors has authorized the repurchase of up to five million

of our common shares. As of June 30, 2001, we had repurchased approximately 3.5 million common shares for an aggregate purchase price of \$26 million at an average cost of \$7.71 per share. We did not repurchase any common shares during the first or second quarters of 2001.

Operating cash flows declined \$177 million for the year ended December 31, 2000, primarily from membership and claims inventory reductions, the timing of government premium receipts and a payment to settle a government audit. Partially offsetting these items were the net impact of reduced run-off claims payments and reinsurance recoveries from the sale of our workers' compensation business.

Our HMO and PPO subsidiaries, other than those dealing with TRICARE, operate in states that require minimum levels of equity, regulate the payment of distributions to Humana Inc. and limit investments to approved securities. As of March 31, 2001, the minimum statutory capital requirements of all of our regulated subsidiaries totaled \$604 million. As of that date, our regulated subsidiaries maintained aggregate statutory capital and surplus of approximately \$914 million, and each of these subsidiaries was in compliance with applicable statutory capital requirements. Although all of these subsidiaries are in compliance with or exceed applicable statutory capital requirements, the amount of distributions that may be paid by these subsidiaries without prior approval by state regulatory authorities is limited based on the entity's level of statutory net income and statutory capital and surplus, and in some states, prior approval is required before any distribution can be made. In addition, we normally notify these authorities prior to making payments that do not require approval.

Our HMO and PPO subsidiaries, other than those dealing with TRICARE, are impacted by the implementation of risk-based capital requirements, or RBC, recommended by the NAIC. RBC is a model developed by the NAIC to monitor legal entity solvency. The outcome of this calculation provides for minimum levels of capital and surplus for each regulated entity and determines regulatory measures should actual reported surplus fall below these recommended levels. Several states are currently in the process of phasing in these requirements for HMOs over a number of years. If RBC were fully implemented as of March 31, 2001, we would be required to fund additional capital into specific entities aggregating approximately \$73 million. After this capital infusion, we would have \$257 million of aggregate statutory capital and surplus above the required minimum level.

We file statutory-basis financial statements with state regulatory authorities in all states in which we conduct business. On January 1, 2001, changes to the statutory basis of accounting became effective. The cumulative effect of these changes was recorded as a direct adjustment to January 1, 2001 statutory surplus and did not materially impact our compliance with aggregate minimum statutory capital and surplus requirements.

We maintain an unsecured revolving credit agreement which provides a line of credit of up to \$1.0 billion and expires in August 2002. Principal amounts outstanding under our credit agreement were \$510 million at March 31, 2001 and \$520 million at December 31, 2000.

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Interest is at either a fixed rate or a floating rate, ranging from LIBOR plus 35 basis points to LIBOR plus 80 basis points, depending on our capitalization and credit ratings. In addition, we currently pay a 15 basis point annual facility fee on the entire \$1.0 billion facility amount, regardless of utilization. This facility fee may fluctuate between 6.5 and 20 basis points depending on our capitalization and credit ratings. We also pay a 12.5 basis point annual usage fee when borrowings exceed one-third of the facility amount. Our credit agreement contains customary covenants and events of default including, but not limited to, financial tests for interest coverage and leverage. We were in compliance with all covenants at March 31, 2001.

We are in the process of replacing our credit facility with a new credit facility. On June 29, 2001, we executed a commitment letter with J.P. Morgan Securities Inc. for a proposed new credit facility consisting of an up to \$300 million 4-year credit facility and an up to \$300 million 364-day credit facility. As of July 31, 2001, we have received commitments under this facility for an aggregate principal amount of \$465 million. We expect that the proposed new credit facility would contain customary restrictive and financial covenants as well as customary events of defaults. See "Description of Other

Indebtedness."

We also maintain and issue short-term debt securities under a commercial paper program. We had \$80 million of commercial paper borrowings outstanding at both March 31, 2001 and December 31, 2000. Our weighted average effective interest rate on all borrowings outstanding at March 31, 2001 was 5.9%. The carrying value of our borrowings approximates fair value as the interest rate on our borrowings varies at market rates.

We believe that funds from future operating cash flows and funds available under our existing credit agreement and commercial paper program are sufficient to meet future liquidity needs. We also believe the aforementioned 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, medical utilization review and customer service. Total capital expenditures, excluding acquisitions, were \$135 million for the year ended December 31, 2000, and \$89 million for the year ended December 31, 1999. Capital expenditures were \$28 million for the quarter ended March 31, 2001. Excluding acquisitions, we expect our total capital expenditures in 2001 will be approximately \$130 million, most of which will be used to fund our technology initiatives and expansion and improvement of administrative facilities.

Government Contracts

Our operations are regulated by various state and federal government agencies. Actuarially determined premium rate increases for commercial products are generally approved by the respective state insurance commissioners, while increases in premiums for Medicaid and Medicare+Choice products are established by various state governments and CMS. Premium rates under our TRICARE contract with the United States Department of Defense for Regions 3 and 4 may be adjusted on a year by year basis, and for Regions 2 and 5, every six months, to reflect inflation, changes in the workload volumes of military medical facilities and contract modifications.

Our 2001 average rate of statutory increase under the Medicare+Choice contracts was approximately 2%. Over the last five years, annual increases have ranged from as low as the January 1998 increase of 2% to as high as 7% in January 1997, with an average of approximately 3%. Our Medicare+Choice contracts with the federal government are renewed for a one-year term each December 31 unless terminated 90 days prior thereto. Increased

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funding beginning March 1, 2001 under Medicare, Medicaid and the State Children's Health Insurance Benefits Improvement and Protection Act, or BIPA, is being used to provide additional reimbursement under our contracts with providers and lower member premiums in certain markets. Legislative proposals are being considered which may revise the Medicare program's current support of the use of managed health care for Medicare beneficiaries and future reimbursement rates thereunder. Management is unable to predict the outcome of these proposals or the impact they may have on our financial position, results of operations or cash flows.

Our Medicaid contracts are generally annual contracts with various states except for our two regional contracts with the Health Insurance Administration in Puerto Rico, which have two year terms. These contracts are set to expire on August 31, 2001. The Health Insurance Administration in Puerto Rico is currently determining future health care insurance benefits. The Health Insurance Administration in Puerto Rico has requested bids from us and other insurers. We expect that our current contracts will be further extended until the new contracts are awarded. We intend to submit our bids as requested by the proposal. We are unable to predict if we will be awarded any new contracts, or what form these contracts may take.

Effective July 1, 2001, we renewed our TRICARE contract for Regions 3 and 4 for up to two additional years subject to annual renewal at the option of the

Department of Defense. The TRICARE contract for Regions 2 and 5 that we recently acquired from Anthem is scheduled to expire on May 1, 2003, subject to the right of the Department of Defense to terminate the final year of this contract.

The loss of any of these government 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 revenues, profitability and business prospects.

Legal Proceedings

Securities Litigation

Six purported class action complaints were filed in 1999 in the United States District Court for the Western District of Kentucky at Louisville by purported stockholders against us and certain of our current and former directors and officers. The complaints contained the same or substantially similar allegations, namely, that we and the individual defendants knowingly or recklessly made false or misleading statements in press releases and public filings concerning our financial condition, primarily with respect to the impact of negotiations over renewal of our contract with HCA-The Healthcare Company, formerly Columbia/HCA Healthcare Corporation, which took effect April 1, 1999. The complaints allege violations of Section 10(b) of the Securities Exchange Act of 1934, or the 1934 Act, Rule 10b-5 and Section 20(a) of the 1934 Act, and seek certification of a class of stockholders who purchased shares of our common stock starting either (in four complaints) in late October 1998 or (in two complaints) on February 9, 1999, and ending (in all complaints) on April 8, 1999. Plaintiffs moved for consolidation of the actions, now styled *In re Humana Inc. Securities Litigation*, and filed a consolidated complaint. On April 28, 2000, the defendants filed a motion requesting dismissal of the consolidated complaint. On November 7, 2000, the United States District Court for the Western District of Kentucky issued a memorandum opinion and order dismissing the action. On November 30, 2000, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the Sixth Circuit. We believe the above allegations are without merit and intend to continue to pursue defense of the action.

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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, seeking 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. Defendants have moved for summary judgment on the third-party complaint.

Managed Care Industry 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 and are now styled *In re Managed Care Litigation*. The cases include separate suits against us and six 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 seven other companies that purport to have been brought on behalf of providers, which are 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 complaint alleges, 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 complaint also alleges an industry-wide conspiracy to engage in the various alleged improper practices. We filed a motion to dismiss the complaint on July 14, 2000. On August 15, 2000, the plaintiffs filed their amended motion for class certification, seeking a class consisting of all members of our medical plans, excluding Medicare and Medicaid plans, for the period from 1990 to 1999. We filed our opposition to the motion for class certification on November 15, 2000.

On June 12, 2001, the federal district court rendered its decision with respect to the motions to dismiss. The court dismissed the ERISA claims against us and the other defendants on the grounds that the plaintiffs had failed to exhaust administrative remedies, but has permitted the plaintiffs to file amended complaints no later than June 29, 2001. The court declined to dismiss all of the RICO fraud claims against Humana. In the subscriber track cases against other companies, the court dismissed all RICO fraud claims against the other defendants for lack of specificity in their allegations but permitted the plaintiffs to refile all dismissed RICO claims. The plaintiffs filed amended complaints against some of the other defendants realleging

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RICO and ERISA claims on June 29, 2001. Following the district court's June 12, 2001 ruling, we and other defendants requested that the court amend its ruling to 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 Third Circuit in *Maio v. Aetna* that would have resulted in dismissal of the RICO claims. The district court has not yet ruled on this request. Additionally, a hearing on the class certification issue was conducted on July 24, 2001. No ruling was issued.

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, including the RICO claim, 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. On October 27, 2000, the provider track plaintiffs filed a motion for class certification. We filed our opposition to that motion on November 17, 2000. Oral argument on the motion for class certification was conducted May 7, 2001. Some defendants have filed appeals to the United States Court of Appeals for the Eleventh Circuit from a ruling by the district court that refused to enforce several arbitration clauses in the provider agreements with the defendants. On June 25, 2001, the Eleventh Circuit stayed all proceedings in the district court pending these appeals. Other defendants, including us, have filed similar motions to enforce arbitration agreements which have not yet been ruled on by the district court.

We intend to continue to defend these actions vigorously.

Chipps v. Humana Health Insurance Company of Florida, Inc.

On January 4, 2000, a jury in Palm Beach County, Florida, rendered an approximately \$80 million verdict against us in a case arising from removal of an insured from a special case management program. The award included approximately \$78.5 million of punitive damages, \$1 million of damages for emotional distress and \$29,000 of damages for contractual benefits. The defendant, Humana Health Insurance Company of Florida, Inc., one of our subsidiaries, filed its notice of appeal to the Fourth District Court of Appeals in Florida on March 13, 2000. Oral argument was held on May 1, 2001.

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. In June 2001, our Florida subsidiary, Humana Medical Plan, Inc., reached an agreement with the Florida Attorney General's office to reimburse \$8 million in overpayments in connection with members who were enrolled in both Medicaid and

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Medicare managed care plans. The overpayments resulted from enrollments by Physician Corporation of America, or PCA, a health plan that we acquired in 1997, in its Medicaid program of persons enrolled in Medicare HMO's operated by PCA and other companies.

In addition, our business practices are subject to review by various state insurance and health care regulatory authorities and federal regulatory authorities. Recently, there has been increased scrutiny by these regulators of the managed health care companies' business practices, including claims payment practices and utilization management. We have been and continue to be subject to such reviews. Some of these could require changes in some of our practices and could also result in 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, bad faith, failure to properly pay claims, nonacceptance or termination of providers, failure to disclose network discounts and various provider arrangements, challenges to subrogation practices, and claims relating to performance of contractual obligations to providers and others. 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 connection with the case of Chipps v. Humana Health Insurance Company of Florida, Inc., our insurance carriers have preliminarily indicated they believe no coverage may be available for a punitive damages award. 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, insurance coverage for all or certain forms of liability 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 and the appeal of the Chipps case, cannot be accurately predicted with certainty. In addition, the increased litigation which has accompanied the recent 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 or cash flows.

Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement No.

141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets.

Statement 141 requires that all business combinations be accounted for using the purchase method. Use of the pooling-of-interest method is no longer permitted. Statement 141 requires that the purchase method be used for business combinations initiated after June 30, 2001.

Statement 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment at least annually. Impairment losses that arise from completing a transitional impairment test during 2002 are to be reported as resulting from a change in accounting principle. The amortization of existing goodwill ceases upon adoption of the Statement, which for us, will be January 1, 2002. Goodwill acquired after June 30, 2001 will not be subject to amortization. In the first quarter of 2001, goodwill amortization expense of \$14 million impacted earnings per diluted share \$0.08.

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BUSINESS

Our Company

We are one of the largest publicly-traded health benefits companies, based on our 2000 revenues of \$10,514 million. We offer coordinated health insurance coverage and related services principally through traditional and Internet-based plans to employer groups and government-sponsored plans. As of May 31, 2001, we had over 6.5 million members in our medical insurance programs, including approximately 1.2 million new members as a result of a recent acquisition, as well as approximately 2.2 million members in our specialty products programs. We contract directly with more than 400,000 physicians, hospitals, dentists and other providers to provide health care to our members. In the first quarter of 2001, over 70% of our premium revenues was derived from members located in Florida, Illinois, Texas, Kentucky and Ohio.

We have organized our business into Commercial and Government segments. Our Commercial segment consists of three lines of business marketed primarily to employer groups: fully insured medical, administrative services only, and specialty. Our fully insured medical products include health maintenance organizations, or HMOs, and preferred provider organizations, or PPOs. We offer our administrative services only, or ASO, products to large employers who self-insure medical benefits. As a complement to our medical products, we offer specialty insurance products, including dental, group life and short-term disability. Our Government segment includes government-sponsored benefit plans under three programs: Medicare+Choice, Medicaid and TRICARE, which provides health insurance coverage to dependents of active duty military personnel and to retired military personnel and their dependents.

Throughout 2000 and to date in 2001, we have focused on two top priorities: completing our turnaround and positioning our company for the future.

Our Turnaround

We have substantially completed our turnaround which has encompassed a renewed focus on setting appropriate premiums, operating with cost-efficient levels of staffing, improving product and process design and identifying and disposing of non-core operations. Components of this plan have included the following:

- . Naming new management and realigning responsibilities--In February 2000, we named Michael B. McCallister, a Humana employee for over 25 years, our president and chief executive officer. Additional management changes include the naming of James H. Bloem as our chief financial officer as well as the promotion of Kenneth J. Fasola and James E. Murray as chief operating officers over our respective market and service operations. In addition, in 2001 we completed a management realignment in order to enable our senior management team to better focus the selling, operating and support activities of our core businesses.
- . Exiting from non-core operations--After a comprehensive review of our operations, we divested our workers' compensation business and portions of our Medicaid business. We also reinsured with third parties substantially all of our Medicare supplement business. In addition, as of January 1, 2001, we exited 45 non-core counties in our

Medicare+Choice business and discontinued aspects of our product line focusing on small group commercial businesses in 17 states.

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- . Strengthening our core businesses--We have taken a number of steps to strengthen our core commercial businesses, including:
 - o adopting a more profit-focused pricing and benefit design strategy, including increasing premiums, implementing our three-tiered copayment pricing formula for prescription drugs, which we refer to as Rx3, and revising our pricing policies, which are designed to better anticipate prospective changes in provider contracting charges and to decrease the ability to reduce standard prices during the quoting process;
 - o enhancing our actuarial leadership and staff and refining the link between our actuarial analysis and pricing;
 - o creating operating units and service coordinators for each of our primary product lines in each of the markets in which we operate in order to improve our interaction with our members and increase accountability;
 - o further developing our electronic and Internet infrastructure to enable more claims to be filed and processed electronically; and
 - o strengthening our large group commercial and ASO product lines, which we believe offer significant future growth potential, by incorporating new product designs, new process designs and technology and by adding depth to our functional leadership and sales force in these areas.
- . Reducing employment costs--As a result of membership reductions, exiting non-core businesses and operational reviews, between January 2000 and March 2001, we reduced the number of our employees by approximately 3,100, or 18%.

In the first quarter of 2001, our income before income taxes was \$42 million, an increase of 56% over income before income taxes of \$27 million for the first quarter of 2000.

Positioning for the Future

We continue to pursue initiatives that are focused on strengthening our core businesses, streamlining operations, enhancing profitability and positioning our company for future growth. Key elements of our strategy going forward include the following:

- . Growing through innovative commercial product designs--We are focused on designing and marketing products that better address rising health care costs for our members. We believe innovative consumer-focused products and benefit designs, which give members an expanded role in selecting benefits and cost responsibility, will help drive profitable growth as employers recognize the value of increased consumer responsibility for health care expenses.
- . Utilizing technology to reduce overhead and improve customer satisfaction--We are committed to developing a strong information infrastructure. We are focused on developing technology that allows consumers to see on-line, real-time information about their benefits, eligibility, referrals, claims and other information in a secured environment. This technology is currently available to our members, brokers, agents and providers. We are in the process of introducing additional enhancements to our technological capabilities that we believe will increase administrative efficiency and also lead to membership growth through greater customer satisfaction.
- . Focusing on Commercial segment profitability through disciplined pricing and market decisions--Although our turnaround plan is substantially complete, we continue to

evaluate our business lines on a market-by-market basis. Our current objective is to profitably grow our Commercial segment membership in our core markets by focusing on opportunities that satisfy our pricing criteria.

- . Managing our Government segment effectively, leveraging our expertise in managing government contracts and government-related programs--We have gained substantial expertise in managing government contracts through our experience with our TRICARE, Medicare and Medicaid businesses. We believe that the experience and infrastructure needed to operate these business lines can be leveraged profitably. For example, we recently acquired a second TRICARE contract which will utilize existing TRICARE infrastructure. Our current objective is to focus on our existing Government business and use our experience to manage it efficiently and profitably.

Business Segments

During the first quarter of 2001, we realigned our management to better focus on the profitability and growth of our core businesses. As part of this strategy, we have redefined our business into two segments, Commercial and Government.

Our Commercial segment includes three lines of business marketed primarily to employer groups:

- . our fully insured medical business line, which provides comprehensive health insurance services to our members;
- . our ASO business line, which offers services that help large employers who self-insure their employee health plans to manage these plans; and
- . our specialty products business line, which includes dental, group life and short-term disability insurance services.

Our Government segment also includes three lines of business:

- . our Medicare+Choice business line, which provides recipients of Medicare with managed care benefits;
- . our Medicaid business line, which, through various state governments, offers health care services to low-income residents; and
- . our TRICARE business line, which provides health insurance coverage to the dependents of active duty military personnel, as well as to retired military personnel and their dependents.

The following table presents our segment membership and premium revenues by product for the quarter ended March 31, 2001:

	Ending Medical Membership	Ending Specialty Membership	Premium Revenues	Percent of Total Premium Revenues
	-----	-----	-----	-----
	(dollars in millions)			
Commercial:				
Fully insured.....	2,387,900	--	\$ 1,236	51.2%
Administrative services only.....	547,200	--	--	--
Specialty.....	--	2,266,600	75	3.1
	-----	-----	-----	-----
Total Commercial.....	2,935,100	2,266,600	1,311	54.3%
	-----	-----	-----	-----
Government:				
Medicare+Choice.....	428,100	--	734	30.5%

Medicaid.....	493,200	--	124	5.1
TRICARE.....	1,070,900	--	244	10.1
	-----	-----	-----	-----
Total Government.....	1,992,200	--	1,102	45.7
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Total.....	4,927,300	2,266,600	\$ 2,413	100.0%
	=====	=====	=====	=====

The following table presents our segment membership and premium revenues by product for the year ended December 31, 2000:

	Ending Medical Membership	Ending Specialty Membership	Premium Revenues	Percent of Total Premium Revenues
	-----	-----	-----	-----
	(dollars in millions)			
Commercial:				
Fully insured.....	2,545,800	--	\$ 5,235	50.3%
Administrative services only.....	612,800	--	--	--
Specialty.....	--	2,344,800	291	2.8
Medicare supplement.....	--	--	29	0.3
	-----	-----	-----	-----
Total Commercial.....	3,158,600	2,344,800	5,555	53.4%
	-----	-----	-----	-----
Government:				
Medicare+Choice.....	494,200	--	3,286	31.6%
Medicaid.....	575,500	--	661	6.4
TRICARE.....	1,070,400	--	893	8.6
	-----	-----	-----	-----
Total Government.....	2,140,100	--	4,840	46.6
	-----	-----	-----	-----
Total.....	5,298,700	2,344,800	\$10,395	100.0%
	=====	=====	=====	=====

Our Products

Commercial Products

HMO

Our HMO products provide prepaid health insurance coverage to our members through a network of independent primary care physicians, specialty physicians and other health care providers who contract with the HMO to furnish such services. Primary care physicians generally include internists, family practitioners and pediatricians. Generally, the member's primary care physician must approve access to specialty physicians and other health care providers. These other health care providers include, among others, hospitals, nursing homes, home health agencies, pharmacies, mental health and substance abuse centers, diagnostic centers,

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optometrists, outpatient surgery centers, dentists, urgent care centers and durable medical equipment suppliers. Because the primary care physician must generally approve access to these other health care providers, the HMO product is the most restrictive form of managed care.

An HMO member, typically through the member's employer, pays a monthly fee, which generally covers, with minimal copayments, health care services received from or approved by the member's primary care physician. For the quarter ended March 31, 2001, commercial HMO premium revenues totaled approximately \$532 million or 22% of our total premium revenues for the quarter. For the year ended December 31, 2000, commercial HMO premium revenues totaled approximately \$2.2 billion or 21% of our total premium revenues. For the quarter ended March 31, 2001, approximately \$39 million of our commercial HMO premium revenues were derived from contracts with the United States Office of Personnel Management, or OPM, under which we provide health insurance coverage through the Federal Employee Health Benefit Plan, or FEHBP, to approximately 72,800 federal civilian employees and their dependents. For 2000, approximately \$224 million of our commercial HMO premium revenues were derived from these OPM contracts to approximately 117,000 federal civilian employees and their dependents. In

January 2001, we did not renew coverage in some areas, resulting in a reduction of approximately 48,800 FEHBP members. Pursuant to these contracts, payments made by OPM may be retrospectively adjusted downward by OPM if an audit discloses we offered a comparable product to a similar size subscriber group at a lower premium rate than that offered to OPM. We believe that any retrospective adjustments as a result of OPM audits will not have a material adverse impact on our financial position or results of operations.

PPO

Our PPO products include many elements of managed health care. PPOs are also similar to traditional health insurance because they provide a member with the freedom to choose a physician or other health care provider. In a PPO, the member is encouraged, through financial incentives, to use participating health care providers, which have contracted with the PPO to provide services at favorable rates. In the event a member chooses not to use a participating health care provider, the member may be required to pay a greater portion of the provider's fees.

For the quarter ended March 31, 2001, commercial PPO premium revenues totaled approximately \$704 million or 29% of our total premium revenues. For 2000, commercial PPO premium revenues totaled approximately \$3.0 billion or 29% of our total premium revenues.

Medicare Supplement

Even though participating in both Part A and Part B of the traditional Medicare program, beneficiaries are still required to pay certain deductible and coinsurance amounts. They may, if they choose, supplement their Medicare coverage by purchasing Medicare supplement policies, which pay these deductibles and coinsurance amounts. Many of these policies also cover other services (such as prescription drugs) that are not included in Medicare coverage.

Effective June 30, 2000, we fully reinsured substantially all of our Medicare supplement policies to United Teacher Associates Insurance Company. These policies paid for hospital deductibles, copayments and coinsurance for which an individual enrolled in the traditional Medicare program is responsible. Through June 30, 2000, Medicare supplement premium revenues totaled approximately \$29 million, or less than 1% of our total premium revenues for 2000. Under this reinsurance arrangement, we have not received any Medicare supplement premiums since July 1, 2000.

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Other

We also offer an administrative services only, or ASO, product to those who self-insure their employee health plans and various specialty products, including dental, group life and short-term disability. At March 31, 2001, we had approximately 547,200 ASO members and 2.3 million specialty members. ASO and specialty product premium revenues were approximately \$75 million for the first quarter of 2001, or 3% of our total premium revenues. ASO and specialty product premium revenues were approximately \$291 million or 3% of our total premium revenues for the year ended December 31, 2000.

Government Products

Medicare+Choice Product

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

We contract with the federal government's CMS under the Medicare+Choice program, to provide health insurance coverage in exchange for a fixed monthly payment per member for Medicare-eligible individuals residing in the geographic areas in which our HMOs operate. Individuals who elect to participate in

Medicare+Choice programs are relieved of the obligation to pay some or all of the deductible or coinsurance amounts but are generally required to use exclusively the services provided by the HMO and are required to pay a Part B premium to the Medicare program.

The Medicare+Choice product involves a contract between an HMO and CMS pursuant to which CMS makes a fixed monthly payment to the HMO on behalf of each Medicare-eligible individual who chooses to enroll for coverage in the HMO. The fixed monthly payment, payable on the first day of a month, is determined by formula established by federal law. We sometimes receive the fixed monthly payment early due to a weekend or holiday falling on the first day of a month. We also collect premiums from our members in certain of our markets. The member may terminate membership at any time during the month.

As of March 31, 2001, we provided health insurance coverage under CMS contracts to approximately 428,100 Medicare+Choice members for which we received premium revenues of approximately \$734 million, or 31% of our total premium revenues in the first quarter of 2001. As of that date, one such CMS contract covered approximately 245,200 members in Florida and accounted for premium revenues of approximately \$433 million, which represented 59% of our Medicare+Choice premium revenues, or 18% of our total premium revenues for the first quarter of 2001. As of December 31, 2000, we provided health insurance coverage under CMS contracts to approximately 494,200 Medicare+Choice members for which we received premium revenues of approximately \$3.3 billion, or 32% of our total premium revenues in 2000. As of that date, one such CMS contract covered approximately 273,100 members in Florida and accounted for premium revenues of approximately \$1.8 billion, which represented 55% of our Medicare+Choice premium revenues, or 17% of our total premium revenues in 2000.

Our Medicare+Choice contracts with the federal government are renewed for a one-year term each December 31 unless terminated 90 days prior thereto. Increased federal funding in 2001 specific to the Medicare+Choice, Medicaid and State Children's Health Insurance Benefits

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Improvement and Protection Act, or BIPA, will be used to provide additional reimbursement under our contracts with providers and lower member premiums in certain markets. As of January 1, 2001, we exited 45 non-core counties in our Medicare+Choice business, affecting approximately 54,000 members. These county exits were the result, in part, of lower CMS reimbursement rates.

The loss of our contracts or significant changes in the Medicare+Choice program as a result of legislative action, including reductions in payments or increases in benefits without corresponding increases in payments, would have a material adverse effect on our financial position, results of operations and cash flows.

Medicaid Product

Medicaid is a federal program that is state-operated to facilitate the delivery of health care services to low-income residents. Each state that chooses to do so develops, through a state specific regulatory agency, a Medicaid managed care initiative that must be approved by CMS. CMS requires that Medicaid managed care plans meet federal standards and cost no more than the amount that would have been spent on a comparable fee-for-service basis. States currently either use a formal proposal process in which they review many bidders before selecting one or award individual contracts to qualified bidders which apply for entry to the program. In either case, the contractual relationship with a state is generally for a one-year period. Under these contracts, we receive a fixed monthly payment from a government agency for which we are required to provide health insurance coverage to enrolled members. Due to the increased emphasis on state health care reform and budgetary constraints, more states are utilizing a managed care product in their Medicaid programs.

Our Medicaid contracts are generally annual contracts with various states except for our two regional contracts with the Health Insurance Administration in Puerto Rico, which have two year terms. These contracts are set to expire on August 31, 2001. The Health Insurance Administration in Puerto Rico is currently determining future health care insurance benefits. The Health Insurance Administration in Puerto Rico has requested bids from us and other insurers. We expect that our current contracts will be further extended until

the new contracts are awarded. We intend to submit our bids as requested by the proposal. We are unable to predict if we will be awarded any new contracts, or what form these contracts may take.

TRICARE

TRICARE provides health insurance coverage to the dependents of active duty military personnel and to retired military personnel and their dependents. In November 1995, the United States Department of Defense awarded us its first TRICARE contract for Regions 3 and 4 covering approximately 1.1 million eligible members in Florida, Georgia, South Carolina, Mississippi, Alabama, Tennessee and Eastern Louisiana. On July 1, 1996, we began providing health insurance coverage to these approximately 1.1 million eligible members. In 2000, we renewed the TRICARE contract for up to two additional years subject to annual renewal terms, beginning July 1, 2001. We have subcontracted with third parties to provide various administration and specialty services under the contract.

Three health benefit options are available to TRICARE beneficiaries. In addition to a traditional indemnity option, participants may enroll in an HMO-like plan with a point-of-service option or take advantage of reduced copayments by using a network of preferred providers. For the quarter ended March 31, 2001, TRICARE premium revenues were approximately \$244 million or 10% of our total premium revenues. In 2000, TRICARE premium revenues were approximately \$893 million or 9% of our total premium revenues.

On May 31, 2001, we acquired for approximately \$45 million the outstanding shares of common stock of a newly formed Anthem Alliance Health Insurance Company subsidiary responsible for administering TRICARE benefits to approximately 1.2 million eligible members in Illinois, Indiana, Kentucky, Michigan, a portion of Missouri, North Carolina, Ohio, Tennessee, Virginia, Wisconsin and West Virginia. The TRICARE contract for Regions 2 and 5 expires on May 1, 2003, subject to the right of the Department of Defense to terminate the final year of this contract. See "Management's Discussion and Analysis of Financial Condition and Results of Operation--Recent Transactions."

The following table summarizes our medical membership at May 31, 2001, by market and product, and excludes approximately 554,500 TRICARE pharmacy members we service in an administrative capacity:

Percent of Total	Commercial			Government			Total
	HMO	PPO	ASO	+Choice	Medicaid	TRICARE	

	Medicare						

	(in thousands)						
Florida.....	146.0	91.2	3.7	241.6	47.0	404.9	
934.4 15.8%							
Illinois.....	291.7	226.6	84.8	87.5	15.5	92.5	
798.6 13.5							
Texas.....	152.9	275.6	17.5	33.9	24.1		
504.0 8.5							
Puerto Rico.....	17.7	43.6			403.1		
464.4 7.8							
Ohio.....	187.6	87.2	63.9			91.6	
430.3 7.3							
Kentucky.....	105.9	153.5	25.9	14.5		76.7	
376.5 6.4							
Wisconsin.....	66.2	40.4	238.3			27.5	
372.4 6.3							
Georgia.....	17.1	56.2	2.8			268.9	
345.0 5.8							
North Carolina.....		29.9	3.7			305.2	

338.8	5.7					
Virginia.....		2.7	0.4			283.7
286.8	4.8					
Tennessee.....		36.8	17.8			107.1
161.7	2.7					
South Carolina.....		12.4	0.6			130.0
143.0	2.4					
Indiana.....		44.7	28.3			46.0
119.0	2.0					
Arizona.....	22.4	31.7	24.1	24.0		
102.2	1.8					
Alabama.....		0.5	0.2			98.7
99.4	1.7					
Mississippi.....		5.3	0.3			74.5
80.1	1.4					
Michigan.....		25.2	4.6			46.3
76.1	1.3					
Kansas.....	44.2	8.3	6.2	20.2		
78.9	1.3					
Colorado.....		72.7				
72.7	1.2					
Others.....	0.2	57.2	20.5			56.7
134.6	2.3					

Totals.....	1,051.9	1,301.7	543.6	421.7	489.7	2,110.3
5,918.9	100.0%					
=====						
=====						

Provider Arrangements

We provide our members with access to health care services through our networks of health care providers with whom we have contracted. These networks include hospitals and other independent facilities such as outpatient surgery centers, primary care physicians, specialist physicians, dentists and providers of ancillary health care services and facilities. These ancillary services and facilities include ambulance services, medical equipment services, home health agencies, mental health providers, rehabilitation facilities, nursing homes, optical services and pharmacies. Our membership base and the ability to influence where our members seek care generally enables us to obtain contractual discounts with providers.

We typically contract with hospitals on either a per diem rate, which is an all-inclusive rate per day, or a case rate, which is an all-inclusive rate per admission, for inpatient hospital services. Outpatient hospital services are generally contracted at a flat rate by type of service or at a discounted charge. These contracts are typically multi-year agreements with rates that are adjusted for inflation annually based on the consumer price index or other nationally

recognized inflation index. Outpatient surgery centers and other ancillary providers are typically contracted at flat rates per service provided or are reimbursed based upon a nationally recognized fee schedule such as Medicare.

Our contracts with physicians typically are automatically renewed each year, unless either party gives written notice to the other party of their intent to terminate the arrangement. Most of the physicians in our PPO networks and some of our physicians in our HMO networks are reimbursed based upon a fixed fee schedule, which typically provides for reimbursement based upon a percentage of the standard Medicare allowable fee schedule. Many physicians, usually primary care physicians, participating in our HMO networks are reimbursed a fixed monthly amount per member, known as a capitation payment, for directly providing health care services to these members.

Under other types of capitation arrangements, the providers are paid a monthly capitation payment per member both for directly providing health care services to members and arranging for services by other providers. Accordingly, they assume financial risk for all or some portion of the cost of health care services for their membership, which may include the costs for specialist physicians, hospitals and prescription drugs. Primary care physicians under

these types of arrangements typically have stop loss coverage so that a physician's financial risk for any single member is limited to a maximum amount on an annual basis. We remain financially responsible for health care services to our members in the event our providers fail to provide such services. Some physicians may have arrangements under which they can earn bonuses when certain target goals relating to the provisions of patient care are met.

We use a variety of techniques to provide for effective and efficient use of health care services for our members. These techniques include the coordination of care for our members, product and benefit designs, hospital inpatient management systems, or HIMS, and enrolling members into our disease management programs. The focal point for health care services in many of our Medicare+Choice and HMO networks is the primary care physician who, under contract, provides services, and controls utilization of appropriate services, by directing or approving hospitalization and referrals to specialists and other providers. Our HIMS programs use specially trained physicians to effectively manage the entire range of an HMO member's medical care during a hospital admission and to effectively coordinate the members's discharge and post-discharge care. We have a variety of disease management programs related to specific medical conditions such as congestive heart failure, coronary artery disease, prenatal and premature infant care, asthma related illness, end stage renal disease, diabetes and breast cancer screening. We also focus on certain rare conditions where disease management techniques benefit members in a more cost effective manner.

As of March 31, 2001, we had approximately 406,000 health care providers participating in our networks, including more than 330,000 physicians and more than 3,000 hospitals. Of these physicians, approximately 61,000 contract with our HMO networks. Some of these physicians also contract with our PPO networks.

Quality Assessment

Our quality assessment program consists of several internal programs such as those that credential providers and those designed to meet the audit standards of federal and state agencies and external accreditation standards. We also offer quality and outcome measurement and improvement programs such as the Health Plan Employer Data Information Sets, or HEDIS, which is used by employers, government purchasers and the National Committee for Quality Assurance, or NCQA, to evaluate HMOs based on various criteria, including effectiveness of care and member satisfaction.

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Physicians participating in our HMO networks must satisfy specific criteria, including licensing, hospital admission privileges, patient access, office standards, after-hours coverage and many other factors. Participating hospitals must also meet accreditation criteria established by CMS and/or the Joint Commission on Accreditation of Healthcare Organizations, or JCAHO.

Participating HMO physicians are recredentialed regularly. Recredentialing of primary care physicians includes verification of their medical license; review of their malpractice liability claims history; review of their board certification, if applicable; and review of any quality complaints, member appeals and grievances regarding the physicians. Committees, composed of a peer group of physicians, review participating primary care physicians being considered for credentialing and recredentialing.

We request accreditation for certain of our HMO plans from NCQA and the American Accreditation Healthcare Commission/Utilization Review Accreditation Commission, or AAHC/URAC. Accreditation or external review by an approved organization is mandatory in the states of Florida and Kansas for licensure as an HMO.

NCQA performs reviews for quality improvement, credentialing, utilization management, preventative health, member rights and responsibilities and medical records. As of March 31, 2001, the following seven of our markets have received commendable accreditation from NCQA for all HMO product lines: Humana Medical Plan, Inc. in central Florida, which includes Daytona Beach and Orlando; Humana Medical Plan, Inc. in north Florida; Humana Medical Plan, Inc. in south Florida; Humana Health Plan, Inc. in Chicago, Illinois; Humana Health Plan, Inc. and Humana Kansas City, Inc. in Kansas City, Missouri; Humana Health Plan, Inc. in Louisville, Kentucky; and Humana Health Plan of Ohio, Inc. in Cincinnati, Ohio. Humana Medical Plan, Inc. in Tampa Bay has received commendable accreditation for its commercial product line and has received

accredited status for its Medicare+Choice product line.

AAHC/URAC performs reviews of standards for confidentiality, staff qualifications and credentials, program qualifications, quality improvement programs, accessibility and on site review procedures, information requirements, utilization review procedures and appeals. AAHC/URAC accreditation was received for all of our HMO markets that have utilization management functions performed in the Green Bay, Wisconsin or Louisville, Kentucky service centers and for Humana Military Healthcare Services, Inc., which administers the TRICARE program.

JCAHO performs reviews of standards for rights, responsibilities and ethics, continuum of care, education and communication, health promotion and disease prevention, management of human resource information and improving network performance. Humana Medical Plan, Inc. in Ft. Walton Beach, Florida received a three-year accreditation from JCAHO in 1998. Although Humana Medical Plan, Inc. has a single HMO license in Florida, it operates through six market offices that are in the process of being consolidated into three. One of the original six market offices, the Ft. Walton Beach market office, sought JCAHO HMO accreditation so we could evaluate the benefits of a JCAHO review versus reviews performed by NCQA and AAHC/URAC. The other five Florida markets either have been or currently are accredited by NCQA. In addition, we received state-wide accreditation in Florida from AAHC/URAC this year, which will satisfy our accreditation requirement when our JCAHO accreditation expires.

Some of our HMO entities are unaccredited, because we sought accreditation only where regulatory requirements were in place, such as in Florida, which requires accreditation for HMO licensing, or in market areas where commercial groups use it as a variable in choosing carriers. As the requirements of accreditation have become less focused on factors under our control and more focused on other factors such as provider behavior, we have concluded that these

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programs do not add value for our customers. We are piloting ISO 9000 certification as an alternative to accreditation. ISO is the international standards organization, which has developed an international commercial set of certifications as to quality and process, called ISO 9000.

Sales and Marketing

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

We use various methods to market our commercial, Medicare+Choice and Medicaid products, including television, radio, the Internet, telemarketing and mailings. At March 31, 2001, we used approximately 50,000 licensed independent brokers and agents and approximately 415 licensed employees to sell our commercial products. Many of our employer group customers are represented by insurance brokers and consultants who assist these groups in the design and purchase of health care products. We generally pay brokers a commission based on premiums, with commissions varying by market and premium volume.

At March 31, 2001, we used approximately 755 employed sales representatives, who are each paid a salary and/or per member commission, to market our Medicare+Choice and Medicaid products. We also used approximately 280 telemarketing representatives who assisted in the marketing of Medicare+Choice and Medicaid products by making appointments for sales representatives with prospective members.

Risk Management

Through the use of internally developed underwriting criteria, we determine the risk we are willing to assume and the amount of premium to charge for our commercial products. In most instances, employer and other groups must meet our underwriting standards in order to qualify to contract with us for coverage. Small group reform laws in some states have imposed regulations which provide

for guaranteed issue of certain health insurance products and prescribe certain limitations on the variation in rates charged based upon assessment of health conditions.

Underwriting techniques are not employed in connection with Medicare+Choice products because CMS regulations require us to accept all eligible Medicare applicants regardless of their health or prior medical history. We also are not permitted to employ underwriting criteria for the Medicaid product, but rather we follow CMS and state requirements. In addition, with respect to our TRICARE business, we do not employ any underwriting techniques because we must accept all eligible beneficiaries who choose to participate.

Competition

The managed health care industry is highly competitive and contracts for the sale of commercial products are generally bid or renewed annually. Our competitors vary by local market and include other publicly traded managed care companies, national insurance companies and other HMOs and PPOs, including HMOs and PPOs owned by Blue Cross/Blue Shield plans. Many of our competitors have larger memberships and/or greater financial

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resources than our health plans in the markets in which we compete. Our ability to sell our products and to retain customers is or may be influenced by such factors as benefits, pricing, contract terms, number and quality of participating physicians and other managed health care providers, utilization review, claims processing, administrative efficiency, relationships with agents, quality of customer service and accreditation results.

Government Regulation

Government regulation of health care products and services is a changing area of law that varies from jurisdiction to jurisdiction. Regulatory agencies generally have broad discretion to issue regulations and interpret and enforce laws and rules. Changes in applicable laws and regulations are continually being considered, and the interpretation of existing laws and rules also may change periodically. These regulatory revisions could affect our operations and financial results. Also, it may become increasingly difficult to control medical costs if federal and state bodies continue to consider and enact significant and sometimes onerous managed care laws and regulations.

Enforcement of health care fraud and abuse laws has become a top priority for the nation's law enforcement entities. The funding of such law enforcement efforts has increased dramatically in the past few years and is expected to continue. The focus of these efforts has been directed at participants in federal government health care programs such as Medicare, Medicaid and FEHBP. We participate extensively in these programs and have enhanced our regulatory compliance efforts for these programs. The programs are subject to very technical rules. When combined with law enforcement intolerance for any level of noncompliance, these rules mean that compliance efforts in this area continue to be challenging.

We are subject to various governmental audits, investigations and enforcement actions. These include possible government actions relating to ERISA, FEHBP, federal and state fraud and abuse laws, and other laws relating to Medicare, including adjusted community rating development, special payment status, payments for emergency room visits, and various other areas. Adjusted community rating development is the government-defined rating formula used to justify the Medicare+Choice benefits we offer individuals eligible for Medicare benefits based on a particular community and certain other factors. Special payment status refers to Medicare+Choice members who are institutionalized, Medicaid-eligible, or have contracted end-stage renal disease. The Medicare+Choice plan receives a higher payment for members who qualify for one or more of these statuses. We are currently involved in various government investigations, audits and reviews, some of which are under ERISA, and the authority of state departments of insurance. On May 31, 2000, we entered into a five-year Corporate Integrity Agreement with the Office of the Inspector General for the Department of Health and Human Services as part of a \$15 million settlement of a Medicare overpayment issue arising from an audit by the Office of the Inspector General. In June 2001, our Florida subsidiary, Humana Medical Plan, Inc., reached an agreement with the Florida Attorney General's office to reimburse \$8 million in overpayments in connection with members who were enrolled in both Medicaid and Medicare managed care plans. The

overpayments resulted from enrollments by Physician Corporation of America, or PCA, a health plan that we acquired in 1997, in its Medicaid program of persons enrolled in Medicare HMO's operated by PCA and other companies. Three of our affiliates are in the process of entering into a consent order with the Texas Department of Insurance pursuant to which we have been assessed administrative penalties of \$1.25 million for our alleged failure to pay a small percentage of our insurance claims in a timely manner under regulations of the Texas Department of Insurance that became effective on August 1, 2000. Based on this consent order, we may be required to pay certain additional amounts to health care providers if it is determined that we failed to pay

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insurance claims in a timely manner during the period from August 1, 2000 to the present time. We believe that we have been and are in substantial compliance with the Texas Insurance Code and the rules and regulations of the Texas Department of Insurance and we agreed to enter into the consent order subject to the express reservation that we do not admit to any violation of these laws, rules and regulations. Although any of the pending government actions could result in assessment of damages, civil or criminal fines or penalties, or other sanctions against us, including exclusion from participation in government programs, we do not believe the results of any of these actions, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows.

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Of our 12 licensed and active HMO subsidiaries as of March 31, 2001, seven are qualified under the Federal Health Maintenance Organization Act of 1973, as amended. To obtain federal qualification, an HMO must meet certain requirements, including conformance with benefit, rating and financial reporting standards. In certain markets, and for certain products, we operate HMOs that are not federally qualified because this provides greater flexibility with respect to product design and pricing than is possible for federally qualified HMOs.

As of March 31, 2001, Humana Medical Plan, Inc., Humana Health Plan of Texas, Inc., Humana Health Plan, Inc., and Humana Kansas City, Inc. each hold CMS contracts under the Medicare+Choice program to sell Medicare+Choice products in eight states. Effective June 30, 2001, Humana Kansas City, Inc. merged into Humana Health Plan, Inc. as approved by the Departments of Insurance of Kentucky and Missouri.

CMS conducts audits of HMOs qualified under its Medicare+Choice program at least biannually and may perform other reviews more frequently to determine compliance with federal regulations and contractual obligations. These audits include review of the HMOs' administration and management, including management information and data collection systems, fiscal stability, utilization management and physician incentive arrangements, health services delivery, quality assurance, marketing, enrollment and disenrollment activity, claims processing, and complaint systems.

CMS regulations require submission of quarterly and annual financial statements. In addition, CMS requires certain disclosures to CMS and to Medicare beneficiaries concerning operations of a health plan qualified under the Medicare+Choice program. CMS's rules require disclosure to members upon request of information concerning financial arrangements and incentive plans between an HMO and physicians in the HMOs' networks. These rules also require certain levels of stop-loss coverage to protect contracted physicians against major losses relating to patient care, depending on the amount of financial risk they assume. The reporting of certain health care data contained in HEDIS is another important CMS disclosure requirement.

Our Medicaid products are regulated by the applicable state agency in the state in which we sell a Medicaid product and by the Health Insurance Administration in Puerto Rico, in conformance with federal approval of the applicable state plan, and are subject to periodic reviews by these agencies. The reviews are similar in nature to those performed by CMS.

Laws in each of the states and the Commonwealth of Puerto Rico in which we

operate our HMOs, PPOs and other health insurance-related services regulate our operations, including the scope of benefits, rate formulas, delivery systems, utilization review procedures, quality assurance, complaint systems, enrollment requirements, claim payments, marketing and advertising. The HMO, PPO and other health insurance-related products we offer are sold under licenses issued by the applicable insurance regulators. Under state laws, our HMOs and health insurance companies are audited by state departments of insurance for financial and contractual compliance, and our HMOs are audited for compliance with health services standards by respective state departments of health. Most states' laws require such audits to be performed at least once every three years.

Our licensed subsidiaries are subject to regulation under state insurance holding company and Commonwealth of Puerto Rico regulations. These regulations generally require, among other things, prior approval and/or notice of certain material transactions, including dividend payments, intercompany agreements and the filing of various financial and operational reports.

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Our HMO and PPO subsidiaries, other than those dealing with TRICARE, operate in states that require minimum levels of equity, regulate the payment of distributions to Humana Inc. and limit investments to approved securities. As of March 31, 2001, the minimum statutory capital requirements of all of our regulated subsidiaries totaled \$604 million. As of that date, our regulated subsidiaries maintained aggregate statutory capital and surplus of approximately \$914 million and each of these subsidiaries was in compliance with or exceed applicable statutory capital requirements. Although all of these subsidiaries are in compliance with applicable statutory capital requirements, the amount of distributions that may be paid by these subsidiaries without prior approval by state regulatory authorities is limited based on the entity's level of statutory net income and statutory capital and surplus, and in some states, prior approval is required before any distribution can be made. In addition, we normally notify these authorities prior to making payments that do not require approval.

Our HMO and PPO subsidiaries, other than those dealing with TRICARE, are impacted by the implementation of risk-based capital requirements, or RBC, recommended by the NAIC. RBC is a model developed by the NAIC to monitor legal entity solvency. The outcome of this calculation provides for minimum levels of capital and surplus for each regulated entity and determines regulatory measures should actual reported surplus fall below these recommended levels. Several states are currently in the process of phasing in these requirements for HMOs over a number of years. If RBC were fully implemented as of March 31, 2001, we would be required to fund additional capital into specific entities aggregating approximately \$73 million. After this capital infusion, we would have \$257 million of aggregate statutory capital and surplus above the required minimum level.

We file statutory-basis financial statements with state regulatory authorities in all states in which we conduct business. On January 1, 2001, changes to the statutory basis of accounting became effective. The cumulative effect of these changes was recorded as a direct adjustment to January 1, 2001 statutory surplus and did not materially impact our compliance with aggregate minimum statutory capital and surplus requirements.

Management works proactively to ensure compliance with all governmental laws and regulations affecting our business.

Health Care Reform

Diverse legislative and regulatory initiatives at both the federal and state levels continue to address aspects of the nation's health care system.

Federal

In 2000, Congress passed BIPA, amending certain provisions of the Balanced Budget Act of 1997, and certain provisions of the Medicare, Medicaid and State Children's Health Insurance Program Balanced Budget Refinement Act of 1999. The Balanced Budget Act changed the way health plans are compensated for Medicare members by eliminating over five years amounts paid for graduate medical education, increasing the blend of national cost factors applied in determining local reimbursement rates over a six-year phase-in period and directing CMS to implement a risk adjusted mechanism on its monthly member payment to Medicare plans over the same period. These changes have had the effect of reducing

reimbursement in high cost metropolitan areas with a large number of teaching hospitals. Congress has subsequently lengthened this timetable to allow the risk adjusted mechanism to be fully implemented by 2007. BIPA, among other things, enacted modest increases to the payment formula for Medicare+Choice plans. While we believe that these increases and modifications restore some Medicare+Choice reimbursement, pending legislative and regulatory initiatives could cause us

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to again consider increasing enrollee out-of-pocket costs, modifying benefits or exiting markets. On January 1, 2001, we exited 45 non-core counties in our Medicare+Choice business, affecting approximately 54,000 members. These county exits were the result, in part, of lower CMS reimbursement rates.

Other federal laws which govern our business and which significantly affect our operations include, among others, the Newborn's and Mothers' Health Protection Act of 1996. This Act generally prohibits group health plans and health insurance issuers from restricting benefits for a mother's or newborn child's hospital stay in connection with childbirth to less than 48 hours for a normal delivery and to less than 96 hours for a caesarean section.

ERISA governs self-funded plans. There have been recent legislative attempts to limit ERISA's preemptive effect on state laws. If such limitations are enacted, they might increase our exposure under state law claims that relate to self-funded plans administered by us and may permit greater state regulation of other aspects of those business operations.

The U.S. Department of Labor published regulations that revise claims procedures for both insured and self-insured employee benefit plans governed by ERISA effective for claims filed on or after January 1, 2002. Although the cost of complying with these regulations is likely to be significant, we cannot predict the ultimate impact on our business or results of operations in future periods.

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 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.

Further in 1999, Congress passed the Financial Services Modernization Act, or Gramm-Leach-Bliley Act, that includes provisions related to privacy standards for personal information to be implemented by both the federal government and the states. The effective date for compliance with this provision of the law is July 2001. Many states are currently enacting laws or regulations to implement the federal law. We intend to comply with such provisions.

The Electronic Signatures and Global and National Commerce Act was enacted in June 2000. It provides, under secured electronic technology systems, the same legal status to electronic transactions, including health insurance transactions as is given to paper transactions. This law became effective in October 2000 and supports our e-business initiatives.

There are several other legislative proposals under consideration that include, among other things, PBOR legislation, which would provide for expansion of a patient's right to sue and mandatory external review of health plan coverage decisions. If PBOR legislation becomes law, it could expose us to significant increased costs and additional litigation risks. For a further discussion of PBOR bills before Congress, see "Risk Factors--Risks Relating to Our Business--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."

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In addition, Congress is evaluating proposals to expand tax credits to provide health insurance for low-income families or expansion of governmental programs to permit enrollment at lower costs. Other proposals include establishing additional protections for personal health information, collective bargaining rights for independent physicians, proposals to reduce the number of medical errors by health care providers and systems of care, and various state and/or federal purchasing pools to allow individuals and small employers to purchase health insurance. Also, President Bush has proposed a prescription drug card program for Medicare-eligible seniors. Many of these proposals may require additional administrative costs to ensure compliance and we are currently assessing their cost and impact on premiums for the future.

State

A number of states continue to enact some form of managed care reform. Three of these states in which we conduct business, including Arizona, Georgia and Texas, have passed health plan liability laws. To date, no significant increase in litigation has arisen as a result; however, management is unable to predict future activity under these laws. Issues relating to managed care consumer protection standards, including increased plan information disclosure, expedited appeals and grievance procedures, third party review of certain medical decisions, health plan liability, access to specialists, prompt payment of claims, physician collective bargaining rights and confidentiality of medical records continue to be under discussion. Further, proposals that place restrictions on the selection and termination of participating health care providers also are receiving review.

During 2001, a number of states will consider legislation relating to health plan liability, prompt payment of claims, physician collective bargaining rights and confidentiality of personal health information. A few states are also expected to consider rules for selecting and terminating contracted physicians, small group purchasing alliances and small group rating legislation.

We believe that the liability and privacy discussions in most states will follow the framework of pending federal legislation or current federal law respectively. The prompt claims payment legislation generally reflects refinements of existing prompt payment laws.

We are unable to predict how existing federal or state laws and regulations may be changed or interpreted, what additional laws or regulations affecting our businesses may be enacted or proposed, when and which of the proposed laws will be adopted or what effect any such new laws and regulations will have on our financial position, results of operations or cash flows.

For further discussion of these initiatives, see "Risk Factors--Risks Relating to Our Business--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."

Other

Captive Insurance Company

We insure substantially all professional liability risks through a wholly owned subsidiary. Independent actuaries determine the annual premiums paid to this subsidiary. Our subsidiary reinsures levels of coverage for losses in excess of our retained limits with unrelated insurance carriers.

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Centralized Management Services

We provide centralized management services to each health plan from our headquarters and service centers. These services include management information systems, product administration, financing, personnel, development, accounting, legal advice, public relations, marketing, insurance, purchasing, risk management, actuarial, underwriting and claims processing.

Employees

As of March 31, 2001, we had approximately 14,200 employees, including approximately 50 employees covered by collective bargaining agreements. We have not experienced any work stoppages and believe we have good relations with our employees.

Legal Proceedings

A description of material legal actions in which we are currently involved is included in this prospectus under "Legal Proceedings" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT

Our executive officers and directors, and their ages as of June 30, 2001, are as follows:

Name ----	Age ---	Position -----
Michael B. McCallister.....	49	President and Chief Executive Officer and Director
John M. Bertko.....	51	Vice President--Chief Actuary
James H. Bloem.....	51	Senior Vice President and Chief Financial Officer
Douglas R. Carlisle.....	51	Senior Vice President--Market Operations
Kenneth J. Fasola.....	42	Chief Operating Officer--Market Operations
Bruce J. Goodman.....	59	Senior Vice President and Chief Information Officer
Bonita C. Hathcock.....	52	Senior Vice President and Chief Human Resources Officer
Arthur P. Hipwell.....	52	Senior Vice President and General Counsel
Thomas J. Liston.....	40	Senior Vice President--Strategy and Corporate Development
Jonathan T. Lord, M.D.	46	Senior Vice President and Chief Clinical Strategy and Innovation Officer
Steven O. Moya.....	51	Senior Vice President and Chief Marketing Officer
James E. Murray.....	47	Chief Operating Officer--Service Operations
Thomas T. Noland, Jr.	47	Senior Vice President--Corporate Communications
R. Eugene Shields.....	53	Senior Vice President--Government Programs
David A. Jones.....	69	Chairman of the Board
David A. Jones, Jr.	43	Vice Chairman of the Board
Charles M. Brewer.....	42	Director
Michael E. Gellert.....	69	Director
John R. Hall.....	68	Director
Irwin Lerner.....	70	Director
W. Ann Reynolds, Ph.D.	63	Director

DESCRIPTION OF OTHER INDEBTEDNESS

Credit Facility

Pursuant to a credit agreement dated August 13, 1997, as amended, we have an unsecured, five-year \$1.0 billion revolving credit facility with a group of commercial banks. We established the credit facility to finance repayment of other indebtedness, acquisition opportunities and repurchases and redemptions

of our capital stock, and for general corporate purposes. The credit facility allows us to borrow funds

- . by obtaining committed loans from the group of commercial banks as a whole on a pro rata basis;
- . by obtaining loans from individual banks within the group by way of a bidding process; or
- . by obtaining letters of credit in an aggregate amount of up to \$300 million.

Repayment. The credit facility expires on, and we must repay all borrowings outstanding under the credit facility by, August 12, 2002. We intend to use all of our net proceeds from this offering to repay a portion of the amounts outstanding under our credit facility.

Covenants. The credit agreement contains financial covenants, which relate to our net worth, ratio of debt to EBITDA and fixed charge coverage ratio, and negative covenants, which limit our ability and that of our subsidiaries to, among other things,

- . incur indebtedness and liens;
- . dispose of or lease property; and
- . engage in or enter into mergers, consolidations, asset dispositions and transactions with affiliates.

In addition, the negative covenants limit our ability to pay dividends and make other distributions on our capital stock and repurchase shares of our capital stock.

The limits imposed on us by the covenants under the credit facility could impair our operational and financial flexibility, which could have a material adverse effect on our business, financial condition or results of operations.

Interests and Fees. Committed loans under the credit facility bear interest at an effective interest rate of 5.9% as of March 31, 2001. Interest is at either a fixed rate or a floating rate, ranging from LIBOR plus 35 basis points to LIBOR plus 80 basis points, depending on our capitalization and credit ratings. In addition, we currently pay a 15 basis point annual facility fee on the entire \$1.0 billion facility amount regardless of utilization. This facility fee may fluctuate between 6.5 and 20 basis points depending on our capitalization and credit ratings. We also pay a 12.5 basis point annual usage fee when borrowings exceed one-third of the facility amount.

Events of Default. The credit agreement provides for acceleration upon the occurrence of customary events of default.

We are in the process of replacing our credit facility with a new credit facility. On June 29, 2001, we executed a commitment letter with J.P. Morgan Securities Inc., or JP Morgan, pursuant to which JP Morgan would serve as lead arranger for a proposed new credit facility consisting of an up to \$300 million 4-year credit facility and an up to \$300 million 364-day credit facility.

Under each facility we could borrow, at our option, on either a competitive advance basis or a revolving credit basis. Up to \$100 million of the revolving portion of the \$300 million 4-year credit facility could be used for the issuance of standby or commercial letters of credit. As of July 31, 2001, we had received written commitments from a total of eight financial institutions, including affiliates of each of the underwriters, in an aggregate amount of \$465 million, which would be applied in equal amounts to the 4-year credit facility and the 364-day credit facility.

The competitive advance portion of the proposed new credit facility would bear interest at market rates prevailing at the time of borrowing, while the revolving credit portion of the facility would bear interest at rates based, at our option, on either an alternative base rate linked to the prime rate or the federal funds rate, or LIBOR, in each case plus an applicable margin that could

fluctuate based on our credit ratings. We expect that the proposed new credit facility would contain customary restrictive and financial covenants as well as customary events of defaults. In particular, we expect the facility to include financial covenants regarding minimum consolidated net worth, maximum leverage and minimum interest coverage amounts substantially similar to those in our existing credit facility. We would also pay a facility fee that could fluctuate based on our credit ratings.

We expect that both the proposed 4-year credit facility and the 364-day credit facility would support our existing commercial paper program. In addition, we expect that the proposed 364-day credit facility would also support a new conduit commercial paper financing program of up to \$300 million that is currently being arranged by JP Morgan to the extent of available credit under that facility. Under this proposed program, a special purpose limited liability company would issue commercial paper and loan the proceeds of those issuances to us so that interest and principal payments on the loans would match those on the commercial paper.

There can be no assurance that we will be able to enter into the new credit facility or the new conduit commercial paper financing program, either at all or on the terms described above.

Commercial Paper Program

Our commercial paper program is designed to meet our short-term borrowing needs for ordinary operating expenses. This program is backed by our \$1 billion credit facility described above. Aggregate borrowings under both the credit facility and the commercial paper program cannot exceed \$1 billion. As discussed above, we expect our existing commercial paper program to be backed by our new credit facility.

As of March 31, 2001, we had \$80 million outstanding under our commercial paper program at a weighted average effective interest rate of 6.3%.

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DESCRIPTION OF THE NOTES

The notes will be issued under an indenture to be dated as of _____, 2001, between Humana and The Bank of New York, as trustee. The terms of the notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939.

This description of notes is intended to be an overview of the material provisions of the notes and the indenture. Because this description of notes is only a summary, you should refer to the indenture for a complete description of our obligations and your rights.

In this description of notes, references to "Humana", the "issuer", "we", "our" and "us" refer to Humana Inc. and do not include its subsidiaries.

General

The notes:

- . will be our senior unsecured obligations;
- . will constitute a series of debt securities issued under the indenture and will initially be limited to an aggregate principal amount of \$300 million;
- . will mature on _____, 2006;
- . will be subject to earlier redemption at the option of the issuer as described under "--Optional Redemption";
- . will not have the benefit of any sinking fund;
- . will be issued in denominations of \$1,000 and integral multiples of \$1,000; and
- . will be represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in certificated form. See "Book-Entry Issuance".

Interest on the notes will:

- . accrue at the rate of % per annum;
- . accrue from , 2001 or the most recent interest payment date;
- . be payable in cash semi-annually in arrears on and of each year, commencing on , 2002;
- . be payable to the holders of record on the and immediately preceding the related interest payment date; and
- . be computed on the basis of a 360-day year comprised of twelve 30-day months.

If any interest payment date or maturity date falls on a day that is not a business day, the required payment of principal or interest will be made on the next business day as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the interest payment date or maturity date, as the case may be, to the date of the payment on the next business day.

Payment and Transfer

Principal of and interest on the notes will be payable, and the notes may be exchanged or transferred, at the office or agency maintained by us for such purpose, which initially will be

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the corporate trust office of the trustee located at 101 Barclay Street, New York, New York 10286. Payment of principal of and interest on notes in global form registered in the name of or held by The Depository Trust Company, which is referred to as "DTC", or its nominee will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global notes. If any of the notes are no longer represented by global notes, payment of interest on the notes in certificated form may, at our option, be made by check mailed directly to holders at their registered addresses.

Any money paid by us to a paying agent for the payment of principal of or interest on the notes which remains unclaimed for two years after the date the payment was due will be returned to us. Upon the return of those moneys to us, holders of the notes will look to us for payment as our general unsecured creditors and any liability of the paying agent with respect to those moneys will cease.

A holder may transfer or exchange notes in definitive form at the same location given in the paragraph above. No service charge will be made for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection with a transfer or exchange.

The registered holder of a note will be treated as the owner of it for all purposes.

Further Issuances

We may from time to time, without the consent of existing holders, create and issue further notes having the same terms and conditions as the notes in all respects, except for issue date, issue price and, if applicable, the first payment of interest thereon. Additional notes issued in this manner will be consolidated with and will form a single series with the previously outstanding notes.

Ranking

The notes will be our senior and unsecured indebtedness and will rank equally with all of our other existing and future senior and unsecured indebtedness. The notes will effectively rank junior to any of our existing and future secured indebtedness, to the extent of the assets securing such indebtedness and to all indebtedness and other liabilities of our subsidiaries. Indebtedness of our subsidiaries and obligations and liabilities of our

subsidiaries are structurally senior to the notes since, in the event of our bankruptcy, liquidation, dissolution, reorganization or other winding up, the assets of our subsidiaries will be available to pay the notes only after the subsidiaries' indebtedness and obligations and liabilities are paid in full. Because we stand as an equity holder, rather than a creditor, of our subsidiaries, creditors of those subsidiaries will have their debt satisfied out of the subsidiaries' assets before our creditors, including the note holders. Because our operations are and will be conducted by our subsidiaries, these subsidiaries have incurred and will continue to incur significant obligations.

Our operations are, and will continue to be, conducted by our subsidiaries, and substantially all of our assets are, and will continue to, be owned by our subsidiaries, which are not obligated or required to pay any of the amounts due on the notes. Because we conduct our operations through subsidiaries, we depend on dividends, loans, advances and other payments from these subsidiaries to satisfy our financial obligations. Applicable corporate and other laws and regulations, as well as contractual obligations, could prevent these subsidiaries from making payments to us in amounts sufficient to allow us to satisfy our debts, including the notes. Our direct and indirect subsidiaries include HMOs and insurance companies, which are subject to state regulations that, among other things, require the maintenance of minimum

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levels of statutory capital and restrict the timing and amount of dividends and other distributions to their parent companies. Regulatory approval could be subject to significant delay. As a general matter, the amount of dividend distributions that may be paid by a regulated insurance or HMO company without prior approval by state regulatory authorities is limited based on the entity's level of statutory net income and statutory capital and surplus. In addition, we normally give notice to these regulatory authorities prior to making any payments that do not require prior approval.

Optional Redemption

The notes will be redeemable, at our option, at any time in whole, or from time to time in part, at a price equal to the greater of:

- . 100% of the principal amount of the notes to be redeemed; and
- . the sum of the present values of the remaining scheduled payments on the notes to be redeemed consisting of principal and interest, exclusive of interest accrued to the date of redemption, discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield plus 25 basis points plus accrued interest to the date of redemption.

The notes called for redemption become due on the date fixed for redemption. Notices of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. The notice of redemption for the notes will state the amount to be redeemed. On and after the redemption date, interest will cease to accrue on any notes that are redeemed. If less than all the notes are redeemed at any time, the trustee will select notes on a pro rata basis or by any other method the trustee deems fair and appropriate.

For purposes of determining the optional redemption price, the following definitions are applicable:

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining terms of the notes.

"Comparable Treasury Price" means, with respect to any redemption date:

the average of the bid and the asked prices for the Comparable Treasury Issue, expressed as a percentage of its principal amount, at 4:00 p.m. on the third business day preceding that redemption date, as set forth on "Telerate Page 500," or such other page as may replace Telerate Page 500; or

if Telerate Page 500, or any successor page, is not displayed or does not contain bid and/or asked prices for the Comparable Treasury Issue at that time, the average of the Reference Treasury Dealer Quotations obtained by the trustee for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or, if the trustee is unable to obtain at least four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained by the trustee.

"Independent Investment Banker" means either J.P. Morgan Securities Inc. or Lehman Brothers Inc., as selected by us or, if both such firms are unwilling or unable to select the

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applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the trustee and reasonably acceptable to us.

"Reference Treasury Dealer" means J.P. Morgan Securities Inc. and Lehman Brothers Inc. and their respective successors and three other primary U.S. government securities dealers in New York City selected by the Independent Investment Banker (each, a "Primary Treasury Dealer"); provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the issuer shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the notes, an average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue for the notes, expressed in each case as a percentage of its principal amount, quoted in writing to the trustee by the Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding the redemption date.

"Treasury Yield" means, with respect to any redemption date applicable to the notes, the rate per annum equal to the semiannual equivalent yield to maturity, computed as of the third business day immediately preceding the redemption date, of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue, expressed as a percentage of its principal amount, equal to the applicable Comparable Treasury Price for the redemption date.

Except as set forth above, the notes will not be redeemable by the issuer prior to maturity and will not be entitled to the benefit of any sinking fund.

Covenants

We will not be restricted by the indenture from incurring any type of indebtedness or other obligation, from paying dividends or making distributions on our capital stock or purchasing or redeeming our capital stock, in each case except as set forth below. The indenture will not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, the indenture will not contain any provisions that would require us to repurchase or redeem or otherwise modify the terms of any of the notes upon a change in control or other events involving us which may adversely affect the creditworthiness of the notes.

Limitations on Liens. The indenture will provide that we will not, and will not permit any of our Principal Subsidiaries to, issue, assume, incur or guarantee any indebtedness for borrowed money secured by a mortgage, pledge, lien or other encumbrance, directly or indirectly, on any of the Common Stock of a Principal Subsidiary owned by us or any of our Principal Subsidiaries, unless our obligations under the notes and, if we so elect, any other indebtedness of us, ranking on a parity with, or prior to, the notes, shall be secured equally and ratably with, or prior to, such secured indebtedness for borrowed money so long as it is outstanding and is so secured.

Merger, Consolidation or Sale of Assets. The indenture will provide that we may not consolidate with or merge with or into, or sell, lease or convey all or substantially all of its assets to, another person unless:

- . either we are the resulting, surviving or transferee person, which is referred to as the "successor", or the successor is a person organized under the laws of the United States, any state or the District of

- . the successor expressly assumes by supplemental indenture all of our obligations under the indenture and the notes; and
- . immediately after giving effect to the transaction no event of default or event which with notice or lapse of time would be an event of default has occurred and is continuing.

The successor will be substituted for us in the indenture with the same effect as if it had been an original party to the indenture. Thereafter, the successor may exercise the rights and powers of the issuer under the indenture.

For purposes of the above covenants and "--Events of Default", the following definitions apply:

"Common Stock" means, with respect to any Principal Subsidiary, capital stock of any class, however designated, except capital stock which is non-participating other than fixed dividend and liquidation preferences and the holders of which have either no voting rights or limited voting rights entitling them, only in the case of certain contingencies, to elect less than a majority of the directors (or persons performing similar functions) of such Principal Subsidiary, and shall include securities of any class, however designated, which are convertible into such Common Stock.

"Principal Subsidiary" means a consolidated subsidiary of ours, that, as of the relevant time of the determination, is a "significant subsidiary" as defined under Rule 405 under the Securities Act (as that Rule is in effect on the date of this prospectus without giving effect to any further amendment of that Rule).

Events of Default

Each of the following will be an event of default under the indenture:

- (1) default in any payment of interest on any note when due, continued for 30 days;
- (2) default in the payment of principal of or premium, if any, on any note when due at its stated maturity, upon optional redemption, upon declaration or otherwise;
- (3) our failure, after notice by the trustee or the holders of at least 25% in principal amount of the outstanding notes, to comply within 60 days with any of our other agreements contained in the indenture applicable to the notes;
- (4) (A) our failure or the failure of any of our subsidiaries to pay indebtedness for money we borrowed or any of our subsidiaries borrowed in an aggregate principal amount of at least \$40,000,000, at the later of final maturity and the expiration of any related applicable grace period and such defaulted payment shall not have been made, waived or extended within 30 days after notice or (B) acceleration of the maturity of indebtedness for money we borrowed or any of our subsidiaries borrowed in an aggregate principal amount of at least \$40,000,000, if that acceleration results from a default under the instrument giving rise to or securing such indebtedness for money borrowed and such indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days after notice; or
- (5) certain events of bankruptcy, insolvency or reorganization for us, or any of our Principal Subsidiaries.

A default under clause (3) or (4) of this paragraph will not constitute an event of default until the trustee or the holders of at least 25% in principal amount of the outstanding notes

notify us of the default and such default is not cured within the time specified in clause (3) or (4) of this paragraph after receipt of such notice.

If an event of default (other than an event of default referred to in clause (5) above with respect to us) occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the outstanding notes by notice to us and the trustee, may, and the trustee at the request of such holders shall, declare the principal of and accrued and unpaid interest, if any, on all the notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest will be due and payable immediately. If an event of default referred to in clause (5) above occurs with respect to us and is continuing, the principal of and accrued and unpaid interest on all the notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holders.

In order for holders of the notes to initiate proceedings for a remedy under the indenture, holders of at least 25% in principal amount of the notes must first give notice to us as provided above, must request that the trustee initiate a proceeding in its own name and must offer the trustee reasonable indemnity against costs and liabilities. If the trustee still refuses for 60 days to initiate the proceeding, and no inconsistent direction has been given to the trustee by holders of a majority of the notes, the holders may initiate a proceeding as long as they do not adversely affect the rights of any other holders of notes.

The holders of a majority in principal amount of the outstanding notes may rescind a declaration of acceleration if all events of default, besides the failure to pay principal or interest due solely because of the declaration of acceleration, have been cured or waived.

If we default on the payment of any installment of interest and fail to cure the default within 30 days, or if we default on the payment of principal when it becomes due, then the trustee may require us to pay all amounts due to the trustee, with interest on the overdue principal or interest payments, in addition to the expenses of collection.

The indenture provides that if a default occurs and is continuing and is known to the trustee, the trustee must mail to each holder notice of the default within 90 days after it occurs. Except in the case of a default in the payment of principal of, or interest on any note, the trustee may withhold notice if the trustee determines that withholding notice is in the best interests of the holders.

The holders of a majority in principal amount of the outstanding notes may waive any past default or event of default except for a default in the payment of principal of or interest on the notes or a default relating to a provision that cannot be amended without the consent of each affected holder.

Reports

We are required to file an officer's certificate with the trustee every year confirming that we are complying with all conditions and covenants in the indenture.

We must also file with the trustee copies of our annual reports and the information and other documents which we may be required to file with the SEC under Section 13 or Section 15(d) of the Securities Exchange Act of 1934. These documents must be filed with the trustee within 15 days after they are required to be filed with the SEC. If we are not required to file the information, documents or reports under either of these sections of the Securities Exchange Act, then we must file with the trustee and the SEC, in accordance with the rules and regulations of the SEC, the supplementary and periodic information, documents and reports

which may be required by Section 13 of the Exchange Act, in respect of a debt security listed and registered on a national securities exchange, as may be required by the rules and regulations of the SEC.

Within 30 days of filing the information, documents or reports referred to above with the trustee, we must mail to the holders of the notes any summaries of the information, documents or reports which are required to be sent to the holders by the rules and regulations of the SEC.

Rights and Duties of the Trustee

The holders of a majority in principal amount of outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or other power conferred on the trustee. The trustee may decline to follow that direction if it would involve the trustee in personal liability or would be illegal. During a default, the trustee is required to exercise the standard of care and skill that a prudent man would exercise under the circumstances in the conduct of his own affairs. The trustee is not obligated to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of notes unless those holders have offered to the trustee reasonable security or indemnity.

The trustee is entitled, in the absence of bad faith on its part, to rely on an officer's certificate before taking action under the indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Holders. Without the consent of any holders of notes, we and the trustee may supplement the indenture, among other things, to:

- . reflect that a successor has succeeded us and has assumed our covenants and obligations under the notes and the indenture;
- . add further covenants for the benefit of the holders of notes;
- . add any additional event of default;
- . pledge property to the trustee as security for the notes;
- . add guarantees with respect to the notes;
- . change the trustee or provide for an additional trustee;
- . modify the indenture in order to continue its qualification under the Trust Indenture Act of 1939 or as may be necessary or desirable in accordance with amendments of that act;
- . issue and establish the form and terms and conditions of other series of debt securities as provided in the indenture; or
- . cure any ambiguity or inconsistency in the indenture or in the notes or make any other provisions necessary or desirable, as long as the interests of the holders of the notes are not adversely affected in any material respect.

Supplemental Indenture Requiring Consent of Holders. With the consent of the holders of at least a majority in principal amount of the outstanding notes, the indenture permits us and the trustee to supplement the indenture or modify in any way the terms of the indenture or the rights of the holders of the notes. However, without the consent of each holder of all of the notes affected by that modification, we and the trustee may not:

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- . reduce the principal of, premium, if any, on, or change the stated final maturity of, any note;
- . reduce the rate of or change the time for payment of interest on any note;
- . make the principal of or interest on any note payable in a currency other than U.S. dollars or change the place of payment;
- . modify the right of any holder of notes to receive or sue for payment of the principal of or interest on a note that would be due and payable at the maturity thereof;
- . reduce the principal amount of the outstanding notes whose holders must consent to supplement the indenture or to waive any of its provisions;
or

- . take certain other specified actions as provided in the indenture.

Defeasance

We can terminate all of our obligations under the indenture with respect to the notes, other than the obligation to pay principal of and interest on the notes and certain other obligations, at any time by:

- . depositing money or U.S. government obligations with the trustee in an amount sufficient to pay the principal and interest on the notes to their maturity; and
- . complying with certain other conditions, including delivery to the trustee of an opinion of counsel to the effect that holders of notes will not recognize income, gain or loss for federal income tax purposes as a result of our defeasance.

In addition, we can terminate all of our obligations under the indenture with respect to the notes, including the obligation to pay principal of and interest on the notes, at any time by:

- . depositing money or U.S. government obligations with the trustee in an amount sufficient to pay the principal of and interest on the notes to their maturity; and
- . complying with certain other conditions, including delivery to the trustee of an opinion of counsel stating that there has been a ruling by the Internal Revenue Service, or a change in the federal tax law since the date of the indenture, to the effect that holders of debt securities will not recognize income, gain or loss for federal income tax purposes as a result of our defeasance.

Book-Entry Issuance

The notes will be represented by one or more global notes that will be deposited with and registered in the name of DTC or its nominee. We will not issue certificated notes to you, except in the limited circumstances described below. Each global note will be issued to DTC, which will keep a computerized record of its participants whose clients have purchased the notes. Each participant will then keep a record of its own clients. Unless it is exchanged in whole or in part for a certificated note, a global note may not be transferred. DTC, its nominees and their successors may, however, transfer a global note as a whole to one another, and these transfers are required to be recorded on our records or a register to be maintained by the trustee.

Beneficial interests in a global note will be shown on, and transfers of beneficial interests in the global note will be made only through, records maintained by DTC and its participants. DTC has provided us with the following information: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of

the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its direct participants deposit with DTC. DTC also records the settlements among direct participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for direct participants' accounts. This book-entry system eliminates the need to exchange certificated securities. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC's book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a direct participant. The rules that apply to DTC and its participants are on file with the SEC.

DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc.

When you purchase notes through the DTC system, the purchases must be made

by or through a direct participant, which will receive credit for the notes on DTC's records. When you actually purchase the notes, you will become their beneficial owner. Your ownership interest will be recorded only on the direct or indirect participants' records. DTC will have no knowledge of your individual ownership of the notes. DTC's records will show only the identity of the direct participants and the principal amount of the notes held by or through them. You will not receive a written confirmation of your purchase or sale or any periodic account statement directly from DTC. You should instead receive these from your direct or indirect participant. As a result, the direct or indirect participants are responsible for keeping accurate account of the holdings of their customers. The trustee will wire payments on the notes to DTC's nominee. We and the trustee will treat DTC's nominee as the owner of each global note for all purposes. Accordingly, we, the trustee and any paying agent will have no direct responsibility or liability to pay amounts due on a global note to you or any other beneficial owners in that global note.

It is DTC's current practice, upon receipt of any payment of distributions or liquidation amounts, to proportionately credit direct participants' accounts on the payment date based on their holdings. In addition, it is DTC's current practice to pass through any consenting or voting rights to such participants by using an omnibus proxy. Those participants will, in turn, make payments to and solicit votes from you, the ultimate owner of notes, based on their customary practices. Payments to you will be the responsibility of the participants and not of DTC, the trustee or our company.

Notes represented by one or more global notes will be exchangeable for certificated notes with the same terms in authorized denominations only if:

- . DTC is unwilling or unable to continue as a depositary or ceases to be a clearing agency registered under applicable law, and a successor is not appointed by us within 90 days;
- . an event of default occurs and is continuing in respect of the notes; or
- . we decide to discontinue the book-entry system.

If a global note is exchanged for certificated notes, the trustee will keep the registration books for the notes at its corporate office and follow customary practices and procedures regarding those certificated notes.

Euroclear and Clearstream

Links have been established among DTC, Clearstream Banking S.A. and Euroclear Bank S.A./N.V., which are two European book-entry depositaries similar to DTC, to facilitate the initial issuance of notes sold outside the United States and cross-market transfers of the notes associated with secondary market trading.

Noteholders may hold their notes through the accounts maintained by Euroclear or Clearstream in DTC only if they are participants of those systems, or indirectly through organizations which are participants in those systems.

Euroclear and Clearstream will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of DTC. All securities in Euroclear and Clearstream are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of notes by persons holding through Euroclear or Clearstream participants will be effected through DTC, in accordance with DTC rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of exercise instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the exercise meets its requirements, deliver instructions to its depositaries to take action to effect exercise of the notes on its behalf by delivering notes through DTC and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the notes held through Euroclear and Clearstream will

be credited to the cash accounts of Euroclear participants or Clearstream participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

All information in this prospectus on Euroclear and Clearstream is derived from Euroclear or Clearstream, as the case may be, and reflects the policies of such organizations. These organizations may change these policies without notice.

Governing Law

The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

Concerning the Trustee

The Bank of New York is the trustee under the indenture and has been appointed as registrar and paying agent with regard to the notes. The Bank of New York is also a participant in our existing credit facility.

UNDERWRITING

We intend to offer our notes through a number of underwriters. Subject to the terms and conditions set forth in an underwriting agreement among us and each of the underwriters named below, dated as of _____, 2001, we have agreed to sell to the underwriters, and each of the underwriters severally and not jointly has agreed to purchase from us, the aggregate principal amount of the notes set forth opposite its name below:

Underwriter -----	Principal Amount of Notes -----
J.P. Morgan Securities Inc.....	
Lehman Brothers Inc.....	
Banc of America Securities LLC.....	
Salomon Smith Barney Inc.....	
Wachovia Securities, Inc.....	
Scotia Capital (USA) Inc.....	
U.S. Bancorp Piper Jaffray Inc.....	
Total.....	\$300,000,000 =====

The underwriters have agreed, subject to the terms and conditions of the underwriting agreement, to purchase all of the notes being sold if any of the notes being sold are purchased. In the event of a default by an underwriter, the underwriting agreement provides that, in certain circumstances, the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including certain liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The notes are being offered by the several underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the underwriters and certain other conditions. The underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part.

The underwriters propose initially to offer the notes to the public at the initial public offering price set forth on the cover page of this prospectus, and to certain dealers at such price less a concession not in excess of % of the principal amount of the notes. The underwriters may allow, and such dealers may realow, a discount not in excess of % of the principal amount of the notes to certain other dealers. After the initial public offering, the public

offering price, concession and discount may be changed.

We estimate that the expenses of the offering, exclusive of the underwriting discount, will be \$750,000 and will be payable by us.

We have agreed not to, without the prior written consent of each of J.P. Morgan Securities Inc. and Lehman Brothers Inc. on behalf of the underwriters, directly or indirectly, issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or otherwise dispose of any debt securities of or guaranteed by us or any securities convertible into or exercisable or exchangeable for debt securities of or guaranteed by us or file any registration statement under the Securities Act with respect to any of the foregoing for a period of 90 days following the date of this prospectus, subject to certain exceptions.

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The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by the underwriters that they presently intend to make a market in the notes after consummation of the offering contemplated hereby, although they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure you that there will be a liquid trading market for the notes or that an active public market for the notes will develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

In connection with the offering, the underwriters may engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the notes. If the underwriters create a short position in the notes in connection with the offering, i.e., if they sell more notes than are set forth on the cover page of this prospectus, the underwriters may reduce that short position by purchasing notes in the open market. In general, purchases of a security for the purpose of stabilizing the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Certain of the underwriters and their affiliates have from time to time provided, and may in the future provide, investment banking and general financing and commercial banking services to us and our affiliates. Affiliates of several of the underwriters of the offering are lenders under the company's credit facility. These affiliates will receive a proportionate share of the amount of the credit facility to be repaid with the proceeds of this offering. In addition, we expect that J.P. Morgan Securities Inc. will be the lead arranger, and we expect it to be the administrative agent, of our proposed new credit facility, and that affiliates of each of the underwriters will be lenders under our new credit facility.

This offering is being conducted pursuant to Conduct Rule 2710(c)(8) of the National Association of Securities Dealers, Inc.

J.P. Morgan Securities Inc. and Lehman Brothers Inc. will make notes available for distribution on the Internet through a proprietary web site and/or a third-party system operated by Market Axess Inc., an Internet-based communications technology provider. Market Axess Inc. is providing the system as a conduit for communications between J.P. Morgan Securities Inc. and Lehman Brothers Inc. and their respective customers and is not a party to any transactions. Market Axess Inc., a registered broker-dealer, will receive compensation from J.P. Morgan Securities Inc. and Lehman Brothers Inc. based on transactions the underwriters conduct through the system. J.P. Morgan Securities Inc. and Lehman Brothers Inc. will make notes available to their

respective customers through the Internet distributions, whether made through a proprietary or third party system, on the same terms as distributions made through other channels.

LEGAL MATTERS

Certain legal matters with respect to the legality of the issuance of the notes will be passed upon for us by Fried, Frank, Harris, Shriver & Jacobson (a partnership including professional corporations), New York, New York. Certain legal matters in connection with the offering will be passed upon for the underwriters by Simpson Thacher & Bartlett, New York, New York.

EXPERTS

The consolidated financial statements and parent company financial information as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Humana Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Humana Inc. and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the parent company financial information listed in the

accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and parent company financial information are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and parent company financial information based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Louisville, Kentucky
February 7, 2001

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Humana Inc.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2000	1999
	(in millions, except share amounts)	
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 658	\$ 978
Investment securities.....	1,409	1,507
Premiums receivable, less allowance for doubtful accounts of \$42 in 2000 and \$61 in 1999.....	205	225
Deferred income taxes.....	67	128
Other.....	160	193
	-----	-----
Total current assets.....	2,499	3,031
	-----	-----
Property and equipment, net.....	435	418
Other assets:		
Long-term investment securities.....	240	294
Cost in excess of net assets acquired.....	790	806
Deferred income taxes.....	103	87
Other.....	100	264
	-----	-----
Total other assets.....	1,233	1,451
	-----	-----
Total assets.....	\$4,167	\$4,900
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Medical and other expenses payable.....	\$1,181	\$1,432
Trade accounts payable and accrued expenses.....	402	482
Book overdraft.....	149	215
Unearned premium revenues.....	333	349
Debt.....	600	686
	-----	-----
Total current liabilities.....	2,665	3,164
	-----	-----
Long-term medical and other expenses payable.....	--	324
Professional liability and other obligations.....	142	144
	-----	-----

Total liabilities.....	2,807	3,632
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1 par; 10,000,000 shares authorized; none issued		
Common stock, \$0.162/3 par; 300,000,000 shares authorized; 170,889,142 and 167,608,558 shares issued in 2000 and 1999, respectively.....	28	28
Capital in excess of par value.....	923	899
Retained earnings.....	461	371
Accumulated other comprehensive loss.....	(8)	(28)
Unearned restricted stock compensation.....	(30)	(2)
Treasury stock, at cost, 1,823,348 shares.....	(14)	--
	-----	-----
Total stockholders' equity.....	1,360	1,268
	-----	-----
Total liabilities and stockholders' equity.....	\$4,167	\$4,900
	=====	=====

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

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Humana Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,		
	2000	1999	1998
	(in millions, except per share results)		
Revenues:			
Premiums.....	\$10,395	\$ 9,959	\$9,597
Investment and other income, net.....	119	154	184
	-----	-----	-----
Total revenues.....	10,514	10,113	9,781
	-----	-----	-----
Operating expenses:			
Medical.....	8,782	8,532	8,041
Selling, general and administrative.....	1,442	1,368	1,328
Depreciation and amortization.....	147	124	128
Asset write-downs and other charges.....	--	460	34
	-----	-----	-----
Total operating expenses.....	10,371	10,484	9,531
	-----	-----	-----
Income (loss) from operations.....	143	(371)	250
Interest expense.....	29	33	47
	-----	-----	-----
Income (loss) before income taxes.....	114	(404)	203
Provision (benefit) for income taxes.....	24	(22)	74
	-----	-----	-----
Net income (loss).....	\$ 90	\$ (382)	\$ 129
	=====	=====	=====
Basic earnings (loss) per common share.....	\$ 0.54	\$ (2.28)	\$ 0.77
	=====	=====	=====
Diluted earnings (loss) per common share.....	\$ 0.54	\$ (2.28)	\$ 0.77
	=====	=====	=====

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

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Humana Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Unearned	Common Stock	Capital	Accumulated	
Restricted	-----	In Excess	Other	
Stock	Total	of Par	Retained	Comprehensive
Compensation	Treasury Stockholders'	Value	Earnings	(Loss) Income
Stock	Shares Amount	Equity	(Loss)	Income
-----	-----	-----	-----	-----
				(in millions)
Balances, January 1,				
1998.....	164	\$27	\$844	\$ 624
(3)	\$1,501			\$ 9
Comprehensive income:				
Net income.....			129	
	129			
Other comprehensive				
income:				
Net unrealized				
investment gains,				
net of \$2 tax.....				4
	4			

Comprehensive				
income.....				133
	133			
Restricted stock grant..			8	
(8)	--			
Restricted stock				
amortization.....				
2	2			
Stock option exercises..	4	1	35	
	36			
Stock option tax				
benefit.....			16	
	16			
	-----	-----	-----	-----
Balances, December 31,				
1998.....	168	28	903	753
(9)	--	1,688		13
Comprehensive loss:				
Net loss.....			(382)	
	(382)			
Other comprehensive				
loss:				
Net unrealized				
investment losses,				
net of \$27 tax.....				(41)
	(41)			

Comprehensive loss...				(423)
	(423)			
Restricted stock				
amortization.....				
2	2			
Restricted stock market				
value adjustment.....			(5)	
5	--			
Stock option exercises..			1	
	1			

-----	-----	-----	-----	-----	-----
Balances, December 31,					
1999.....	168	28	899	371	(28)
(2) -- 1,268					
Comprehensive income:					
Net income.....				90	
90					
Other comprehensive					
income:.....					
Net unrealized					
investment gains,					
net of \$13 tax.....					20
20					

Comprehensive					
income.....					
110					
Common stock					
repurchases.....					
\$(26) (26)					
Restricted stock grant..	3		21		
(33) 12 --					
Restricted stock					
amortization.....					
7					
Restricted stock market					
value adjustment.....			2		
(2) --					
Stock option exercises..			1		
1					
-----	-----	-----	-----	-----	-----
Balances, December 31,					
2000.....	171	\$28	\$923	\$ 461	\$ (8)
\$(30) \$(14) \$1,360					
====	====	====	====	====	====
====	====	====	====	====	====

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

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Humana Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2000	1999	1998
	(in millions)		
Cash flows from operating activities			
Net income (loss).....	\$ 90	\$(382)	\$ 129
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Asset write-downs and other charges.....	--	460	17
Depreciation and amortization.....	147	124	128
Gain on sale of property and equipment, net.....	(3)	(12)	
Gain on sale of investment securities, net.....	(6)	(11)	(21)
Provision for deferred income taxes.....	19	5	26
Provision for doubtful accounts.....	11	12	11
Payment for government audit settlement.....	(15)	--	--
Changes in operating assets and liabilities:			
Premiums receivable.....	(1)	39	34
Other assets.....	(9)	54	32
Medical and other expenses payable.....	(195)	(23)	(22)

Workers' compensation liabilities.....	(30)	(150)	(134)
Other liabilities.....	39	42	(135)
Unearned premium revenues.....	(16)	56	(10)
Other.....	9	3	--
	-----	-----	-----
Net cash provided by operating activities.....	40	217	55
	-----	-----	-----
Cash flows from investing activities			
Acquisitions, net of cash and cash equivalents acquired.....	(13)	(14)	
Divestitures, net of cash and cash equivalents disposed.....	29		(26)
Purchases of property and equipment.....	(135)	(89)	(113)
Dispositions of property and equipment.....	21	54	12
Purchases of investment securities.....	(1,205)	(796)	(1,053)
Maturities of investment securities.....	543	391	380
Proceeds from sales of investment securities.....	582	472	828
	-----	-----	-----
Net cash (used in) provided by investing activities.....	(178)	18	28
	-----	-----	-----
Cash flows from financing activities			
Revolving credit agreement borrowings.....	520	--	123
Revolving credit agreement repayments.....	--	(93)	(330)
Net commercial paper (repayments) borrowings.....	(606)	(44)	141
Change in book overdraft.....	(66)	(19)	82
Common stock repurchases.....	(26)	--	--
Other.....	(4)	(14)	35
	-----	-----	-----
Net cash (used in) provided by financing activities.....	(182)	(170)	51
	-----	-----	-----
(Decrease) increase in cash and cash equivalents.....	(320)	65	134
Cash and cash equivalents at beginning of period.....	978	913	779
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 658	\$ 978	\$ 913
	=====	=====	=====
Supplemental cash flow disclosures:			
Interest payments.....	\$ 30	\$ 33	\$ 49
Income tax (refunds) payments, net.....	\$ (35)	\$ (58)	\$ 69
Details of businesses acquired in purchase transactions:			
Fair value of assets acquired, net of cash acquired.....	\$ 126	\$ 20	
Less: liabilities assumed.....	(113)	(6)	
	-----	-----	
Cash paid for acquired businesses, net of cash acquired.....	\$ 13	\$ 14	
	=====	=====	

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

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Nature of Operations

Humana Inc. ("Humana" or "the Company") is one of the nation's largest publicly traded health services companies offering coordinated health insurance coverage, primarily to employer groups and government-sponsored plans, through a variety of product options including health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs"). The Company also offers an administrative services only ("ASO") product to those who self-insure their employee health plans and various specialty products, including dental, group life and short-term disability. In total, the Company's products are licensed in 49 states, the District of Columbia and Puerto Rico, with approximately 29

percent of its premium revenues in the state of Florida.

During 1999 and 2000, the Company was organized into two business units: the Health Plan segment and the Small Group segment. The Health Plan segment includes the Company's large group commercial (100 employees and over), Medicare, Medicaid, ASO and military or TRICARE business. The Small Group segment includes small group commercial (under 100 employees) and specialty benefit lines, including dental, life and short-term disability. Results of each segment are measured based upon results of operations before income taxes. The Company allocates administrative expenses, investment income and interest expense, but no assets, to the segments. Members in the same geographic area that are served by the two segments generally utilize the same medical provider networks, enabling the Company to obtain more favorable contract terms with providers. As a result, the profitability of each segment is somewhat interdependent. In addition, premium revenue pricing to large group commercial employers has historically been more competitive than that to small group commercial employers, resulting in less favorable underwriting margins for the large group commercial line of business. Costs to distribute and administer products to small group commercial employers are higher compared to large group commercial employers resulting in small group's higher administrative expense ratio. The Company is in the process of repositioning its lines of business and its distribution focus towards a more commercial line emphasis, including commercial products sold to customers who self-insure their financial exposure. As a result of this repositioning, the Company announced a management realignment during the first quarter of 2001. Future quarterly and annual financial reports will give effect to this realignment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

knowledge of current events and anticipated future events, and accordingly, actual results may ultimately differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash, time deposits, money market funds, commercial paper and certain U.S. Government securities with an original maturity of three months or less. Carrying value approximates fair value due to the short-term maturity of the investments.

Investment Securities

Investment securities, which consist primarily of debt and equity securities, have been categorized as available for sale and, as a result, are stated at fair value based generally on quoted market prices. Investment securities available for current operations are classified as current assets. Investment securities available for the Company's capital spending, professional liability, long-term insurance product requirements and strategic investments are classified as long-term assets. Unrealized holding gains and losses, net of applicable deferred taxes, are included as a component of stockholders' equity until realized.

For the purpose of determining gross realized gains and losses, the cost of investment securities sold is based upon specific identification.

Long-Lived Assets

Property and equipment is carried at cost, and is comprised of the following at December 31, 2000 and 1999:

	2000	1999
	-----	-----
	(in millions)	
Land.....	\$ 33	\$ 32
Buildings.....	319	345
Equipment and computer software.....	527	451
	-----	-----
	879	828
Accumulated depreciation.....	(444)	(410)
	-----	-----
	\$ 435	\$ 418
	=====	=====

Depreciation is computed using the straight-line method over estimated useful lives ranging from three to ten years for equipment, three to five years for computer software and 20 to 40 years for buildings. Depreciation expense was \$85 million, \$79 million and \$75 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Cost in excess of net assets acquired, or goodwill, represents the unamortized excess of cost over the fair value of net tangible and identifiable intangible assets acquired. Identifiable intangible assets, which are included in other long-term assets in the accompanying Consolidated Balance Sheets, primarily relate to subscriber and provider contracts and the cost of acquired licenses. Goodwill and identifiable intangible assets are amortized on a straight-line method over their estimated useful lives. Goodwill is amortized over periods ranging from six to 20 years, and identifiable intangible assets are amortized over periods ranging from five to 20 years.

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Long-lived assets are periodically reviewed by management for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable. Losses are recognized when the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying value. In addition, the estimated life of all long-lived assets are periodically reviewed by management for reasonableness. See Note 3 for a discussion related to the Company's 1999 impairment and estimated life review.

Amortization expense was \$62 million, \$45 million and \$53 million for the years ended December 31, 2000, 1999 and 1998, respectively. In conjunction with its 1999 goodwill impairment, the Company also reviewed the estimated life assigned to goodwill. Effective January 1, 2000, the Company adopted a 20-year amortization period from the date of acquisition for goodwill previously amortized over 40 years.

Revenue and Medical Cost Recognition

Premium revenues are recognized as income in the period members are entitled to receive services. Premiums received prior to such period are recorded as unearned premium revenues.

Medical costs include claim payments, capitation payments, allocations of certain centralized expenses and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals and others for medical care provided prior to the balance sheet date. Capitation payments represent monthly prepaid fees disbursed to participating primary care physicians and other providers who are responsible for providing medical care to members. The estimates of future medical claim and other

expense payments are developed using actuarial methods and assumptions based upon payment patterns, medical inflation, historical development and other relevant factors. Estimates of future payments relating to services incurred in the current and prior periods are continually reviewed by management and adjusted as necessary.

The Company assesses the profitability of its contracts for providing health insurance coverage to its members when current market operating results or forecasts indicate probable future losses. The Company records a premium deficiency in current operations to the extent that the sum of expected medical costs, claim adjustment expenses and maintenance costs exceeds related future premiums. Anticipated investment income is not considered for purposes of computing the premium deficiency. Because the majority of the Company's member contracts renew annually, the Company does not anticipate premium deficiencies, except when unanticipated adverse events or changes in circumstances indicate otherwise. See Note 3 for a discussion related to premium deficiencies recorded in 1999 and 1998.

Management believes the Company's medical and other expenses payable are adequate to cover future claims payments required, however, such estimates are based on knowledge of current events and anticipated future events, and, therefore, the actual liability could differ from amounts provided.

Book Overdraft

Under the Company's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are classified as a current liability in the Consolidated Balance Sheets.

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Stock Options

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and uses Accounting Principles Board Opinion No. 25 and related interpretations in the accounting for its stock option plans. No compensation expense has been recognized in connection with the granting of stock options. See Note 8 for discussion of stock options and the disclosures required by SFAS 123.

Income Taxes

The Company recognizes an asset or liability for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The Company also recognizes as deferred tax assets the future tax benefits such as net operating and capital loss carryforwards. A valuation allowance is provided against these deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed on the basis of the weighted average number of unrestricted common shares outstanding. Diluted earnings (loss) per common share is computed on the basis of the weighted average number of unrestricted common shares outstanding plus the dilutive effect of outstanding employee stock options and restricted shares using the "treasury stock" method.

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform with the current year presentation.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). In general, SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet at their fair value, and sets forth the manner in which gains or losses thereon are to be recorded. The treatment of such gains or losses is dependent upon the type of exposure, if any, for which the derivative is designated as a hedge. This standard is effective for the Company's financial statements beginning January 1, 2001, with early adoption permitted. Management of the Company has determined that the adoption of SFAS 133 on January 1, 2001 will not have a material impact on the Company's financial position, results of operations or cash flows.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 provides

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

guidance on revenue recognition and related disclosures and was effective beginning October 1, 2000. The Company was previously following the requirements provided under SAB 101 and as such there was no material impact on the Company's financial position, results of operations, cash flows or disclosures.

3. 1999 AND 1998 ASSET WRITE-DOWNS AND OPERATIONAL CHARGES

The following table presents the components of the asset write-downs and operational charges and their respective classifications in the 1999 and 1998 Consolidated Statements of Operations:

	Medical	Selling, General and Administrative	Asset Write-Downs and Other	Total
	-----	-----	-----	-----
	(in millions)			
1999:				
Premium deficiency.....	\$50			\$ 50
Reserve strengthening.....	35			35
Provider costs.....	5			5
Long-lived asset impairment.....			\$342	342
Losses on non-core asset sales.....			118	118
Professional liability reserve strengthening and other costs.....		\$35		35
	---	---	---	---
Total 1999.....	\$90	\$35	\$460	\$585
	===	===	====	====
1998:				
Premium deficiency.....	\$46			\$ 46
Provider costs.....	27			27
Market exit costs.....			\$ 15	15
Losses on non-core asset sales.....			12	12
Merger dissolution costs.....			7	7
Non-officer employee incentive and other costs.....		\$25		25
	---	---	---	---
Total 1998.....	\$73	\$25	\$ 34	\$132
	===	===	====	====

1999 Charges

Premium Deficiency, Reserve Strengthening and Provider Costs

As a result of management's assessment of the profitability of its contracts for providing health insurance coverage to its members in certain markets, the

Company recorded a provision for probable future losses (premium deficiency) of \$50 million during the first quarter of 1999. Ineffective provider risk-sharing contracts and the impact of the March 31, 1999 HCA--The Healthcare Company, formerly Columbia/HCA Healthcare Corporation ("HCA"), hospital agreement in Florida on current and projected future medical costs contributed to the premium deficiency. The beneficial effect from losses charged to the premium deficiency liability in 1999 was \$50 million.

Prior period adverse claims development primarily in the Company's PPO and Medicare products initially identified during an analysis of February and March 1999 medical claims resulted in the \$35 million reserve strengthening. The Company releases or strengthens medical

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

claims reserves when favorable or adverse development in prior periods exceed actuarial margins existing in the reserves. In addition, the Company paid HCA \$5 million to settle certain contractual issues associated with the March 31, 1999 hospital agreement in Florida.

Long-Lived Asset Impairment

Historical and current period operating losses in certain of the Company's markets prompted a review during the fourth quarter of 1999 for the possible impairment of long-lived assets. This review indicated that estimated future undiscounted cash flows were insufficient to recover the carrying value of long-lived assets, primarily goodwill, associated with the Company's Austin, Dallas and Milwaukee markets. Accordingly, the Company adjusted the carrying value of these long-lived assets to their estimated fair value resulting in a non-cash impairment charge of \$342 million. Estimated fair value was based on discounted cash flows.

The long-lived assets associated with the Austin and Dallas markets primarily resulted from the Company's 1997 acquisition of Physician Corporation of America ("PCA"). Operating losses in Austin and Dallas were related to the deterioration of risk-sharing arrangements with providers and the failure to effectively convert the PCA operating model and computer platform to Humana's. The long-lived assets associated with the Milwaukee market primarily resulted from the Company's 1994 acquisition of CareNetwork, Inc. Operating losses in Milwaukee were the result of competitor pricing strategies resulting in lower premium levels to large employer groups as well as market dynamics dominated by limited provider groups causing higher than expected medical costs.

In conjunction with its 1999 goodwill impairment, the Company also reviewed the estimated life assigned to goodwill. Effective January 1, 2000, the Company adopted a 20-year amortization period from the date of acquisition for goodwill previously amortized over 40 years.

The \$342 million long-lived asset impairment decreased future depreciation and amortization expense \$13 million annually (\$13 million after tax, or \$0.08 per diluted share), while the change in the amortization period of goodwill increased future amortization expense \$25 million annually (\$24 million after tax, or \$0.15 per diluted share).

Losses on Non-Core Asset Sales

Between December 30, 1999 and February 4, 2000, the Company entered into definitive agreements to sell its workers' compensation, Medicare supplement and North Florida Medicaid businesses. Since the carrying value of the net assets of these businesses exceeded the estimated fair value, the Company recorded a \$118 million loss in 1999. The estimated fair value was established based upon definitive sale agreements, net of expected transaction costs. During the first half of 2000, the Company completed the sale of these businesses. There was no change in the estimated loss during 2000. See Note 12 for additional discussion related to these divestitures.

Professional Liability Reserve Strengthening and Other Costs

The Company insures substantially all professional liability risks through a wholly owned captive insurance subsidiary (the "Subsidiary"). The Subsidiary

recorded an additional

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

\$25 million expense during the fourth quarter of 1999 primarily related to expected claim and legal costs to be incurred by the Company.

In addition, other expenses of \$10 million were recorded during the fourth quarter of 1999 related to a claim payment dispute with a contracted provider and government audits.

1998 Charges

Market Exits, Non-Core Asset Sales and Merger Dissolution Costs

On August 10, 1998, the Company and UnitedHealth Group Incorporated, formerly United HealthCare Corporation ("United"), announced their mutual agreement to terminate the previously announced Agreement and Plan of Merger, dated May 27, 1998. The planned merger, among other things, was expected to improve the operating results of the Company's products and markets due to overlapping markets with United. Following the merger's termination, the Company conducted a strategic evaluation, which included assessing the Company's competitive market positions and profit potential. As a result, the Company recognized expenses of \$34 million during the third quarter of 1998. The expenses included \$15 million of costs associated with exiting five markets, \$12 million of losses on disposals of non-core assets and \$7 million of merger dissolution costs.

The costs associated with the market exits of \$15 million included severance, lease termination costs as well as write-offs of equipment and uncollectible provider receivables. The planned market exits were Sarasota and Treasure Coast, Florida, Springfield and Jefferson City, Missouri and Puerto Rico. Severance costs were estimated based upon the provisions of the Company's employee benefit plans. The plan to exit these markets was expected to reduce the Company's market office workforce, primarily in Puerto Rico, by approximately 470 employees. In 1999, the Company reversed \$2 million of the severance and lease discontinuance liabilities after the Company contractually agreed with the Health Insurance Administration in Puerto Rico to extend the Company's Medicaid contract, with more favorable terms. The Company estimated annual pretax savings of approximately \$40 million, after all market exits were completed by June 30, 1999, primarily from a reduction in underwriting losses. Approximately 100 employees were ultimately terminated resulting in insignificant severance payments. Substantially all lease termination costs were paid as of December 31, 1999.

In accordance with the Company's policy on impairment of long-lived assets, equipment of \$5 million in the exited markets was written down to its fair value after an evaluation of undiscounted cash flows in each of the markets. The fair value of equipment was based upon discounted cash flows for the same markets. Following the write-down, the equipment was fully depreciated.

Premium Deficiency and Provider Costs

As a result of management's assessment of the profitability of its contracts for providing health insurance coverage to its members in certain markets, the Company recorded a provision for probable future losses (premium deficiency) of \$46 million during the third quarter of 1998. The premium deficiency resulted from events prompted by the terminated merger with United wherein the Company had expected to realize improved operating results in those markets that

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

overlapped with United, including more favorable risk-sharing arrangements. The beneficial effect from losses charged to the premium deficiency liability in 1999 and 1998 was \$23 million and \$17 million, respectively. In 1999, the

Company reversed \$6 million of premium deficiency liabilities after the Company contractually agreed with the Health Insurance Administration in Puerto Rico to extend the Company's Medicaid contract, with more favorable terms.

The Company also recorded \$27 million of expense related to receivables written-off from financially troubled physician groups, including certain bankrupt providers.

Non-Officer Employee Incentive and Other Costs

During the third quarter of 1998, the Company recorded a one-time incentive of \$16 million paid to non-officer employees and a \$9 million settlement related to a third party pharmacy processing contract.

4. INVESTMENT SECURITIES

Investment securities classified as current assets at December 31, 2000 and 1999 included the following:

1999	2000								
	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	
(in millions)									
U.S. Government obligations.....	\$ (3)	\$ 175		\$ 140	\$ 1		\$ 141	\$ 178	\$ --
Tax exempt municipal securities.....	(24)	865		811	5	\$ (6)	810	889	
Corporate and other securities.....	(7)	246		258	2	(4)	256	253	
Mortgage-backed securities.....		57		28	1		29	57	
Redeemable preferred stocks.....	(2)	65		61		(3)	58	67	
Debt securities.....	(36)	1,408		1,298	9	(13)	1,294	1,444	--
Equity securities.....	9	(6)	99	124	1	(10)	115	96	
	9	\$(42)	\$1,507	\$1,422	\$10	\$(23)	\$1,409	\$1,540	\$

Investment securities classified as long-term assets at December 31, 2000 and 1999 included the following:

1999

2000

Gross		Amortized	Unrealized	Gross	Fair	Amortized	Gross
Unrealized	Unrealized	Cost	Gains	Losses	Value	Cost	Gains
Losses	Value						
(in millions)							
U.S. Government obligations.....						\$ 16	\$ --
	\$ 16						
Tax exempt municipal securities.....	\$ (7)	\$ 77	\$ 1	\$ (1)	\$ 77	180	
	173						
Corporate and other securities.....		76	1	(1)	76	15	
	15						
Mortgage-backed securities.....		26			26	13	
	13						
Redeemable preferred stocks.....	(1)	3			3	27	
	26						
-----	-----	-----	-----	-----	-----	-----	-----
Debt securities.....	(8)	182	2	(2)	182	251	--
	243						
Equity securities.....	(5)	58			58	56	
	51						
-----	-----	-----	-----	-----	-----	-----	-----
		\$240	\$ 2	\$ (2)	\$240	\$307	\$ --
\$ (13)	\$294	=====	====	====	=====	=====	=====
=====	=====						

The contractual maturities of debt securities available for sale at December 31, 2000, regardless of their balance sheet classification, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
(in millions)		
Due within one year.....	\$ 135	\$ 133
Due after one year through five years.....	589	588
Due after five years through ten years.....	319	319
Due after ten years.....	437	436
	-----	-----
	\$1,480	\$1,476
	=====	=====

Gross realized investment gains were \$8 million, \$18 million and \$30 million and gross realized investment losses were \$2 million, \$7 million and \$9 million in 2000, 1999 and 1998, respectively.

Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

5. INCOME TAXES

The provision (benefit) for income taxes consisted of the following:

	Years Ended December 31,		
	2000	1999	1998
	----- (in millions) -----		
Current provision (benefit):			
Federal.....	\$ 3	\$ (18)	\$ 39
State and Puerto Rico.....	2	(9)	9
	-----	-----	-----
	5	(27)	48
	-----	-----	-----
Deferred provision:			
Federal.....	17	4	24
State and Puerto Rico.....	2	1	2
	-----	-----	-----
	19	5	26
	-----	-----	-----
	\$24	\$ (22)	\$74
	====	====	====

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

	Years Ended December 31,		
	2000	1999	1998
	----- (in millions) -----		
Income tax provision (benefit) at federal statutory rate.....	\$ 40	\$ (141)	\$ 71
State and Puerto Rico income taxes, net of federal benefit.....	9	(16)	8
Tax exempt investment income.....	(17)	(19)	(18)
Amortization expense.....	17	11	17
Capital loss on sale of workers' compensation business.....	(43)		
Capital loss valuation allowance.....	15		
Long-lived asset impairment.....		143	
Other, net.....	3		(4)
	-----	-----	-----
	\$ 24	\$ (22)	\$ 74
	====	====	====

Deferred income tax balances reflect the impact of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements, and are stated at enacted tax rates expected to be in

effect when the reported amounts are actually recovered or settled. Principal components of the net deferred tax balances for the Company at December 31, 2000 and 1999 are as follows:

	Assets (Liabilities)	
	2000	1999
	(in millions)	
Investment securities.....	\$ 5	\$ 18
Long-term assets.....	(44)	(30)
Medical and other expenses payable.....	38	43
Asset write-downs and other charges.....		37
Professional liability risks.....	9	8
Alternative minimum tax credit.....	18	1
Net operating loss carryforwards.....	53	72
Workers' compensation liabilities.....		24
Compensation and other accruals.....	50	42
Capital loss carryforward.....	56	
Valuation allowance-capital loss carryforward.....	(15)	
	-----	-----
	\$ 170	\$ 215
	=====	=====

At December 31, 2000, the Company has approximately \$135 million of net operating losses to carryforward related to prior acquisitions. These net operating loss carryforwards, if unused to offset future taxable income, will expire in 2001 through 2011.

During 2000, the Company generated approximately \$186 million of capital losses, primarily from the sale of its workers' compensation businesses. After available carrybacks and other adjustments, the Company has approximately \$145 million of available capital losses to carryforward. These capital loss carryforwards, if unused to offset future capital gains, will expire in 2005. A valuation allowance was established for a portion of these deferred tax assets.

Based on the Company's historical taxable income record and estimates of future capital gains and profitability, management has concluded that operating income and capital gains will be sufficient to give rise to tax expense and capital gains to recover all deferred tax assets, net of the valuation allowance.

6. DEBT

The Company maintains a revolving credit agreement ("Credit Agreement") which provides a line of credit of up to \$1.0 billion and expires in August 2002. Principal amounts outstanding under the Credit Agreement bear interest at either a fixed rate or a floating rate, ranging from LIBOR plus 35 basis points to LIBOR plus 80 basis points, depending on the Company's credit ratings. LIBOR was 6.56 percent at December 31, 2000. In addition, the Company pays a 15 basis point facility fee on the entire \$1.0 billion facility amount, regardless of utilization, and a 12.5 basis point usage fee when borrowings exceed one-third of the facility amount. The facility fee fluctuates between 6.5 and 20 basis points depending on the Company's credit rating. The Credit Agreement contains customary covenants and events of default including, but not

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

limited to, financial tests for interest coverage and leverage. The Company was in compliance with all covenants at December 31, 2000. The Company also maintains and issues short-term debt securities under a commercial paper program, which is backed by the Credit Agreement. The carrying value of the Company's borrowings approximates fair value as the interest rate on the borrowings varies at market rates.

Borrowings at December 31, 2000 and 1999 were as follows:

	2000	1999
	----	----
	(in millions)	
Credit agreement.....	\$520	
Commercial paper program.....	80	\$686
	----	----
	\$600	\$686
	====	====

7. PROFESSIONAL LIABILITY AND OTHER OBLIGATIONS

The components of professional liability and other obligations are as follows at December 31, 2000 and 1999:

	2000	1999
	----	----
	(in millions)	
Allowance for professional liabilities.....	\$135	\$133
Liabilities for disability and other long-term insurance products, the Company's retirement and benefit plans and other.....	36	44
Less: current portion of allowance for professional liabilities.....	(29)	(33)
	----	----
	\$142	\$144
	====	====

The Company insures substantially all professional liability risks through a wholly owned captive insurance subsidiary (the "Subsidiary"). Provisions for such risks, including expenses incident to claim settlements, were \$32 million, \$57 million and \$27 million for the years ended December 31, 2000, 1999 and 1998, respectively. The amount for 1999 includes \$25 million of professional liability reserve strengthening discussed in Note 3. The Subsidiary reinsures levels of coverage for losses in excess of its retained limits with unrelated insurance carriers. Reinsurance recoverables were \$28 million and \$29 million at December 31, 2000 and 1999, respectively. The current portion of allowance for professional liabilities is included with trade accounts payable and accrued expenses in the Consolidated Balance Sheets.

In 1998, the Subsidiary entered into a loss portfolio transfer agreement with unrelated insurance carriers for approximately \$39 million, providing for the transfer of all professional and workers' compensation liabilities on claims incurred prior to December 31, 1997 limited to individual and maximum claim retention levels.

8. EMPLOYEE BENEFIT PLANS

Employee Savings Plan

The Company has defined contribution retirement and savings plans covering qualified employees. The Company's contribution to these plans is based on various percentages of compensation, and in some instances is based upon the amount of the employees' contributions to the plans. The cost of these plans amounted to approximately \$33 million, \$27 million and \$40 million in 2000, 1999 and 1998, respectively, the substantial portion of which was funded currently. The amount for 1998 includes the \$16 million one-time incentive paid to non-officer employees discussed in Note 3.

Stock Based Compensation

The Company has plans under which restricted stock awards and options to purchase common stock have been granted to officers, directors and key employees. In 2000, the Company awarded 4,785,000 shares of restricted stock to officers and key employees all of which vest in August 2003. In 1998, the Company awarded 400,000 shares of performance-based restricted stock to officers and key employees. The 1998 restricted shares had the potential to vest in equal one-third installments beginning January 1, 2000, provided the Company met certain earnings goals. As this goal was not met for 1999 or 2000, and the awards are cumulative, the entire award has the potential to vest in 2001. Unearned compensation under the restricted stock award plans is amortized over the vesting periods. Compensation expense recognized related to the restricted stock award plans was \$7 million for the year ended December 31, 2000, and \$2 million for each of the years ended December 31, 1999 and 1998.

Options are granted at the average market price on the date of grant. Exercise provisions vary, but most options vest in whole or in part one to five years after grant and expire ten years after grant. At December 31, 2000, there were 13,823,487 shares reserved for employee and director stock option plans and there were 2,433,470 shares of common stock available for future grants.

On September 17, 1998, the Company repriced 5,503,491 of its stock options with original exercise prices ranging from \$18.31 to \$26.31 to the market price of the Company's common stock on that date of \$15.59. Outstanding stock options with an exercise price in excess of \$18.13 per share could be exchanged in return for a reduced number of options, with a deferred vesting date of one year after the exchange date. The repricing resulted in the cancellation of 5,503,491 options and the granting of 4,559,438 options.

The Company's option plan activity for the years ended December 31, 2000, 1999 and 1998 is summarized below:

	Shares Under Option	Exercise Price Per Share	Weighted Average Exercise Price
Balance, January 1, 1998.....	12,222,264	\$ 5.80 to \$26.94	\$15.54
Granted.....	6,403,788	15.59 to 26.22	17.04
Exercised.....	(3,067,202)	5.80 to 26.31	11.72
Canceled or lapsed.....	(6,753,198)	6.56 to 26.31	20.03
Balance, December 31, 1998.....	8,805,652	6.56 to 26.94	14.52
Granted.....	3,966,750	6.88 to 19.25	14.16
Exercised.....	(105,232)	6.56 to 8.91	7.26
Canceled or lapsed.....	(1,347,989)	8.00 to 26.31	18.32
Balance, December 31, 1999.....	11,319,181	6.56 to 26.94	14.00
Granted.....	1,090,500	6.41 to 14.19	7.26
Exercised.....	(267,171)	7.59 to 15.47	7.89
Canceled or lapsed.....	(752,493)	6.50 to 23.06	15.74
Balance, December 31, 2000.....	11,390,017	\$ 6.41 to \$26.94	\$13.41

A summary of stock options outstanding and exercisable at December 31, 2000 follows:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$ 6.41 to \$10.69	4,471,342	6.42 years	\$ 7.86	2,213,647	\$ 7.57
11.63 to 15.63	4,235,042	5.48 years	15.49	3,700,808	15.58
16.94 to 21.94	2,566,833	5.82 years	19.18	1,560,186	19.13
22.44 to 26.94	116,800	4.85 years	23.93	109,300	23.96
\$ 6.41 to \$26.94	11,390,017	5.92 years	\$13.41	7,583,941	\$14.09

As of December 31, 1999 and 1998, there were 6,286,826 and 3,636,481 options exercisable, respectively. The weighted average exercise price of options exercisable during 1999 and 1998 was \$13.71 and \$12.32, respectively. If the Company had adopted the expense recognition provisions of SFAS 123 for purposes of determining compensation expense related to stock options granted during the years ended December 31, 2000, 1999 and 1998, net income (loss) and earnings (loss) per common share would have been changed to the pro forma amounts shown below:

		Years Ended December 31,		
		2000	1999	1998
(in millions, except per share results)				
Net income (loss).....	As reported.....	\$ 90	\$ (382)	\$ 129
	Pro forma.....	82	(402)	116
Basic earnings (loss) per common share.....	As reported.....	\$ 0.54	\$ (2.28)	\$ 0.77
	Pro forma.....	0.49	(2.40)	0.69
Diluted earnings (loss) per common share.....	As reported.....	\$ 0.54	\$ (2.28)	\$ 0.77
	Pro forma.....	0.49	(2.40)	0.69

The fair value of each option granted during 2000, 1999 and 1998 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	2000	1999	1998
Dividend yield.....	None	None	None
Expected volatility.....	44.84%	43.8%	40.9%
Risk-free interest rate.....	6.7%	5.6%	4.9%
Expected option life (years).....	7.5	8.3	6.8
Weighted average fair value at grant date.....	\$4.17	\$8.10	\$8.59

The effects of applying SFAS 123 in the pro forma disclosures are not likely to be representative of the effects on pro forma net income for future years since variables such as option grants, exercises and stock price volatility included in the disclosures may not be indicative of future activity.

Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

9. EARNINGS (LOSS) PER COMMON SHARE COMPUTATION

Detail supporting the computation of basic and diluted earnings (loss) per common share follows:

	Net Income	Shares	Per Share Results
	-----	-----	-----
	(in millions, except per share results)		
Year Ended December 31, 2000:			
Basic earnings per common share.....	\$ 90	166,224,437	\$ 0.54
Effect of dilutive stock options and restricted shares.....		707,143	
	-----	-----	-----
Diluted earnings per common share.....	\$ 90	166,931,580	\$ 0.54
	=====	=====	=====
Year Ended December 31, 1999:			
Basic loss per common share.....	\$(382)	167,555,917	\$(2.28)
Effect of dilutive stock options and restricted shares.....			
	-----	-----	-----
Diluted loss per common share.....	\$(382)	167,555,917	\$(2.28)
	=====	=====	=====
Year Ended December 31, 1998:			
Basic earnings per common share.....	\$ 129	166,471,824	\$ 0.77
Effect of dilutive stock options and restricted shares.....		1,792,756	
	-----	-----	-----
Diluted earnings per common share.....	\$ 129	168,264,580	\$ 0.77
	=====	=====	=====

There were no adjustments required to be made to net income (loss) for purposes of computing basic or diluted earnings (loss) per common share. Antidilutive stock options and restricted shares totaling 11,676,093, 9,427,060 and 1,562,949 shares for the years ended December 31, 2000, 1999 and 1998, respectively, were not included in the computation of diluted earnings (loss) per common.

10. STOCKHOLDERS' EQUITY

Stock Repurchase Plan

In July 2000, the Company's Board of Directors authorized the repurchase of up to five million of its common shares. This program allows the Company to repurchase the shares from time to time in open-market purchases, in negotiated transactions, or by using forward-purchase contracts. Shares repurchased under the Board of Directors' authorization are used in connection with various incentive plans aimed at the retention of key employees. During 2000, the Company repurchased approximately 3.5 million of its common shares for \$26 million, at an average cost of \$7.71 per share. In conjunction with the 2000 restricted stock award, the Company reissued 1.7 million treasury shares and reserved an additional 215,000 treasury shares for future stock awards.

Stockholders' Rights Plan

The Company has a stockholders' rights plan designed to deter takeover initiatives not considered to be in the best interests of the Company's stockholders. The rights are redeemable by action of the Company's Board of Directors at a price of \$0.01 per right at any time prior to

Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

their becoming exercisable. Pursuant to the plan, under certain conditions, each share of stock has a right to acquire 1/100th of a share of Series A Participating Preferred Stock at a price of \$145 per share. The plan expires in 2006.

Regulatory Requirements

The Company's subsidiaries operate in states that require minimum levels of equity and regulate the payment of dividends to the parent company. Generally, the amount of dividend distributions that may be paid by regulated subsidiaries, without prior approval by state regulatory authorities, is limited based on the entity's level of statutory net income and statutory capital and surplus. As of December 31, 2000, the Company's regulated subsidiaries maintained aggregate statutory capital and surplus of approximately \$824 million, compared with their aggregate minimum statutory capital and surplus requirements of approximately \$616 million.

Most of the Company's statutory entities are impacted by the implementation of risk-based capital ("RBC") requirements recommended by the National Association of Insurance Commissioners. Several states are currently in the process of phasing these requirements in for HMOs over a number of years. If RBC were fully implemented as of December 31, 2000, the Company would be required to fund additional capital into specific entities of approximately \$95 million. After this capital infusion, the Company would have \$186 million of aggregate statutory capital and surplus above the required minimum level.

The Company files statutory-basis financial statements with state regulatory authorities in all states in which the Company conducts business. On January 1, 2001, changes to the statutory basis of accounting, known as the Codification guidance, became effective. The cumulative effect of these changes will be recorded as a direct adjustment to January 1, 2001 statutory surplus. The effect of the adoption is not expected to materially impact the Company's compliance with aggregate minimum statutory capital and surplus requirements.

11. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases facilities, computer hardware and other equipment under long-term operating leases that are noncancelable and expire on various dates through 2017. Rent expense and sublease income for all operating leases are as follows for the years ended December 31, 2000, 1999 and 1998:

	Years Ended December 31,		
	2000	1999	1998
	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
	(in millions)		
Rent expense.....	\$ 63	\$ 61	\$42
Sublease rental income.....	(21)	(18)	(9)
	----	----	----
Net rent expense.....	\$ 42	\$ 43	\$33
	====	====	===

Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Future annual minimum payments under all noncancelable operating leases in excess of one year subsequent to December 31, 2000 are as follows (in millions):

	(in millions)
2001.....	\$ 54
2002.....	42
2003.....	36
2004.....	30
2005.....	23
Thereafter.....	49

Total minimum lease payments.....	\$234
Less: minimum sublease rental income.....	48

Net minimum lease payments.....	\$186
	====

Government and Other Contracts

The Company's Medicare HMO 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 program's current support of the use of managed health care for Medicare beneficiaries and future reimbursement rates thereunder. Management is unable to predict the outcome of these proposals or the impact they may have on the Company's financial position, results of operations or cash flows. The Company's Medicaid contracts are generally annual contracts with various states except for the two-year contract with the Health Insurance Administration in Puerto Rico which expires April 30, 2001. The Company has submitted a bid for renewal of the contract in Puerto Rico and at this time is unable to predict if it will be renewed, under what terms, and what effect any such renewal or non-renewal will have on its financial position, results of operations or cash flows. Additionally, the Company renewed its TRICARE contract for up to two additional years subject to annual renewal terms, beginning July 1, 2001. 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 the revenues, profitability and business prospects of the Company. In addition, the Company continually contracts and seeks to renew contracts with providers at rates designed to ensure adequate profitability. To the extent the Company is unable to obtain such rates, its financial position, results of operations and cash flows could be adversely impacted.

Legal Proceedings

The Company and Physician Corporation of America ("PCA"), formerly a publicly traded company acquired by the Company as a subsidiary in 1997, are each involved in securities litigation. The complaints involving the Company, which were consolidated, allege it and certain current and/or former directors and officers knowingly or recklessly made false or misleading statements in press releases and public filings concerning the Company's financial condition, primarily with respect to the impact of negotiations over renewal of the Company's contract with HCA in 1999. On November 7, 2000, the action was dismissed by the United States District Court for the Western District of Kentucky. The plaintiffs have filed an appeal to the Court of Appeals for the Sixth Circuit. The PCA complaint, filed in 1997, alleges certain of its former directors and officers knowingly or recklessly made false or misleading statements in

press releases and public filings with respect to the financial and regulatory difficulties of PCA's workers' compensation business. The Company intends to pursue the defense of the actions vigorously and does not believe that these actions will have a material adverse effect on the Company's financial position

or results of operations.

The Company is 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. The cases include separate suits that purport to have been brought on behalf of members (so-called "Subscriber Track" cases) and a single action against the Company and seven other managed care companies that purports to have been brought on behalf of providers (so-called "Provider Track" case). The Subscriber Track complaints allege, among other things, that Humana intentionally concealed from members certain information concerning the way in which it conducts business, including the methods by which it pays providers. The complaints allege violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO") and the Employee Retirement Income Security Act ("ERISA"). The plaintiffs do not allege that any of the purported practices resulted in denial of any claims for a particular benefit, but, instead, claim that Humana provided the purported class with health insurance benefits of lesser value than promised. In the Provider Track case, the plaintiffs assert that the companies 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 violation of regulations governing the timeliness of claim payments. The Company believes the allegations in the complaints are without merit and intends to pursue the defense of the actions vigorously.

On January 4, 2000, a jury in Palm Beach County, Florida, issued an approximately \$80 million verdict in a case arising from removal of an insured from a special case management program ("Chippis"). The award included approximately \$78.5 million for punitive damages, \$1 million for emotional distress and \$29,000 for contractual benefits. The defendant, Humana Health Insurance Company of Florida, Inc., is in the process of appealing the verdict.

During 2000, the Company paid approximately \$15 million in a settlement to the United States Department of Justice and the Department of Health and Human Services relating to Medicare premium overpayments. The Company had previously established adequate liabilities for the resolution of these issues and, therefore, the settlement did not have a material impact on the Company's financial position or results of operations. As part of this settlement, on May 31, 2000, the Company entered into a five-year Corporate Integrity Agreement ("CIA") with the Office of Inspector General ("OIG") of the Department of Health and Human Services. Under the CIA, the Company is obligated to, among other things, provide training, conduct periodic audits and make periodic reports to the OIG.

In July 2000, the Office of the Florida Attorney General initiated an investigation, apparently relating to some of the same matters as are involved in the purported class action lawsuits described above. While the Attorney General has filed no action against the Company, he has indicated that he may do so in the future.

The Company's business practices are subject to review by various state insurance and health care regulatory authorities and federal regulatory authorities. Recently, there has been

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

increased scrutiny by these regulators of the managed health care companies' business practices, including claims payment practices and utilization management. The Company has been and continues to be subject to such reviews. Some of these could require changes in some of the Company's practices and could also result in fines or other sanctions.

The Company also is involved in other lawsuits that arise in the ordinary course of its business operations, including claims of medical malpractice, bad faith, failure to properly pay claims, nonacceptance or termination of providers, failure to disclose network discounts and various provider arrangements, challenges to subrogation practices, and claims relating to performance of contractual obligations to providers and others. Recent court decisions and pending state and federal legislative activity may increase the Company's exposure for any of these types of claims.

Personal injury and claims for extracontractual damages arising from medical benefit denial are covered by insurance from the Company's 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 connection with the case of Chipps v. Humana Health Insurance Company of Florida, Inc., the Company's liability carriers have preliminarily indicated they believe no coverage may be available for a punitive damages award. 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, insurance coverage for all or certain forms of liability may become unavailable or prohibitively expensive in the future.

Management does not believe that any pending or threatened legal actions against the Company or audits by agencies will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the likelihood or outcome of current or future suits, including any appeals, like the appeal of the Chipps case, cannot be accurately predicted with certainty. Therefore, such legal actions could adversely affect the Company's financial position, results of operations or cash flows. See "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Legal Proceedings" in this document.

12. ACQUISITIONS AND DIVESTITURES

Divestitures

During 2000, the Company completed transactions to divest its workers' compensation, North Florida Medicaid and Medicare supplement businesses. The Company previously estimated and recorded a \$118 million loss in 1999 related to the divestitures. There was no change in the estimated loss during 2000. Divested assets, consisting primarily of investment securities and reinsurance recoverables, totaled \$653 million. Divested liabilities, consisting primarily of workers' compensation and other reserves, totaled \$437 million. Cash proceeds were \$98 million (\$29 million net of divested subsidiaries' cash) for the year ended December 31, 2000. Revenue and pretax results associated with these businesses for the years ended December 31, 2000, 1999 and 1998 were as follows:

	Years Ended December 31,		

	2000	1999	1998
	----	----	----
	(in millions)		
Revenues.....	\$103	\$218	\$213
Pretax results.....	\$ (8)	\$ (13)	\$ 20

Acquisitions

During 2000, the Company acquired a Houston-based health plan, two operating shell entities for future business initiatives, and a hospital in-patient management services firm for \$77 million (\$13 million net of acquired subsidiaries' cash).

On June 1, 1999, the Company reached an agreement with FPA Medical Management, Inc. ("FPA"), FPA's lenders and a federal bankruptcy court under which the Company acquired the operations of 50 medical centers from FPA for approximately \$14 million in cash. The Company has subsequently transferred operating responsibility for all acquired FPA medical centers under long-term provider agreements.

The above acquisitions were accounted for under the purchase method of accounting. In connection with these acquisitions, the Company allocated the acquisition cost to net tangible and identifiable intangible assets based upon their fair value. Identifiable intangible assets primarily relate to provider and subscriber contracts and the cost of the acquired licenses. Any remaining value not assigned to net tangible or identifiable intangible assets was then allocated to cost in excess of net assets acquired, or goodwill. Goodwill and identifiable intangible assets acquired, recorded in connection with the acquisitions were \$52 million and \$17 million in 2000 and 1999, respectively. The identifiable intangible assets are being amortized over periods ranging from five to 20 years while goodwill is being amortized over periods ranging from six to 20 years. Unaudited pro forma results of operations information has not been presented because the effects of these acquisitions were not, individually or in the aggregate, significant to the Company's results of operations or financial position.

During 1999, the Company recorded an impairment loss and, effective January 1, 2000, adopted a 20-year amortization period from the date of acquisition for goodwill previously amortized over 40 years as discussed in Note 3.

13. SEGMENT INFORMATION

During 1999 and 2000, the Company was organized into two business units: the Health Plan segment and the Small Group segment. The Health Plan segment includes the Company's large group commercial (100 employees and over), Medicare, Medicaid, ASO and military or TRICARE business. The Small Group segment includes small group commercial (under 100 employees) and specialty benefit lines, including dental, life and short-term disability. Results of each segment are measured based upon results of operations before income taxes. The Company allocates administrative expenses, investment income and interest expense, but no assets, to the segments. Members in the same geographic area that are served by the two segments generally utilize the same medical provider networks, enabling the Company to obtain more favorable contract terms with providers. As a result, the profitability of each segment is somewhat interdependent. In addition, premium revenue pricing to large group commercial employers has historically been more competitive than that to small group commercial employers, resulting in less favorable underwriting margins for the large group commercial line of business. Costs to distribute and administer products to small group commercial employers are higher compared to large group commercial employers resulting in small group's higher administrative expense ratio. The accounting policies of each segment are similar and are described in Note 2. The Company is in the process of repositioning its lines of business and its distribution focus towards a more commercial line emphasis, including commercial products sold to customers who self-insure their financial exposure. As a result of this repositioning, the Company announced a management realignment during the first quarter of 2001. Future quarterly and annual financial reports will give effect to this realignment.

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Humana Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The segment results for the years ended December 31, 2000, 1999 and 1998 are as follows:

	Health Plan	Small Group	Total

	(in millions)		
2000			
Revenues:			
Premiums.....	\$7,303	\$3,092	\$10,395
Investment and other income, net.....	83	36	119
	-----	-----	-----
Total revenues.....	7,386	3,128	10,514
Underwriting margin.....	978	635	1,613
	-----	-----	-----

Depreciation and amortization.....	91	56	147
Interest expense.....	20	9	29
Income before income taxes.....	54	60	114

Health Small
Plan Group Total

(in millions)

1999

Revenues:

Premiums.....	\$6,847	\$3,112	\$9,959
Investment and other income, net.....	102	52	154
Total revenues.....	6,949	3,164	10,113
Underwriting margin.....	863	564	1,427
Depreciation and amortization.....	70	54	124
Interest expense.....	22	11	33
(Loss) income before income taxes.....	(410)	6	(404)

Health Small
Plan Group Total

(in millions)

1998

Revenues:

Premiums.....	\$6,734	\$2,863	\$9,597
Investment and other income, net.....	140	44	184
Total revenues.....	6,874	2,907	9,781
Underwriting margin.....	988	568	1,556
Depreciation and amortization.....	76	52	128
Interest expense.....	33	14	47
Income (loss) before income taxes.....	183	20	203

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As discussed in Note 3, during 1999 and 1998, the Company recorded pretax expenses of \$585 million and \$132 million, respectively. The following table details the impact these expenses had on the Health Plan and Small Group segments for the years ended December 31, 1999 and 1998:

	1999			1998		
	Health	Small	Total	Health	Small	Total
	Plan	Group		Plan	Group	
	-----	-----	-----	-----	-----	-----
	(in millions)					
Underwriting margin.....	\$ 66	\$24	\$ 90	\$60	\$13	\$ 73
Income before income taxes.....	\$553	\$32	\$585	\$96	\$36	\$132

The Company markets health and specialty insurance products. The Company's health insurance offerings include primarily HMO and PPO products while its specialty offerings include dental, group life and ASO products. Health insurance product premiums were approximately \$10.1 billion, \$9.7 billion and \$9.4 billion for the years ended December 31, 2000, 1999 and 1998, respectively. Specialty product premiums were approximately \$291 million, \$277 million and \$239 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Premium revenues derived from contracts with the federal government for the years ended December 31, 2000, 1999 and 1998 represent approximately 42 percent, 40 percent and 41 percent, respectively, of total premium revenues.

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HUMANA INC.

PARENT COMPANY FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS
December 31, 2000 and 1999

Assets

	2000	1999
	(in millions, except share amounts)	
Cash and cash equivalents.....	\$ 14	\$ 3
Receivables from operating subsidiaries, net.....	--	41
Other current assets.....	27	30
	-----	-----
Total current assets.....	41	74
Property and equipment, net.....	221	176
Investments in subsidiaries.....	2,089	1,991
Notes receivable from operating subsidiaries.....	87	81
Other.....	71	40
	-----	-----
Total assets.....	\$2,509	\$2,362
	=====	=====
Liabilities and Stockholders' Equity		
Payable to operating subsidiaries, net.....	\$ 52	\$ --
Book overdraft.....	173	160
Other current liabilities.....	200	145
Debt.....	600	686
	-----	-----
Total current liabilities.....	1,025	991
Notes payable to operating subsidiaries.....	97	77
Other.....	27	26
	-----	-----
Total liabilities.....	1,149	1,094
	-----	-----
Contingencies		
Preferred stock, \$1 par; 10,000,000 shares authorized; none issued		
Common stock, \$0.162/3 par; 300,000,000 shares authorized; 170,889,142 and 167,608,558 shares issued in 2000 and 1999, respectively.....		
	28	28
Treasury stock, at cost, 1,823,348 shares.....	(14)	--
Other stockholders' equity.....	1,346	1,240
	-----	-----
Total stockholders' equity.....	1,360	1,268
	-----	-----
Total liabilities and stockholders' equity.....	\$2,509	\$2,362
	=====	=====

See accompanying notes to the parent company financial statements.

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HUMANA INC.

PARENT COMPANY FINANCIAL INFORMATION

CONDENSED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
	-----	-----	-----
	(in millions)		
Revenues:			
Management fees charged to operating subsidiaries.....	\$381	\$ 364	\$297
Investment and other income.....	4	19	5
	-----	-----	-----
	385	383	302
	-----	-----	-----
Expenses:			
Selling, general and administrative.....	334	331	293
Depreciation.....	50	36	33
Interest expense.....	34	35	44
	-----	-----	-----
	418	402	370
	-----	-----	-----
Loss before income taxes and equity in net earnings (loss) of subsidiaries.....	(33)	(19)	(68)
Benefit for income taxes.....	33	6	38
	-----	-----	-----
Loss before equity in net earnings (loss) of subsidiaries..	--	(13)	(30)
Equity in net earnings (loss) of subsidiaries.....	90	(369)	159
	-----	-----	-----
Net income (loss).....	\$ 90	\$(382)	\$129
	=====	=====	=====

See accompanying notes to the parent company financial statements.

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HUMANA INC.

PARENT COMPANY FINANCIAL INFORMATION

CONDENSED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
	-----	-----	-----
	(in millions)		
Net cash provided by (used in) operating activities.....	\$ 134	\$ 62	\$
(18)			
Cash flows from investing activities:			
Purchases of property and equipment, net.....	(98)	(11)	
(43)			
Capital contributions to operating subsidiaries.....	(48)	(191)	
(59)			
Dividends from operating subsidiaries.....	185	276	123
Surplus note funding to operating subsidiaries.....	(10)	--	--
Surplus note redemption from operating subsidiaries.....	4	--	--
Acquisitions.....	(77)	--	--
Other.....	2	--	
(5)			

Net cash (used in) provided by investing activities.....	(42)	74	16
Cash flows from financing activities:			
Revolving credit agreement borrowings.....	520	--	123
Revolving credit agreement repayments.....	--	(93)	
(330)			
Net commercial paper (repayments) borrowings.....	(606)	(44)	141
Proceeds from notes issued to operating subsidiaries.....	20	18	--
Common stock repurchases.....	(26)	--	--
Other.....	11	(14)	68
Net cash (used in) provided by financing activities.....	(81)	(133)	2
Change in cash and cash equivalents.....	11	3	--
Cash and cash equivalents at beginning of period.....	3	--	--
Cash and cash equivalents at end of period.....	\$ 14	\$ 3	\$ --
	=====	=====	=====

See accompanying notes to the parent company financial statements.

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HUMANA INC.

PARENT COMPANY FINANCIAL INFORMATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

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

Certain reclassifications have been made to the prior years' parent company financial information.

2. Transactions with Subsidiaries

In the normal course of business, the parent company indemnifies certain of its subsidiaries for health plan obligations its subsidiaries may be unable to meet.

Notes receivables from operating subsidiaries

The parent company has funded certain subsidiaries with surplus note agreements. These notes are generally non-interest bearing and may not be repaid without the prior approval of the Departments of Insurance. In January 2001, the parent company received \$22.5 million from one of its subsidiaries in satisfaction of two surplus notes.

Notes payable to operating subsidiaries

The parent company has borrowed funds from certain subsidiaries with notes generally collateralized by real estate. These notes, which have various payment and maturity terms, bear interest ranging from 6.65 percent to 7.50 percent and are payable between 2002 and 2009. The parent company recorded interest expense of \$6 million, \$5 million and \$4 million related to these notes for the years ended December 31, 2000, 1999 and 1998, respectively. During the first quarter of 2001, the parent company paid \$20 million to one of its subsidiaries in satisfaction of a note.

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Humana Inc.

Unaudited at March 31, 2001

March 31, December 31,
2001 2000

(in millions, except
share amounts)

ASSETS

Current assets:

Cash and cash equivalents.....	\$ 570	\$ 658
Investment securities.....	1,398	1,409
Premiums receivable, less allowance for doubtful accounts of \$40 at March 31, 2001 and \$42 at December 31, 2000.....	249	205
Other.....	212	227

Total current assets.....	2,429	2,499
Long-term investment securities.....	226	240
Property and equipment, net.....	439	435
Cost in excess of net assets acquired.....	786	790
Other.....	197	203

Total assets.....	\$4,077	\$4,167
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Medical and other expenses payable.....	\$1,103	\$1,181
Trade accounts payable and accrued expenses.....	378	402
Book overdraft.....	128	149
Unearned premium revenues.....	340	333
Debt.....	590	600

Total current liabilities.....	2,539	2,665
Professional liability and other obligations.....	143	142

Total liabilities.....	2,682	2,807
	-----	-----

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$1 par; authorized 10,000,000 shares; none issued		
Common stock, \$0.16 2/3 par; 300,000,000 shares authorized; 170,688,314 and 170,889,142 shares issued in 2001 and 2000, respectively.....	28	28
Capital in excess of par value.....	922	923
Retained earnings.....	488	461
Accumulated other comprehensive loss.....	(3)	(8)
Unearned restricted stock compensation.....	(27)	(30)
Treasury stock, at cost, 1,711,504 and 1,823,348 shares in 2001 and 2000, respectively.....	(13)	(14)

Total stockholders' equity.....	1,395	1,360
	-----	-----

Total liabilities and stockholders' equity.....	\$4,077	\$4,167
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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Humana Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the quarters ended March 31, 2001 and 2000
Unaudited

	Quarters Ended	
	2001	2000
	(in millions, except per share results)	
Revenues:		
Premiums.....	\$2,413	\$2,611
Investment and other income, net.....	32	31
Total revenues.....	2,445	2,642
Operating expenses:		
Medical.....	2,007	2,220
Selling, general and administrative.....	350	353
Depreciation and amortization.....	39	34
Total operating expenses.....	2,396	2,607
Income from operations.....	49	35
Interest expense.....	7	8
Income before income taxes.....	42	27
Provision for income taxes.....	15	6
Net income.....	\$ 27	\$ 21
Basic earnings per common share.....	\$ 0.16	\$ 0.13
Diluted earnings per common share.....	\$ 0.16	\$ 0.13

See accompanying notes to condensed consolidated financial statements.

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Humana Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the quarters ended March 31, 2001 and 2000
Unaudited

	Quarters Ended	
	2001	2000
	(in millions)	
Cash flows from operating activities:		
Net income.....	\$ 27	\$ 21
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization.....	39	34
Provision for deferred income taxes.....	16	5
Changes in operating assets and liabilities excluding effects of acquisitions and divestitures:		
Premiums receivable.....	(48)	(48)
Other assets.....	3	(8)
Medical and other expenses payable.....	(78)	(26)
Workers' compensation run-out claims reduction.....	--	(30)
Other liabilities.....	(27)	(71)

Unearned premium revenues.....	1	53
Other.....	(2)	--
	-----	-----
Net cash used in operating activities.....	(69)	(70)
	-----	-----
Cash flows from investing activities:		
Acquisitions, net of cash and cash equivalents acquired.....	--	3
Disposition, net of cash and cash equivalents disposed.....	--	60
Purchases of investment securities.....	(479)	(257)
Maturities of investment securities.....	168	179
Proceeds from sales of investment securities.....	352	88
Purchases of property and equipment.....	(28)	(33)
Proceeds from sales of property and equipment.....	--	9
	-----	-----
Net cash provided by investing activities.....	13	49
	-----	-----
Cash flows from financing activities:		
Net revolving credit agreement repayments.....	(10)	--
Net commercial paper repayments.....	--	(7)
Change in book overdraft.....	(21)	(50)
Other.....	(1)	(3)
	-----	-----
Net cash used in financing activities.....	(32)	(60)
	-----	-----
Decrease in cash and cash equivalents.....	(88)	(81)
Cash and cash equivalents at beginning of period.....	658	978
	-----	-----
Cash and cash equivalents at end of period.....	\$ 570	\$ 897
	=====	=====
Supplemental cash flow information:		
Interest payments.....	\$ 9	\$ 8
Income tax payments (refunds), net.....	\$ 1	\$ (1)

See accompanying notes to condensed consolidated financial statements.

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Humana Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

A. 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 generally accepted accounting principles or those normally made in an Annual Report on Form 10-K. For further information, the reader of this Form 10-Q should refer to the Form 10-K of Humana Inc. (the "Company" or "Humana") for the year ended December 31, 2000 filed with the Securities and Exchange Commission on March 30, 2001.

The preparation of the Company's condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on knowledge of current events and anticipated future events and accordingly, actual results may ultimately differ from those estimates.

The financial information has been prepared in accordance with the Company's customary accounting practices and has not been audited. In the opinion of management, the information presented reflects all adjustments necessary for a fair statement of interim results. All such adjustments are of a normal and recurring nature.

B. Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). In general, SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet

at their fair value, and sets forth the manner in which gains or losses thereon are to be recorded. The treatment of such gains or losses is dependent upon the type of exposure, if any, for which the derivative is designated as a hedge. The adoption of this standard effective January 1, 2001 was not material to the Company's financial position, results of operations, or cash flows.

C. Contingencies

Government and Other Contracts

The Company's Medicare HMO 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 program's current support of the use of managed health care for Medicare beneficiaries and future reimbursement rates thereunder. Management is unable to predict the outcome of these proposals or the impact they may have on the Company's financial position, results of operations or cash flows. The Company's Medicaid contracts generally are annual contracts with various states except for the two-year contract with the Health Insurance Administration in Puerto Rico which was extended for an additional two months to expire on June 30, 2001. The Company is awaiting information from the Health Insurance Administration in Puerto Rico concerning the renewal of the contract. The Company is unable to predict if the contract will be renewed and what effect it will have on its

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Humana Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Unaudited

financial position, results of operations or cash flows. Additionally, the Company renewed its TRICARE contract for up to two additional years subject to annual renewal terms, beginning July 1, 2001. 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 the revenues, profitability, and business prospects of the Company. In addition, the Company continually contracts and seeks to renew contracts with providers at rates designed to ensure adequate profitability. To the extent the Company is unable to obtain such rates, its financial position, results of operations, and cash flows could be adversely impacted.

Legal Proceedings

The Company and Physician Corporation of America ("PCA"), formerly a publicly traded company acquired by the Company as a subsidiary in 1997, are each involved in securities litigation. The complaints involving the Company, which were consolidated, allege it and certain current and/or former directors and officers knowingly or recklessly made false or misleading statements in press releases and public filings concerning the Company's financial condition, primarily with respect to the impact of negotiations over renewal of the Company's contract with HCA in 1999. On November 7, 2000, the action was dismissed by the United States District Court for the Western District of Kentucky. The plaintiffs have filed an appeal to the United States Court of Appeals for the Sixth Circuit. The PCA complaint, filed in 1997, alleges certain of its former directors and officers knowingly or recklessly made false or misleading statements in press releases and public filings with respect to the financial and regulatory difficulties of PCA's workers' compensation business. The Company intends to pursue the defense of the actions vigorously and does not believe that these actions will have a material adverse effect on the Company's financial position or results of operations.

The Company is 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. The cases include separate suits that purport to have been brought on behalf of members (so-called "Subscriber Track" cases) and a single action against the Company and seven other managed care companies that purports to have been brought on behalf of providers (so-called "Provider Track" case). The Subscriber Track complaints allege, among other things, that Humana intentionally concealed from members certain information concerning the way in which it conducts business, including the methods by which it pays providers. The complaints allege violations of the

Racketeer Influenced and Corrupt Organizations Act ("RICO") and the Employee Retirement Income Security Act ("ERISA"). The plaintiffs do not allege that any of the purported practices resulted in denial of any claims for a particular benefit, but, instead, claim that Humana provided the purported class with health insurance benefits of lesser value than promised. In the Provider Track case, the plaintiffs assert that the companies improperly (i) paid providers' claims and (ii) "downcoded" their claims by paying lesser amounts than they submitted. Following dismissal of their initial complaint, the plaintiffs filed an amended complaint on March 26, 2001, which, among other things, added another defendant, Coventry Health Care, Inc., and several additional individual plaintiffs. The amended complaint also added claims by physician medical associations in Texas, California and Georgia. The complaint alleges, among other things, multiple violations under RICO as well as various breaches of contract and violation of regulations governing the timeliness of claim payments. The Company believes the allegations in the complaints are without merit and intends to pursue the defense of the actions vigorously.

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Humana Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
Unaudited

On January 4, 2000, a jury in Palm Beach County, Florida, issued an approximately \$80 million verdict in a case arising from removal of an insured from a special case management program ("Chippis"). The award included approximately \$78.5 million for punitive damages, \$1 million for emotional distress and \$29,000 for contractual benefits. The defendant, Humana Health Insurance Company of Florida, Inc., is in the process of appealing the verdict.

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

In July 2000, the Office of the Florida Attorney General initiated an investigation, apparently relating to some of the same matters as are involved in the purported class action lawsuits described above. While the Attorney General has filed no action against the Company, he has indicated that he may do so in the future.

The Company's business practices are subject to review by various state insurance and health care regulatory authorities and federal regulatory authorities. Recently, there has been increased scrutiny by these regulators of the managed health care companies' business practices, including claims payment practices and utilization management. The Company has been and continues to be subject to such reviews. Some of these reviews could require changes in some of the Company's practices and could also result in fines or other sanctions.

The Company also is involved in other lawsuits that arise in the ordinary course of its business operations, including claims of medical malpractice, bad faith, failure to properly pay claims, nonacceptance or termination of providers, failure to disclose network discounts and various provider arrangements, challenges to subrogation practices, and claims relating to performance of contractual obligations to providers and others. Recent court decisions and pending state and federal legislative activity may increase the Company's exposure for any of these types of claims.

Personal injury and claims for extracontractual damages arising from medical benefit denial are covered by insurance from the Company's 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 connection with the case of Chippis v. Humana Health Insurance Company of Florida, Inc., the Company's liability carriers have preliminarily indicated they believe no coverage may be available for a punitive damages award. 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, insurance coverage for all or certain forms of liability may become unavailable or prohibitively expensive in the future.

Management does not believe that any pending or threatened legal actions against the Company or audits by agencies will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the likelihood or outcome of current or future suits, including any appeals, e.g., the appeal of the Chipps case, cannot be accurately predicted with certainty. Therefore, such legal actions could have a material adverse effect on the Company's financial position, results of operations or cash flows.

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Humana Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
Unaudited

D. Earnings Per Common Share

Basic earnings per common share is computed 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 employee 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. Reconciliations of the average number of unrestricted common shares outstanding used in the calculation of basic earnings per common share and diluted earnings per common share for the quarters ended March 31, 2001 and 2000 are as follows:

	Quarters Ended	
	2001	2000
Shares used to compute basic earnings per common share.....	164,054,724	167,752,402
Effect of dilutive common stock options and restricted shares.....	3,318,612	99,246
Shares used to compute diluted earnings per common share.....	167,373,336	167,851,648
Number of antidilutive stock options excluded from computation.....	6,996,471	9,686,003

E. Comprehensive Income

The following table presents comprehensive income for the quarters ended March 31, 2001 and 2000:

	Quarters Ended	
	2001	2000
	(in millions)	
Net income.....	27	21
Net unrealized investment gains, net of tax.....	5	7
Comprehensive income, net of tax.....	32	28

F. Segment Information

During the first quarter of 2001 the Company implemented a management realignment to reflect its consumer-centric focus. As a result of this realignment, the Company redefined its business segments into the Commercial segment and the Government segment. All prior period segment information has been reclassified to conform to the current period's presentation. The Commercial segment includes the Company's fully insured medical, administrative services only ("ASO"), and specialty lines of business marketed primarily to employer groups, and the Government segment includes the Medicare+Choice, Medicaid, and TRICARE lines of business. The TRICARE program provides health insurance coverage to the dependents of active duty

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Humana Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
Unaudited

military personnel as well as to retired military personnel and their dependents. Results of each segment are measured based upon results of operations before income taxes. The Company allocates administrative expenses, interest income, and interest expense, but no assets, to its segments. Members served by the two segments generally utilize the same medical provider networks, enabling the Company to obtain more favorable contract terms with providers. The segments also share overhead costs. As a result, the profitability of each segment is interdependent.

The following table presents financial information for the Company's Commercial and Government segments for the quarters ended March 31, 2001 and 2000:

	2001		
	Commercial	Government	Total

	(in millions)		

Revenues:			
Premiums.....	\$1,311	\$1,102	\$2,413
Investment and other income, net.....	17	15	32
	-----	-----	-----
Total revenues.....	1,328	1,117	2,445
	-----	-----	-----
Operating expenses:			
Medical.....	1,070	937	2,007
Selling, general and administrative.....	218	132	350
Depreciation and amortization.....	24	15	39
	-----	-----	-----
Total operating expenses.....	1,312	1,084	2,396
	-----	-----	-----
Income from operations.....	16	33	49
Interest expense.....	4	3	7
	-----	-----	-----
Income before income taxes.....	\$ 12	\$ 30	\$ 42
	=====	=====	=====

	2000		
	Commercial	Government	Total

Revenues:			
Premiums.....	\$1,431	\$1,180	\$2,611
Investment and other income, net.....	16	15	31
	-----	-----	-----
Total revenues.....	1,447	1,195	2,642
	-----	-----	-----
Operating expenses:			
Medical.....	1,194	1,026	2,220
Selling, general and administrative.....	224	129	353
Depreciation and amortization.....	22	12	34

Total operating expenses.....	1,440	1,167	2,607
Income from operations.....	7	28	35
Interest expense.....	4	4	8
Income before income taxes.....	\$ 3	\$ 24	\$ 27

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Humana Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
Unaudited

G. Subsequent Event

On April 18, 2001, the Company reached a definitive merger agreement with Anthem Alliance Health Insurance Company ("Anthem"), to acquire by merger the outstanding shares of common stock of a newly formed Anthem subsidiary responsible for administering TRICARE benefits to approximately 1.0 million eligible members for consideration of approximately \$45 million. This transaction, which is subject to regulatory approval, is expected to close in the second quarter of 2001.

H. Reclassifications

Certain reclassifications have been made to the prior period's condensed consolidated financial statements to conform with the current period's presentation.

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[HUMANA (R) LOGO]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

The following table sets forth all expenses, other than the underwriting discounts and commissions, payable by us in connection with the sale of the debt securities being registered. All the amounts shown are estimates except for the registration fee.

SEC registration fee.....	\$ 75,000
Printing and engraving expenses.....	125,000
Legal fees and expenses.....	350,000
Accounting fees and expenses.....	100,000
Transfer agent and registrar fees and expenses.....	5,000
Blue sky fees and expenses.....	5,000
Miscellaneous.....	90,000
Total.....	\$750,000

Item 15. Indemnification of Officers and Directors

The Registrant's Restated Certificate of Incorporation and Bylaws include provisions to (i) eliminate the personal liability of its directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by Section 102(b)(7) of the General Corporation Law of Delaware (the "Delaware Law") and (ii) authorize the Registrant to indemnify its directors and officers to the fullest extent permitted by Section 145 of the Delaware Law, including circumstances in which indemnification is otherwise discretionary.

Pursuant to Section 145 of the Delaware Law, a corporation generally has the power to indemnify its present and former directors, officers, employees and agents against expenses incurred by them in connection with any suit to which they are, or are threatened to be made, a party by reason of their serving in such positions so long as they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of a corporation, and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. The Registrant believes that these provisions are necessary to attract and retain qualified persons as directors and officers. These provisions do not eliminate liability for breach of the director's duty of loyalty to the Registrant or its stockholders, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, for any transaction from which the director derived an improper personal benefit or for any willful or negligent payment of any unlawful dividend or any unlawful stock purchase agreement or redemption.

The Registrant has entered into agreements with its directors and executive officers that require the Registrant to indemnify such persons against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred (including expenses of a derivative action) in connection with any proceeding, whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director or officer of the Registrant or any of its listed enterprises, provided such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

The Registrant has purchased an insurance policy covering the officers and directors of the Registrant with respect to certain liabilities arising under the Securities Act or otherwise.

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The Underwriting Agreement related to the offering contemplated by the Registration Statement contains certain provisions regarding indemnification of our officers and directors in certain circumstances.

Exhibit Number -----	Description of Document -----
1.1*	Form of Underwriting Agreement, by and among the Company and the underwriters thereto
4.1*	Form of Indenture, by and between the Company and the Bank of New York
4.2*	Form of Senior Note
5.1*	Opinion of Fried, Frank, Harris, Shriver & Jacobson
12.1**	Statements Regarding Computation of Ratios
23.1*	Consent of Fried, Frank, Harris, Shriver & Jacobson (See Exhibit 5.1.)
23.2*	Consent of PricewaterhouseCoopers LLP

24.1** Power of Attorney

25.1** Statement of Eligibility of Trustee on Form T-1

*Filed herewith

**Previously filed

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to provisions described in Item 15, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Louisville, County of Jefferson, Commonwealth of Kentucky, on August 1, 2001.

HUMANA INC.

/s/ Michael B.

McCallister

By:

Michael B.

McCallister

President and Chief

Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Date	Signature	Title	
----	-----	-----	
1, 2001	/s/ Michael B. McCallister	President, Chief Executive Officer and Director (Principal Executive Officer)	August
	----- Michael B. McCallister		
1, 2001	*	Chairman of the Board and Director	August
	----- David A. Jones		
1, 2001	*	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August
	----- James H. Bloem		
1, 2001	*	Vice Chairman of the Board and Director	August
	----- David A. Jones, Jr.		
1, 2001	*	Director	August
	----- Charles M. Brewer		
1, 2001	*	Director	August
	----- Michael E. Gellert		
1, 2001	*	Director	August
	----- John R. Hall		
1, 2001	*	Director	August
	----- Irwin Lerner		
1, 2001	*	Director	August
	----- W. Ann Reynolds		
1, 2001	/s/ Michael B. McCallister		August
	----- *By: Michael B. McCallister As Attorney-In-Fact		

Exhibit
Number

Description of Document

- 1.1* Form of Underwriting Agreement, by and among the Company and the underwriters thereto
- 4.1* Form of Indenture, by and between the Company and the Bank of New York
- 4.2* Form of Senior Note
- 5.1* Opinion of Fried, Frank, Harris, Shriver & Jacobson
- 12.1** Statements Regarding Computation of Ratios
- 23.1* Consent of Fried, Frank, Harris, Shriver & Jacobson (See Exhibit 5.1)
- 23.2* Consent of PricewaterhouseCoopers LLP
- 24.1** Power of Attorney
- 25.1** Statement of Eligibility of Trustee on Form T-1

*Filed herewith

**Previously filed

\$300,000,000

HUMANA INC.

%__ Senior Notes due 2006

UNDERWRITING AGREEMENT

August __, 2001

J.P. Morgan Securities Inc.
Lehman Brothers Inc.,
As Representatives of the several
Underwriters named in Schedule 1,
c/o J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Dear Ladies and Gentlemen:

Humana Inc., a Delaware corporation (the "Company"), proposes to sell \$300,000,000 in aggregate principal amount of the Company's __% Senior Notes due 2006 (the "Notes"). The Notes are to be issued pursuant to an Indenture (the "Indenture") to be entered into between the Company and The Bank of New York, as trustee (the "Trustee"). This is to confirm the agreement concerning the purchase of the Notes from the Company by the Underwriters named in Schedule 1 hereto (the "Underwriters").

1. Representations, Warranties and Agreements of the Company. The Company represents, warrants and agrees that:

(a) A registration statement on Form S-3 with respect to the Notes has (i) been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, (ii) been filed with the Commission under the Securities Act and (iii) become effective under the Securities Act; and the Indenture shall have been qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Copies of such registration statement have been delivered by the Company to you as the Representatives (the "Representatives") of the Underwriters. As used in this Agreement, "Effective Time" means the date and the time as of which such registration statement, or the most recent post-effective amendment thereto, if any, was declared effective by the Commission; "Effective Date" means the date of the Effective Time; "Preliminary

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Prospectus" means each prospectus included in such registration statement, or amendments thereof, before it became effective under the Securities Act and any prospectus filed with the Commission by the Company with the consent of the Representatives, as provided herein, pursuant to Rule 424(a) of the Rules and Regulations; "Registration Statement" means such registration statement, as amended at the Effective Time, including any documents incorporated by reference therein at such time and all information contained in the final prospectus filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations in accordance with Section 5(a) hereof and deemed to be a part of the registration statement as of the Effective Time pursuant to paragraph (b) of Rule 430A of the Rules and Regulations; and "Prospectus" means such final prospectus, as first filed with the Commission pursuant to paragraph (1) or (4) of Rule 424(b) of the Rules and Regulations. Reference made herein to any Preliminary Prospectus or to the Prospectus shall be deemed to refer to and include any documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act, as of the date of such Preliminary Prospectus or the Prospectus, as the case may be, and any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus

shall be deemed to refer to and include any document filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the date of such Preliminary Prospectus or the Prospectus, as the case may be, and incorporated by reference in such Preliminary Prospectus or the Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to include any annual report of the Company filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act after the Effective Time that is incorporated by reference in the Registration Statement. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

(b) The Registration Statement conforms, and any Preliminary Prospectus, the Prospectus and any further amendments or supplements to the Registration Statement, the Preliminary Prospectus or the Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Securities Act and the Rules and Regulations and do not and will not, as of the applicable effective date (as to the Registration Statement and any amendment thereto) and as of the applicable date thereof (as to any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto) contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any Preliminary Prospectus or Prospectus, in light of the circumstances under which they were made); provided that no representation or warranty is made as to information contained in or omitted from the Registration Statement, any Preliminary Prospectus or the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein; and the Indenture conforms in all material respects to the requirements of the Trust Indenture Act and the applicable rules and regulations thereunder.

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(c) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Prospectus, when such documents become effective or are filed with Commission, as the case may be, will conform in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) The Company and each of its subsidiaries (as defined in Section 15) have been duly incorporated and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, and except as would not result in a material adverse effect on the business, properties, results of operations or financial condition of the Company and its subsidiaries, taken as a whole (a "Material Adverse Effect"), are duly qualified to do business and are in good standing as foreign corporations in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged; and none of the subsidiaries of the Company is a "significant subsidiary" (as such term is defined in Rule 405 of the Rules and Regulations) except for Humana Medical Plan, Inc., Humana Health Plan, Inc., Humana Health Plan of Texas, Inc., Humana Health Insurance Company of Florida, Inc., Employer Health Insurance Company and Humana Military Healthcare Services, Inc. (collectively, the "Significant Subsidiaries").

(e) The Company has an authorized capitalization as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization", and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid

and non-assessable and conform in all material respects to the description thereof contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2000; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and (except for directors' qualifying shares or as set forth on Schedule 3 hereto) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

(f) The Company has all requisite power and authority to execute, deliver and perform its obligations under the Indenture and the Notes; and the Indenture has been duly authorized, and when duly executed by the proper officers of the Company

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(assuming due execution and delivery by the Trustee) and delivered by the Company will constitute a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) or an implied covenant of good faith and fair dealing; and the Notes have been duly authorized, and, when duly executed, authenticated, issued and delivered as provided in the Indenture, will be duly and validly issued and outstanding, and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable in accordance with their terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) or an implied covenant of good faith and fair dealing; and the Indenture, when executed and delivered, and the Notes, when issued and delivered, will conform to the descriptions thereof contained in the Prospectus.

(g) The Company has all requisite corporate power and authority to enter into this Agreement; and this Agreement has been duly authorized, executed and delivered by the Company.

(h) The execution, delivery and performance of this Agreement and the Indenture by the Company and the consummation of the transactions contemplated hereby and thereby, and the issuance and delivery of the Notes will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, agreement with any governmental or regulatory authority to which the Company or any of its Significant Subsidiaries is a party or by which the Company or any of its Significant Subsidiaries is bound or to which any of the property or assets of the Company or its Significant Subsidiaries is subject, or any other material agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such actions result in any violation of the provisions of (i) the charter or by-laws of the Company or any of its subsidiaries or (ii) any statute or any order, rule or regulation of any governmental agency or body or court having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets, except, in the case of clause (ii), such violations as would not have a Material Adverse Effect; and except for the registration of the Notes under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Trust Indenture Act and applicable foreign or state securities or blue sky laws in connection with the purchase and distribution of the Notes by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such governmental agency or body or court is required for the execution, delivery and performance of this Agreement or the Indenture by the Company and the

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consummation of the transactions contemplated hereby and thereby and the issuance and sale of the Notes.

(i) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to include any securities other than the Notes in the securities registered pursuant to the Registration Statement.

(j) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth in the Prospectus; and, since such date, there has not been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any Material Adverse Effect, otherwise than as set forth in the Prospectus.

(k) The financial statements (including the related notes and any supporting schedules) filed as part of the Registration Statement or included or incorporated by reference in the Prospectus present fairly the financial condition and results of operations of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis throughout the periods involved.

(l) PricewaterhouseCoopers LLP, who have certified certain financial statements of the Company, whose report is incorporated by reference in the Prospectus and who have delivered the initial letter referred to in Section 7(g) hereof, are independent accountants as required by the Securities Act and the Rules and Regulations during the periods covered by the financial statements on which they reported and which are contained or incorporated in the Prospectus.

(m) The Company and each of its subsidiaries have good and marketable title in fee simple to all real property and good and valid title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and all real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

(n) The Company and each of its subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their

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respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries.

(o) The Company and each of its subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and licenses necessary for the conduct of their respective businesses and have no reason to believe that the conduct of their respective businesses will conflict with, and have not received any notice of any claim of conflict with, any such rights of others, except for such claims as would not have a Material Adverse Effect.

(p) Other than as expressly set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, might have a Material Adverse Effect; and to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(q) The conditions for use of Form S-3, as set forth in the General Instructions thereto, have been satisfied.

(r) There are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described in the Prospectus or filed as exhibits to the Registration Statement or incorporated therein by reference as permitted by the Rules and Regulations.

(s) No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or any of its subsidiaries, on the other hand, which is required to be described or incorporated by reference in the Prospectus which is not so described or incorporated by reference.

(t) No labor disturbance by the employees of the Company exists or, to the knowledge of the Company, is imminent which might be expected to have a Material Adverse Effect.

(u) The Company and each of its subsidiaries are in compliance with all applicable federal and state statutes, regulations, rules and orders relating to the healthcare and insurance industries, in each case with such exceptions as would not have a Material Adverse Effect.

(v) The Company is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended,

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including the regulations and published interpretations thereunder ("ERISA"); to the best of the Company's knowledge no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would have any material liability; to the best of the Company's knowledge the Company has not incurred and does not expect to incur any material liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and to the best of the Company's knowledge nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(w) The Company has filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and has paid all taxes due thereon, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had (nor does the Company have any knowledge of any tax deficiency which, if determined adversely to the Company or any of its subsidiaries, might have) a Material Adverse Effect.

(x) Since the date as of which information is given in the Prospectus through the date hereof, and except as may otherwise be disclosed in the Prospectus, the Company has not (i) issued or granted any securities except for employee stock options and restricted stock awards, (ii) incurred any liability or obligation, direct or contingent, other than liabilities and obligations which were incurred in the ordinary course of business, (iii) entered into any transaction not in the ordinary course of business or (iv) declared or paid any dividend on its capital stock.

(y) Neither the Company nor any of its subsidiaries (i) is in violation of its charter or by-laws, (ii) is in default in any respect, and to the best of the Company's knowledge, no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation in any respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be

subject or has failed to obtain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business except, with respect to clauses (ii) and (iii), such defaults or violations as would not have a Material Adverse Effect.

(z) The Company and each of its subsidiaries (i) make and keep accurate books and records and (ii) maintain internal accounting controls which provide reasonable assurance that (A) transactions are executed in accordance with management's

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authorization, (B) transactions are recorded as necessary to permit preparation of their respective financial statements in conformity with generally accepted accounting principles in the United States and to maintain accountability for its assets, (C) access to its assets is permitted only in accordance with management's authorization and (D) the reported accountability for their respective assets is compared with existing assets at reasonable intervals.

(aa) The Company and each of its subsidiaries are in compliance with all applicable federal and state statutes, regulations, rules and orders relating to the environmental protection or the protection of human health, in each case with such exceptions as would not have a Material Adverse Effect.

(ab) Neither the Company nor any subsidiary is an "investment company" (as such term is used under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and the rules and regulations of the Commission thereunder).

(ac) No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Preliminary Prospectus or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

2. Purchase of the Notes by the Underwriters. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to issue and sell to the several Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase from the Company, at a purchase price of ___% of the principal amount thereof, plus accrued interest, if any, from August ___, 2001, the respective amount of the \$300,000,000 aggregate principal amount of the Notes set forth opposite that Underwriter's name in Schedule 1 hereto.

The Company shall not be obligated to deliver any of the Notes to be delivered on the Delivery Date (as defined in Section 4), except upon payment for all the Notes to be purchased on the Delivery Date as provided herein.

3. Offering of the Notes by the Underwriters. Upon authorization by the Representatives of the release of the Notes, the several Underwriters propose to offer the Notes for sale upon the terms and conditions set forth in the Prospectus.

4. Delivery of and Payment for the Notes. Delivery of and payment for the Notes shall be made at the office of Simpson Thacher & Bartlett, at 10:00 A.M., New York City time, on August ___, 2001 or at such other date or place as shall be determined by agreement between the Representatives and the Company. This date and time are sometimes referred to as

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the "Delivery Date." On the Delivery Date, the Company shall deliver or cause to be delivered the Notes evidenced by one or more global securities registered in the name of Cede & Co. as nominee of the The Depository Trust Company ("DTC") for the account of the Underwriters against payment to or upon the order of the Company of the purchase price by wire transfer in immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall make the Notes available for inspection

by the Representatives in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to the Delivery Date.

5. Further Agreements of the Company. The Company agrees:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Securities Act; to make no further amendment or any supplement to the Registration Statement or to the Prospectus prior to the Delivery Date except as permitted herein; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representatives with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Notes; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, of the suspension of the qualification of the Notes for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending any such qualification, to use promptly its reasonable best efforts to obtain its withdrawal;

(b) To furnish promptly to the Representatives and to Simpson Thacher & Bartlett, counsel for the Underwriters, a signed or conformed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(c) To deliver promptly and without charge to the Representatives such number of the following documents as the Representatives shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission

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and each amendment thereto (in each case excluding exhibits other than this Agreement, the Indenture and the computation of the ratio of earnings to fixed charges), (ii) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus and (iii) any document incorporated by reference in the Prospectus (excluding exhibits thereto); and, if the delivery of a prospectus is required at any time after the Effective Time in connection with the offering or sale of the Notes or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Securities Act or the Exchange Act, to notify the Representatives and, upon their reasonable request, to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Prospectus which will correct such statement or omission or effect such compliance;

(d) To file promptly with the Commission any amendment to the Registration Statement or the Prospectus or any supplement to the Prospectus that may, in the reasonable judgment of the Company or the Representatives, be required by the Securities Act or requested by the

Commission;

(e) Prior to filing with the Commission any amendment to the Registration Statement or supplement to the Prospectus, any document incorporated by reference in the Prospectus or any Prospectus pursuant to Rule 424 of the Rules and Regulations, to furnish a copy thereof to the Representatives and Simpson Thacher & Bartlett, as counsel for the Underwriters, and obtain the consent of the Representatives to the filing (such consent not to be unreasonably withheld);

(f) As soon as practicable after the Effective Date, to make generally available to the Company's security holders and to deliver to the Representatives an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158);

(g) For so long as any of the Notes are outstanding, to furnish and deliver without charge to the Representatives and the Trustee, copies of all materials furnished or otherwise made available by the Company to its shareholders and all public reports and all reports and financial statements furnished by the Company to any national securities exchange pursuant to the requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder (such materials, reports and financial statements collectively, the "Reports"),

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provided, however, that the obligations of the Company shall be considered satisfied for the purposes of this Section 5(g) so long as the Company shall file such Reports electronically with the Commission pursuant to Regulation S-T under the Rules and Regulations, and such Reports shall be publicly available;

(h) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Notes for offering and sale under the securities laws of such jurisdictions as the Representatives may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Notes; provided that, in connection therewith, the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(i) For a period of 90 days from the date of the Prospectus, not to, directly or indirectly, offer for sale, sell, grant any option to purchase, issue or otherwise transfer or dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any debt securities of, or guaranteed by, any of the Company or its subsidiaries which are substantially similar to the Notes (other than the Notes), in each case, without the prior written consent of the Representatives;

(j) To apply the net proceeds from the sale of the Notes being sold by the Company as set forth in the Prospectus;

(k) To take such steps as shall be necessary to ensure that neither the Company nor any subsidiary shall become an "investment company" (as such term is used under the Investment Company Act and the rules and regulations of the Commission thereunder); and

(l) To not take, directly or indirectly, any action which is designed to stabilize or manipulate, or which constitutes or which might reasonably be expected to cause or result in stabilization or manipulation, of the price of any security of the Company in connection with the offering of the Notes.

6. Expenses. The Company agrees to pay (a) the costs incident to the authorization, issuance, sale and delivery of the Notes and any taxes payable in that connection; (b) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement and any amendments and exhibits thereto; (c) the costs of distributing the Registration

Statement as originally filed and each amendment thereto and any post-effective amendments thereof (including, in each case, exhibits), any Preliminary Prospectus, the Prospectus and any amendment or supplement to the Prospectus or any document incorporated by reference therein, all as provided in this Agreement; (d) the costs of producing and distributing this Agreement and any other related documents in connection with the offering, purchase, sale and delivery of the Notes; (e) any applicable listing or similar fees; (f) the fees and

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expenses of Fried, Frank, Harris, Shriver & Jacobson, counsel to the Company, and of PricewaterhouseCoopers LLP; (g) if applicable, the fees and expenses of qualifying the Notes under the securities laws of the several jurisdictions as provided in Section 5(h) and of preparing, printing and distributing a Blue Sky Memorandum (including related fees and expenses of Simpson Thacher & Bartlett, counsel to the Underwriters); (h) the travel and other costs of "road show" meetings with potential investors in the Notes; (i) the cost of "road show" presentation materials; and (j) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement; provided that, except as provided in Section 8 and in Section 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Notes which they may sell and the expenses of advertising any offering of the Notes made by the Underwriters.

7. Conditions of Underwriters' Obligations. The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on the Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 5(a); no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(b) No Underwriter shall have discovered and disclosed to the Company on or prior to the Delivery Date that the Registration Statement or the Prospectus or any amendment or supplement thereto contains an untrue statement of a fact which, in the opinion of Simpson Thacher & Bartlett, counsel for the Underwriters, is material or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) The Company shall have furnished to Simpson Thacher & Bartlett, counsel for the Underwriters, all documents and information that they may reasonably request to enable them to pass upon all corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Indenture, the Notes, the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby.

(d) The Representatives shall have received from Simpson Thacher & Bartlett, counsel for the Underwriters, such opinion letter or letters, dated as of the Delivery Date, with respect to the issuance and sale of the Notes, the Registration Statement, the Prospectus and other related matters as the Representatives may reasonably require.

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(e) Fried, Frank, Harris, Shriver & Jacobson, counsel to the Company, shall have furnished to the Representatives its written opinion letter, addressed to the Underwriters and dated the Delivery Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) The Company and each of its Significant Subsidiaries are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, are duly qualified to do business and each is in good standing as a foreign corporation in

each jurisdiction set forth on a schedule thereto, and has all power and authority necessary to own or hold its respective properties and conduct the businesses in which it is engaged;

(ii) The Company has an authorized capitalization as set forth in the Prospectus;

(iii) The Indenture and the Notes conform in all material respects to the descriptions thereof contained in the Prospectus;

(iv) The Registration Statement was declared effective under the Securities Act and the Indenture was qualified under the Trust Indenture Act as of the date and time specified in such opinion; the Prospectus was filed with the Commission pursuant to the subparagraph of Rule 424(b) of the Rules and Regulations specified in such opinion on the date specified therein; and no stop order suspending the effectiveness of the Registration Statement has been issued and, to such counsel's knowledge, no proceeding for that purpose is pending or threatened by the Commission;

(v) The Registration Statement and the Prospectus (other than (a) the financial statements, notes and schedules thereto, (b) other financial data included, or incorporated by reference, in the Registration Statement or the Prospectus, (c) any document incorporated by reference in the Registration Statement or the Prospectus and (d) the Statement of Eligibility and Qualification of the Trustee under the 1939 Act (Form T-1), included therein, as to which we express no opinion) appeared on their face to be responsive as to form in all material respects to the requirements of the Securities Act and the Rules and Regulations; the documents incorporated by reference in the Prospectus and any further amendment or supplement to any such incorporated document made by the Company prior to the Delivery Date (other than the financial statements and related schedules therein, as to which such counsel need express no opinion), when they became effective or were filed with the Commission, as the case may be, appeared on their face to be responsive as to form in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and the Rules and Regulations; and the Indenture conforms in all material respects to the

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requirements of the Trust Indenture Act and the applicable rules and regulations thereunder;

(vi) To such counsel's knowledge, there are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described or filed as exhibits to the Registration Statement or incorporated therein by reference as permitted by the Rules and Regulations;

(vii) This Agreement has been duly authorized, executed and delivered by the Company; the Indenture has been duly authorized, and when duly executed by the proper officers of the Company (assuming due execution and delivery by the Trustee) and delivered by the Company will constitute a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) or an implied covenant of good faith and fair dealing; and the Notes have been duly authorized, executed, issued and delivered by the Company, and, when duly authenticated as provided in the Indenture, will be duly and validly issued and outstanding, and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable in accordance with their terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) or an implied covenant of good faith and fair dealing;

(viii) The issuance and sale of the Notes and the compliance by the Company with all of the provisions of this Agreement and the Indenture and the consummation of the transactions contemplated hereby and thereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument which the Company has filed with the Commission as an exhibit to the Registration Statement or the documents incorporated by reference therein and to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such actions result in any violation of the provisions of the charter or by-laws of the Company or any of its Significant Subsidiaries or any statute or any order, rule or regulation of the United States or the State of New York or the Delaware General Corporation Law known to such counsel of any governmental agency or body or court of the United States or the States of New York or Delaware (in the case of Delaware, applying the Delaware General Corporation Law) having jurisdiction over the Company or any of its Significant Subsidiaries or any of their properties or assets; and, except for the registration of

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the Notes under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act or the Trust Indenture Act and applicable foreign or state securities or blue sky laws in connection with the purchase and distribution of the Notes by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such governmental agency or body or court of the United States or the States of New York or Delaware (in the case of Delaware, applying the Delaware General Corporation Law) is required for the execution, delivery and performance of this Agreement or the Indenture by the Company and the consummation of the transactions contemplated hereby and thereby and the issuance and sale of the Notes; and

(ix) To such counsel's knowledge, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to include any securities other than the Notes in the securities registered pursuant to the Registration Statement.

In rendering such opinion letter, such counsel may state that its opinion is limited to matters governed by the federal laws of the United States of America, the laws of the State of New York and the General Corporation Law of the State of Delaware and that such counsel is not admitted in any state other than the State of New York. Such counsel shall also have furnished to the Representatives a written statement, addressed to the Underwriters and dated the Delivery Date, in form and substance satisfactory to the Representatives, to the effect that (v) such counsel has from time to time in the past represented the Company in connection with certain transactions and limited other legal matters (although the Company is also represented by its General Counsel and, with respect to other matters, by other outside counsel) and has acted as counsel to the Company in connection with the preparation of the Registration Statement, (w) in the course of the preparation by the Company and such counsel of the Registration Statement and the Prospectus (other than the documents incorporated by reference therein), such counsel participated in conferences with certain of the officers of, and the independent accountants for, the Company, at which the Registration Statement and the Prospectus were discussed; (x) between the effective date of the Registration Statement and the time of delivery of this letter such counsel participated in additional conferences with certain officers and representatives of the Company at which the contents of the Registration Statement and the Prospectus were discussed to a limited extent; (y) given the limitations inherent in the independent verification of factual matters and the character of determinations involved in the registration process, such counsel is not passing upon and does not assume any responsibility for the

accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus except for the statements made in the Prospectus referred to in clauses (iii) and (vi) of this Section 7(e); and (z) subject to the foregoing and on the basis of the information such counsel gained in the course of the performance of the services referred to above, including information obtained from officers and other representatives of the Company, (A) no facts have come to the attention of such counsel that cause them to believe that the Registration Statement (including the documents incorporated by reference therein), at the time the Registration Statement became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (including the documents incorporated by reference therein) as of its date and the Delivery Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (B) that such counsel expresses no view or belief with respect to financial statements, notes, or schedules thereto, or other financial data included (or incorporated by reference) in the Registration Statement, the Prospectus or the Prospectus Supplement or the Form T-1 filed as an exhibit to the Registration Statement.

(f) Ralph M. Wilson, Assistant General Counsel to the Company, shall have furnished to the Representatives its written opinion letter, addressed to the Underwriters and dated the Delivery Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) Each of the Company and each of its Significant Subsidiaries have been duly incorporated, and each of the Company's Significant Subsidiaries is validly existing as a corporation in good standing under the laws of its respective jurisdictions of incorporation, is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which its respective ownership or lease of property or the conduct of its respective businesses requires such qualification and has all power and authority necessary to own or hold its respective properties and conduct the businesses in which its is engaged;

(ii) All of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform to the description thereof contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2000; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued and are fully paid, non-assessable and (except for directors' qualifying shares or as set forth on Schedule 3 hereto) are owned directly or

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indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(iii) To such counsel's knowledge and other than as expressly set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, might have a Material Adverse Effect; and, to such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(iv) The issuance and sale of the Notes and the compliance by the Company with all of the provisions of this Agreement and the Indenture and the consummation of the transactions contemplated hereby and thereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement to which the Company or any of its Significant Subsidiaries is a party or by which

the Company or any of its Significant Subsidiaries is bound or to which any of the property or assets of the Company or any of its Significant Subsidiaries is subject, or other material agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject; and

(v) The statements contained or incorporated by reference in the Prospectus under the captions "Business--Government Regulation" and "Business--Health Care Reform," insofar as they describe federal and state statutes, rules, regulations and orders, constitute a fair summary thereof in all material respects.

(g) At the time of execution of this Agreement, the Representatives shall have received from PricewaterhouseCoopers LLP a letter, in form and substance reasonably satisfactory to the Representatives, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

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(h) With respect to the letter of PricewaterhouseCoopers LLP referred to in the preceding paragraph and delivered to the Representatives concurrently with the execution of this Agreement (the "initial letter"), the Company shall have furnished to the Representatives a letter (the "bring-down letter") of such accountants, addressed to the Underwriters and dated the Delivery Date (i) confirming that they are independent accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(i) The Company shall have furnished to the Representatives a certificate, dated the Delivery Date, of its President and Chief Executive Officer and its Senior Vice President and Chief Financial Officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are that are qualified as to materiality are true and correct as of the Delivery Date and the representations, warranties and agreements of the Company in Section 1 that are not qualified as to materiality are true and correct in all material respects as of the Delivery Date; the Company has complied with all its agreements contained herein; and the conditions set forth in Section 7(a) and (j) have been fulfilled; and

(ii) They have carefully examined the Registration Statement and the Prospectus and, in their opinion (A) as of the Effective Date, the Registration Statement and Prospectus did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Preliminary Prospectus or Prospectus, in light of the circumstances under which they were made) not misleading, and (B) since the Effective Date no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement or the Prospectus.

(j) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements

included or incorporated by reference in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth in the Prospectus or (ii) since such date there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change,

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in or affecting the business, properties, results of operations, financial condition or prospects of the Company and its subsidiaries, taken as a whole, otherwise than as set forth in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is, in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Notes being delivered on the Delivery Date on the terms and in the manner contemplated in the Prospectus.

(k) Subsequent to the execution and delivery of this Agreement (i) no downgrading shall have occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) of the Rules and Regulations and (ii) except for a negative outlook by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities.

(l) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the public offering or delivery of the Notes being delivered on the Delivery Date on the terms and in the manner contemplated in the Prospectus.

(m) No default or event which, with notice or lapse of time or both, would constitute such a default shall have occurred and be continuing, or would result from the transactions contemplated hereby to occur prior to, concurrently with or immediately following the consummation of the offering of the Notes under the Indenture.

(n) The Company and the Trustee shall have entered into the Indenture, and the Underwriters shall have received counterparts, conformed as executed, thereof, and the Notes shall have been duly executed and delivered by the Company and authenticated by the Trustee.

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All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to Simpson Thacher & Bartlett, counsel for the Underwriters.

8. Indemnification and Contribution.

(a) The Company shall indemnify and hold harmless each Underwriter, its directors, officers and employees and each person, if any, who controls any Underwriter within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in

respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of the Notes), to which that Underwriter, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto, (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Notes or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Company shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its negligence or willful misconduct), and shall reimburse each Underwriter and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any such amendment or supplement, (x) in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein which information consists solely of the information specified in Section 8(e) or (y) if such untrue statement or omission made in the Preliminary Prospectus was corrected in the Prospectus and such Underwriter failed to send or give a copy of the Prospectus to the person asserting such loss, claim, damage or liability. The

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foregoing indemnity agreement is in addition to any liability that the Company may otherwise have to any Underwriter or to any director, officer, employee or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its directors, officers and employees, and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto, or (B) in any Blue Sky Application or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of that Underwriter specifically for inclusion therein, and shall reimburse the Company and any such director, officer, employee or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is

in addition to any liability that any Underwriter may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure; and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the

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indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the Representatives shall have the right to employ counsel to represent jointly the Representatives and those other Underwriters and their respective officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Underwriters against the Company under this Section 8 if, in the reasonable judgment of the Representatives, it is advisable for the Representatives and those Underwriters, officers, employees and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the Company. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes purchased under this Agreement (before deducting expenses) received by the Company, on the one hand, and the total underwriting discounts and commissions received by the

Underwriters with respect to the Notes purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Notes under this Agreement, in each case as set

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forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Notes underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section are several in proportion to their respective underwriting obligations and not joint.

(e) The Underwriters severally confirm and the Company acknowledges that the statements with respect to the public offering of the Notes by the Underwriters set forth in the last paragraph on the cover page of, and the fifth, ninth and eleventh paragraphs under the caption "Underwriting" in, the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement and the Prospectus.

9. Defaulting Underwriters.

If, on the Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the Notes which the defaulting Underwriter agreed but failed to purchase on the Delivery Date in the respective proportions which the aggregate principal amount of Notes set opposite the name of each remaining non-defaulting Underwriter in Schedule 1 hereto bears to the total aggregate principal amount of Notes set opposite the names of all the remaining non-defaulting Underwriters in Schedule 1 hereto; provided, however, that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Notes on the Delivery Date if the total aggregate principal amount of Notes which the defaulting Underwriter or

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Underwriters agreed but failed to purchase on such date exceeds 9.09% of the total aggregate principal amount of Notes to be purchased on the Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the aggregate principal amount of Notes which it agreed to purchase on the Delivery Date pursuant to the terms of Section 2. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representatives who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Notes to be purchased on the Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representatives do not elect to purchase Notes which the defaulting Underwriter or Underwriters agreed but failed to purchase on the Delivery Date, this Agreement shall terminate without liability on the part of any non-defaulting

Underwriter or the Company, except that the Company will continue to be liable for the payment of expenses of the non-defaulting Underwriters to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto who, pursuant to this Section 9, purchases the Notes which a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other underwriters are obligated or agree to purchase the Notes of a defaulting or withdrawing Underwriter, either the Representatives or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

10. Termination. The obligations of the Underwriters hereunder may be terminated by the Representatives by notice given to and received by the Company prior to delivery of and payment for the Notes if, prior to that time, any of the events described in Sections 7(j), 7(k) and 7(l), shall have occurred or if the Underwriters shall decline to purchase the Notes for any reason permitted under this Agreement.

11. Reimbursement of Underwriters' Expenses. If the Company shall fail to tender the Notes for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the Underwriters for all reasonable documented out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Notes, and upon demand the Company shall pay the full amount thereof to the Representatives. If this Agreement is terminated pursuant to Section 10 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

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12. Notices, etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission to:

(i) J.P. Morgan Securities Inc., 270 Park Avenue, New York, New York 10017, Attention: Legal Department (Fax: 212-270-7487); and

(ii) Lehman Brothers Inc., Three World Financial Center, New York, New York 10285, Attention: Debt Capital Markets, Healthcare Group (Fax: 212-526-1578), with a copy, in the case of any notice pursuant to Section 8(c), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 3 World Financial Center, 10th Floor, New York, New York 10285; or

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Senior Vice President and Chief Financial Officer (Fax: 502-580-3615), with a copy to Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attention: Jeffrey Bagner (Fax: 212-859-4000);

provided, however, that any notice to an Underwriter pursuant to Section 8(c) shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its acceptance telex to the Representatives, which address will be supplied to any other party hereto by the Representatives upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by either Representative.

13. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, and

their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (B) the indemnity agreement of the Underwriters contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of directors of the Company, officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

14. Survival. The respective indemnities, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on

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behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Notes and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

15. Definitions of "Business Day" and "Subsidiary". For purposes of this Agreement, (a) "business day" means each Monday, Tuesday, Wednesday, Thursday or Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "subsidiary" has the meaning set forth in Rule 405 of the Rules and Regulations.

16. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of New York.

17. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

18. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

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If the foregoing correctly sets forth the agreement between the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

Humana Inc.

By

Name: James H. Bloem
Title: Senior Vice President and
Chief Financial Officer

Accepted:

J.P. Morgan Securities Inc.

By

Authorized Representative

Lehman Brothers Inc.

By _____
Authorized Representative

For themselves and as Representatives
of the several Underwriters named
in Schedule 1 hereto

SCHEDULE 1

Underwriters -----	Principal Amount of Notes -----
J.P. Morgan Securities Inc.....	\$ -----
Lehman Brothers Inc.....	\$ -----
Banc of America Securities LLC.....	\$ -----
Salomon Smith Barney Inc.....	\$ -----
Wachovia Securities, Inc.....	\$ -----
Scotia Capital (USA) Inc.....	\$ -----
U.S. Bancorp Piper Jaffray Inc.....	\$ -----
Total.....	\$ =====

HUMANA INC.,

Issuer

THE BANK OF NEW YORK,

Trustee

INDENTURE

Dated as of August __, 2001

Debt Securities

HUMANA INC.

Reconciliation and tie showing the location in the Indenture dated as of August __, 2001 of the provisions inserted pursuant to Sections 310 to 318(a), inclusive, of the Trust Indenture Act of 1939, as amended.

Trust Indenture Act Section	Indenture Section
Section 310 (a) (1)	609
(a) (2)	609
(a) (3)	Not Applicable
(a) (4)	Not Applicable
(b)	608 and 610(d)
(c)	Not Applicable
Section 311 (a)	613(a) and 613(c)
(b)	613(b) and 613(c)
(c)	Not Applicable
Section 312 (a)	701 and 702(a)
(b)	702(b)
(c)	702(c)
Section 313 (a)	703(a)
(b)	703(b)
(c)	703(a) and 703(b)
(d)	703(d)
Section 314 (a)	704
(b)	Not Applicable
(c)	102
(c) (1)	102
(c) (2)	102
(c) (3)	Not Applicable
(d)	Not Applicable
(e)	102
Section 315 (a)	601(a)
(b)	602 and 703(a) (7)
(c)	601(b)
(d)	601(c)
(d) (1)	601(a) (1)
(d) (2)	601(c) (2)
(d) (3)	601(c) (3)
(e)	514
Section 316 (a) (1) (A)	502 and 512
(a) (1) (B)	513
(a) (2)	Not Applicable
(b)	508

Section 317 (a) (1).....	503
(a) (2).....	504
(b).....	1003
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NOTE: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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EXHIBITS

EXHIBIT A. Form of Certificate To Be Delivered to Euroclear or Clearstream Banking by a Beneficial Owner of Securities in Order to Receive a Definitive Bearer Security in Exchange for an Interest in a Temporary Global Security or to Exchange an Interest in a Temporary Global Security for an Interest in a Permanent Global Security.

EXHIBIT B. Form of Certificate To Be Given to the Appropriate Trustee by Euroclear or Clearstream Banking Regarding the Exchange of a Temporary Global Security for Definitive Securities or for a Portion of a Permanent Global Security.

EXHIBIT C. Form of Certificate To Be Delivered to Euroclear or Clearstream Banking by a Beneficial Owner of Securities in Order to Receive Payment on a Temporary Global Security.

EXHIBIT D. Form of Certificate To Be Given to the Appropriate Trustee by Euroclear or Clearstream Banking Regarding Payment on a Temporary Global Security.

INDENTURE dated as of August ___, 2001, between HUMANA INC., a corporation duly incorporated and existing under the laws of Delaware and having its principal executive office at 500 West Main Street, Louisville, Kentucky 40202 (hereinafter called "the Company"), and THE BANK OF NEW YORK, a New York banking corporation, as Trustee (hereinafter called the "Trustee").

RECITALS OF THE COMPANY

The Company deems it necessary to issue from time to time for its lawful purposes securities (hereinafter called the "Securities") evidencing its unsecured indebtedness and has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of the Securities, unlimited as to principal amount, to have such titles, to bear such rates of interest, to mature at such time or times and to have such other provisions as shall be fixed as hereinafter provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done, and the Company proposes to do all things necessary to make the Securities, when executed by the Company and authenticated and delivered by the Trustee hereunder and duly issued by the Company, the valid obligations of the Company as hereinafter provided.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or series thereof, as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

Section 101. Definitions.

For all purposes of this Indenture and all Securities issued hereunder, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings

assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the date or time of such computation; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Three and Article Six, are defined in those Articles.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" means, with respect to a specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized to authenticate and deliver Securities on behalf of the Trustee for the Securities of any series pursuant to Section 614.

"Authorized Newspapers" means a newspaper customarily published at least once a day for at least five days in each calendar week and of general circulation in New York City and in London and, to the extent the Securities are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange shall so require, in Luxembourg or, if it shall be impracticable in the opinion of the Trustee for the Securities of the appropriate series to make such publication, in another capital city in Western Europe. Such publication (which may be in different newspapers) is expected to be made in the Eastern edition of The Wall Street Journal, in the London edition of the Financial Times and, if applicable, in the Luxemburger Wort.

"Bearer Security" means any Security established pursuant to Section 201 which is payable to bearer.

"Board of Directors" means, when used with reference to the Company, either the board of directors or any duly authorized committee of that board or any director or directors and/or officer or officers to whom that board or committee shall have duly delegated its authority, of the Company.

"Board Resolution" means, when used with reference to the Company, (1) a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company, as the case may be, to have been duly adopted by its Board of Directors and to be in full force and effect on the date of such certification, or (2) a certificate signed by the director or directors or officer or officers to whom the Board of Directors of the Company shall have duly delegated its authority, and delivered to the Trustee for the Securities of any series.

"Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York; provided, however, that, with respect to Securities not denominated in Dollars, the day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center of the country issuing the Foreign Currency or currency unit or, if the Foreign Currency or currency unit is euro, the day is also a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System is open; provided, further, that, with respect to LIBOR Securities, the day is also a London Business Day.

"Capital Stock" means, with respect to any Person, shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"Certificate of a Firm of Independent Public Accountants" means a certificate signed by any firm of independent public accountants of recognized standing selected by the Company. The term "independent" when used with respect to any specified firm of public accountants means such a firm which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Company or in any other obligor upon the Securities of any series or in any affiliate of the Company or of such other obligor, and (3) is not connected with the Company or such other obligor or any affiliate of the Company or of such other obligor, as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions, but such firm may be the regular auditors employed by the Company. Whenever it is herein provided that any Certificate of a Firm of Independent Public Accountants shall be furnished to the Trustee for Securities of any series, such Certificate shall state that the signer has read this definition and that the signer is independent within the meaning hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Clearstream Banking" means Clearstream Banking S.A. or its successor.

"Common Stock" means, with respect to any Principal Subsidiary, Capital Stock of any class, however designated, except Capital Stock which is non-participating beyond fixed dividend and liquidation preferences and the holders of which have either no voting rights or limited voting rights entitling them, only in the case of certain contingencies, to elect less than a majority of the directors (or persons performing similar functions) of such Principal Subsidiary, and also includes securities of any class, however designated, which are convertible into Common Stock.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" and "Company Order" mean a written request or order signed in the name of the Company, as the case may be by (1) the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, as the case may be, or (2) by any two Persons designated in a Company Order previously delivered to the Trustee for Securities of any series by any two of the foregoing officers and delivered to the Trustee for Securities of any series.

"Component Currency" has the meaning specified in Section 311(e).

"Conversion Event" means the unavailability of any Foreign Currency or currency unit due to the imposition of exchange controls or other circumstances beyond the Company's control.

"Corporate Trust Office" means the office of the Trustee for Securities of any series at which at any particular time its corporate trust business shall be principally administered, which office of The Bank

of New York, at the date of the execution of this Indenture, is located at 101 Barclay Street, New York, New York 10286, Attention: Corporate Trust Department, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

"corporation" includes corporations, limited liability companies, associations, companies and business trusts.

"coupon" means any interest coupon appertaining to a Bearer Security.

"Currency Determination Agent" means, with respect to Securities of any series, unless otherwise specified in the Securities of any series, a New York Clearing House bank designated pursuant to Section 301 or Section 312.

"Defaulted Interest" has the meaning specified in Section 307.

"Depository" means, with respect to the Securities of any series issuable or issued in the form of a Global Security, the Person designated as Depository by the Company pursuant to Section 301 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depository" shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, "Depository" as used with respect to the Securities of any such series shall mean the Depository with respect to the Securities of that series.

"Determination Notice" has the meaning specified in Section 1108(b).

"Dollars" and the sign "\$" mean the currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

"Election Date" has the meaning specified in Section 311(e).

"Euroclear" means Euroclear Bank S.A./N.V. or its successor.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, as in force at the date as of which this Indenture was executed; provided, however, that in the event the Securities Exchange Act of 1934 is amended after such date, "Exchange Act" means, to the extent required by any such amendment, the Securities Exchange Act of 1934 as so amended.

"Exchange Date" has the meaning specified in Section 304.

"Foreign Currency" means a currency issued and actively maintained as a country's recognized unit of domestic exchange by the government of any country other than the United States or by any recognized confederation or association of such governments, and such term shall include, without limitation, the euro.

"Global Exchange Agent" has the meaning specified in Section 304.

"Global Securities" means Securities in global form.

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"Government Obligations" means securities which are (i) direct obligations of the government which issued the currency in which the Securities of a particular series are payable (except as provided in Sections 311(b) and 311(d), in which case with respect to Securities for which an election has occurred pursuant to Section 311(b), or a Conversion Event has occurred as provided in Section 311(d), such obligations shall be issued in the currency or currency unit in which such Securities are payable as a result of such election or Conversion Event) or (ii) obligations of a Person controlled or supervised by or acting as an agency or instrumentality of the government which issued the currency in which the Securities of such series are payable (except as provided in Sections 311(b) and 311(d), in which case with respect to Securities for which an election has occurred pursuant to Section 311(b), or a Conversion Event has occurred as provided in Section 311(d)), such obligations shall be issued in the currency or currency unit in which such Securities are payable as a result of such election or Conversion Event), the payment of which is unconditionally guaranteed by such government, which, in either case, are full faith and credit obligations of such government payable in such currency and are not callable or redeemable at the option of the issuer thereof.

"Holder" means, when used with respect to any Security, in the case of a Registered Security, the Person in whose name a Security is registered in the Security Register, and in the case of a Bearer Security, the bearer thereof and, when used with respect to any coupon, means any bearer thereof.

"Identifying Numbers" has the meaning specified in Section 204.

"Incur" means issue, create, assume, guarantee, incur or otherwise become liable for; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"Indebtedness" means, with respect to any Person (without duplication):

(1) any liability of that Person (A) for borrowed money, or under any reimbursement obligation relating to a letter of credit or similar instrument; (B) evidenced by a bond, note, debenture or similar instrument; (C) to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; or (D) for the payment of money relating to any obligations under any capital lease of real or personal property which has been recorded as a capitalized lease obligation;

(2) any liability of others described in the preceding clause (1) that the Person has guaranteed or that is otherwise its legal liability or which is secured by a lien on that Person's Property; and

(3) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (1) or (2) above.

"Indenture" means this instrument as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of a particular series of Securities established as contemplated by Section 301.

"Indexed Security" means any Security as to which the amount of payments of principal (and premium, if any) and/or interest, if any, due thereon is determined with reference to the rate of exchange between the currency or currency unit in which the Security is denominated and any other specified currency or currency unit, to the relationship between two or more currencies or currency units, to the price of one or more specified securities or commodities, to one or more securities or commodities exchange indices or other indices or by other similar methods or formulas, all as specified in accordance with Section 301.

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"interest" means, when used with respect to an OID Security which by its terms bears interest only after Maturity, interest payable after Maturity.

"Interest Payment Date" means, when used with respect to any Security, the Stated Maturity of an installment of interest on such Security.

"Issue Date" means the date on which the Securities of a particular series are originally issued under this Indenture.

"Judgment Date" has the meaning specified in Section 516.

"LIBOR" means, with respect to any series of Securities, the rate specified as LIBOR for such Securities in accordance with Section 301.

"LIBOR Currency" means the currency specified pursuant to Section 301 as to which LIBOR will be calculated or, if no currency is specified pursuant to Section 301, Dollars.

"LIBOR Security" means any Security which bears interest at a floating rate calculated with reference to LIBOR.

"London Business Day" means, with respect to any LIBOR Security, a day on which commercial banks are open for business, including dealings in the LIBOR Currency, in London.

"Luxembourg Stock Exchange" means, unless specified with respect to any particular series of Securities, the Luxembourg Stock Exchange.

"Market Exchange Rate" means, with respect to any Foreign Currency or currency unit on any date, unless otherwise specified in accordance with Section 301, the noon buying rate in The City of New York for cable transfers in such Foreign Currency or currency unit as certified for customs purposes by the

Federal Reserve Bank of New York for such Foreign Currency or currency unit.

"Maturity" means, when used with respect to any Security, the date on which the principal (or, if the context so requires, in the case of an OID Security, a lesser amount or, in the case of an Indexed Security, an amount determined in accordance with the specified terms of that Security) of that Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, request for redemption, repayment at the option of the holder, pursuant to any sinking fund or otherwise.

"Notice of Default" has the meaning specified in Section 501(3).

"Officers' Certificate" means, when used with reference to the Company, a certificate signed by the Chairman of the Board, a Vice Chairman of the Board, the Chief Executive Officer, the President or a Vice President (any reference herein to a Vice President of the Company, as the case may be, shall be deemed to include any Vice President of the Company, as the case may be, whether or not designated by a number or a word or words added before or after the title "Vice President"), and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, as the case may be, and delivered to the Trustee for the Securities of any series.

"Opinion of Counsel" means, for purposes of Section 1108, a written opinion of independent legal counsel of recognized standing and, for all other purposes hereof, means a written opinion of

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counsel, who may be an employee of or counsel to the Company or may be other counsel satisfactory to the Trustee for the Securities of any series.

"OID Security" means a Security which provides for an amount (excluding any amounts attributable to accrued but unpaid interest thereon) less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Outstanding" means, when used with respect to Securities, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(1) Securities theretofore cancelled by the Trustee for such Securities or delivered to such Trustee for cancellation;

(2) Securities or portions thereof for whose payment or redemption money in the necessary amount and in the required currency or currency unit has been theretofore deposited with the Trustee for such Securities or any Paying Agent (other than the Company or any other obligor upon the Securities) in trust or set aside and segregated in trust by the Company or any other obligor upon the Securities (if the Company or any other obligor upon the Securities shall act as its own Paying Agent) for the Holders of such Securities; provided, however, that, if such Securities or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture, or provision therefor satisfactory to such Trustee has been made; and

(3) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented proof satisfactory to the Trustee for such Securities that any such Securities are held by a bona fide holder in due course;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or are present at a meeting of Holders for quorum purposes, (a) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee for such Securities shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which such Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the

satisfaction of such Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor, (b) the principal amount of an OID Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration pursuant to Section 502 and (c) the principal amount of a Security denominated in a Foreign Currency or currency unit that shall be deemed to be outstanding for such purposes shall be determined in accordance with Section 115.

"Paying Agent" means The Bank of New York or any other Person authorized by the Company to pay the principal of (and premium, if any) or interest, if any, on any Securities of any series on behalf of the Company.

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"Person" means any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization.

"Place of Payment" means, when used with respect to the Securities of any particular series, the place or places where the principal of (and premium, if any) and interest, if any, on the Securities of that series are payable, as contemplated by Section 301 and 1002.

"Predecessor Security" means, with respect to any particular Security, every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security, and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security or a Security to which a mutilated, destroyed, lost or stolen coupon appertains shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Security or the Security to which the mutilated, destroyed, lost or stolen coupon appertains, as the case may be.

"Principal Financial Center" means, unless otherwise specified in accordance with Section 301:

(1) the capital city of the country issuing the Foreign Currency or currency unit, except that with respect to Dollars, Australian dollars, Canadian dollars, Deutsche marks, Dutch guilders, South African rand and Swiss francs, the "Principal Financial Center" will be The City of New York, Sydney and Melbourne, Toronto, Frankfurt, Amsterdam, Johannesburg and Zurich, respectively; or

(2) the capital city of the country to which the LIBOR Currency relates, except that with respect to Dollars, Canadian dollars, Deutsche marks, Dutch guilders, Portuguese escudos, South African rand and Swiss francs, the "Principal Financial Center" will be The City of New York, Toronto, Frankfurt, Amsterdam, London, Johannesburg and Zurich, respectively.

"Principal Subsidiary" means a consolidated subsidiary of the Company that, as of the relevant time of determination, is a "significant subsidiary" as defined under Rule 405 under the Securities Act of 1933, as amended.

"Property" means any asset, revenue or any other property, including Capital Stock, whether tangible or intangible, real or personal, including, without limitation, any right to receive income.

"Redemption Date" means, when used with respect to any Security to be redeemed in whole or in part, the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price" means, when used with respect to any Security to be redeemed, the price at which it is to be redeemed pursuant to the terms of the Indenture or in any Security issued thereunder.

"Registered Security" means any Security established pursuant to Section 201 which is registered in the Security Register.

"Regular Record Date" means, with respect to the interest payable on any Interest Payment Date on the Registered Securities of any series, the date, if

any, specified for that purpose as contemplated by Section 301 whether or not a Business Day.

"Responsible Officer" means, when used with respect to the Trustee for any series of Securities, (i) any vice president, assistant vice president, assistant secretary, assistant treasurer or any trust officer of the Trustee or (ii) any

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other officer of the Corporate Trust Department of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject and who is charged with the administration of this Indenture.

"Securities" means securities evidencing unsecured indebtedness of the Company authenticated and delivered under this Indenture.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"series" of Securities means all Securities denoted as part of the same series authorized by or pursuant to a particular Board Resolution.

"Special Record Date" means, with respect to the payment of any Defaulted Interest on the Registered Securities of any series, a date fixed by the Trustee for such series pursuant to Section 307.

"Stated Maturity" means, when used with respect to any Security or any installment of principal thereof or interest thereon, the date specified in such Security or a coupon representing such installment of interest as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of capital stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person.

"Substitute Date" has the meaning specified in Section 516.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, as in force at the date as of which this Indenture was executed; provided, however, that in the event the Trust Indenture Act is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument and, subject to the provisions of Article Six hereof, shall also include its successors and assigns as Trustee hereunder. If there shall be at one time more than one Trustee hereunder, "Trustee" shall mean each such Trustee and shall apply to each such Trustee only with respect to those series of Securities with respect to which it is serving as Trustee.

"United States" means, unless otherwise specified with respect to Securities of any series, the United States of America (including the states and the District of Columbia), its territories, its possessions (which include, at the date of this Indenture, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and other areas subject to its jurisdiction.

"United States Alien" has the meaning specified in Section 1009.

"Yield to Maturity" means, when used with respect to any OID Security, the yield to maturity, if any, set forth on the face thereof.

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Section 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee for any series of Securities to take any action under any provision of this Indenture or any supplement hereto, the Company shall furnish to such Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate (other than certificates provided pursuant to Section 1005) or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, or a certificate or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the opinion, certificate or representations with respect to matters upon which his certificate or opinion is based are erroneous.

Any such Opinion of Counsel or certificate or representations may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

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Section 104. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. If Securities of a series are issuable as Bearer

Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Thirteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee for the appropriate series of Securities and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee for the appropriate series of Securities and the Company and any agent of such Trustee or the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1306.

The Company may at its discretion set a record date for purposes of determining the identity of Holders of Registered Securities entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture, but the Company shall have no obligation to do so. If not set by the Company prior to the first solicitation of Holders of Registered Securities of a particular series made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be 30 days prior to the first solicitation of such vote or consent. Upon the fixing of such a record date, those persons who were Holders of Registered Securities at such record date (or their duly designated proxies), and only those persons, shall be entitled with respect to such Registered Securities to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such persons continue to be Holders after such record date.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership, or an official of a public or governmental body, on behalf of such corporation, association, partnership or public or governmental body or by a fiduciary, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee for the appropriate series of Securities deems reasonably sufficient.

(d) The principal amount and serial numbers of Registered Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(e) The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depository, by any trust company, bank, banker or other depository, wherever situated, if

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such certificate shall be deemed by the Trustee for such Securities to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by such Trustee to be satisfactory. The Trustee for such Securities and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, (2) such Bearer Security is produced to such Trustee by some other Person, (3) such Bearer Security is

surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may also be proved in any other manner which the Company and the Trustee for such Securities deem sufficient.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee for such Securities, the Security Registrar, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

Section 105. Notices, Etc., to Trustee and the Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee for a series of Securities by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with such Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration Department, or if sent by facsimile transmission, to a facsimile number provided by the Trustee, with a copy mailed, first class postage prepaid to the Trustee addressed to it as provided above, or

(2) the Company by such Trustee or by any Holder shall be sufficient for every purpose hereunder (except as provided in paragraphs (3), (4) and (5) of Section 501) if furnished in writing and mailed, first class postage prepaid, addressed in the case of the Company to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to such Trustee by the Company, or if sent by facsimile transmission, to a facsimile number provided to the Trustee by the Company, with a copy mailed, first class postage prepaid, to the Company addressed to it as provided above.

Section 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, (1) such notice shall be sufficiently given (unless otherwise herein expressly provided) to Holders of Registered Securities if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice; and (2) such notice shall be sufficiently given (unless otherwise herein expressly provided) to Holders of Bearer Securities who have filed their names and addresses with the Trustee for such purpose within the previous two years if in writing and mailed, first class postage prepaid, to each such Holder at his address as so filed not later than the latest date and not earlier than the earliest date prescribed for the giving of such notice, or to all other Holders of Bearer Securities if published in an Authorized Newspaper on a Business Day at least twice, the first such publication to be not earlier than the earliest date, and the second such publication to be not later than the latest date,

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prescribed herein for the giving of such notice. Any such notice by publication shall be deemed to have been given on the date of the first such publication.

In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. Any notice mailed in the manner prescribed by this Indenture shall be conclusively deemed to have been given whether or not received by any particular Holder. In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders of Registered Securities by mail, then such notification as shall be made with the reasonable approval of the Trustee for such Securities shall constitute a sufficient notification for every purpose

hereunder.

In case by reason of the suspension of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be made with the reasonable approval of the Trustee for such Securities shall constitute sufficient notice to such Holders for every purpose hereunder. Neither the failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice to Holders of Registered Securities given as provided herein.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee for such Securities, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with the duties imposed by any of Sections 310 through 317, inclusive, of the Trust Indenture Act through the operation of Section 318(c) thereof, such imposed duties shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the provision shall be deemed to apply to the Indenture as so modified or excluded, as the case may be

Section 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Separability Clause.

In case any provision in this Indenture or in the Securities or coupons shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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Section 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities or in any coupons appertaining thereto, expressed or implied, shall give to any Person, other than the parties hereto, any Paying Agent, any Security Registrar, an Authenticating Agent and their successors hereunder and the Holders of Securities or coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 112. Governing Law.

This Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 113. Non-Business Day.

Unless otherwise stated with respect to Securities of any series, in any case where any Interest Payment Date, Redemption Date or Stated Maturity of a Security of any particular series shall not be a Business Day at any Place of Payment with respect to Securities of that series, then (notwithstanding any other provision of this Indenture or of the Securities or coupons) payment of principal of (and premium, if any) and interest, if any, with respect to such Security need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the

Stated Maturity, provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

Section 114. Immunity of Incorporators, Stockholders, Directors and Officers.

No recourse shall be had for the payment of the principal of (and premium, if any), or the interest, if any, on any Security or coupon of any series, or for any claim based thereon, or upon any obligation, covenant or agreement of this Indenture, against any incorporator, stockholder, director, officer or employee, as such, past, present or future, of the Company or of any successor corporation, either directly or indirectly through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise; it being expressly agreed and understood that this Indenture and all the Securities and coupons of each series are solely corporate obligations, and that no personal liability whatever shall attach to, or is incurred by, any incorporator, stockholder, director, officer or employee, past, present or future, of the Company or of any successor corporation, either directly or indirectly through the Company or any successor corporation, because of the incurring of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or coupons of any series, or to be implied herefrom or therefrom; and that all such personal liability is hereby expressly released and waived as a condition of, and as part of the consideration for, the execution of this Indenture and the issuance of the Securities and coupons of each series.

Section 115. Certain Matters Relating to Currencies.

Subject to Section 311, each reference to any currency or currency unit in any Security, or in the Board Resolution or supplemental indenture relating thereto, shall mean only the referenced currency or currency unit and no other currency or currency unit.

The Trustee shall segregate moneys, funds and accounts held by the Trustee in one currency or currency unit from any moneys, funds or accounts held in any other currencies or currency units,

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notwithstanding any provision herein which would otherwise permit the Trustee to commingle such amounts.

Whenever any action or Act is to be taken hereunder by the Holders of Securities denominated in a Foreign Currency or currency unit, then for purposes of determining the principal amount of Securities held by such Holders, the aggregate principal amount of the Securities denominated in a Foreign Currency or currency unit shall be deemed to be that amount of Dollars that could be obtained for such principal amount on the basis of a spot rate of exchange specified to the Trustee for such series in an Officers' Certificate for such Foreign Currency or currency unit into Dollars as of the date the taking of such action or Act by the Holders of the requisite percentage in principal amount of the Securities is evidenced to such Trustee.

Section 116. Language of Notices, Etc.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, and any published notice may also be in an official language of the country of publication.

ARTICLE 2

Security Forms

Section 201. Forms of Securities.

The Registered Securities, if any, of each series and the Bearer Securities, if any, of each series and related coupons shall be in such form or forms (including global form) as shall be established by or pursuant to a Board Resolution of the Company, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or any indenture supplemental hereto and may have such letters, numbers or other marks of identification and such legends or endorsements placed

thereon as the Company may reasonably deem appropriate and as may be required to comply with any law, with any rule or regulation made pursuant thereto, with any rules of any securities exchange, automated quotation system or clearing agency or to conform to usage, as may, consistently herewith, be determined by the officers executing such Securities or coupons, as evidenced by their execution of such Securities or coupons. If temporary Securities of any series are issued in global form as permitted by Section 304, the form thereof shall be established as provided in the preceding sentence.

Unless otherwise specified as contemplated by Section 301, Bearer Securities shall have interest coupons attached.

The definitive Securities and coupons, if any, shall be printed, lithographed or engraved or produced by any combination of these methods on a steel engraved border or steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities or coupons, as evidenced by their execution thereof.

Section 202. Form of Trustee's Certificate of Authentication.

Subject to Section 614, the Certificate of Authentication on all Securities shall be in substantially the following form:

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"This is one of the Securities of the series designated therein described in the within-mentioned Indenture.

The Bank Of New York,
as Trustee

By

Authorized Signatory"

Section 203. Securities in Global Form.

If any Security of a series is issuable in global form, such Security may provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be increased or reduced to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby shall be made by the Trustee and in such manner as shall be specified in such Security. Any instructions by the Company with respect to a Security in global form, after its initial issuance, shall be in writing but need not comply with Section 102.

Global Securities may be issued in either registered or bearer form and in either temporary or permanent form.

Any Security issued in global form shall bear the following legend:

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY (THE "DEPOSITARY") TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, , HAS AN INTEREST HEREIN.

Section 204. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use) or other identifying numbers ("Identifying Numbers") and, if

so, the Trustee shall use such Identifying Numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such Identifying Numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identifying numbers printed on the Securities, and any such redemption shall not be affected by any

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defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the Identifying Numbers.

ARTICLE 3

The Securities

Section 301. Title; Payment and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered and Outstanding under this Indenture is unlimited. The Securities may be issued up to the aggregate principal amount of Securities from time to time authorized by or pursuant to Board Resolutions of the Company.

The Securities may be issued in one or more series, each of which shall be issued pursuant to Board Resolutions of the Company. There shall be established in one or more Board Resolutions or pursuant to one or more Board Resolutions of the Company and, subject to Section 303, set forth in, or determined in the manner provided in, an Officer's Certificate of the Company, or established in one or more supplemental indentures hereto, prior to the issuance of Securities of any series all or any of the following, as applicable (each of which, if so provided, may be determined from time to time by the Company with respect to unissued Securities of that series and set forth in the Securities of that series when issued from time to time):

(1) the title of the Securities of that series (which shall distinguish the Securities of that series from all other series of Securities);

(2) any limit upon the aggregate principal amount of the Securities of that series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of that series pursuant to Section 304, 305, 306, 906 or 1107) and whether that series may be reopened for additional Securities of that series; in the event that such series of Securities may be reopened from time to time for issuance of additional Securities of such series, the terms thereof shall indicate whether any such additional Securities shall have the same terms as the prior Securities of such series or whether the Company may establish additional or different terms with respect to such additional Securities;

(3) whether Securities of that series are to be issuable as Registered Securities, Bearer Securities or both and any restrictions on the exchange of one form of Securities for another and on the offer, sale and delivery of the Securities in either form;

(4) the date or dates (or manner of determining the same) on which the principal of the Securities of that series is payable (which, if so provided in such Board Resolutions, may be determined by the Company from time to time and set forth in the Securities of the series issued from time to time);

(5) the rate or rates (or the manner of calculation thereof) at which the Securities of that series shall bear interest (if any), the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable (or manner of determining the same) and the Regular Record Date for the interest payable on any Registered Securities on any Interest Payment Date and the extent to which, or the manner in which, any interest payable on a

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temporary Global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 307;

(6) the place or places where, subject to the provisions of Section 1002, the principal of (and premium, if any) and interest, if any, on Securities of that series shall be payable, any Registered Securities of that series may be surrendered for registration of transfer, any Securities of that series may be surrendered for exchange, and notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served;

(7) the period or periods within which (or manner of determining the same), the price or prices at which (or manner of determining the same), the currency or currency unit in which, and the terms and conditions upon which Securities of that series may be redeemed, in whole or in part, at the option of the Company, and any remarketing arrangements with respect to the Securities of that series;

(8) the obligation, if any, of the Company to redeem, repay or purchase Securities of that series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof, and the period or periods within which (or manner of determining the same), the price or prices at which (or manner of determining the same), the currency or currency unit in which, and the terms and conditions upon which, Securities of that series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) if the currency in which the Securities of that series shall be issuable is Dollars, the denominations in which any Registered Securities of that series shall be issuable, if other than denominations of \$1,000 and any integral multiple thereof, and the denominations in which any Bearer Securities of that series shall be issuable, if other than the denomination of \$5,000;

(10) if other than the principal amount thereof, the portion of the principal amount of Securities of that series which shall be payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502;

(11) any Events of Default and covenants of the Company set forth in Article 10 hereof with respect to the Securities of that series, or the inapplicability of any Event of Default or covenant set forth herein in Article 10 to the Securities of that Series in addition to the Events of Default or covenants set forth herein;

(12) if a Person other than The Bank of New York is to act as Trustee for the Securities of that series, the name and location of the Corporate Trust Office of such Trustee;

(13) if other than Dollars, the currency or currency unit in which payment of the principal of (and premium, if any) or interest, if any, on the Securities of that series shall be made or in which the Securities of that series shall be denominated and the particular provisions applicable thereto in accordance with, in addition to or in lieu of the provisions of Section 311;

(14) if the principal of (and premium, if any) and interest, if any, on the Securities of that series are to be payable, at the election of the Company or a Holder thereof, in a currency or currency unit other than that in which such Securities are denominated or stated to be payable, in accordance with provisions in addition to or in lieu of, or in accordance with the provisions of, Section 311, the period or periods within which (including the Election Date), and the terms and conditions upon which, such election may be made, and the time and manner of determining the exchange rate between the currency or currency unit in which such Securities are denominated or

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stated to be payable and the currency or currency unit in which such Securities are to be so payable;

(15) the designation of the original Currency Determination Agent, if any;

(16) if the Securities of such series are issuable as Indexed Securities, the manner in which the amount of payments of principal of (and premium, if any) and interest, if any, on that series shall be determined;

(17) if the Securities of that series do not bear interest, the applicable dates for purposes of Section 701;

(18) if other than as set forth in Article Four, provisions for the satisfaction and discharge of this Indenture with respect to the Securities of that series;

(19) the date as of which any Bearer Securities of that series and any Global Security representing Outstanding Securities of that series shall be dated if other than the date of original issuance of the first Security of that series to be issued;

(20) the application, if any, of Section 1009 to the Securities of that series;

(21) whether the Securities of the series shall be issued in whole or in part in the form of a Global Security or Securities and, in such case, the Depositary and Global Exchange Agent, if any, for such Global Security or Securities, whether such global form shall be permanent or temporary and, if applicable, the Exchange Date;

(22) if Securities of the series are to be issuable initially in the form of a temporary Global Security, the circumstances under which the temporary Global Security can be exchanged for definitive Securities and whether the definitive Securities will be Registered Securities and/or Bearer Securities and will be in global form and whether interest in respect of any portion of such Global Security payable in respect of an Interest Payment Date prior to the Exchange Date shall be paid to any clearing organization with respect to a portion of such Global Security held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be credited to the Persons entitled to interest payable on such Interest Payment Date if other than as provided in this Article Three;

(23) the extent and manner, if any, to which payment on or in respect of Securities of that series will be subordinated to the prior payment of other liabilities and obligations of the Company;

(24) whether payment of any amount due under such Securities will be guaranteed by one or more guarantors, including Subsidiaries of the Company;

(25) the forms of the Securities of that series; and

(26) any other terms of that series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any particular series and the coupons appertaining to any Bearer Securities of such series shall be substantially identical except as to denomination, rate of interest, Stated Maturity and

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the date from which interest, if any, shall accrue, and except as may otherwise be provided in or pursuant to such Board Resolutions and set forth in such Officer's Certificate relating thereto or provided in or pursuant to any supplemental indenture hereto. The terms of such Securities, as set forth above, may be determined by the Company from time to time if so provided in or established pursuant to the authority granted in Board Resolutions. All Securities of any one series need not be issued at the same time, and unless otherwise provided, a series may be reopened for issuance of additional Securities of such series.

Prior to the delivery of a Security of any series in any such form to the Trustee for the Securities of such series for authentication, the Company shall deliver to such Trustee the following:

(1) The Board Resolutions of the Company by or pursuant to which

such form of Security have been approved and, if applicable, the supplemental indenture by or pursuant to which such form of Security has been approved;

(2) An Officers' Certificate of the Company dated the date such Certificate is delivered to such Trustee satisfying the requirements of Sections 102 and 103, and stating that all conditions precedent provided for in this Indenture relating to the authentication and delivery of Securities in such forms have been complied with; and

(3) An Opinion of Counsel satisfying the requirements of Sections 102 and 103 substantially to the effect that Securities in such forms, together with any coupons appertaining thereto, when (a) completed by appropriate insertions and executed and delivered by the Company to such Trustee for authentication in accordance with this Indenture, (b) authenticated and delivered by such Trustee in accordance with this Indenture, and (c) issued by the Company in the manner and subject to the conditions specified in such Opinion of Counsel, will constitute the legal, valid and binding obligations of the Company, subject to the effects of applicable bankruptcy, reorganization, fraudulent conveyance, moratorium, insolvency and other similar laws generally affecting creditors' rights, to general equitable principles, to an implied covenant of good faith and fair dealing and to such other qualifications as such counsel shall conclude do not materially affect the rights of Holders of such Securities.

Section 302. Denominations and Currencies.

Unless otherwise provided with respect to any series of Securities as contemplated by Section 301, any Registered Securities of a series other than Registered Securities issued in global form (which may be of any denomination) shall be issuable in denominations of \$1,000 and any integral multiple thereof, and any Bearer Securities of a series other than Bearer Securities issued in global form (which may be of any denomination) shall be issuable in the denomination of \$5,000, or the equivalent amounts thereof in the case of Registered Securities and Bearer Securities denominated in a Foreign Currency or currency unit.

Section 303. Execution, Authentication, Delivery and Dating.

The Securities and any related coupons shall be executed on behalf of the Company by its Chairman of the Board, a Vice Chairman of the Board, or its President, Chief Executive Officer or one of its Vice Presidents. The Securities shall be so executed under the corporate seal of the Company reproduced thereon and attested to by its Secretary or any one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities and coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or

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any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series together with any coupons appertaining thereto, executed by the Company to the Trustee for the Securities of such series for authentication, together with a Company Order for the authentication and delivery of such Securities, and such Trustee, in accordance with the Company Order, shall authenticate and deliver such Securities; provided, however, that, during the "restricted period" (as defined in Section 1.163-5(c)(2)(i)(D)(7) of the United States Treasury Regulations), no Bearer Security shall be mailed or otherwise delivered to any location in the United States; and provided, further, that a Bearer Security may be delivered outside the United States in connection with its original issuance only if the Person entitled to receive such Bearer Security shall have furnished to the Trustee for the Securities of such series a certificate substantially in the form set forth in Exhibit A to this Indenture. If any Security shall be represented by a permanent Global Security, then, for purposes of this Section and Section 304, the notation of a beneficial owner's interest therein upon original issuance of such Security or upon exchange of a portion of a temporary Global Security shall be deemed to be delivery in connection with the original

issuance of such beneficial owner's interest in such permanent Global Security. Except as permitted by Section 306 or 307, the Trustee for the Securities of a series shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured other than matured coupons in default have been detached and cancelled. If all the Securities of any one series are not to be issued at one time and if a Board Resolution relating to such Securities shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Securities, including, without limitation, procedures with respect to interest rate, Stated Maturity, date of issuance and date from which interest, if any, shall accrue.

Notwithstanding any contrary provision herein, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Board Resolution, Officers' Certificate and Opinion of Counsel otherwise required pursuant to Sections 102 and 301 at or prior to the time of authentication of each Security of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Registered Security shall be dated the date of its authentication, and, unless otherwise specified as contemplated by Section 301, each Bearer Security shall be dated as of the date of original issuance of the first Security of such series to be issued.

No Security or coupon appertaining thereto shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein manually executed by the Trustee for such Security or on its behalf pursuant to Section 614, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

In case any Securities shall have been authenticated, but not delivered, by the Trustee or the Authenticating Agent for such series then in office, any successor by merger, conversion or consolidation to such Trustee, or any successor Authenticating Agent, as the case may be, may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee or successor Authenticating Agent had itself authenticated such Securities.

Each Depository designated pursuant to Section 301 for a Global Security in registered form must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Exchange Act and any other applicable statute or regulation.

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The Trustee shall have the right to decline to authenticate and deliver any Securities under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith shall determine that such action would expose the Trustee to personal liability to existing Holders.

Section 304. Temporary Securities and Exchange of Securities.

Pending the preparation of definitive Securities of any particular series, the Company may execute, and upon Company Order the Trustee for the Securities of such series shall authenticate and deliver, in the manner specified in Section 303, temporary Securities which are printed, lithographed, typewritten, photocopied or otherwise produced, in any denomination, with like terms and conditions as the definitive Securities of like series in lieu of which they are issued in registered form or, if authorized, in bearer form with one or more coupons or without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities. Any such temporary Securities may be in global form, representing such of the Outstanding Securities of such series as shall be specified therein.

Except in the case of temporary Securities in global form (which shall be exchanged only in accordance with the provisions of the following paragraphs or as otherwise provided in or pursuant to a Board Resolution or a Supplemental Indenture), if temporary Securities of any particular series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of such definitive Securities, the

temporary Securities of such series shall be exchangeable for such definitive Securities of a like Stated Maturity and with like terms and provisions upon surrender of the temporary Securities of such series, together with all unmatred coupons and matured coupons in default, if any, at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any particular series, the Company shall execute and (in accordance with a Company Order delivered at or prior to the authentication of the first definitive Security of such series) the Trustee for the Securities of such series or the Global Exchange Agent shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations of the same series and of a like Stated Maturity and with like terms and provisions; provided, however, unless otherwise specified pursuant to Section 301, no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and provided, further, that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in Section 303. Until exchanged as hereinabove provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and with like terms and conditions, except as to payment of interest, if any, authenticated and delivered hereunder.

Any temporary Global Security and any permanent Global Security shall, unless otherwise provided therein, be delivered to a Depositary designated pursuant to Section 301.

Without unnecessary delay but in any event not later than the date specified in or determined pursuant to the terms of any such temporary Global Security (the "Exchange Date"), the Securities represented by any temporary Global Security of a series of Securities issuable in bearer form may be exchanged for definitive Securities (subject to the second succeeding paragraph) or Securities to be represented thereafter by one or more permanent Global Securities, without interest coupons. On or after the Exchange Date such temporary Global Security shall be surrendered by the Depositary to the Trustee for such Security, as the Company's agent for such purpose, or the agent appointed by the Company pursuant to Section 301 to effect the exchange of the temporary Global Security for definitive Securities (the "Global Exchange Agent"), and following such surrender, such Trustee or the Global Exchange Agent (as authorized by the Trustee as an Authenticating Agent pursuant to Section 614) shall (1) endorse

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the temporary Global Security to reflect the reduction of its principal amount by an equal aggregate principal amount of such Security, (2) endorse the applicable permanent Global Security, if any, to reflect the initial amount, or an increase in the amount of Securities represented thereby, (3) manually authenticate such definitive Securities or such permanent Global Security, as the case may be, (4) subject to Section 303, deliver such definitive Securities to the Holder thereof or, as the case may be, deliver such permanent Global Security to the Depositary to be held outside the United States for the accounts of Euroclear and Clearstream Banking, for credit to the respective accounts at Euroclear and Clearstream Banking, designated by or on behalf of the beneficial owners of such Securities (or to such other accounts as they may direct) and (5) redeliver such temporary Global Security to the Depositary, unless such temporary Global Security shall have been cancelled in accordance with Section 309 hereof; provided, however, that, unless otherwise specified in such temporary Global Security, upon such presentation by the Depositary, such temporary Global Security shall be accompanied by a certificate dated the Exchange Date or a subsequent date and signed by Euroclear as to the portion of such temporary Global Security held for its account then to be exchanged for definitive Securities or one or more permanent Global Securities, as the case may be, and a certificate dated the Exchange Date or a subsequent date and signed by Clearstream Banking, as to the portion of such temporary Global Security held for its account then to be exchanged for definitive Securities or one or more permanent Global Securities, as the case may be, each substantially in the form set forth in Exhibit B to this Indenture. Each certificate substantially in the form of Exhibit B hereto of Euroclear or Clearstream Banking, as the case may be, shall be based on certificates of the account holders listed in the records of Euroclear or Clearstream Banking, as the case may be, as being entitled to all or any portion of the applicable temporary Global Security. An account holder of Euroclear or Clearstream Banking, as the case may be, desiring to effect the exchange of interest in a temporary Global Security for an interest in definitive Securities or one or more permanent

Global Securities shall instruct Euroclear or Clearstream Banking, as the case may be, to request such exchange on its behalf and shall deliver to Euroclear or Clearstream Banking, as the case may be, a certificate substantially in the form of Exhibit A hereto and dated no earlier than 15 days prior to the Exchange Date. Until so exchanged, temporary Global Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities and permanent Global Securities of the same series authenticated and delivered hereunder, except as provided in the fourth succeeding paragraph.

The delivery to the Trustee for the Securities of the appropriate series or the Global Exchange Agent by Euroclear or Clearstream Banking of any certificate substantially in the form of Exhibit B hereto may be relied upon by the Company and such Trustee or the Global Exchange Agent as conclusive evidence that a corresponding certificate or certificates has or have been delivered to Euroclear or to Clearstream Banking, as the case may be, pursuant to the terms of this Indenture.

On or prior to the Exchange Date, the Company shall deliver to the Trustee for the Securities of the appropriate series or the Global Exchange Agent definitive Securities or one or more permanent Global Securities in aggregate principal amount equal to the principal amount of such temporary Global Security, executed by the Company in the case of the Securities. At any time, on or after the Exchange Date, upon 30 days' notice to the Trustee for the Securities of the appropriate series or the Global Exchange Agent by Euroclear or Clearstream Banking, as the case may be, acting at the request of or on behalf of the beneficial owner, a Security represented by a temporary Global Security or a permanent Global Security, as the case may be, may be exchanged, in whole or from time to time in part, for definitive Securities without charge and such Trustee or the Global Exchange Agent shall authenticate and deliver, in exchange for each portion of such temporary Global Security or such permanent Global Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and with like terms and provisions as the portion of such temporary Global Security or such permanent Global Security to be exchanged, which, unless the Securities of the series are not issuable both as Bearer Securities and as Registered Securities, as contemplated by Section 301, shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified

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by the beneficial owner thereof; provided, however, that definitive Bearer Securities shall be delivered in exchange for a portion of the temporary Global Security or the permanent Global Security only in compliance with the requirements of the second preceding paragraph. On or prior to the thirtieth day following receipt by the Trustee for the Securities of the appropriate series or the Global Exchange Agent of such notice with respect to a Security, or, if such day is not a Business Day, the next succeeding Business Day, the temporary Global Security or the permanent Global Security, as the case may be, shall be surrendered by the Depository to such Trustee, as the Company's agent for such purpose, or the Global Exchange Agent to be exchanged in whole, or from time to time in part, for definitive Securities without charge following such surrender, upon the request of Euroclear or Clearstream Banking, as the case may be, and such Trustee or the Global Exchange Agent shall (1) endorse the applicable temporary Global Security or the permanent Global Security to reflect the reduction of its principal amount by the aggregate principal amount of such Security, (2) in accordance with procedures acceptable to the Trustee cause the terms of such Security and coupons, if any, to be entered on a definitive Security, (3) manually authenticate such definitive Security and (4) if a Bearer Security is to be delivered, deliver such definitive Security outside the United States to Euroclear or Clearstream Banking, as the case may be, for or on behalf of the beneficial owner thereof, in exchange for a portion of such permanent Global Security.

Unless otherwise specified in such temporary Global Security or permanent Global Security, any such exchange shall be made free of charge to the beneficial owners of such temporary Global Security or permanent Global Security, except that a Person receiving definitive Securities must bear the cost of any taxes, insurance, postage, transportation and the like in the event that such Person does not take delivery of such definitive Securities in person at the offices of Euroclear or Clearstream Banking. Definitive Securities in bearer form to be delivered in exchange for any portion of a temporary Global Security or a permanent Global Security shall be delivered only outside the United States.

Until exchanged in full as hereinabove provided, any temporary Global Security or permanent Global Security shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and with like terms and conditions, except as to payment of interest, if any, authenticated and delivered hereunder. Unless otherwise specified as contemplated by Section 301, interest payable on such temporary Global Security on an Interest Payment Date for Securities of such series shall be payable to Euroclear and Clearstream Banking on such Interest Payment Date upon delivery by Euroclear and Clearstream Banking to the Trustee for the Securities of the appropriate series or the Global Exchange Agent in the case of payment of interest on a temporary Global Security with respect to an Interest Payment Date occurring prior to the applicable Exchange Date of a certificate or certificates substantially in the form set forth in Exhibit C to this Indenture, for credit without further interest on or after such Interest Payment Date to the respective accounts of the Persons who are the beneficial owners of such Global Security on such Interest Payment Date and who have, in the case of payment of interest on a temporary Global Security with respect to an Interest Payment Date occurring prior to the applicable Exchange Date, each delivered to Euroclear or Clearstream Banking, as the case may be, a certificate substantially in the form set forth in Exhibit D to this Indenture.

Any definitive Bearer Security authenticated and delivered by the Trustee for the Securities of the appropriate series or the Global Exchange Agent in exchange for a portion of a temporary Global Security or a permanent Global Security shall not bear a coupon for any interest which shall theretofore have been duly paid by such Trustee to Euroclear or Clearstream Banking or by the Company to such Trustee in accordance with the provisions of this Section 304.

With respect to Exhibits A, B, C and D to this Indenture, the Company may, in its discretion and if required or desirable under applicable law, substitute one or more other forms of such exhibits for such exhibits, eliminate the requirement that any or all certificates be provided, or change the time that any certificate may be required, provided that such substitute form or forms or notice of elimination or change

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of such certification requirement have theretofore been delivered to the Trustee with a Company Request and such form or forms, elimination or change is reasonably acceptable to the Trustee.

Section 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee for the Securities of each series a register (the register maintained in such office being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and of transfers of Registered Securities. The Trustee for the Securities of each series is hereby initially appointed "Security Registrar" for the purpose of registering Registered Securities and transfers of Registered Securities of such series as herein provided.

Upon surrender for registration of transfer of any Registered Security of any particular series at the office or agency of the Company in a Place of Payment for that series, the Company shall execute, and the Trustee for the Securities of each series shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of any authorized denominations, and of a like Stated Maturity and of a like series and aggregate principal amount and with like terms and conditions.

Except as set forth below, at the option of the Holder, Registered Securities of any particular series may be exchanged for other Registered Securities of any authorized denominations, and of a like Stated Maturity and of a like series and aggregate principal amount and with like terms and conditions upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee for such Securities shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive. Except as otherwise specified pursuant to Section 301, Registered Securities may not be exchanged for Bearer Securities.

Notwithstanding any other provision of this Section or Section 304, unless and until it is exchanged in whole or in part for Registered Securities in

definitive form, a Global Security representing all or a portion of the Registered Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

If (but not only if) permitted by the applicable Board Resolution and (subject to Section 308) set forth in the applicable Officer's Certificate, at the option of the Holder, Bearer Securities of any series may be exchanged for Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and with like terms and provisions upon surrender of the Bearer Securities to be exchanged at any office or agency of the Company in a Place of Payment for that series, with all unmatured coupons and all matured coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company (or to the Trustee for the Security in case of matured coupons in default) in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and such Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 1002,

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interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency of the Company in a Place of Payment for that series located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series and with like terms and conditions after the close of business at such office or agency on or after (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date for payment, as the case may be (or, if such coupon is so surrendered with such Bearer Security, such coupon shall be returned to the person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee for such Securities shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

If at any time the Depositary for Securities of a series in registered form notifies the Company that it is unwilling or unable to continue as Depositary for the Securities of such series or if at any time the Depositary for the Securities of such series shall no longer be eligible under Section 303, the Company shall appoint a successor Depositary with respect to the Securities for such series. If (i) a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, (ii) the Company delivers to the Trustee for Securities of such series in registered form a Company Order stating that the Securities of such series shall be exchangeable, or (iii) an Event of Default under Section 501 hereof has occurred and is continuing with respect to the Securities of such series, the Company's election pursuant to Section 301 shall no longer be effective with respect to the Securities for such series and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series in definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Registered Securities of any series issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Registered Securities of such series, will authenticate and deliver, Registered Securities of such series in definitive form and in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

If specified by the Company pursuant to Section 301 with respect to a series of Securities in registered form, the Depositary for such series of Securities may surrender a Global Security for such series of Securities in exchange in whole or in part for Securities of such series of like tenor and terms and in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee shall authenticate and deliver, without service charge, (i) to each Person specified by such Depositary a new Security or Securities of the same series, of like tenor and terms and of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and (ii) to such Depositary a new Global Security of like tenor and terms and in a denomination equal to the difference, if

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any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Securities delivered to Holders thereof.

Upon the exchange of a Global Security for Securities in definitive form representing the aggregate principal amount of such Global Security, such Global Security shall be cancelled by the Trustee. Registered Securities issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee in writing. The Trustee shall deliver such Registered Security to the persons in whose names such Securities are so registered.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or exchange shall (if so required by the Company or the Trustee for such Security) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar for such series duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of that series selected for redemption under Section 1104 and ending at the close of business on (A) if Securities of the series are issuable only as Registered Securities, the day of the mailing of the relevant notice of redemption and (B) if Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, if Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption as a whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor; provided, however, that such Registered Security shall be simultaneously surrendered for redemption.

Furthermore, notwithstanding any other provision of this Section 305, the Company will not be required to exchange any Securities if, as a result of the exchange, the Company would suffer adverse consequences under any United States law or regulation.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities and Coupons.

If (i) any mutilated Security or a Security with a mutilated coupon appertaining thereto is surrendered to the Trustee for such Security or the Company and the Trustee for a Security receive evidence to their satisfaction of the destruction, loss or theft of any Security or coupon and (ii) there is delivered to the Company and such Trustee such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or such Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and upon its request such Trustee shall authenticate and deliver, in lieu of any such

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destroyed, lost or stolen Security or in exchange for such mutilated Security, or in exchange for the Security to which a mutilated, destroyed, lost or stolen coupon appertains (with all appurtenant coupons not mutilated, destroyed, lost or stolen) a new Security of the same series and in a like principal amount and of a like Stated Maturity and with like terms and conditions, and bearing a number not contemporaneously outstanding with coupons corresponding to the coupons, if any, appertaining to such mutilated, destroyed, lost or stolen Security or to the Security to which such mutilated, destroyed, lost or stolen coupon appertains.

In case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or coupon (without surrender thereof except in the case of a mutilated Security or coupon) if the applicant for such payment shall furnish to the Company and the Trustee for such Security such security or indemnity as may be required by them to save each of them harmless, and in case of destruction, loss or theft, evidence satisfactory to the Company and such Trustee and any agent of any of them of the destruction, loss or theft of such Security and the ownership thereof; provided, however, that the principal of (and premium, if any) and interest, if any, on Bearer Securities shall, except as otherwise provided in Section 1002, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 301, any interest on Bearer Securities shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including all fees and expenses of the Trustee for such Security) connected therewith.

Every new Security of any series, with its coupons, if any, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security or in exchange for any mutilated Security, or in exchange for a Security to which a mutilated, destroyed, lost or stolen coupon appertains shall constitute an original additional contractual obligation of the Company whether or not the destroyed, lost or stolen Security and its coupons, if any, or the destroyed, lost or stolen coupon shall be at any time enforceable by anyone, and each such new Security shall be at any time enforceable by anyone, and each such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series and their coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

Section 307. Payment of Interest; Interest Rights Preserved.

Interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall, if so provided in such Security, be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest payment.

Unless otherwise provided with respect to the Securities of any series, payment of interest may be made at the Corporate Trust Office or, at the option of the Company (i) in the case of Registered Securities, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, or (ii) in the case of Bearer Securities, upon presentation and surrender of the appropriate coupon appertaining thereto or by transfer to an account maintained by the payee with a bank located outside the United States. Notwithstanding the foregoing, a Holder of

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\$1,000,000 or more in aggregate principal amount of Securities of any series in definitive form, whether having identical or different terms and provisions, having the same Interest Payment Dates will, at the option of the Company, be entitled to receive interest payments, other than at Maturity, by wire transfer of immediately available funds if appropriate wire transfer instructions have been received in writing by the Trustee for the Securities of such series at least 15 days prior to the applicable Interest Payment Date. Any wire instructions received by the Trustee for the Securities of such series shall remain in effect until revoked by the Holder.

Unless otherwise provided or contemplated by Section 301, every permanent Global Security will provide that interest, if any, payable on any Interest Payment Date will be paid to each of Euroclear and Clearstream Banking with respect to that portion of such permanent Global Security held for its account by the Depository. Each of Euroclear and Clearstream Banking will in such circumstances credit the interest received by it in respect of such permanent Global Security to the accounts of the beneficial owners thereof.

Any interest on any Registered Security of any particular series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of having been such Holder; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of that series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee for the Registered Securities of such series in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security of that series and the date of the proposed payment, and at the same time the Company shall deposit with such Trustee an amount of money in the currency or currency unit in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except as provided in Sections 311(b) and 311(d)), equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to such Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon such Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall not be more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by such Trustee of the notice of the proposed payment. Such Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Securities of that series at his address as it appears in the Security Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Registered Securities of that series (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on Registered Securities of any particular series in any other lawful manner not inconsistent with the requirements of any securities exchange on which

the Registered Securities may be listed, and upon such notice as may be required by such exchange, if, after notice is given by the Company to the Trustee for the

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Securities of such series of the proposed manner of payment pursuant to this clause, such manner of payment shall be deemed practicable by such Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. Persons Deemed Owners.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee for such Security and any agent of the Company or such Trustee may treat the Person in whose name any such Security is registered as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, such Trustee or any agent of the Company or such Trustee shall be affected by notice to the contrary.

Title to any Bearer Security and any coupons appertaining thereto shall pass by delivery. The Company, the Trustee for such Security and any agent of the Company or such Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Bearer Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Security or coupon be overdue, and none of the Company, such Trustee or any agent of the Company or such Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Section 309. Cancellation.

All Securities and coupons surrendered for payment, redemption, registration of transfer or exchange, or delivered in satisfaction of any sinking fund payment, shall, if surrendered to any Person other than the Trustee for such Securities, be delivered to such Trustee and, in the case of Registered Securities and matured coupons, shall be promptly cancelled by it. All Bearer Securities and unmatured coupons so delivered to the Trustee for such Securities shall be cancelled by such Trustee. The Company may at any time deliver to the Trustee for Securities of a series for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by such Trustee. Notwithstanding any other provision of this Indenture to the contrary, in the case of a series, all the Securities of which are not to be originally issued at one time, a Security of such series shall not be deemed to have been Outstanding at any time hereunder if and to the extent that, subsequent to the authentication and delivery thereof, such Security is delivered to the Trustee for such Security for cancellation by the Company or any agent thereof upon the failure of the original purchaser thereof to make payment therefor against delivery thereof, and any Security so delivered to such Trustee shall be promptly cancelled by it. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities and coupons held by the Trustee for such Securities shall be disposed of by such Trustee in accordance with its standard procedures and a certificate of disposition evidencing such disposition of Securities and coupons shall be provided to the Company by such Trustee. In the case of any temporary Global Security, which shall be disposed of if the entire aggregate principal amount of the Securities represented thereby has been exchanged, the certificate of disposition shall state that all certificates required pursuant to Section 304 hereof,

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substantially in the form of Exhibit B hereto (or in the form of any substitute exhibit as provided in the last paragraph of Section 304), to be given by Euroclear or Clearstream Banking, have been duly presented to the Trustee for such Securities by Euroclear or Clearstream Banking, as the case may be. Permanent Global Securities shall not be disposed of until exchanged in full for definitive Securities or until payment thereon is made in full.

Section 310. Computation of Interest.

Except as otherwise specified as contemplated by Section 301 for Securities of any particular series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 311. Currency and Manner of Payments in Respect of Securities.

Unless otherwise specified in accordance with Section 301 with respect to any series of Securities, the following provisions shall apply:

(a) Except as provided in paragraphs (b) and (d) below, the principal of (and premium, if any) and interest on Securities of any series denominated in a Foreign Currency or currency unit will be payable by the Company in Dollars based on the equivalent of that Foreign Currency or currency unit converted into Dollars in the manner described in paragraph (c) below.

(b) It may be provided pursuant to Section 301 with respect to Registered Securities of any series denominated in a Foreign Currency or currency unit that Holders shall have the option, subject to paragraph (d) below, to receive payments of principal of (and premium, if any) and interest on such Registered Securities in such Foreign Currency or currency unit by delivering to the Trustee (or to any duly appointed Paying Agent) for the Registered Securities of that series a written election, to be in form and substance satisfactory to such Trustee (or to any such Paying Agent), not later than the close of business on the Election Date immediately preceding the applicable payment date. If a Holder so elects to receive such payments in such Foreign Currency or currency unit, such election will remain in effect for such Holder until changed by such Holder by written notice to the Trustee (or to any such Paying Agent) for the Registered Securities of that series; provided, however, that any such change must be made not later than the close of business on the Election Date immediately preceding the next payment date to be effective for the payment to be made on such payment date; and provided, further, that no such change or election may be made with respect to payments to be made on any Registered Security of such series with respect to which an Event of Default has occurred, the Company has exercised any defeasance, satisfaction or discharge options pursuant to Article Four or notice of redemption has been given by the Company pursuant to Article Eleven. If any Holder makes any such election, such election will not be effective as to any transferee of such Holder and such transferee shall be paid in Dollars unless such transferee makes an election as specified above; provided, however, that such election, if in effect while funds are on deposit with respect to the Registered Securities of such series as described in Section 404 or Section 405, will be effective on any transferee of such Holder unless otherwise specified pursuant to Section 301 for such Registered Securities. Any Holder of any such Registered Security who shall not have delivered any such election to the Trustee (or to any duly appointed Paying Agent) for the Registered Securities of such series not later than the close of business on the applicable Election Date will be paid the amount due on the applicable payment date in Dollars.

(c) With respect to any Registered Securities of any series denominated in a Foreign Currency or currency unit and payable in Dollars, the amount of Dollars so payable will be determined by the Currency Determination Agent based on the highest indicative quotation in The City of New York selected by the Currency Determination Agent at approximately 11:00 A.M., New York City time, on the

second Business Day preceding the applicable payment date. Such selection shall be made from among the quotations appearing on the bank composite or multi-contributor pages of the Reuters Monitor Foreign Exchange Service or, if not available, the Telerate Monitor Foreign Exchange Service, for three (or two if three are not available) major banks in New York City. The first three (or two) such banks selected by the Currency Determination Agent which are offering quotes on the Reuters Foreign Exchange Service shall be used. If such quotations

are unavailable from either such foreign exchange service, such selection shall be made from the quotations received by the Currency Determination Agent from no more than three nor less than two recognized foreign exchange dealers in The City of New York selected by the Currency Determination Agent and approved by the Company (one of which may be the Currency Determination Agent) for the purchase by the quoting dealer, for settlement on such payment date, of the aggregate amount of the Foreign Currency or currency unit payable on such payment date in respect of all Registered Securities denominated in such Foreign Currency or currency unit and for which the applicable dealer commits to execute a contract. If fewer than two such bid quotations are available at 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date, such payment will be based on the Market Exchange Rate as of the second Business Day preceding the applicable payment date. If the Market Exchange Rate for such date is not then available, payments shall be made in the Foreign Currency or currency unit. All currency exchange costs associated with any payment in Dollars on any such Registered Securities will be borne by the Holder thereof by deductions from such payment.

(d) If a Conversion Event occurs with respect to a Foreign Currency or currency unit in which Registered Securities of any series are payable, then with respect to each date for the payment of principal of (and premium, if any) and interest on the Registered Securities of that series occurring after the last date on which such Foreign Currency or currency unit was used, the Company may make such payment in Dollars. The Dollar amount to be paid by the Company to the Trustee for the Registered Securities of such series and by such Trustee or any Paying Agent for the Registered Securities of such series to the Holders of such Registered Securities with respect to such payment date shall be determined by the Currency Determination Agent on the basis of the Market Exchange Rate as of the second Business Day preceding the applicable payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate, or as otherwise established pursuant to Section 301 with respect to such Notes. Any payment in respect of such Registered Security made under such circumstances in Dollars will not constitute an Event of Default hereunder.

(e) For purposes of this Indenture the following terms shall have the following meanings:

A "Component Currency" shall mean any currency which is a component currency of any currency unit.

"Election Date" shall mean, for the Registered Securities of any series, the date specified pursuant to Section 301(14).

(f) Notwithstanding any other provisions of this Section 311, the following shall apply: (i) if the official unit of any Component Currency is altered by way of combination or subdivision, the number of units of that currency as a component shall be divided or multiplied in the same proportion, (ii) if two or more Component Currencies are consolidated into a single currency, the amounts of those currencies as components shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated Component Currencies expressed in such a single currency, (iii) if any Component Currency is divided into two or more currencies, the amount of that original Component Currency as a component shall be replaced by the amounts of such two or more currencies having an aggregate value on the date of division equal to the amount of the former Component Currency immediately before such division and (iv) in the event of an official redenomination of any currency (including, without limitation,

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a currency unit), the obligations of the Company to make payments in or with reference to such currency on the Registered Securities of any series shall, in all cases, be deemed immediately following such redenomination to be obligations to make payments in or with reference to that amount of redenominated currency representing the amount of such currency immediately before such redenomination.

(g) All determinations referred to in this Section 311 made by the Currency Determination Agent shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Holders of the applicable Securities. The Currency Determination Agent shall promptly give written notice to the Trustee for the Securities of such series of any such decision or determination. The Currency Determination Agent shall promptly give written notice to the Trustee of any

such decision or determination. The Currency Determination Agent shall have no liability for any determinations referred to in this Section 311 made by it.

(h) The Trustee for the Securities of a particular series shall be fully justified and protected in relying and acting upon information received by it from the Company and the Currency Determination Agent with respect to any of the matters addressed in or contemplated by this Section 311 and shall not otherwise have any duty or obligation to determine such information independently.

Section 312. Appointment and Resignation of Currency Determination Agent.

(a) If and so long as the Securities of any series (i) are denominated in a currency unit or a currency other than Dollars or (ii) may be payable in a currency unit or a currency other than Dollars, or so long as it is required under any other provision of this Indenture, then the Company shall maintain with respect to each such series of Securities, or as so required, a Currency Determination Agent. The Company shall cause the Currency Determination Agent to make the necessary foreign exchange determinations at the time and in the manner specified pursuant to Section 301 for the purpose of determining the applicable rate of exchange and for the purpose of converting the issued currency or currency unit into the applicable payment currency or currency unit for the payment of principal (and premium, if any) and interest, if any, pursuant to Section 311.

(b) No resignation of the Currency Determination Agent and no appointment of a successor Currency Determination Agent pursuant to this Section shall become effective until the acceptance of appointment by the successor Currency Determination Agent as evidenced by a written instrument delivered to the Company and the Trustee of the appropriate series of Securities accepting such appointment executed by the successor Currency Determination Agent.

(c) If the Currency Determination Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Currency Determination Agent for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Currency Determination Agent or Currency Determination Agents with respect to the Securities of that or those series (it being understood that any such successor Currency Determination Agent may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall only be one Currency Determination Agent with respect to the Securities of any particular series).

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ARTICLE 4

Satisfaction and Discharge

Section 401. Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at the option of its Board of Directors evidenced by a Board Resolution set forth in an Officers' Certificate, at any time, with respect to the Securities of any series, elect to have either Section 402 or 403 be applied to all of the Outstanding Securities of that series upon compliance with the conditions set forth below in this Article Four.

Section 402. Legal Defeasance and Discharge.

Upon the Company's exercise under Section 401 of the option applicable to this Section 402, the Company shall be deemed to have been discharged from its obligations with respect to all Outstanding Securities of the particular series and any coupons appertaining thereto on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, such Legal Defeasance means that the Company shall be deemed to have paid and discharged all the obligations relating to the Outstanding Securities of that series and the Securities of that series, including any coupons appertaining thereto, shall thereafter be deemed to be "outstanding" only for the purposes of Section 406, Section 408 and the other Sections of this Indenture referred to below in this Section 402, and to have satisfied all of its other obligations under such Securities and any coupons appertaining thereto and this Indenture and cured all then existing Events of Default (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated

or discharged hereunder: (a) the rights of Holders of Outstanding Securities of the particular series and coupons, if any, of such series to receive payments in respect of the principal of (and premium, if any) and interest, if any, on such Securities when such payments are due or on the Redemption Date solely out of the trust created pursuant to this Indenture; (b) the Company's obligations with respect to such Securities concerning issuing temporary Securities of that series, or, where relevant, registration of such Securities, mutilated, destroyed, lost or stolen Securities of that series and the maintenance of an office or agency for payment and money for Security payments held in trust; (c) the rights, powers, trusts, duties and immunities of the Trustee for the Securities of that series, and the Company's obligations in connection therewith; and (d) this Article Four and the obligations set forth in Section 406 hereof.

Subject to compliance with this Article Four, the Company may exercise its option under Section 402 notwithstanding the prior exercise of its option under Section 403 with respect to the Securities of a particular series and any coupons appertaining thereto.

Section 403. Covenant Defeasance.

Upon the Company's exercise under Section 401 of the option applicable to this Section 403, the Company shall be released from any obligations under the covenants contained in Sections 704, 801 and 1007 hereof with respect to the Outstanding Securities of the particular series, along with any additional covenants contained in such Security or any Supplemental Indenture in connection therewith, on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Securities of that series and any coupons appertaining thereto shall thereafter be deemed not "Outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder (it being understood that such Securities shall not be deemed outstanding for accounting purposes). For this purpose, such Covenant Defeasance means that,

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with respect to the Outstanding Securities of that series and any coupons appertaining thereto, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a default or Event of Default under subsection 501(3) but, except as specified above, the remainder of this Indenture and the Securities of that series shall be unaffected thereby.

Section 404. Conditions to Legal or Covenant Defeasance.

The following shall be the conditions to the application of either Section 402 or Section 403 to the Outstanding Securities of a particular series:

(a) the Company must irrevocably deposit, or cause to be irrevocably deposited, with the Trustee for the Securities of that series, in trust, for the benefit of the Holders of the Securities of that series, cash in the currency or currency unit in which the Securities of that series are payable (except as otherwise specified pursuant to Section 301 for the Securities of that series and except as provided in Sections 311(b) and 311(d), in which case the deposit to be made with respect to Securities for which an election has occurred pursuant to Section 311(b), or a Conversion Event has occurred as provided in Section 311(d), shall be made in the currency or currency unit in which the Securities of that series are payable as a result of such election or Conversion Event), Government Obligations or a combination thereof in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay the principal of (and premium, if any) and interest, if any, due on the outstanding Securities of that series and any related coupons at the Stated Maturity, or on the applicable Redemption Date, as the case may be, with respect to the outstanding Securities of that series and any related coupons;

(b) in the case of Legal Defeasance, the Company shall have delivered to the Trustee for the Securities of that series an Opinion of Counsel in the United States reasonably acceptable to such Trustee

confirming that, subject to customary assumptions and exclusions, (1) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (2) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel in the United States shall confirm that, subject to customary assumptions and exclusions, the Holders of the Outstanding Securities of that series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee for the Securities of that series an Opinion of Counsel in the United States reasonably acceptable to such Trustee confirming that, subject to customary assumptions and exclusions, the Holders of the Outstanding Securities of that series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to such tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Event of Default or event which with the giving of notice or the lapse of time, or both, would become an Event of Default with respect to the Securities of that series shall have

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occurred and be continuing on the date of such deposit and no Event of Default under Section 501(5) or Section 501(6) shall have occurred and be continuing on the 123rd day after such date;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under any material agreement or instrument to which the Company is a party or by which the Company is bound;

(f) the Company shall have delivered to the Trustee for the Securities of that series an Officers' Certificate and an Opinion of Counsel in the United States (which opinion of counsel may be subject to customary assumptions and exclusions) each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Section 405. Satisfaction and Discharge of Indenture.

This Indenture will be discharged and will cease to be of further effect as to all Securities of any particular series issued hereunder when either (i) all Securities of that series theretofore authenticated and delivered and all coupons, if any, appertaining thereto (except (A) coupons appertaining to Bearer Securities surrendered for exchange for Registered Securities and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 305, (B) lost, stolen or destroyed Securities or coupons of such series which have been replaced or paid as provided in Section 306, (C) coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date, whose surrender is not required as provided in Section 1106 and (D) Securities and coupons of such series for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company or discharged from such trust, as provided in the last paragraph of Section 1003) have been delivered to the Trustee for the Securities of that series for cancellation or (ii) (A) all Securities of that series and any coupons appertaining thereto not theretofore delivered to Trustee for cancellation are due and payable by their terms within one year or have become due and payable by reason of the making of a notice of redemption and the Company has irrevocably deposited or caused to be deposited with such Trustee as trust funds in trust an amount of cash in any combination of currency or currency unit in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except as provided in Sections 311(b) and 311(d), in which case the deposit to be made with respect to Securities for which an election has occurred pursuant to Section 311(b) or a Conversion Event has occurred as provided in Section 311(d), shall be made in the currency or currency unit in which such Securities are payable as a result of such election or Conversion Event) sufficient to pay and discharge the entire indebtedness on such Securities and coupons not theretofore delivered to the

Trustee for the Securities of that series for cancellation for principal (and premium, if any) and accrued and unpaid interest, if any, to the Stated Maturity or Redemption Date, as the case may be; (B) no Event of Default or event which with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing on the date of such deposit and no Event of Default under Section 501(5) or Section 501(6) shall have occurred and be continuing on the 123rd day after such date; (C) the Company has paid, or caused to be paid, all sums payable by it under this Indenture; and (D) the Company has delivered irrevocable instructions to the Trustee for the Securities of that series under this Indenture to apply the deposited money toward the payment of such Securities and coupons at the Stated Maturity or the Redemption Date, as the case may be. In addition, the Company must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee for the Securities of that series stating that all conditions precedent to satisfaction and discharge have been satisfied.

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Section 406. Survival of Certain Obligations.

Notwithstanding the satisfaction and discharge of this Indenture and of the Securities of a particular series referred to in Sections 401, 402, 404, or 405, the respective obligations of the Company and the Trustee for the Securities of a particular series under Sections 303, 304, 305, 309, 407, 408, 409, 410, and 508, Article Six, and Sections 701, 702, 1002, 1003, 1004 and 1006, shall survive with respect to Securities of that series until the Securities of that series are no longer outstanding, and thereafter the obligations of the Company and the Trustee for the Securities of a particular series with respect to that series under Sections 407, 408, 409, and 410 shall survive. Nothing contained in this Article Four shall abrogate any of the obligations or duties of the Trustee of any series of Securities under this Indenture.

Notwithstanding the satisfaction of the conditions set forth in Sections 404 or 405 with respect to all the Securities of any series not payable in Dollars, upon the happening of any Conversion Event the Company shall be obligated to make the payments in Dollars required by Section 311(d) to the extent that the Trustee is unable to convert any Foreign Currency or currency unit or currency unit in its possession pursuant to Sections 404 or 405 into the Dollar equivalent of such Foreign Currency or currency unit, as the case may be. If, after the deposits referred to in Sections 404 or 405 have been made, (x) the Holder of a Security is entitled to, and does, elect pursuant to Section 311(b) to receive payment in a currency or currency unit other than that in which the deposit pursuant to Sections 404 or 405 was made, or (y) a Conversion Event occurs as contemplated in Section 311(d), then the indebtedness represented by such Security shall be fully discharged to the extent that the deposit made with respect to such Security shall be converted into the currency or currency unit in which such Security is payable. The Trustee shall return to the Company any non-converted funds or securities in its possession after such payments have been made.

Section 407. Acknowledgment of Discharge by Trustee.

Subject to Section 410, after (i) the conditions of Section 404 or 405 have been satisfied with respect to the Securities of a particular series, (ii) the Company has paid or caused to be paid all other sums payable hereunder by the Company and (iii) the Company has delivered to the Trustee for the Securities of that series an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent referred to in clause (i) above relating to the satisfaction and discharge of this Indenture have been complied with, the Trustee for the Securities of that series upon written request shall acknowledge in writing the discharge of all of the Company's obligations under this Indenture except for those surviving obligations specified in this Article Four.

Section 408. Application of Trust Moneys.

All money and Government Obligations deposited with the Trustee for the Securities of a particular series pursuant to Section 404 or 405 in respect of the Securities of that series shall be held in trust and applied by it, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Holders of the Securities and all related coupons of all sums due and to become due thereon for principal (and premium, if any) and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee for the Securities of a particular series against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Section 404 or 405 with respect to the Securities of that series or the principal and interest

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received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of outstanding Securities of that series.

Section 409. Repayment to the Company; Unclaimed Money.

The Trustee and any Paying Agent for a series of Securities shall promptly pay or return to the Company upon Company Order any cash or Government Obligations held by them at any time that are not required for the payment of the principal of (and premium, if any) and interest, if any, on the Securities and all related coupons for Securities of that series for which cash or Government Obligations have been deposited pursuant to Section 404 or 405.

Any money deposited with the Trustee or any Paying Agent for the Securities of any series, or then held by the Company, in trust for the payment of the principal of (and premium, if any) and interest, if any, on any Security of any particular series and all related coupons appertaining thereto and remaining unclaimed for two years after such principal (and premium, if any) and interest, if any, has become due and payable shall, unless otherwise required by mandatory provisions of applicable escheat, or abandoned or unclaimed property law, be paid to the Company on Company Request or (if then held by the Company) shall be discharged from such trusts; and the Holder of such Security and all related coupons shall, thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of such Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that such Trustee or such Paying Agent, before being required to make any such repayment may give written notice to the Holder of such Security in the manner set forth in Section 106, that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will, unless otherwise required by mandatory provisions of applicable escheat, or abandoned or unclaimed property law, be repaid to the Company, as the case may be.

Section 410. Reinstatement.

If the Trustee or Paying Agent for a series of Securities is unable to apply any cash or Government Obligations, as applicable, in accordance with Section 402, 403, 404 or 405 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities of that series shall be revived and reinstated as though no deposit had occurred pursuant to Section 402, 403, 404 or 405 until such time as the Trustee or Paying Agent for that series is permitted to apply all such cash or Government Obligations in accordance with Section 402, 403, 404 or 405; provided, however, that if the Company has made any payment of principal (and premium, if any) and interest, if any, on any Securities and any related coupons because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities and such coupons to receive such payment from the cash or Government Obligations, as applicable, held by such Trustee or Paying Agent.

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ARTICLE 5

Remedies

Section 501. Events of Default.

"Event of Default" wherever used herein with respect to any particular series of Securities means any one of the following events and such other events as may be established with respect to the Securities of such series as contemplated by Section 301 (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law

pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any installment of interest upon any Security of that series and any related coupon when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity or default in the deposit of any sinking fund payment when and as due by the terms of any Security of that series; or

(3) default in the performance of, or breach of, any covenant or warranty of the Company in respect of any Security of that series contained in this Indenture or in such Securities (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with) and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee for the Securities of such series or to the Company and such Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(4) (A) the Company or any of its Subsidiaries fails to pay indebtedness for money borrowed by the Company or any of its Subsidiaries in an aggregate principal amount of at least \$40,000,000, at the later of final maturity or the expiration of any related applicable grace period and such payment shall not have been made, waived or extended within 30 days after written notice from the Trustee or the Holders of at least 25% in principal amount of the Outstanding Securities or (B) acceleration of maturity of Securities of another series or any other indebtedness for borrowed money of the Company or any of its Subsidiaries, in an aggregate principal amount exceeding \$40,000,000, under the terms of the instrument or instruments under which such indebtedness is issued or secured, if such indebtedness has not been discharged in full or such acceleration is not rescinded or annulled within 30 days after there has been given, by registered or certified mail, to the Company by the Trustee for the Securities of such series or to the Company and such Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the Company or any of its Principal Subsidiaries shall commence any case or proceeding seeking to have an order for relief entered on its behalf as debtor or to adjudicate it as bankrupt or insolvent or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing;

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or the Company or any of its Principal Subsidiaries shall apply for a receiver, custodian or trustee (other than any trustee appointed as a mortgagee or secured party in connection with the issuance of indebtedness for borrowed money of the Company) of it or for all or a substantial part of its property; or the Company or any of its Principal Subsidiaries shall make a general assignment for the benefit of creditors; or the Company or any of its Principal Subsidiaries shall take any corporate action in furtherance of any of the foregoing; or

(6) an involuntary case or other proceeding shall be commenced against the Company or any of its Principal Subsidiaries with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, liquidator, custodian or similar official of the Company or any of its Principal Subsidiaries or any substantial part of either's property; and such case or other proceeding (A) results in the entry of an order for relief or a similar order against either the Company or any of its Principal Subsidiaries or (B) shall continue unstayed and in effect for a period of 60 consecutive days; or

(7) any other Event of Default provided in the Security or the Board Resolution with respect to Securities of that series. Section 502. Acceleration of Maturity; Rescission and Annulment.

Section 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to any particular series of Securities and any related coupons occurs and is continuing (other than an Event of Default described in Section 501(5) or 501(6) with respect to the Company), then and in every such case either the Trustee for the Securities of such series or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the entire principal amount (or, in the case of (i) OID Securities, such lesser amount as may be provided for in the terms of that series or (ii) Indexed Securities, the amount determined in accordance with the specified terms of those Securities) of all the Securities of that series, to be due and payable immediately, by a notice in writing to the Company (and to such Trustee if given by Holders), and upon any such declaration of acceleration such principal or such lesser amount, as the case may be, together with accrued interest and all other amounts owing hereunder, shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

If any Event of Default specified in Section 501(5) or 501(6) occurs with respect to the Company, all of the unpaid principal amount (or, if the Securities of any series then outstanding are (i) OID Securities, such lesser amount as may be provided for in the terms of that series or (ii) Indexed Securities, the amount determined in accordance with the specified terms of those Securities) and accrued interest on all Securities of each series then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act by the Trustee or any Holder.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee for the Securities of any series as hereinafter provided in this Article, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and such Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with such Trustee a sum sufficient to pay in the currency or currency unit in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except as provided in Sections 311(b) and 311(d)).

(A) all overdue interest on all Securities of that series and any related coupons;

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(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon from the date such principal became due at a rate per annum equal to the rate borne by the Securities of such series (or, in the case of (i) OID Securities, the Securities' Yield to Maturity or (ii) Indexed Securities, the rate determined in accordance with the specified terms of those Securities), to the extent that the payment of such interest shall be legally enforceable;

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at a rate per annum equal to the rate borne by the Securities of such series (or, in the case of (i) OID Securities, the Securities' Yield to Maturity or (ii) Indexed Securities, the rate determined in accordance with the specified terms of those Securities); and

(D) all sums paid or advanced by such Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel and all other amounts due to such Trustee under Section 607;

and

(2) all Events of Default with respect to the Securities of such series, other than the nonpayment of the principal of Securities of that

series which has become due solely by such acceleration, have been cured or waived as provided in Section 513. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

(1) default is made in the payment of any interest upon any Security of any series and any related coupons when such interest becomes due and payable and such default continues for a period of 30 days; or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security of any series at its Maturity;

the Company will, upon demand of the Trustee for the Securities of such series, pay to the Trustee, for the benefit of the Holders of such Securities and coupons, the whole amount then due and payable on such Securities and coupons for principal (and premium if any) and interest, if any, with interest upon the overdue principal (and premium, if any) and, to the extent that payment of such interest shall be legally enforceable, upon any overdue installments of interest at a rate per annum equal to the rate borne by such Securities (or, in the case of (i) OID Securities, the Securities' Yield to Maturity or (ii) Indexed Securities, the rate determined in accordance with the specified terms of those Securities); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel and all other amounts due to such Trustee under Section 607.

If the Company fails to pay such amounts forthwith upon such demand, such Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding against the Company for the collection of the sums so due and unpaid, and may prosecute such proceedings to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities of such

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series and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities of such series, wherever situated.

If an Event of Default with respect to Securities of any particular series occurs and is continuing, the Trustee for the Securities of such series may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of that series by such appropriate judicial proceedings as such Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Company or any other obligor upon the Securities of any series or the property of the Company or of such other obligor or their creditors, the Trustee for the Securities of such series (irrespective of whether the principal (or, if the Securities of such series are (i) OID Securities or (ii) Indexed Securities, such amount as may be due and payable with respect to such Securities pursuant to a declaration in accordance with Section 502) of any Security of such series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether such Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise

(i) to file and prove a claim for the whole amount of principal (or, if the Securities of such series are (i) OID Securities or (ii) Indexed Securities, such amount as may be due and payable with respect to such Securities pursuant to a declaration in accordance with Section 502) (and premium, if any) and interest, if any, owing and unpaid in respect of the Securities of such series and any related coupons and to file such

other papers or documents as may be necessary or advisable in order to have the claims of such Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel and all other amounts due to such Trustee under Section 607) and of the Holders of the Securities of such series and any related coupons allowed in such judicial proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Securities and coupons to make such payments to such Trustee, and in the event that such Trustee shall consent to the making of such payments directly to the Holders of Securities and coupons, to pay to such Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel, and any other amounts due such Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee for the Securities of any series to authorize or consent to or accept or adopt on behalf of any Holder of a Security or coupon any plan of reorganization, arrangement, adjustment or composition affecting the Securities of such series or the rights of any Holder thereof, or to authorize the Trustee for the Securities or coupons of any series to vote in respect of the claim of any Holder in any such proceeding for the election of a trustee in bankruptcy or other person performing similar functions.

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Section 505. Trustee May Enforce Claims Without Possession of Securities or Coupons.

All rights of action and claims under this Indenture or the Securities or coupons of any series may be prosecuted and enforced by the Trustee for the Securities of any series without the possession of any of the Securities or coupons of such series or the production thereof in any proceeding relating thereto, and any such proceeding instituted by such Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel and all other amounts due to such Trustee under Section 607, be for the ratable benefit of the Holders of the Securities and coupons of such series in respect of which such judgment has been recovered.

Section 506. Application of Money Collected.

Any money collected by the Trustee for the Securities of any series pursuant to this Article with respect to the Securities or coupons of such series shall be applied in the following order, at the date or dates fixed by such Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, if any, upon presentation of the Securities or coupons of such series, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due such Trustee under Section 607;

Second: To the payment of the amounts then due and unpaid upon the Securities and coupons of such series for principal of (and premium, if any) and interest, if any, on such Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities and coupons for principal (and premium, if any) and interest, if any, respectively; and

Third: The balance, if any, to the Company.

Section 507. Limitation on Suits.

No Holder of any Security of any particular series or any related coupons shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or

for any other remedy hereunder, unless:

(1) an Event of Default with respect to that series shall have occurred and be continuing and such Holder shall have previously given written notice to the Trustee for the Securities of such series of such default and the continuance thereof;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee for the Securities of such series to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to such Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) such Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

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(5) no direction inconsistent with such written request has been given to such Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more Holders of Securities of that series shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of that series, or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Securities of that series.

Section 508. Unconditional Right of Holders to Receive Principal (and Premium, if any) and Interest, if any.

Notwithstanding any other provision in this Indenture, the Holder of any Security or coupon shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest, if any, on such Security on the respective Stated Maturities expressed in such Security or coupon (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies.

If the Trustee for the Securities of any series or any Holder of a Security or coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to such Trustee or to such Holder, then and in every such case the Company, such Trustee and the Holders of Securities or coupons shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of such Trustee and such Holders shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee for the Securities of any series or to the Holders of Securities or coupons is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee for the Securities of any series or of any Holder of any Security of such series to exercise any right or remedy

accruing upon any Event of Default with respect to the Securities of such series shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to such Trustee for the Securities or coupons of any series or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by such Trustee or by the Holders, as the case may be.

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Section 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities of any particular series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee for the Securities of such series with respect to the Securities of that series or exercising any trust or power conferred on such Trustee with respect to such Securities, provided that:

(1) such direction shall not be in conflict with any rule of law or with this Indenture and could not involve the Trustee in personal liability; and

(2) such Trustee may take any other action deemed proper by such Trustee which is not inconsistent with such direction.

Section 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any particular series and any related coupons may on behalf of the Holders of all the Securities of that series waive any past default hereunder with respect to that series and its consequences, except:

(1) a default in the payment of the principal of (or premium, if any) or interest, if any, on any Security of that series; or

(2) a default with respect to a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of that series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security or coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for the Securities or coupons of any series for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee for the Securities of any series, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any particular series or to any suit instituted by any Holder of any Security or coupon for the enforcement of the payment of the principal of (or premium, if any) or interest, if any, on any Security of such series or the payment of any coupon on or after the respective Stated Maturities expressed in such Security or coupon (or, in the case of redemption, on or after the Redemption Date).

Section 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or

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extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee for any series of Securities, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 516. Judgment Currency.

If, for the purpose of obtaining a judgment in any court with respect to any obligation of the Company hereunder or under any Security or any related coupon, it shall become necessary to convert into any other currency or currency unit any amount in the currency or currency unit due hereunder or under such Security or coupon, then such conversion shall be made by the Currency Determination Agent at the Market Exchange Rate as in effect on the date of entry of the judgment (the "Judgment Date"). If pursuant to any such judgment, conversion shall be made on a date (the "Substitute Date") other than the Judgment Date and there shall occur a change between the Market Exchange Rate as in effect on the Judgment Date and the Market Exchange Rate as in effect on the Substitute Date, the Company agrees to pay such additional amounts, if any, as may be necessary to ensure that the amount paid is equal to the amount in such other currency or currency unit which, when converted at the Market Exchange Rate as in effect on the Judgment Date, is the amount due hereunder or under such Security or coupon. Any amount due from the Company under this Section 516 shall be due as a separate debt and is not to be affected by or merged into any judgment being obtained for any other sums due hereunder or in respect of any Security or coupon. In no event, however, shall the Company be required to pay more in the currency or currency unit due hereunder or under such Security or coupon at the Market Exchange Rate as in effect on the Judgment Date than the amount of currency or currency unit stated to be due hereunder or under such Security or coupon so that in any event the Company's obligations hereunder or under such Security or coupon will be effectively maintained as obligations in such currency or currency unit, and the Company shall be entitled to withhold (or be reimbursed for, as the case may be) any excess of the amount actually realized upon any such conversion on the Substitute Date over the amount due and payable on the Judgment Date.

ARTICLE 6

The Trustee

Section 601. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default with respect to the Securities of any series for which the Trustee is serving as such,

(1) such Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against such Trustee; and

(2) in the absence of bad faith on its part, such Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to such Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to such Trustee, such Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

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(b) In case an Event of Default with respect to a series of Securities has occurred and is continuing, the Trustee for the Securities of such series shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee for Securities of any series from liability for its own

negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) such Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) such Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any particular series, determined as provided in Section 512, relating to the time, method and place of conducting any proceeding for any remedy available to such Trustee, or exercising any trust or power conferred upon such Trustee, under this Indenture with respect to the Securities of that series; and

(4) no provision of this Indenture shall require the Trustee for any series of Securities to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee for any series of Securities shall be subject to the provisions of this Section.

Section 602. Notice of Defaults.

Within 90 days after the occurrence of any default hereunder with respect to Securities of any particular series, the Trustee for the Securities of such series shall give to Holders of Securities of that series, in the manner set forth in Section 106, notice of such default known to such Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest, if any, on any Security of that series, or in the deposit of any sinking fund payment with respect to Securities of that series, such Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of such Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities of that series and related coupons. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of that series.

Section 603. Certain Rights of Trustee.

Except as otherwise provided in Section 601:

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(a) the Trustee for any series of Security may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, discretion, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Security, together with any coupons appertaining thereto, to the Trustee for authentication and delivery pursuant to Section 303 which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors of the Company may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture such Trustee shall

deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) such Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) such Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities of any series pursuant to this Indenture for which it is acting as Trustee, unless such Holders shall have offered to such Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) such Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, discretion, consent, order, bond, debenture or other paper or document, but such Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if such Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company;

(g) the Trustee may employ or retain such counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of determining and discharging its rights and duties hereunder and shall not be responsible for any misconduct on the part of any of them;

(h) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(i) the Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder; and

(k) the Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions

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pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

Section 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication thereof and in any coupons shall be taken as the statements of the Company, as the case may be, and neither the Trustee for any series of Securities, nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee for any series of Securities makes no representations as to the validity or sufficiency of this Indenture or of the Securities of any series or coupons, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the

Securities, and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and correct, subject to the qualifications set forth therein. Neither the Trustee for any series of Securities nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 605. May Hold Securities.

The Trustee for any series of Securities, any Authenticating Agent, Paying Agent, Security Registrar or any other agent of the Company, or such Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not such Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

Section 606. Money Held in Trust.

Money held by the Trustee for any series of Securities in trust hereunder need not be segregated from other funds except as provided in Section 115 and except to the extent required by law. The Trustee for any series of Securities shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company in writing, as the case may be.

Section 607. Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Trustee for any series of Securities as the Company and the Trustee shall agree in writing from time to time such compensation in Dollars for all services rendered by it hereunder as shall be agreed upon in writing from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee for any series of Securities in Dollars upon its request for all reasonable expenses, disbursements and advances incurred or made by such Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify such Trustee and its agents in Dollars for, and to hold them harmless against, any loss, damage, claims, liability or expense incurred without negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of this trust,

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including the costs and expenses of defending themselves against any claim, whether asserted by the Company or any Holder or any other Person, or liability in connection with the exercise or performance of any of their powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section, the Trustee for any series of Securities shall have a lien prior to the Securities upon all property and funds held or collected by such Trustee as such, except funds held in trust for the payment of principal of (and premium, if any) or interest, if any, on particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 501(5) or Section 501(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

Section 608. Disqualification; Conflicting Interests.

The Trustee for the Securities shall be subject to the provisions of Section 310(b) of the Trust Indenture Act during the period of time required thereby. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the penultimate paragraph of Section

310(b) of the Trust Indenture Act. In determining whether the Trustee has a conflicting interest as defined in Section 310(b) of the Trust Indenture Act with respect to the Securities of any series, there shall be excluded Securities of any particular series of Securities other than that series.

Section 609. Corporate Trustee Required; Different Trustees for Different Series; Eligibility.

There shall at all times be a Trustee hereunder which shall be

(i) a corporation or banking company organized and doing business under the laws of the United States of America, any state thereof, or the District of Columbia, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by Federal or State authority, or

(ii) a corporation or other Person organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation, or other order of the Commission, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustee, having a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company nor any Person directly or indirectly controlling, controlled by, or under the common control of the Company shall serve as Trustee for the Securities. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereunder specified in this Article.

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Section 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee for the Securities of any series and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee for the Securities of any series may resign at any time with respect to the Securities of such series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee for the Securities of such series within 60 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee for the Securities of any series may be removed at any time with respect to the Securities of such series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to such Trustee and to the Company.

(d) If at any time:

(1) the Trustee for the Securities of any series shall fail to comply with Section 310(b) of the Trust Indenture Act pursuant to Section 608 hereof after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security of such series for at least six months, unless the Trustee's duty to resign is stayed in accordance with the provisions of Section 310(b) of the Trust Indenture Act, or

(2) such Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) such Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of such Trustee or of its

property shall be appointed or any public officer shall take charge or control of such Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove such Trustee and appoint a successor Trustee or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee and the appointment of a successor Trustee.

(e) If the Trustee for the Securities of any series shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for the Securities of any series for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of such series and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of such series shall have not been appointed by the Company pursuant to this Section 610, then a successor Trustee may be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee. If no successor Trustee for the Securities of such series shall have been so appointed by the Company or the Holders and shall have accepted appointment in the manner required by Section 611, and if such Trustee to be replaced is still incapable of acting, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated,

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petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series in the manner and to the extent provided in Section 106. Each notice shall include the name of the successor Trustee with respect to the Securities of that series and the address of its Corporate Trust Office.

Section 611. Acceptance of Appointment by Successor.

(a) Every such successor Trustee appointed hereunder with respect to the Securities of any series shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the

same trust and each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in Subsections (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee for the Securities of any series shall be qualified and eligible under this Article.

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Section 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee for the Securities of any series may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of such Trustee, shall be the successor of such Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee or the Authenticating Agent for such series then in office, any successor by merger, conversion or consolidation to such authenticating Trustee or Authenticating Agent, as the case may be, may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee or successor Authenticating Agent had itself authenticated such Securities.

Section 613. Preferential Collection of Claims Against Company.

The Trustee is subject to Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated.

Section 614. Authenticating Agents.

At any time when any of the Securities of any series remain Outstanding, the Trustee for the Securities of such series may, subject to its sole discretion, appoint one or more Authenticating Agents with respect to the Securities of such series, which may include the Company or any Affiliate of the Company, with power to act on the Trustee's behalf and subject to its discretion in the authentication and delivery of Securities of such series in connection with transfers and exchanges under Sections 304, 305 and 1107 as fully to all intents and purposes as though such Authenticating Agent had been expressly authorized by those Sections of this Indenture to authenticate and deliver Securities of such series. For all purposes of this Indenture, the authentication and delivery of Securities of such series by an Authenticating Agent for such Securities pursuant to this Section shall be deemed to be authentication and delivery of such Securities "by the Trustee" for the Securities of such series. Any such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually pursuant to law or the requirements of such supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent for any series of Securities shall cease to be eligible in accordance with the

provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

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Any Authenticating Agent for any series of Securities may resign at any time by giving written notice of resignation to the Trustee for such series and to the Company. The Trustee for any series of Securities may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company in the manner set forth in Section 105. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent for any series of Securities shall cease to be eligible under this Section, the Trustee for such series may appoint a successor Authenticating Agent, shall give written notice of such appointment to the Company and shall give written notice of such appointment to all Holders of Securities of such series in the manner set forth in Section 106. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

If an appointment with respect to one or more series of Securities is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certification of authentication, an alternate certificate of authentication in the following form:

"This is one of the Securities of the series designated therein described in the within-mentioned Indenture.

The Bank of New York, as Trustee

By _____ By _____
As Authenticating Agent Authorized Signatory"

ARTICLE 7

Holders' Lists and Reports by Trustee and the Company

Section 701. Company to Furnish Trustee Names and Addresses of Holders.

With respect to each particular series of Securities, the Company will furnish or cause to be furnished to the Trustee for the Securities of such series,

(a) semi-annually, not more than 15 days after each Regular Record Date relating to Securities of each series at the time Outstanding (or, if there is no Regular Record Date relating to that series, on June 30 and December 31), a list, in such form as such Trustee may reasonably require, containing all the information in the possession or control of the Company or any of its Paying Agents other than such Trustee as to the names and addresses of the Holders of that series as of such dates,

(b) on semi-annual dates on each year to be determined pursuant to Section 301 if the Securities of such series do not bear interest, a list of similar form and content, and

(c) at such other times as such Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

excluding from any such list names and addresses received by such Trustee in its capacity as Security Registrar for the Securities of such series, if so acting.

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Section 702. Preservation of Information; Communications to Holders.

(a) The Trustee for each series of Securities shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of the Securities of such series contained in the most recent lists furnished to such Trustee as provided in Section 701 and the names and addresses of Holders of the Securities of such series received by such Trustee in its capacity as Security Registrar for such series, if so acting. The Trustee for each series of Securities may destroy any list relating to such series of Securities furnished to it as provided in Section 701 upon receipt of a new list relating to such series so furnished.

(b) If three or more Holders of Securities of any particular series (hereinafter referred to as "applicants") apply in writing to the Trustee for the Securities of any such series, and furnish to such Trustee reasonable proof that each such applicant has owned a Security of that series for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Securities of that series with respect to their rights under this Indenture or under the Securities of that series and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then such Trustee shall, within five Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by such Trustee in accordance with Section 702(a), or

(ii) inform such applicants as to the approximate number of Holders of Securities of that series whose names and addresses appear in the information preserved at the time by such Trustee in accordance with Section 702(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If any such Trustee shall elect not to afford such applicants access to that information, such Trustee shall, upon the written request of such applicants, mail to each Holder of Securities of that series whose name and address appears in the information preserved at the time by such Trustee in accordance with Section 702(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to such Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, such Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of such Trustee, such mailing would be contrary to the best interests of the Holders of Securities of that series or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, such Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise such Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities of each series or coupons, by receiving and holding the same, agrees with the Company and the Trustee for the Securities of such series that neither the Company nor such Trustee, nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of the Securities of such series in accordance with Section 702(b), regardless of the source from which such information was derived, and

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that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

Section 703. Reports by Trustee.

(a) Within 60 days after March 15 of each year, the Trustee for the Securities of each series shall mail to each Holder of the Securities of such series entitled to receive reports pursuant to Section 704(3), a brief report dated as of such date that complies with Section 313(a) of the Trust Indenture Act. The Trustee for the Securities of each series shall also comply with Sections 313(b), 313(c) and 313(d) of the Trust Indenture Act.

(b) At the time that the Trustee for the Securities of each series mails such a report to the Holders of Securities of such series, each such Trustee shall file a copy of that report with the Commission and with each stock exchange on which the Securities of that series are listed. The Company shall provide notice to the appropriate Trustee when the Securities of any series are listed on any stock exchange.

Section 704. Reports by Company.

The Company will:

(1) file with the Trustee for the Securities of such series, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with such Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee for the Securities of such series and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents, and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Holders of Securities of each series, as provided in Section 703(a), within 30 days after the filing thereof with the Trustee for the Securities of such series, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee, subject to Section 601 hereof, is entitled to rely exclusively on Officers' Certificates).

ARTICLE 8

Consolidation, Merger, Conveyance or Transfer

Section 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person unless:

(1) either the Company shall be the continuing corporation or the corporation (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee for each series of Securities, in form reasonably satisfactory to each such Trustee, the due and punctual payment of the principal of (and premium, if any) and interest, if any, (including all additional amounts, if any, payable pursuant to Sections 516 or 1009) on all the Securities and any related coupons and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default with respect to any series of Securities, and no event which, after notice or lapse of time, or both, would become an Event of Default with respect to any series of Securities, shall have happened and be continuing;

(3) the Company has delivered to the Trustee for each series of Securities an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 802. Successor Person Substituted.

Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein and thereafter the predecessor Person shall be relieved of all obligations and covenants under this Indenture, the Securities and any related coupons and, in the event of any such consolidation, merger, conveyance or transfer, the Company as the predecessor Person may thereupon or at any time thereafter be dissolved, wound up, or liquidated.

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ARTICLE 9

Supplemental Indentures

Section 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders of Securities or coupons, the Company, when authorized by a Board Resolution, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to such Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company, for the benefit of the Holders of all or any particular series of Securities and any related coupons (and, if such covenants are to be for the benefit of fewer than all series of Securities, stating that such covenants are being included solely for the benefit of such series), or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default with respect to any or all series of Securities (and, if any such Event of Default applies to fewer than all series of Securities, stating each series to which such Event of Default applies); provided, however, that in respect of any such additional Events of Default, such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may limit the

remedies available to the Trustee upon such default or may limit the right of Holders of a majority in aggregate principal amount of that or those series of Securities to which such additional Events of Default apply to waive such default; or

(4) to pledge property to the Trustee as security for the Securities; or

(5) to add guarantees with respect to the Securities; or

(6) to add to or to change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of (or premium, if any) or interest on Bearer Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations, to provide for the issuance of uncertificated Securities of any series in addition to or in place of any certificated Securities and to make all appropriate changes for such purposes; provided, however, that any such action shall not adversely affect the interests of the Holders of Securities of any series or any related coupons in any material respect; or

(7) to change or eliminate any of the provisions of this Indenture, provided, however, that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(8) to evidence and provide for the acceptance of appointment hereunder of a Trustee other than The Bank of New York as Trustee for a series of Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the

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administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 609; or

(9) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b); or

(10) to add to the conditions, limitations and restrictions on the authorized amount, form, terms or purposes of issue, authentication and delivery of Securities, as herein set forth, other conditions, limitations and restrictions thereafter to be observed; or

(11) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Section 401; provided, however, that any such action shall not adversely affect the interests of the Holders of Securities of such series and any related coupons or any other series of Securities in any material respect; or

(12) to add to or change or eliminate any provisions of this Indenture as shall be necessary or desirable in accordance with any amendments to the Trust Indenture Act or to maintain the qualification of this Indenture under the Trust Indenture Act; or

(13) to issue and establish the form and terms of any series of Securities; or

(14) to cure any ambiguity or mistake, to correct or supplement any provision herein which may be inconsistent with any other provision herein, to convey, transfer, assign, mortgage or pledge any property to or with the Trustee for the Securities of any series or to surrender any right or power herein conferred upon the Company, or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action shall not adversely affect the interests of the Holders of Securities of any particular series in any material respect.

Section 902. Supplemental Indentures With Consent of Holders.

The Company, when authorized by a Board Resolution, may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of such Securities and any related coupons under this Indenture, but only with the consent of the Holders of more than 50% in aggregate principal amount of the Outstanding Securities of each series of Securities then Outstanding affected thereby, in each case by Act of said Holders of Securities of each such series delivered to the Company and the Trustee for Securities of each such series; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon, if any (or, in the case of OID Securities, reduce the rate of accretion of original issue discount), or any premium payable upon the redemption thereof, or change any obligation of the Company to pay additional amounts pursuant to Section 1009 (except as contemplated by Section 801(1) and permitted by Section 901(1)) or reduce the amount of the principal of an OID Security that would be due and payable upon a declaration of acceleration of the Maturity thereof, or provable in bankruptcy, or, in the case of Indexed Securities, reduce the amount payable in accordance with

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the terms of those Securities upon a declaration of acceleration of Maturity thereof, or provable in bankruptcy, pursuant to Section 502, or change the Place of Payment, or the currency or currency unit in which any Security or the principal or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or reduce or alter the method of computation of any amount payable upon redemption, repayment or purchase of any Securities by the Issuer (or the time when such redemption, repayment or purchase may be made); or

(2) reduce the percentage in principal amount of the Outstanding Securities of any particular series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture; or

(3) modify any of the provisions of this Section or Section 513 or 1009, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder of a Security or coupon with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1009, or the deletion of this proviso, in accordance with the requirements of Sections 609, 611(b), 901(8) and 901(9).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee for any series of Securities shall be entitled to receive, and (subject to Section 601) shall be fully

protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee for any series of Securities may, but shall not be obligated to, enter into any such supplemental indenture which affects such Trustee's own rights, liabilities, duties or immunities under this Indenture or otherwise.

Section 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder and of any coupons appertaining thereto shall be bound thereby.

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Section 905. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 906. Reference in Securities to Supplemental Indentures.

Securities of any particular series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee for the Securities of such series, bear a notation in form approved by such Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series and any related coupons so modified as to conform, in the opinion the Board of Directors of the Company, to any such supplemental indenture may be prepared and executed by the Company and such Securities may be authenticated and delivered by such Trustee in exchange for Outstanding Securities of such series and any related coupons.

ARTICLE 10

Covenants

Section 1001. Payment of Principal (and Premium, if any) and Interest, if any.

The Company agrees, for the benefit of each particular series of Securities, that it will duly and punctually pay in the currency or currency unit in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except as provided in Sections 311(b) and 311(d)) the principal of (and premium, if any) and interest, if any, on that series of Securities in accordance with the terms of the Securities of such series, any coupons appertaining thereto and this Indenture. Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, any interest due on Bearer Securities on or before Maturity shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature. The interest, if any, due in respect of any temporary or permanent Global Security, together with any additional amounts payable in respect thereof, as provided in the terms and conditions of such Security, shall be payable, subject to the conditions set forth in Section 1009, only upon presentation of such Security to the Trustee thereof for notation thereon of the payment of such interest.

Section 1002. Maintenance of Office or Agency.

If Securities of a series are issuable only as Registered Securities the Company will maintain in each Place of Payment for that series an office or agency where Securities of that series may be presented or surrendered for payment, an office or agency where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company with respect to the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain (A) an office or agency (which may be the same office or agency) in a Place of Payment for that series in the United States where any Registered Securities of that series may be presented or surrendered for payment, where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange, where notices and demands to or upon the Company in

respect of the Securities of that series and this Indenture may be served and where Bearer Securities of that series and related coupons may be presented or surrendered for payment in the circumstances described in the following paragraph (and not

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otherwise), (B) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States, an office or agency where Securities of that series and related coupons may be presented and surrendered for payment; provided, however, that if the Securities of that series are listed on the Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of that series are listed on such exchange, and (C) subject to any laws or regulations applicable thereto, in a Place of Payment for that series located outside the United States an office or agency where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee for the Securities of that series of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency in respect of any series of Securities or shall fail to furnish the Trustee for the Securities of that series with the address thereof, such presentations (to the extent permitted by law), and surrenders of Securities of that series may be made and notices and demands may be made or served at the Corporate Trust Office of such Trustee, except that Bearer Securities of that series and the related coupons may be presented and surrendered for payment at the offices specified in the Security, and the Company hereby appoints the same as its agent to receive such presentations, surrenders, notices and demands.

Unless otherwise specified with respect to any Securities pursuant to Section 301, no payment of principal (and premium, if any) or interest, if any, on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States. Payments will not be made in respect of Bearer Securities or coupons appertaining thereto pursuant to presentation to the Company, or its designated Paying Agents within the United States. Notwithstanding the foregoing, payment of principal of (and premium, if any) and interest, if any, on any Bearer Security denominated and payable in Dollars will be made at the office of the Company's Paying Agent in the United States, if, and only if, payment in Dollars of the full amount of such principal, premium or interest, as the case may be, at all offices or agencies outside the United States maintained for that purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions and the Company has delivered to the Trustee an Opinion of Counsel to that effect.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Place of Payment) where the Securities of one or more series may be presented or surrendered for any or all of the purposes specified above in this Section and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for such purpose. The Company will give prompt written notice to the Trustee for the Securities of each series so affected of any such designation or rescission and of any change in the location of any such office or agency. Unless otherwise specified with respect to any Securities pursuant to Section 301 with respect to a series of Securities, the Company hereby designates as a Place of Payment for each series of Securities the office or agency of the Company in the Borough of Manhattan, the City of New York, and initially appoints the Trustee at its Corporate Trust Office as Paying Agent in such city and as its agent to receive all such presentations, surrenders, notices and demands.

Unless otherwise specified with respect to any Securities pursuant to Section 301, if and so long as the Securities of any series (i) are denominated in a currency other than Dollars or (ii) may be payable in a currency other than Dollars, or so long as it is required under any other provision of the Indenture,

then the Company will maintain with respect to each such series of Securities, or as so required, a Currency Determination Agent.

Section 1003. Money for Securities Payments To Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any particular series of Securities and any related coupons, it will, on or before each due date of the principal of (and premium, if any) or interest, if any, on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the currency or currency unit in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except as provided in Sections 311(b) and 311(d)) sufficient to pay the principal (and premium, if any) and interest, if any, so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee for the Securities of such series of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any particular series of Securities and any related coupons, it will, prior to each due date of the principal of (and premium, if any) or interest, if any, on any such Securities, deposit with a Paying Agent for the Securities of such series a sum (in the currency or currency unit described in the preceding paragraph) sufficient to pay the principal (and premium, if any) and interest, if any, so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto, and (unless such Paying Agent is the Trustee for the Securities of such series) the Company will promptly notify such Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any particular series of Securities other than the Trustee for the Securities of such series to execute and deliver to such Trustee an instrument in which such Paying Agent shall agree with such Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest, if any, on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (2) give such Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (or premium, if any) and interest, if any, on Securities of that series; and
- (3) at any time during the continuation of any such default, upon the written request of such Trustee, forthwith pay to such Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee for the Securities of any series all sums held in trust by the Company or such Paying Agent, such sums to be held by such Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to such Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Section 1004. [Intentionally Omitted]

Section 1005. Statements as to Compliance.

The Company will deliver to the Trustee for each series of Securities, within 120 days after the end of each fiscal year, a written statement signed by the principal executive officer, principal financial officer or principal accounting officer of the Company stating that:

- (1) a review of the activities of the Company during such year and

of performance under this Indenture has been made under his supervision;
and

(2) to the best of his knowledge, based on such review, the Company is in compliance with all conditions and covenants under this Indenture.

For purposes of this Section, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

Section 1006. Corporate Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any right or franchise if the Board of Directors of the Company shall determine that the preservation thereof is no longer necessary or desirable in the conduct of the business of the Company.

Section 1007. Limitation on Liens

The Company shall not, and shall not permit any of its Principal Subsidiaries to, issue, assume, incur or guarantee any indebtedness secured by a mortgage, pledge, lien or other encumbrance, directly or indirectly, on any of the Common Stock of a Principal Subsidiary owned by the Company or any of its Principal Subsidiaries, unless the Company's obligations under the Securities and, if the Company so elects, any other indebtedness of the Company ranking on a parity with, or prior to, the Securities, shall be secured equally and ratably with, or prior to, such secured indebtedness so long as it is outstanding and is so secured.

Section 1008. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 1004 to 1007, inclusive, if before or after the time for such compliance the Holders of more than 50% in principal amount of the Outstanding Securities of each series of Securities affected by the omission shall, in each case by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee for the Securities of each series with respect to any such covenant or condition shall remain in full force and effect.

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Section 1009. Payment of Additional Amounts.

If specified pursuant to Section 301, the provisions of this Section 1009 shall be applicable to Securities of any series.

The Company will, subject to the exceptions and limitations set forth below, pay to the Holder of any Security or coupon who is a United States Alien such additional amounts as may be necessary so that every net payment on such Security or coupon, after deduction or withholding by the Company or any of its Paying Agents for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by the United States (or any political subdivision or taxing authority thereof or therein), will not be less than the amount provided in such Security or in such coupon to be then due and payable. However, the Company will not be required to make any payment of additional amounts for or on account of:

(a) any tax, assessment or other governmental charge that would not have been so imposed but for (i) the existence of any present or former connection between such Holder or the beneficial owner of such Security or coupon (or between a fiduciary, settler or beneficiary of, or a person holding a power over, such Holder or such beneficial owner, if such Holder or such beneficial owner is an estate or trust, or a member or shareholder of such Holder or such beneficial owner, if such Holder or such beneficial owner is a partnership or corporation) and the United States, including, without limitation, such Holder or such beneficial owner (or such fiduciary, settler, beneficiary, person holding a power, member or shareholder) being or having been a citizen, resident

or treated as a resident thereof or being or having been engaged in trade or business or present therein or having or having had a permanent establishment therein, or (ii) such Holder's or such beneficial owner's present or former status as a personal holding company, foreign personal holding company, controlled foreign corporation or passive foreign investment company with respect to the United States or as a corporation that accumulates earnings to avoid United States federal income tax;

(b) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation by the Holder of such Security or coupon for payment on a date more than 10 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(c) any estate, inheritance, gift, sales, transfer, personal property tax or any similar tax, assessment or other governmental charge;

(d) any tax, assessment or other governmental charge required to be withheld by any Paying Agent from any payment in respect of any Security or coupon, if such payment can be made without such withholding by at least one other Paying Agent;

(e) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments in respect of such Security or coupon;

(f) any tax, assessment or other governmental charge imposed on a Holder or beneficial owner of a Security or coupon that (i) actually or constructively owns 10 percent or more of the total combined voting power of all classes of stock of the Company entitled to vote within the meaning of Section 871(h)(3) of the Code or that is a controlled foreign corporation related to the Company through stock ownership or (ii) is a bank described in Section 881(c)(3)(A) of the Code;

(g) any tax, assessment or other governmental charge imposed as a result of the failure to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Holder or beneficial owner of a Security or coupon, if such compliance is required by statute or by regulation of the United States, as a precondition to relief or exemption from such tax, assessment or other governmental charge;

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(h) any tax, assessment or other governmental charge imposed with respect to payments on any Registered Security by reason of the failure of the Holder or beneficial owner to fulfill the statement requirement of Sections 871(h) or 881(c) of the Code; or

(i) any combination of items (a), (b), (c), (d), (e), (f), (g) and (h);

nor will additional amounts be paid with respect to any payment on any such Security or coupon to a Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the United States (or any political subdivision thereof) to be included in the income for federal income tax purposes of a beneficiary or settler with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to payment of the additional amounts had beneficiary, settler, member or beneficial owner been the Holder of such Security or coupon.

The term "United States Alien" means any corporation, partnership, individual or fiduciary that is, as to the United States, a foreign corporation, a nonresident alien individual, a nonresident fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, as to the United States, a foreign corporation, a nonresident alien individual or a nonresident fiduciary of a foreign estate or trust.

Whenever in this Indenture there is mentioned, in any context, the payment of the principal of (and premium, if any) and interest, if any, on any Security or payment with respect to any coupon of any series, such mention shall be deemed to include mention of the payment of additional amounts provided for in the terms of such Securities and this Section to the extent that, in such context, additional amounts are, were or would be payable in respect thereof

pursuant to the provisions of this Section and express mention of the payment of additional amounts (if applicable) in any provisions hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

If the Securities of a series provide for the payment of additional amounts as contemplated by Section 301(20), at least 10 days prior to the first Interest Payment Date with respect to that series of Securities (or if the Securities of that series will not bear interest prior to maturity, the first day on which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of principal (and premium, if any) and interest, if any, if there has been any change with respect to the matters set forth in the below mentioned Officers' Certificate, the Company will furnish the Trustee for that series of Securities and the Company's principal Paying Agent or Paying Agents, if other than such Trustee, with an Officers' Certificate instructing such Trustee and such Paying Agent or Paying Agents whether such payment of principal of (and premium, if any) and interest, if any, on the Securities of that series shall be made to Holders of Securities of that series or any related coupons who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge referred to above or described in the Securities of that series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities or coupons and the Company will pay to the Trustee for such series of Securities or such Paying Agent such additional amounts as may be required pursuant to the terms applicable to such series. The Company covenants to indemnify the Trustee for such series of Securities and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without gross negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section 1009.

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Section 1010. Calculation of Original Issue Discount

If applicable the Company shall file with the Trustee promptly at the end of each calendar year (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on Outstanding Securities as of the end of such year and (ii) such other specific information relating to such original issue discount as may then be relevant under the Internal Revenue Code of 1986, as amended from time to time.

Section 1011. Statement by Officers as to Default

The Company shall deliver to the Trustee, as soon as possible and in any event within five days after the Company becomes aware of the occurrence of any Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or event and the action which the Company proposes to take with respect thereto.

ARTICLE 11

Redemption of Securities

Section 1101. Applicability of This Article.

Redemption of Securities of any series (whether by operation of a sinking fund or otherwise) as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; provided, however, that if any provision of any such form of Security shall conflict with any provision of this Article, the provision of such form of Security shall govern.

Section 1102. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities of any series shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company of less than all of the Securities of any particular series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee for the Securities of such series) notify such Trustee by Company Request of such

Redemption Date and of the principal amount of Securities of that series to be redeemed and shall deliver to such Trustee such documentation and records as shall enable such Trustee to select the Securities to be redeemed pursuant to Section 1103. In the case of any redemption of Securities of any series prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee for Securities of such series with an Officers' Certificate evidencing compliance with such restriction.

Section 1103. Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities are to be redeemed, the Company may select the series to be redeemed, and if less than all the Securities of any series are to be redeemed, the particular Securities of that series to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee for the Securities of such series, from the Outstanding Securities of that series not previously called for redemption, by such method as such Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for

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Securities of that series, or any integral multiple thereof) of the principal amount of Securities of that series of a denomination larger than the minimum authorized denomination for Securities of that series pursuant to Section 302 in the currency or currency unit in which the Securities of such series are denominated.

The Trustee for the Securities of any series to be redeemed shall promptly notify the Company in writing of the Securities of such series selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

Section 1104. Notice of Redemption.

Notice of redemption shall be given in the manner provided in Section 106 not later than the thirtieth (30th) day and not earlier than the sixtieth (60th) day prior to the Redemption Date, to each Holder of Securities to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,
- (3) if less than all Outstanding Securities of a particular series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular Securities to be redeemed, including the Identifying Number of such Securities,
- (4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder will receive, without charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed,
- (5) that on the Redemption Date the Redemption Price will become due and payable upon each such Security or portion thereof, and that interest thereon, if any (or in the case of OID Securities, original issue discount), shall cease to accrue on and after said date,
- (6) the place or places where such Securities, together in the case of Bearer Securities with all coupons appertaining thereto, if any, maturing after the Redemption Date are to be surrendered for payment of the Redemption Price,
- (7) that the redemption is for a sinking fund, if such is the case,

(8) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all coupons maturing subsequent to the date fixed for redemption or the amount of any such missing coupon or coupons will be deducted from the Redemption Price or security or indemnity satisfactory to the Company, the Trustee for such series and any Paying Agent is furnished, and

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(9) if Bearer Securities of any series are to be redeemed and any Registered Securities of such series are not to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on this Redemption Date pursuant to Section 305 or otherwise, the last date, as determined by the Company, on which such exchanges may be made.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee for such Securities in the name and at the expense of the Company.

Section 1105. Deposit of Redemption Price.

Prior to the opening of business on any Redemption Date, the Company shall deposit with the Trustee for the Securities to be redeemed or with a Paying Agent for such Securities (or, if the Company is acting as its own Paying Agent for such Securities, segregate and hold in trust as provided in Section 1003) an amount of money in the currency or currency unit in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such Series and except as provided in Sections 311(b) and 311(d)) sufficient to pay the principal amount of (and premium, if any, thereon), and (except if the Redemption Date shall be an Interest Payment Date) any accrued interest on, all the Securities which are to be redeemed on that date.

Section 1106. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified in the currency or currency unit in which the Securities of such series are payable (except as otherwise provided pursuant to Section 301 for the Securities of such series and except as provided in Sections 311(b) and 311(d)) and from and after such date (unless the Company shall default in the payment of the Redemption Price) such Securities shall cease to bear interest and the coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of such Security for redemption in accordance with said notice together with all coupons, if any, appertaining thereto maturing after the Redemption Date, such Security or specified portions thereof shall be paid by the Company at the Redemption Price; provided, however, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of coupons for such interest, and provided, further, that unless otherwise specified as contemplated by Section 301, installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Bearer Security surrendered for redemption shall not be accompanied by all coupons appertaining thereto maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons or the surrender of such missing coupon or coupons may be waived by the Company if there is furnished to the Company, the Trustee for such Security and any Paying Agent such security or indemnity as they may require to save the Company, such Trustee and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to such Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by coupons shall be payable

only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of those coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal thereof (and premium, if any, thereon) shall, until paid, bear interest from the Redemption Date at a rate per annum equal to the rate borne by the Security (or, in the case of (i) OID Securities, the Security's Yield to Maturity or (ii) Indexed Securities, the rate determined in accordance with the specified terms of those Securities).

Section 1107. Securities Redeemed in Part.

Any Registered Security which is to be redeemed only in part shall be surrendered at the Place of Payment (with, if the Company or the Trustee for such Security so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company, and the Security Registrar for such Security duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute and such Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Registered Security or Securities, of any authorized denomination as requested by such Holder, of the same series and having the same terms and provisions and in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Registered Security so surrendered.

Section 1108. Tax Redemption; Special Tax Redemption.

(a) If specified pursuant to Section 301, Securities of any series may be redeemed at the option of the Company in whole, but not in part, on not more than 60 days' and not less than 30 days' notice, on any Redemption Date at the Redemption Price specified pursuant to Section 301, if the Company determines that (A) as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction in the United States), which change or amendment is announced or becomes effective on or after a date specified in Section 301 with respect to any Security of such series, the Company has or will become obligated to pay additional amounts pursuant to Section 1009 with respect to any Security of such series or (B) on or after a date specified in Section 301 with respect to any Security of such series, any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, the United States or any political subdivision or taxing authority thereof or therein, including any of those actions specified in (A) above, whether or not such action was taken or decision was rendered with respect to the Company, or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the Opinion of Counsel to the Company will result in a material probability that the Company will become obligated to pay additional amounts pursuant to Section 1009 with respect to any Security of such series, and (C) in any such case specified in (A) or (B) above the Company, in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to the Company.

(b) Unless otherwise specified pursuant to Section 301, if the Company shall determine that any payment made outside the United States by the Company or any of their Paying Agents of principal or interest due in respect of any Bearer Security (an "Affected Security") of such series or any coupon appertaining thereto would, under any present or future laws or regulations of the United States, be subject to any certification, information or other reporting requirement of any kind, the effect of which requirement is the disclosure to the Company, any Paying Agent or any governmental authority of the

nationality, residence or identity (as distinguished from, for example, status as a United States Alien) of a beneficial owner of such Affected Security of such series or coupon that is a United States Alien (other than such a requirement that (i) would not be applicable to a payment made by the Company,

or any one of their Paying Agents (A) directly to the beneficial owner or (B) to a custodian, nominee or other agent of the beneficial owner, (ii) can be satisfied by such custodian, nominee or other agent certifying to the effect that such beneficial owner is a United States Alien; provided that, in each case referred to in clauses (i)(B) or (ii), payment by such custodian, nominee or other agent to such beneficial owner is not otherwise subject to any such requirement (other than a requirement which is imposed on a custodian, nominee or other agent described in item (iv) of this sentence), (iii) would not be applicable to a payment made by at least one other Paying Agent of the Company or (iv) is applicable to a payment to a custodian, nominee or other agent of the beneficial owner of such Security who is a United States person (as hereinafter defined), a controlled foreign corporation for United States tax purposes, a foreign person 50 percent or more of the gross income of which for the three-year period ending with the close of its taxable year preceding the year of payment is effectively connected with a United States trade or business, or is otherwise related to the United States), the Company shall elect by notice to the Trustee for such series of Securities either (x) to redeem the Affected Securities of such series, as a whole, at a redemption price equal to the principal amount thereof, together with interest accrued to the date fixed for redemption, or (y) if the conditions of the next succeeding paragraph are satisfied, to pay the additional amounts specified in such paragraph. The Company shall make such determination and election as soon as practicable and give prompt notice thereof (the "Determination Notice") in the manner described in Section 106 stating the effective date of such certification, information or reporting requirement, whether the Company has elected to redeem the Affected Securities of such series or to pay the additional amounts specified in the next succeeding paragraph, and (if applicable) the last date by which the redemption of the Affected Securities of such series must take place, as provided in the next succeeding sentence. If the Company elects to redeem the Affected Securities of such series, such redemption shall take place on such date, not later than one year after the giving of the Determination Notice, as the Company shall specify by notice to such Trustee given not less than 45 nor more than 75 days before the Redemption Date. Notice of such redemption of the Affected Securities of such series shall be given to the Holders thereof not less than 30 days nor more than 60 days prior to the Redemption Date. Notwithstanding the foregoing, the Company shall not so redeem the Affected Securities of such series if the Company shall subsequently determine by notice to the Trustee, not less than 30 days prior to the Redemption Date, that subsequent payments on the Affected Securities of such series would not be subject to any such certification, information or other reporting requirement, in which case the Company shall give prompt notice of such subsequent determination in the manner specified in Section 106 and any earlier redemption notice shall be revoked and be of no further effect. The right of the Holders of Affected Securities called for redemption to exchange such Affected Securities for Registered Securities (which Registered Securities will remain Outstanding following such redemption) will terminate on the fifteenth day prior to the Redemption Date, and no further exchanges of Affected Securities for Registered Securities shall be permitted unless the Company shall have made the subsequent determination and given the notice referred to in the preceding sentence. As used hereinabove, "United States person" means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States and any estate or trust the income of which is subject to United States federal income taxation regardless of its source.

If and so long as the certification, information or other reporting requirement referred to in the preceding paragraph would be fully satisfied by payment of a withholding tax, backup withholding tax or similar charge, the Company may elect by notice to the Trustee to pay such additional amounts as may be necessary so that every net payment made outside the United States following the effective date of such requirement by the Company or any of their Paying Agents of principal (or premium, if any) or interest, if any, due in respect of any Affected Security of such series or any coupon appertaining thereto to a Holder who certifies that the beneficial owner is a United States Alien (but without any requirement that the

nationality, residence or identity of such beneficial owner be disclosed to the Company, any Paying Agent or any governmental authority), after deduction or withholding for or on account of such withholding tax, backup withholding tax or similar charge (other than a withholding tax, backup withholding tax or similar charge that (i) is the result of a certification, information or other reporting requirement described in the third parenthetical clause of the first sentence of the preceding paragraph or (ii) is imposed as a result of presentation of any

such Affected Security or such coupon for payment more than 10 days after the date on which such payment becomes due and payable or on which payment thereof was duly provided for, whichever occurs later), will not be less than the amount provided in such Affected Security or such coupon to be then due and payable. In the event the Company elects to pay such additional amounts, (the Company's election to exercise such right to be evidenced by prompt notice to the Trustee for the Securities of the appropriate series), the Company will have the right, at its sole option, at any time, to redeem the Affected Securities of such series as a whole, but not in part, at the Redemption Price, subject to the provisions of the last four sentences of the immediately preceding paragraph. If the Company has made the determination described in the preceding paragraph with respect to certification, information or other reporting requirements applicable only to interest and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph with respect to such requirements applicable to principal, the Company will redeem the Affected Securities of such series in the manner and on the terms described in the preceding paragraph unless the Company elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances the Affected Securities of such series are to be redeemed, the Company shall have no obligation to pay additional amounts pursuant to this paragraph with respect to principal (or premium, if any) or interest accrued and unpaid after the date of the notice of such determination indicating such redemption, but will be obligated to pay such additional amounts with respect to interest accrued and unpaid to the date of such determination. If the Company elects to pay additional amounts pursuant to this paragraph and the condition specified in the first sentence of this paragraph should no longer be satisfied, then the Company shall promptly redeem the Affected Securities of such series in whole, but not in part, at the Redemption Price subject to the provisions of the last four sentences of the immediately preceding paragraph. If the Company elects to, or is required to, redeem the Affected Securities of such series pursuant to this paragraph, it shall publish in the manner and to the extent provided in Section 106 prompt notice thereof. If the Affected Securities of such series are to be redeemed pursuant to this paragraph, the redemption shall take place on such date, not later than one year after publication of the notice of redemption, as the Company shall specify by notice to the Trustee for such series of Securities at least 60 days prior to the Redemption Date. Any redemption payments made by the Company pursuant to this paragraph shall be subject to the continuing obligation of the Company to pay additional amounts pursuant to this paragraph.

ARTICLE 12

Sinking Funds

Section 1201. Applicability of This Article.

Redemption of Securities through operation of a sinking fund as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; provided, however, that if any provision of any such form of Security shall conflict with any provision of this Article, the provision of such form of Security shall govern.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any particular series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any particular series is herein referred

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to as an "optional sinking fund payment". If provided for by the terms of Securities of any particular series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any particular series as provided for by the terms of Securities of that series.

Section 1202. Satisfaction of Sinking Fund Payments With Securities.

The Company (1) may deliver Outstanding Securities of a series (other than any previously called for redemption), together in the case of any Bearer Securities of such series with all unmatured coupons appertaining thereto, and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or

through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided, however, that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee for such Securities at the principal amount thereof and the amount of such sinking fund payment shall be reduced accordingly.

Section 1203. Redemption of Securities for Sinking Fund.

Not less than 60 days prior to each sinking fund payment date for any particular series of Securities, the Company will deliver to the Trustee for the Securities of such series an Officers' Certificate specifying the amount of the next ensuing mandatory sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash in the currency or currency unit in which the Securities of that series are payable (except as otherwise specified pursuant to Section 301 for the Securities of that series and except as provided in Sections 311(b) and 311(d)) and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 1202 and shall state the basis for such credit and that such Securities have not previously been so credited and will also deliver to such Trustee any Securities to be so delivered. Such Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE 13

Meetings of Holders of Securities

Section 1301. Purposes for Which Meetings May Be Called.

If Securities of a series are issuable as Bearer Securities, a meeting of Holders of Securities of such series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

Section 1302. Call, Notice and Place of Meetings.

(a) The Trustee for any series of Securities that includes Bearer Securities, may at any time call a meeting of the Holders of Securities of such series for any purpose specified in Section 1301, to be held at

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such time and at such place in the Borough of Manhattan, The City of New York, or in London, as such Trustee shall determine. Notice of every meeting of Holders of Securities of such series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 20 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in principal amount of the Outstanding Securities of any such series shall have requested the Trustee for any such series to call a meeting of the Holders of Securities of such series for any purpose specified in Section 1301, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and such Trustee shall not have made the first publication of the notice of such meeting within 30 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in London, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

Section 1303. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee for such series and its counsel and any representatives of the Company and its counsel.

Section 1304. Quorum; Action.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Subject to Section 1305(d), notice of the reconvening of any adjourned meeting shall be given as provided in Section 1302(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly that Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series shall constitute a quorum.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series; provided, however, that except as limited by the proviso to Section 902, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage which is less than a majority in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the

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affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of that series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the related coupons, whether or not present or represented at the meeting.

Section 1305. Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Notwithstanding any other provision of this Indenture, the Trustee for any series of Securities that includes Bearer Securities may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of such series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee for any series of Securities that includes Bearer

Securities shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1302(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Security of such series or proxy shall be entitled to one vote for each \$1,000 principal amount of Securities of such series held or represented by him as determined in accordance with Section 115; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(d) Any meeting of holders of Securities of any series duly called pursuant to Section 1302 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

Section 1306. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each

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meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1302 and, if applicable, Section 1304. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee for such series of Securities to be preserved by such Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture dated as of _____, 2001 to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of _____, 2001.

HUMANA INC.,
Issuer

By: _____
Name:
Title:

Attest:

THE BANK OF NEW YORK,
Trustee

By: -----

Name:
Title:

Attest:

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EXHIBIT A

[FORM OF CERTIFICATE TO BE DELIVERED TO EUROCLEAR OR CLEARSTREAM BANKING BY A BENEFICIAL OWNER OF SECURITIES, IN ORDER TO RECEIVE A DEFINITIVE BEARER SECURITY IN EXCHANGE FOR AN INTEREST IN A TEMPORARY GLOBAL SECURITY OR TO EXCHANGE AN INTEREST IN A TEMPORARY GLOBAL SECURITY FOR AN INTEREST IN A PERMANENT GLOBAL SECURITY]

HUMANA INC.

[Insert title or description of Securities]

Reference is hereby made to the Indenture, dated as of _____, 2001 (the "Indenture") between Humana Inc. (the "Company") and The Bank of New York, as Trustee. Terms used herein unless otherwise defined shall have the meanings ascribed to them in the Indenture.

This is to certify that as of the date hereof [and except as provided in the fourth paragraph hereof]*, \$_____ principal amount of the above-captioned Securities represented by a temporary Global Security (the "temporary Global Security") held by you for our account is:

(i) beneficially owned by persons that are not United States persons (as defined below);

(ii) owned by United States person(s) that are (a) foreign branches of United States financial institutions (as defined in United States Treasury Regulation Section 1.165-12(c)(1)(v) ("financial institutions")) purchasing for their own account or for resale, or (b) United States person(s) who acquired the beneficial interest in the temporary Global Security through foreign branches of United States financial institutions and who hold the beneficial interest in the temporary Global Security through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, for the benefit of the Company, that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder); or

(iii) owned by financial institution(s) for the purpose of resale during the restricted period (as defined in United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(7)) and, in addition, financial institution(s) described in this clause (iii) (whether or not also described in clause (i) or (ii)), further certify that they have not acquired the beneficial interest in the temporary Global Security for the purpose of resale directly or indirectly to a United States person or to a person within the United States.

"United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States federal income taxation regardless of its source, and "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (including the Commonwealth of Puerto Rico).

[This certificate excepts and does not relate to \$_____ principal amount of the temporary Global Security held by you for our account as to which we are not able to provide a certificate in this form. We understand that exchange of such portion of the temporary Global Security for [definitive Bearer Securities] [interests in a permanent Global Security] cannot be made until we are able to provide a certificate in this form.]* We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the above-captioned Securities held by you for our account if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

We understand that this certificate is required in connection with certain tax laws and regulations in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:

[Name of Person Making Certification]

By:

* Delete if inappropriate.

EXHIBIT B

[FORM OF CERTIFICATE TO BE GIVEN TO THE APPROPRIATE TRUSTEE BY EUROCLEAR OR CLEARSTREAM BANKING REGARDING THE EXCHANGE OF A TEMPORARY GLOBAL SECURITY FOR DEFINITIVE SECURITIES OR FOR A PORTION OF A PERMANENT GLOBAL SECURITY]

HUMANA INC.

[Insert title or description of Securities]

Reference is hereby made to the Indenture, dated as of _____, 2001 (the "Indenture") between Humana Inc. (the "Company") and The Bank of New York, as Trustee. Terms used herein unless otherwise defined shall have the meanings ascribed to them in the Indenture.

We refer to that portion of the temporary Global Security in respect of the above-captioned Securities which is herewith submitted to be exchanged for [definitive Bearer Securities] [interests in a permanent Global Security] (the "Submitted Portion") as provided in the Prospectus Supplement dated [insert date of Prospectus Supplement] in respect of such issue. This is to certify that (i) we have received in writing or by tested telex or electronically (in accordance with the requirements of United States Treasury Regulation Section 1.163-5(c) (2) (i) (D) (3) (ii)) a certificate or certificates with respect to the entire Submitted Portion, substantially in the form of Exhibit B to the Indenture, and (ii) the Submitted Portion includes no part of the temporary Global Security excepted in such certificates.

We further certify that as of the date hereof we have not received any notification from any of the persons giving such certificates to the effect that the statements made by them with respect to any part of the Submitted Portion are no longer true and cannot be relied on as of the date thereof.

We understand that this certificate is required in connection with certain tax laws and regulations in the United States of America. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.
Submitted Portion:

U.S. \$ _____
Date: _____

[Euroclear Bank S.A./N.V.] [Clearstream Banking S.A.]*

By: _____

* Delete if inappropriate.

EXHIBIT C

[FORM OF CERTIFICATE TO BE DELIVERED TO EUROCLEAR OR CLEARSTREAM BANKING BY A BENEFICIAL OWNER OF SECURITIES, IN ORDER TO RECEIVE PAYMENT ON A TEMPORARY GLOBAL SECURITY]

HUMANA INC.

[Insert title or description of Securities]

Reference is hereby made to the Indenture, dated as of _____, 2001 (the "Indenture") between Humana Inc. (the "Company") and The Bank of New York, as Trustee. Terms used herein unless otherwise defined shall have the meanings ascribed to them in the Indenture.

This is to certify that as of the date hereof [and except as provided in the fourth paragraph hereof]*, \$ _____ principal amount of the above-captioned Securities represented by a temporary Global Security (the "temporary Global Security") held by you for our account is:

(i) beneficially owned by persons that are not United States persons (as defined below);

(ii) owned by United States person(s) that are (a) foreign branches of United States financial institutions (as defined in United States Treasury Regulation Section 1.165-12(c)(1)(v) ("financial institutions")) purchasing for their own account or for resale, or (b) United States person(s) who acquired the beneficial interest in the temporary Global Security through foreign branches of United States financial institutions and who hold the beneficial interest in the temporary Global Security through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, for the benefit of the Company, that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder); or

(iii) owned by financial institution(s) for the purpose of resale during the restricted period (as defined in United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(7)) and, in addition, financial institution(s) described in this clause (iii) (whether or not also described in clause (i) or (ii)), further certify that they have not acquired the beneficial interest in the temporary Global Security for the purpose of resale directly or indirectly to a United States person or to a person within the United States.

"United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the

laws of the United States and an estate or trust the income of which is subject to United States federal income taxation regardless of its source, and "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (including the Commonwealth of Puerto Rico).

[This certificate excepts and does not relate to \$_____ principal amount of the temporary Global Security held by you for our account as to which we are not able to provide a certificate in this form. We understand that payments, if any, due with respect to such portion of the temporary Global Security cannot be made until we are able to provide a certificate in this form.]*

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the above-captioned Securities held by you for our account if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

We understand that this certificate is required in connection with certain tax laws and regulations in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:

[Name of Person Making Certification]

By:

* Delete if inappropriate.

EXHIBIT D

[FORM OF CERTIFICATE TO BE GIVEN TO THE APPROPRIATE TRUSTEE BY EUROCLEAR OR CLEARSTREAM BANKING REGARDING PAYMENT ON A TEMPORARY GLOBAL SECURITY]

HUMANA INC.

[Insert title or description of Securities]

Reference is hereby made to the Indenture, dated as of _____, 2001 (the "Indenture") between Humana Inc. (the "Company") and The Bank of New York, as Trustee. Terms used herein unless otherwise defined shall have the meanings ascribed to them in the Indenture.

We refer to that portion of the temporary Global Security in respect of the above-captioned Securities for which we hereby request that you make payment to us of the amounts payable on the relevant payment date (the "Submitted Portion") as provided in the Prospectus Supplement dated [insert date of Prospectus Supplement] in respect of such issue. This is to certify that (i) we have received in writing or by tested telex or electronically (in accordance with the requirements of United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(3)(ii)) a certificate or certificates with respect to the entire Submitted Portion, substantially in the form of Exhibit D to the Indenture, and (ii) the Submitted Portion includes no part of the temporary Global Security excepted in such certificates.

We further certify that as of the date hereof we have not received any notification from any of the persons giving such certificates to the effect that the statements made by them with respect to any part of the Submitted Portion are no longer true and cannot be relied on as of the date thereof.

We understand that this certificate is required in connection with certain tax laws and regulations in the United States of America. If administrative or

legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Submitted Portion:

U.S. \$ -----

Dated: -----

[Euroclear Bank S.A./N.V.]*
[Clearstream Banking S.A.]*

By: -----

* Delete if inappropriate.

HUMANA INC.

% Senior Notes Due 2006

REGISTERED

No. []

PRINCIPAL AMOUNT
\$300,000,000
CUSIP No.

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY (THE "DEPOSITARY") TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

HUMANA INC., a Delaware corporation (the "Issuer" or the "Company," which terms include any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of THREE HUNDRED MILLION DOLLARS on , 2006, and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months), semi-annually in arrears on and (the "Interest Payment Dates") of each year, commencing on , 2002, at the rate per annum specified in the title of this Note from August , 2001 or the most recent Interest Payment Date to which interest had been paid or duly provided for.

The interest so payable and punctually paid or duly provided for on any Interest Payment Date will as provided in the Indenture be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the and (the "Record Date") immediately preceding such Interest Payment Date. Payment of the principal of (and premium, if any) and interest on this Note will be made at the office or agency of the Company maintained by the Company for such purpose, in the Borough of Manhattan, The City of New York, which initially will be in the corporate trust office of The Bank of New York, the Trustee for this Note under the Indenture, located at 101 Barclay Street, New York, New York

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10286, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by or on behalf of The Bank of New York, the Trustee for this Note under the Indenture, or its successor thereunder, by the manual signature of one of its authorized officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or in facsimile, and an imprint or facsimile of its corporate

seal to be imprinted hereon.

Dated: August _____, 2001

HUMANA INC.

By: _____
Name:
Title:

[FACSIMILE OF SEAL]

Attest:

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein described in the within-mentioned Indenture.

THE BANK OF NEW YORK,
as Trustee

By: _____
Authorized Signatory

(Reverse of Note)

HUMANA INC.

This Note is one of a duly authorized issue of Securities of the Company designated as its % Senior Notes Due 2006 (the "Notes"). The Notes are one of an indefinite number of series of debt securities of the Company (the "Securities"), issued or issuable under and pursuant to an indenture (the "Indenture") dated as of August , 2001, between the Company and The Bank of New York (herein called the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are to be authenticated and delivered. The terms, conditions and provisions of the Notes are those stated in the Indenture, those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended, and those set forth in this Note. This Note is one of a series designated on the face hereof initially issued in an aggregate principal amount of \$300,000,000. The Company may, from time to time, without the consent of the Holders, issue and sell additional Securities ranking equally with the Notes and otherwise identical in all respects (except for their date of issue, issue price and the date from which interest payments thereon shall accrue) so that such additional Securities shall be consolidated and form a single series with the Notes.

The terms of other series of Securities issued under the Indenture may vary with respect to interest rates or interest rate formulas, issue dates, maturity, redemption, repayment, currency of payment and otherwise as provided in the Indenture. The Indenture further provides that Securities of a single series may be issued at various times, with different maturity dates and may bear interest at different rates. All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

This Note is not subject to any sinking fund.

If an Event of Default (other than an Event of Default described in

Section 501 (5) or 501(6) of the Indenture, with respect to the Company) with respect to the Notes shall occur and be continuing, then either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes of this series then Outstanding may declare the aggregate principal amount of the Notes of this series due and payable in the manner and with the effect provided in the Indenture. If an Event of Default specified in Section 501(5) or 501(6) occurs with respect to the Company, all of the unpaid principal amount and accrued interest thereon shall ipso facto become and be immediately due and payable in the manner and with the effect provided in the Indenture without any declaration or other act by the Trustee or any Holder.

This Note may be redeemed at any time in whole, or from time to time in part, at the option of the Company (such date of redemption, the "Optional Redemption Date") at the Redemption Price (as defined below) together with interest accrued thereon to the Optional Redemption Date.

The "Redemption Price" shall equal to the greater of:

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- . 100% of the principal amount of the Notes to be redeemed; and
- . the sum of the present values of the remaining scheduled payments on the Notes to be redeemed consisting of principal and interest, exclusive of interest accrued to the Optional Redemption Date, discounted to the Optional Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield plus 25 basis points plus accrued interest to the date of redemption.

The Notes called for redemption become due on the Optional Redemption Date. Notices of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the Optional Redemption Date to each Holder of Notes to be redeemed at its registered address. The notice of redemption for the Notes will state the amount to be redeemed. On and after the Optional Redemption Date, interest will cease to accrue on any Notes that are redeemed. If less than all the Notes are redeemed at any time, the Trustee will select Notes on a pro rata basis or by any other method the Trustee deems fair and appropriate.

For purposes of determining the Redemption Price, the following definitions are applicable:

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining terms of the Notes.

"Comparable Treasury Price" means, with respect to any Optional Redemption Date:

the average of the bid and the asked prices for the Comparable Treasury Issue, expressed as a percentage of its principal amount, at 4:00 p.m. on the third business day preceding that Optional Redemption Date, as set forth on "Telerate Page 500," or such other page as may replace Telerate Page 500; or

if Telerate Page 500, or any successor page, is not displayed or does not contain bid and/or asked prices for the Comparable Treasury Issue at that time, the average of the Reference Treasury Dealer Quotations obtained by the Trustee for that Optional Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or, if the Trustee is unable to obtain at least four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained by the Trustee.

"Independent Investment Banker" means either J.P. Morgan Securities Inc. or Lehman Brothers Inc., as selected by us or, if both such firms are unwilling or unable to select the applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee and reasonably acceptable to the Company.

"Reference Treasury Dealer" means J.P. Morgan Securities Inc. and Lehman Brothers Inc. and their respective successors and three other primary U.S. government securities dealers in New York City selected by the Independent Investment Banker (each, a "Primary Treasury Dealer"); provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Optional Redemption Date for the Notes, an average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue for the Notes, expressed in each case as a percentage of its principal amount, quoted in writing to the Trustee by the Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding the Optional Redemption Date.

"Treasury Yield" means, with respect to any Optional Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity, computed as of the third business day immediately preceding the Optional Redemption Date, of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue, expressed as a percentage of its principal amount, equal to the applicable Comparable Treasury Price for the Optional Redemption Date.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee with the consent of the Holders of more than 50% in principal amount of the Securities at the time Outstanding of each series issued under the Indenture to be affected thereby, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Holders of the Securities of such series; provided, however, that no such supplemental indenture shall, among other things, (i) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or interest thereon, if any, or any premium payable upon redemption thereof; or (ii) change the Place of Payment on any Security or the currency or currency unit in which any Security or the principal or interest thereon is payable; (iii) impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof; (iv) reduce or alter the method of computation of any amount payable upon redemption, repayment or purchase of any Securities by the Company (or the time when such redemption, repayment or purchase may be made); or (v) reduce the percentage in principal amount of the Securities, the Holders of which are required to consent to any supplemental indenture, without the consent of the Holder of each Security affected thereby. The Indenture also contains provisions permitting the Holders of more than 50% in principal amount of the Securities of each series at the time outstanding, on behalf of the Holders of all the Securities of that series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences with respect to such series, except a default in the payment of principal of or interest, if any, on any Security of that series or a default with respect to a covenant or provision of the Indenture which cannot be amended without the consent of such Holder.

The Notes are issuable only in registered form without coupons in denominations of \$1,000 and integral multiples thereof. The Notes shall be initially issued in the form of a Global Security. As provided in the Indenture and subject to certain limitations therein set forth,

the Notes are exchangeable for a like aggregate principal amount of Notes as requested by the Holder surrendering the same. If (x) the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, (y) the Company delivers to the Trustee a Company Order to the effect that this Note shall be exchangeable or (z) an Event of Default has occurred and is continuing with respect to the Notes, this Note shall be exchangeable for Notes in definitive form and in an

equal aggregate principal amount. Such definitive Notes shall be registered in such name or names as the Depository shall instruct the Trustee.

As provided in the Indenture and subject to certain limitations set forth therein and above, the transfer of this Note may be registered on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the time, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Certain of the Company's obligations under the Indenture with respect to Notes, may be terminated if the Company irrevocably deposits with the Trustee money or Government Obligations sufficient to pay and discharge the entire indebtedness on all Notes, as provided in the Indenture.

No recourse shall be had for the payment of the principal of (and premium, if any), or the interest, if any, on this Note, or for any claim based thereon, or upon any obligation, covenant or agreement of the Company in the Indenture, against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise; and all such personal liability is expressly released and waived as a condition of, and as part of the consideration for, the issuance of this Note.

The Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

ASSIGNMENT/TRANSFER FORM

FOR VALUE RECEIVED the undersigned registered Holder hereby sell(s), assign(s) and transfer(s) unto (insert Taxpayer Identification No.)

(Please print or typewrite name and address including postal zip code of assignee)

the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said

Note on the books of the Company with full power of substitution in the premises.

Date: -----

NOTICE: The signature of the

registered Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

[FRIED, FRANK, HARRIS, SHRIVER & JACOBSON LETTERHEAD]

August 2, 2001

Humana Inc.
500 West Main Street
Louisville, Kentucky 40202

Ladies and Gentlemen:

We have acted as special counsel to Humana Inc., a Delaware corporation (the "Company"), in connection with the preparation of a Registration Statement on Form S-3 (File No. 333-63384) (together with any amendments thereto, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), covering \$300,000,000 aggregate issue amount of debt securities (the "Debt Securities") to be issued by the Company. All capitalized terms used herein that are defined in, or by reference in, the Registration Statement have the meanings assigned to such terms therein or by reference therein, unless otherwise defined herein. With your permission, all assumptions and statements of reliance herein have been made without any independent investigation or verification on our part except to the extent otherwise expressly stated, and we express no opinion with respect to the subject matter or accuracy of such assumptions or items relied upon.

In connection with this opinion, we have (i) investigated such questions of law, (ii) examined originals or certified, conformed or reproduction copies of such agreements, instruments, documents and records of the Company, such certificates of public officials and such other documents, and (iii) received such information from officers and representatives of the Company as we have deemed necessary or appropriate for the purposes of this opinion. We have examined, among other documents, the following:

- (a) the Registration Statement; and
- (b) the Indenture.

The documents referred to in items (a) and (b) above, inclusive, are referred to herein collectively as the "Documents".

In all such examinations, we have assumed the legal capacity of all natural persons executing Documents, the genuineness of all signatures, the authenticity of original and certified documents and the conformity to original or certified documents of all copies submitted to us as conformed or reproduction copies. As to various questions of fact relevant to the opinion expressed herein, we have relied upon, and assume the accuracy of, representations and warranties contained in the Documents and certificates and oral or written statements and other information of or from representatives of the Company and others and assume compliance on the part of all parties to the Documents with their covenants and agreements contained therein.

To the extent it may be relevant to the opinion expressed herein, we have assumed that the parties to the Documents other than the Company have the power and authority to enter into and perform such Documents and to consummate the transactions contemplated thereby, that the documents have been duly authorized, executed and delivered by, and constitute legal, valid and binding obligations of such parties enforceable against such parties in accordance with their terms, and that such parties will comply with all of their obligations under the Documents and all laws applicable thereto.

Based upon the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, we are of the opinion that when (i) the Registration Statement has become effective under the Securities Act, (ii) the Debt Securities have been duly executed, authenticated and delivered in accordance with the terms of the Indenture and (iii) the Debt Securities have been issued and sold as contemplated in the Registration Statement, the Debt Securities will constitute valid and binding obligations of the Company.

The opinion expressed herein is subject to (i) all applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws (and

related judicial doctrines) of general application affecting creditors' rights generally and (ii) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness, equitable defenses and limits as to the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity.

We express no opinion as to the legality or binding effect of any provision of the Debt Securities or the Indenture providing for payments thereunder in a currency other than currency of the United States of America to the extent that a court of competent jurisdiction, under applicable law, will convert any judgment rendered in such other currency into currency of the United States of America or to the extent that payment in a currency other than the currency of the United States of America is contrary to applicable law. In this connection, we note that, as of the date of this opinion, in the case of a Debt Security denominated in foreign currency, a state court in the State of New York rendering a judgment on such Debt Security would be required under Section 27 of the New York Judiciary Law to render such judgment in the foreign currency in which the Debt Security is denominated, and such judgment would be converted into United States dollars at the exchange rate prevailing on the date of entry of the judgment.

The opinion expressed herein is limited to the laws of the United States of America and the laws of the State of New York and, to the extent relevant to the opinion expressed above, the General Corporation Law of the State of Delaware, as currently in effect together with applicable provisions of the Constitution of the State of Delaware and relevant decisional law. The opinion expressed herein is given as of the date hereof, and we undertake no obligation to supplement this letter if any applicable laws change after the date hereof or if we become aware of any facts that might change the opinion expressed herein after the date hereof or for any other reason.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the caption "Legal Matters" in the Prospectus

forming a part of the Registration Statement. In giving these consents, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

The opinion expressed herein is solely for your benefit in connection with the Registration Statement and may not be relied on in any manner or for any purpose by any other person or entity and may not be quoted in whole or in part without our prior written consent.

Very truly yours,

FRIED, FRANK, HARRIS, SHRIVER & JACOBSON

By: /s/ Jeffrey Bagner

Jeffrey Bagner

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-3 of our report dated February 7, 2001 relating to the financial statements and parent company financial information of Humana Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

PricewaterhouseCoopers LLP
Louisville, Kentucky
August 1, 2001